



22 August 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited (Coles) – Appendix 4E and Annual Results for the period ended 25 June 2023

In accordance with ASX Listing Rule 4.3A and the *Corporations Act 2001* (Cth), I enclose the following for immediate release to the market:

1. Appendix 4E;
2. Operating and Financial Review, which accompanies the Directors' Report;
3. Directors' Report (including the Remuneration Report);
4. Financial Report; and
5. Independent Auditor's Report,

for the full year ended 25 June 2023.

Coles will conduct an analyst briefing on the annual results from 10.00am AEST. This briefing will be webcast and is accessible via the Company's website at www.colesgroup.com.au.

This announcement is authorised by the Board.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Daniella Pereira".

Daniella Pereira
Company Secretary

Appendix 4E Preliminary Final Report

For the year ended 25 June 2023

Appendix 4E

Under ASX Listing Rule 4.3A

Preliminary Final Report

Current reporting period ('FY23')	27 June 2022 to 25 June 2023
Previous corresponding period ('FY22')	28 June 2021 to 26 June 2022

This Preliminary Final Report presents the results of Coles Group Limited ('the Company') and the entities it controlled at the reporting date or during the year ended 25 June 2023 (collectively, 'Coles', 'Coles Group', or 'the Group').

Results for announcement to the market

	FY23 52 WEEKS \$m				FY22 52 WEEKS \$m
Revenue from ordinary activities	41,825	up	5.2 %	from	39,746
Earnings before interest and tax (EBIT)	1,988	up	6.4%	from	1,869
Profit from ordinary activities after tax attributable to members	1,098	up	4.8%	from	1,048
Profit after tax attributable to members	1,098	up	4.8%	from	1,048
Revenue from continuing activities	40,591	up	5.9%	from	38,341
Profit from continuing activities after tax	1,042	down	0.3%	from	1,045

The Group completed the sale of the Coles Express fuel and convenience business ('Express') to Viva Energy Group Limited on 1 May 2023, therefore the Express business has been classified as discontinued operations in the FY23 Financial Report. Refer to Note 5.3 Discontinued operations for further information.

Dividends

	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Current period		
Interim dividend	36.0 cents	36.0 cents
Final dividend	30.0 cents	30.0 cents
Total dividend	66.0 cents	66.0 cents
Previous corresponding period		
Interim dividend	33.0 cents	33.0 cents
Final dividend	30.0 cents	30.0 cents
Total dividend	63.0 cents	63.0 cents
Conduit foreign income component:		nil
Record date for determining entitlement to the FY23 final dividend:		4 September 2023
Payment date of FY23 final dividend:		27 September 2023

The Company operates a Dividend Reinvestment Plan ('DRP') under which eligible holders of ordinary shares are able to reinvest all or part of their dividend payments into additional fully paid Coles Group Limited shares. The DRP will operate at nil discount. The last date to elect to participate in the DRP is 5 September 2023. In accordance with the DRP Rules, the offer price will be calculated as the arithmetic average of the daily volume weighted average market price of the Company's shares during the 5 trading days commencing on 11 September 2023.

Annual general meeting

The Annual General Meeting of Coles Group Limited will be held on 3 November 2023. Details of the meeting will be set out in Coles' 2023 Notice of Annual General Meeting.

The closing date for receipt of nominations from persons wishing to be considered for election as a director of Coles Group Limited is 1 September 2023.

Net tangible assets per share

	25 JUNE 2023	26 JUNE 2022
Net tangible assets per ordinary security (\$) ¹	0.99	0.94

¹ Net tangible assets are calculated by deducting intangible assets from the net assets of the Group. Net assets include the right-of-use assets and corresponding lease liabilities recognised under AASB 16 Leases.

Entities where control was gained during the period

NAME	DATE
CGBV1 Pty Ltd	Incorporated 21 December 2022
Coles Group Business Ventures Pty Ltd	Incorporated 21 December 2022
Coles Supply Services Pty Ltd	Incorporated 21 December 2022
Property Structures Pty Ltd	Incorporated 21 December 2022
Coles Fresh Milk Co. Pty Ltd	Incorporated 24 March 2023

Entities where control was lost during the period

There were no entities over which control was lost during the period.

Details of equity accounted investments

NAME	TYPE	OWNERSHIP INTEREST	
		25 JUNE 2023	26 JUNE 2022
Loyalty Pacific Pty Ltd	Joint Venture	50%	50%
Queensland Venue Co. Pty Ltd	Associate	50%	50%

This report is based on the Financial Report which has been audited.

Additional Appendix 4E disclosure requirements can be found in the accompanying Operating and Financial Review and Financial Report. The Coles Group Limited 2023 Full Year Results Release also provides further information on the results of the Group.

For personal use only

Operating and Financial Review

Operating and Financial Review

The Operating and Financial Review relates to Coles Group Limited ('the Company') and its controlled entities (together, 'Coles', 'Coles Group', or 'the Group').

Forward-looking statements

This report contains forward-looking statements in relation to the Group, including statements regarding the Group's intent, belief, goals, objectives, opinions, initiatives, commitments or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial conditions, and risk management practices. This report also includes forward-looking statements regarding climate change and other environmental and energy transition scenarios. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook', 'guidance' and other similar expressions.

Any forward-looking statements are based on the Group's current knowledge and assumptions, including with respect to financial, market, risk, regulatory and other relevant environments that will exist and affect the Group's business and operations in the future. The Group does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions, that could cause the actual results, performance or achievements of the Group to be materially different from the relevant statements. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate.

Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the Group does not undertake to publicly update, review or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide for future performance.

Non-IFRS information

This report contains International Financial Reporting Standards ('IFRS') and non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is presented other than in accordance with relevant accounting standards and may not be directly comparable with other companies' information.

Any non-IFRS financial information included in this report has been labelled to differentiate it from statutory or IFRS financial information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level, and should be considered in addition to, and not as a substitute for, IFRS information. Operating metrics that are prepared on a non-IFRS basis have been included in the segment commentary to support an understanding of comparable business performance. Non-IFRS information is not subject to audit or review.

Business Model and Strategy

Coles is one of Australia's leading retailers, with an extensive national supermarket and liquor store footprint and a range of digital platforms allowing us to deliver a full service omnichannel experience for customers. We employ more than 120,000 team members, engage with more than 8,000 suppliers, have more than 430,000 direct shareholders and we welcome millions of customers through our store network and digital platforms every week.

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

The Group's reportable segments from continuing operations are:

- **Supermarkets:** fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
- **Liquor:** liquor retailing, including online delivery services.

Other business operations that are not separately reportable, such as Property and a product supply arrangement, as well as costs associated with enterprise functions, which include Insurance and Treasury, are included in Other.

Coles is one of the most trusted brands¹ in Australia. Coles' brand portfolio includes Coles Group, Coles, Coles Local, Liquorland, First Choice Liquor Market, Vintage Cellars and Coles Financial Services. Coles is also a 50% shareholder of Flybuys, a loyalty program with more than nine million active members.

The Group's core competencies include merchandising, product development and supplier relationships, marketing, customer service and maintaining and operating a national store and digital network. Coles also operates an integrated supply chain, including logistics, and a national distribution centre network.

On 21 September 2022, the Group entered into an agreement to sell its Coles Express fuel and convenience retailing operations to Viva Energy Group Limited ('Viva Energy'), which resulted in the Express business being classified as a discontinued operation from that date. Consequently, Express is no longer presented in the segment disclosures from continuing operations for the current and prior periods. The sale completed on 1 May 2023.

The Group's four-year **"Winning in our second century"** strategy was set in FY19 and was in place until the end of FY23. In FY23, Coles achieved several key milestones against this strategy which are detailed below. Building on these strong foundations, we have refreshed our strategy as set out in the Looking to the Future section.

Inspire Customers

Coles has continued to invest in trusted value to ease the burden for those households experiencing challenges with cost of living pressures through our value campaigns. The continued success of our exclusive brand offering is supported by the launch of 1,421 new Exclusive to Coles products and 259 Exclusive Liquor Brand ('ELB') products with strong sales growth across these portfolios. Coles received 103 Coles Own Brand product awards and 511 Exclusive Liquor Brand awards. In addition, we expanded our Coles Finest premium range to include products such as Coles Finest Beef and Margaret River Shiraz Sausages and the Coles Finest lamb range. Alongside this, we launched our 'LOCKED' and 'DROPPED & LOCKED' value campaigns. These campaigns include a range of key pantry staples and provide certainty for customers who are shopping to a budget. They have proven popular, particularly in light of the inflationary environment and rising cost of living pressures and have been at the centre of our commitment to deliver trusted value to our customers.

Smarter Selling

This year, the business successfully achieved our target of \$1 billion of cumulative Smarter Selling benefits across our four-year program that was established in 2019, delivering in year benefits of approximately \$220 million. These benefits have helped to offset rising cost pressures within the business and allowed us to reinvest in our value proposition and in our growth drivers such as digital.

Coles achieved a major milestone in modernising its supply chain with the opening of our first Automated Distribution Centre ('ADC') located in Redbank, Queensland and initial commissioning work commencing at the New South Wales ADC in line with schedule. Our investment commenced in FY19 when we entered into our exclusive partnership with Witron, a global leader in automated distribution centres. We expect this investment to deliver long-term structural cost advantage in our supply chain through automation, data and technology, as well as improvements in safety, availability and sustainability.

¹ December 2022 Roy Morgan 'Net Trust' rankings

Business Model and Strategy

In Supermarkets, 17 new stores were opened and 46 renewals were completed during the year, including our innovation store at Southland, Victoria. In Liquor, we opened 35 new stores and renewed 236, including opening our first Liquorland in Tasmania and renewing our 475th Black & White Liquorland store in Ocean Grove, Victoria.

Win Together

Coles has continued to make progress against key areas of our sustainability strategy. We were recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency. We also reached our target to have more than 40% of our leadership positions filled by women and have recorded our highest ever mysay engagement score, three percentage points above the May 2022 survey and 10 percentage points above the FY19 survey. Coles has achieved a 9.2% reduction in Total Recordable Injury Frequency Rate ('TRIFR') compared to FY22. This was delivered through a focus on risk management, including manual handling and mental wellbeing. Coles also invested in partnerships and programs that support communities across Australia and help conserve the environment.

Coles has maintained its focus on reducing emissions and waste, making further progress towards our target to reduce combined Scope 1 and 2 greenhouse gas emissions by more than 75% (from an FY20 baseline) by the end of FY30. We also set a Scope 3 supplier engagement target, validated by the Science Based Targets initiative¹. In June 2023, we phased out soft-plastic shopping bags in-store and online, a move that is estimated to remove 230 million plastic bags from circulation in one year².

Detailed information on our sustainability performance will be available in our 2023 Sustainability Report scheduled for release in September 2023.

Portfolio Updates

In April 2023, Coles entered into a binding agreement to acquire two automated milk processing facilities from Saputo Dairy Australia, to improve the security of milk supply and accessing capacity to facilitate growth through product innovation. The acquisition of these sites is subject to Australian Competition and Consumer Commission ('ACCC') approval and other customary closing conditions. As referenced earlier, the Group also completed the divestment of our fuel and convenience retailing business in May 2023, enabling us to focus on growing our omnichannel supermarket and liquor businesses.

Further information can be found in the Group performance section.

¹ The Science Based Targets initiative ('SBTi') is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. It provides an independent assessment and validation of net-zero science-based targets in line with a 1.5°C future.

² Based on unit sales over 52 week period until 30 April 2023.

Group Performance

Group sales revenue (\$m)	FY23	FY22	CHANGE
Supermarkets	36,746	34,624	6.1%
Liquor	3,610	3,613	(0.1%)
Other	127	-	n/m
Sales revenue – continuing operations	40,483	38,237	5.9%
Express – discontinued operations ¹	988	1,132	(12.7%)
Total Group sales revenue	41,471	39,369	5.3%

n/m denotes not meaningful.

¹ Express FY23 sales are for the ten months until completion on 1 May 2023.

Group EBIT (\$m)	FY23	FY22	CHANGE
Supermarkets ¹	1,765	1,715	2.9%
Liquor	157	163	(3.7%)
Other	(63)	(51)	23.5%
EBIT – continuing operations	1,859	1,827	1.8%
Financing costs	(394)	(360)	9.4%
Income tax expense	(423)	(422)	0.2%
Profit from continuing operations	1,042	1,045	(0.3%)
Profit from discontinued operations, after tax ²	56	3	n/m
Net profit after tax	1,098	1,048	4.8%

n/m denotes not meaningful.

¹ Includes major project implementation operating expenditure relating to ADCs and CFCs (FY23: \$58 million, FY22: \$32 million).

² FY23 includes impacts from the Express divestment including depreciation and amortisation ceasing from the date the assets were held for sale, transaction costs and a \$16 million loss on completion.

Highlights

- Sales revenue growth from continuing operations of 5.9% to \$40,483 million.
- EBIT growth from continuing operations of 1.8% to \$1,859 million.
- Cash realisation of 102% and net debt of \$521 million.
- Fully-franked final dividend of 30.0 cents per share declared, taking total dividends in relation to FY23 to 66.0 cents.

On 1 May 2023, the Group completed the sale of its fuel and convenience retailing business to Viva Energy for \$319 million (\$300 million proceeds and \$19 million working capital adjustment) and has assigned leases, which represented a liability at completion, of \$728 million. This resulted in Express being classified as a discontinued operation in the FY23 Financial Report. The divestment enables the Group to focus on growing its omnichannel supermarket and liquor businesses.

Performance overview from continuing operations

Group sales revenue from continuing operations of \$40,483 million increased by 5.9% with growth in Supermarkets sales revenue of 6.1% and Liquor sales revenue broadly flat, due to cycling COVID-19 elevated demand in the prior year. Group sales revenue from continuing and discontinued operations of \$41,471 million increased by 5.3%.

Group EBIT from continuing operations increased by 1.8% supported by Smarter Selling benefits and a net reduction in direct COVID-19 costs compared to the prior year.

Major project implementation operating expenditure of \$58 million was incurred during the year in relation to the two ADCs and two automated Customer Fulfilment Centres ('CFCs'), up from \$32 million in FY22. This was lower than previously forecast largely due to delays in the construction and commissioning of the automated CFCs. Depreciation in relation to the Redbank ADC of \$15 million was also incurred during the year.

Financing costs from continuing operations increased by 9.4% to \$394 million with interest on lease liabilities increased due to a combination of new leases, including the Redbank ADC, and higher borrowing costs impacting lease renewals. Also contributing to higher financing costs was interest on debt and borrowings which increased as a result of higher interest rates on the short-term revolving debt facilities.

Group Performance

Award covered salaried team member review

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 ('GRIA'). The review assessed the remuneration paid to 15,011 team members against the GRIA. Coles conducted a remediation program, and to date Coles has incurred \$13 million of remediation costs. A provision of \$37 million (FY22: \$12 million) is reflected in the FY23 financial statements.

Following the announcement in February 2020, the Fair Work Ombudsman ('FWO') commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA and the Fair Work Act 2009 (Cth). FWO alleges that Coles is obligated to pay a further \$108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in Coles' remediation.

Following further consideration of the issues as they have evolved, Coles announced on 2 June 2023 that it intends to conduct a further remediation relating to the reconciliation of available records of the days and hours of work of salaried supermarket managers. A provision of \$25 million was subsequently recognised which is included in the provision balance of \$37 million noted in the first paragraph of this section.

The FWO matter was heard in a seven week trial that commenced on 5 June 2023 and judgment is pending. The judgment is expected to include consideration of threshold issues, including interpretation of the GRIA and Fair Work Act provisions. As such, the potential outcome, extent to which further remediation may be necessary, and costs associated with this matter remain uncertain as at the date of this report.

In May 2020, a class action proceeding was filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets. This matter was heard in conjunction with the FWO proceedings and judgment has also been reserved. The potential outcome and total costs associated with this matter remain uncertain as at the date of this report.

Group Performance

Earnings Per Share and dividends

Basic Earnings per Share ('EPS') from continuing operations was 78.1 cents, a 0.6% decrease from the prior year.

	FY23	FY22
Profit for the period (\$m)		
Continuing operations	1,042	1,045
Discontinued operations	56	3
Total profit for the period	1,098	1,048
Weighted average number of ordinary shares for basic EPS (shares, million)	1,334	1,330
Weighted average number of ordinary shares for diluted EPS (shares, million)	1,338	1,331
EPS attributable to equity holders of the Company		
Basic EPS (cents)	82.3	78.8
Diluted EPS (cents)	82.1	78.7
EPS attributable to equity holders of the Company from continuing operations		
Basic EPS (cents)	78.1	78.6
Diluted EPS (cents)	77.9	78.5

The Board has determined a fully franked final dividend of 30.0 cents per share (cps).

In respect of the year:	CPS	FRANKED AMOUNT PER SECURITY
FY23		
Interim dividend	36.0 cents	36.0 cents
Final dividend	30.0 cents	30.0 cents
FY22		
Interim dividend	33.0 cents	33.0 cents
Final dividend	30.0 cents	30.0 cents

Balance Sheet

A summary of key balance sheet accounts for the Group:

\$m	FY23	FY22	CHANGE
Assets			
Cash and cash equivalents	597	589	1.4%
Trade and other receivables	605	470	28.7%
Inventories	2,323	2,448	(5.1%)
Property, plant and equipment	4,985	4,807	3.7%
Right-of-use assets	6,507	7,199	(9.6%)
Intangible assets	2,035	1,864	9.2%
Deferred tax assets	740	822	(10.0%)
Other	500	637	(21.5%)
Total assets	18,292	18,836	(2.9%)
Liabilities			
Trade and other payables	4,434	4,335	2.3%
Provisions	1,281	1,278	0.2%
Interest-bearing liabilities	1,118	1,095	2.1%
Lease liabilities	7,849	8,681	(9.6%)
Other	254	323	(21.4%)
Total liabilities	14,936	15,712	(4.9%)
Net assets	3,356	3,124	7.4%

Trade and other receivables increased to \$605 million largely driven by trade receivables relating to a product supply arrangement and an increase in GST receivable.

Inventories decreased to \$2,323 million largely driven by the divestment of the Express business.

Property, plant and equipment increased to \$4,985 million largely reflecting the investment in the Group's annual capital program, partly offset by depreciation and property divestments during the year.

Right-of-use assets decreased to \$6,507 million primarily as a result of the divestment of the Express business.

Intangible assets increased to \$2,035 million driven by the Group's continued investment in technology, partly offset by amortisation for the year.

Lease liabilities decreased to \$7,849 million as a result of the sale of the Express business and the derecognition of associated lease liabilities by \$728 million.

Capital management

Interest-bearing liabilities reflect external borrowings and debt capital funding commitments.

At 25 June 2023, Coles' average debt maturity was 5.0 years, with undrawn facilities of \$2,303 million. Coles remains committed to maintaining diversified funding sources and extending its debt maturity profile over time.

The lease-adjusted leverage ratio at the reporting date was 2.6x on a continuing basis, with current published credit ratings of BBB+ with Standard & Poor's and Baa1 with Moody's.

Cash Flow

Summary cash flows of the Group:

\$m	FY23	FY22	CHANGE
Cash flows from operating activities			
Receipts from customers	44,043	41,887	5.1%
Payments to suppliers and employees	(40,439)	(38,309)	5.6%
Interest paid	(57)	(41)	39.0%
Interest component of lease payments	(372)	(363)	2.5%
Interest received	2	1	100%
Income tax paid	(370)	(485)	(23.7%)
Net cash flows from operating activities	2,807	2,690	4.3%
Net cash flows used in investing activities	(1,000)	(1,142)	(12.4%)
Net cash flows used in financing activities	(1,799)	(1,746)	3.0%
Net increase/(decrease) in cash and cash equivalents	8	(198)	n/m

Net cash flows from operating activities increased to \$2,807 million reflecting an increase in EBITDA and a decrease in income tax paid as a result of FY22 income tax refunds received.

Net cash flows used in investing activities decreased to \$1,000 million, largely driven by the net proceeds from the sale of the Express business offset by an increase in the Group's annual capital program.

Supermarkets

Segment overview

\$m	FY23	FY22	CHANGE
Sales revenue	36,746	34,624	6.1%
EBITDA	3,157	3,022	4.5%
EBIT	1,765	1,715	2.9%
Gross margin (%)	26.4	26.3	5bps
Cost of doing business ('CODB') (%)	(21.6)	(21.4)	20bps
EBIT margin (%)	4.8	5.0	(15bps)

Operating metrics (non-IFRS)

	FY23 (52 WEEKS)	2H23 (25 WEEKS)	1H23 (27 WEEKS)	FY22 (52 WEEKS)
Gross retail sales ¹ (\$ billions)	38.0	18.4	19.6	35.7
Gross retail sales growth (%)	6.6	8.1	5.3	3.0
Comparable sales growth (%)	5.8	6.7	4.9	2.6
eCommerce sales ² (\$ billions)	2.8	1.4	1.4	2.8
eCommerce penetration (%)	7.5	7.7	7.2	7.9
Sales density per square metre ³ (MAT \$/sqm)	19,201	19,201	18,651	18,209
Net Promoter Score (point increase/(decrease))	(4.3)	(2.7)	(5.7)	(3.6)
Inflation / (deflation) (%)	6.7	6.0	7.4	1.7
Inflation / (deflation) excl. tobacco and fresh (%)	7.6	7.7	7.6	1.6

¹ Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

² eCommerce gross retail sales include Liquor sold through coles.com.au.

³ Sales density per square metre is a moving annual total ('MAT'), calculated on a rolling 52-week basis.

Supermarkets

Highlights

Supermarkets sales revenue of \$36,746 million for the year increased by 6.1% on the prior year, with growth in the second half increasing by 7.7% over the prior corresponding period compared to 4.6% in the first half.

Sales growth was delivered through the 'DROPPED & LOCKED' value campaigns and the successful execution of trade plans, including festive events such as Easter, Christmas and Mother's Day. More targeted and personalised customer experiences and offers, and collectible and continuity campaigns, also supported sales growth throughout the year. Excluding tobacco sales, sales revenue increased by 7.4%.

Customer satisfaction, as measured by Net Promoter Score ('NPS'), was impacted during the year, due to availability as well as cost of living pressures that impacted price and value metrics. Pleasingly, improvements were seen in some lead indicators in the fourth quarter.

More than 1,400 Exclusive to Coles products were launched during the year including Coles Kitchen Chicken Pesto Pasta Bake and the Coles Finest lamb range. In the growing pet segment, pet treats such as the Woofin' Good Peanut Butter Flavour Dog Biscuits and Elevate Joint Support Chew Dog Treats were launched. The Coles Own Brand portfolio won 103 product awards including 11 consumer-voted Product of the Year awards for products such as our Coles Finest Certified Carbon Neutral Beef Scotch Fillet Steak, Coles Frozen Sweet Potato Chips and Coles Salted Caramel Vienna Sticks.

eCommerce sales for the full year increased by 1.1% to \$2.8 billion. Strong sales growth of 10.1% was delivered in the second half, while sales in the first half declined by 6.6% as COVID-19 behaviours normalised and some customers returned to shopping in store. Sales growth was underpinned by 5% growth in traffic to Coles' digital assets, as well as network expansion, particularly in immediacy. Rapid Click & Collect is now available in 606 stores (151 stores were added during the year) and Home Delivery Rapid is now available in 480 stores (463 stores were added during the year).

During the year, Coles' media income increased by 27.0% with accelerated investment in product innovation, technology and talent and the rebranding of the platform to 'Coles 360'.

Total Supermarkets price inflation for the year was 6.7% having moderated in the second half with continued moderation in the fourth quarter to 5.8%.

During the year, Coles completed 46 store renewals, including 14 Format A, four Format C and four Coles Local stores. Coles also opened 17 new stores and closed six stores, taking the total network to 846 supermarkets.

Gross margin of 26.4% increased by 5 bps year-on-year despite investment in value and changes in consumer spending patterns. Gross margin was supported by reduced COVID-19 costs, the delivery of Smarter Selling benefits, growth in Coles 360 and lower tobacco sales. However, total loss¹ increased by approximately 20% year-on-year and remains an industry-wide headwind, with elevated levels of organised retail crime and customer theft from cost of living pressures.

CODB as a percentage of sales increased by 20 bps to 21.6%. CODB increased as a result of underlying cost inflation and wage increases following the June 2022 Fair Work Commission ('FWC') annual wage increase. CODB was also impacted, particularly in the second half, by increased depreciation, major project implementation operating expenditure, a \$25 million provision relating to the 2020 Award covered salaried team member review and a range of adverse events, such as additional public holiday costs and costs associated with the collapse of REDcycle. These costs were partially offset by Smarter Selling benefits and lower direct COVID-19 costs in FY23. Further strategic investments were also made in digital, eCommerce and technology this year, in areas such as Coles 360 and eCommerce platforms.

Supermarkets EBIT of \$1,765 million increased by 2.9% with an EBIT margin of 4.8%.

Update on ADCs

Coles delivered a significant milestone during the year with the Redbank, Queensland ADC commencing outbound deliveries in March 2023. At year end, the ADC serviced more than 100 supermarkets in Queensland with ramp up in line with schedule. The recruitment, induction and training of the new Redbank team members also continued.

Construction progressed at the Kemps Creek, New South Wales ADC. Initial commissioning work also commenced at the facility in line with schedule.

¹ Total loss includes stock loss and waste and markdown.

Supermarkets

Update on automated CFCs

As announced on 18 August 2023, Coles has received notification from Ocado regarding delayed timing for the handover of the Victorian CFC. Additional works are required to rectify construction issues with the grid identified during quality control processes for the Victorian CFC. Following further engagement with Ocado and in light of the revised hand over date, the commissioning of the Victorian CFC will be delayed with the incremental ramp up period now expected to commence in mid-FY25 (previously mid-FY24). The New South Wales CFC is expected to be commissioned with an incremental ramp up period commencing at the end of the second half of FY24 (previously second half of FY24).

The impacts of the delays are likely to increase the project capital and operating expenditure by approximately \$70 million and \$50 million respectively. Total capital expenditure is now expected to be approximately \$400 million of which 55% has been incurred to the end of FY23, with the balance expected to be incurred in FY24 and FY25.

Liquor

Segment overview

\$m	FY23	FY22	CHANGE
Sales revenue	3,610	3,613	(0.1%)
EBITDA	279	278	0.4%
EBIT	157	163	(3.7%)
Gross margin (%)	23.4	22.5	91bps
Cost of doing business ('CODB') (%)	(19.0)	(17.9)	109bps
EBIT margin (%)	4.3	4.5	(18bps)

Operating metrics (non-IFRS)

	FY23 (52 WEEKS)	2H23 (25 WEEKS)	1H23 (27 WEEKS)	FY22 (52 WEEKS)
Gross retail sales ¹ (\$ billions)	3.6	1.6	2.0	3.6
Gross retail sales growth (%)	(0.2)	2.7	(2.5)	2.4
Comparable sales growth (%)	(0.7)	1.3	(2.3)	2.1
eCommerce sales ² (\$m)	203	95	108	165
eCommerce penetration ² (%)	5.7	5.8	5.6	4.6
eCommerce penetration (inc. COL) ³ (%)	6.9	7.0	6.8	5.4
Net Promoter Score ⁴ (point increase/(decrease))	(0.9)	0.5	(2.5)	(0.8)
Sales density per square metre ⁵ (MAT \$/sqm)	16,138	16,138	16,029	16,354

¹ Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

² eCommerce gross retail sales and penetration exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce and Business to Business sales.

³ eCommerce penetration including Liquor sold through coles.com.au.

⁴ Net Promoter Score is based on Liquorland NPS results.

⁵ Sales density per square metre is a moving annual total (MAT), calculated on a rolling 52-week basis.

Highlights

Liquor sales revenue of \$3,610 million for the year was flat compared to the prior year, having declined in the first half by 2.4% as the business cycled COVID-19-related on-premise closures and restrictions before returning to growth of 2.7% in the second half.

The sales performance during the year was driven by a strong performance in the Liquorland banner, supported by the completion of 215 Liquorland Black & White renewals as well as the opening of 35 new Liquor stores. The Ready-to-Drink category was the strongest performing category during the year. Growth in the ELB portfolio continued with sales revenue increasing by 8.5% for the year and penetration reaching 21% of total sales as customers became more value conscious throughout the year. Sales revenue also benefited from strong growth in eCommerce and inflation, driven by supplier-led cost price increases following the semi-annual excise increases.

During the period, 259 new ELB and 627 new local lines were added to the portfolio. In addition, the ELB portfolio received more than 500 awards, including the Tasmanian Gin of the Year trophy at the Melbourne International Spirits Competition for Pure Origin Tasmanian Dry Gin and Tinnies Pale Ale being awarded the Best English Beer Pale Ale Trophy in the Pale Ale category, at the World Beer Awards Competition.

eCommerce sales revenue of \$203 million increased by 23% compared to the prior year driven by on-demand delivery which is now available in more than 660 stores, and the introduction of express delivery through DoorDash and UberEats.

Customer satisfaction (as measured by NPS) was also impacted by cost of living pressures which impacted value metrics.

During the year, 236 store renewals were completed, 35 new stores were opened and 11 stores closed across the Liquorland, Vintage Cellars and First Choice banners. At the end of the period the portfolio comprised 957 stores.

Gross margin of 23.4% increased by 91 bps driven by strong performance in ELB and local, value optimisation, mix benefits and strategic sourcing.

Liquor

CODB as a percentage of sales increased by 109 bps to 19.0%. This was largely driven by increases in store team member remuneration relative to the prior year following the FWC annual wage increase in June 2022, coupled with the increase being paid earlier in the year than prior years, and costs (including depreciation) incurred in relation to the new store and the accelerated Black & White Liquorland renewal program, including investments in eCommerce and core IT systems.

EBIT of \$157 million decreased by 3.7% reflecting increased depreciation and amortisation following investment in the portfolio as part of the transformation program, most notably the Black & White Liquorland renewal program and eCommerce investments.

Other

\$m	FY23	FY22	CHANGE
Sales revenue	127	-	n/m
EBITDA	(54)	(41)	31.7%
EBIT	(63)	(51)	23.5%

Coles reported negative EBIT of \$63 million in Other for the year.

Other includes corporate costs, the product supply arrangement with Viva Energy that was established as part of the divestment of the Coles Express fuel and convenience retailing business, Coles' 50% share of Flybuys' net result and the net gain or loss generated by Coles' property portfolio.

Corporate costs of \$91 million were incurred for the year, an increase of \$9 million on the prior year, largely as a result of higher insurance costs and store support centre costs. Coles' 50% share of Flybuys' net result was a \$13 million loss, while earnings from property operations were \$39 million. EBIT of \$2 million was also reported in relation to the product supply arrangement that was in place from completion of the Coles Express divestment which occurred on 1 May 2023.

Looking To the Future

Coles is one of Australia's leading retailers with an extensive national footprint of circa 1,800 supermarket and liquor stores. Approximately 17 million transactions take place across our store and digital platforms each week and our Flybuys loyalty program reaches approximately 80% of all Australian households.

In 2019 following demerger, Coles launched our "Winning in our second century" strategy with targets through to FY23. Since then, the Australian retail environment has changed – including COVID-19 lockdowns, bushfires and floods, supply chain disruptions, and persisting pressures on household cost of living. These events have impacted all Australians and are shaping how we evolve our strategy.

To reflect the changing environment, we have refreshed our purpose to **Helping Australians eat and live better every day**. Our priority is to provide leading food, drink and home solutions that are delicious, sustainable, and healthy for our customers. We seek to deliver a consistent experience for our customers every day, both in-store and online.

We aim to deliver on our purpose by focusing on three strategic pillars:

- **Destination for food and drink** is why our customers come to Coles and what we aspire to be known for. We will tailor our product range, quality, value, merchandising and communication to meet and surpass our customers' needs.
- **Accelerated by digital** is how we intend to meet our customers' increasing digital usage by creating an easier, faster and more enjoyable omnichannel shopping experience.
- **Delivered consistently for the future** is our focus on delighting our customers with our food and drink offering each and every day, today and into the future.

Underpinning our strategic pillars are building blocks which will enable us to deliver on our refreshed purpose:

- **Win Together** is recognition that we only succeed together with our team, community and suppliers.
- **Foundations** of financial discipline, technology, and data help us deliver on our strategic pillars and enable us to drive value for our stakeholders.

In our first horizon of activity, we will be focusing on delivering value, restoring availability, reducing loss, improving store presentation and providing a high-quality fresh food offering.

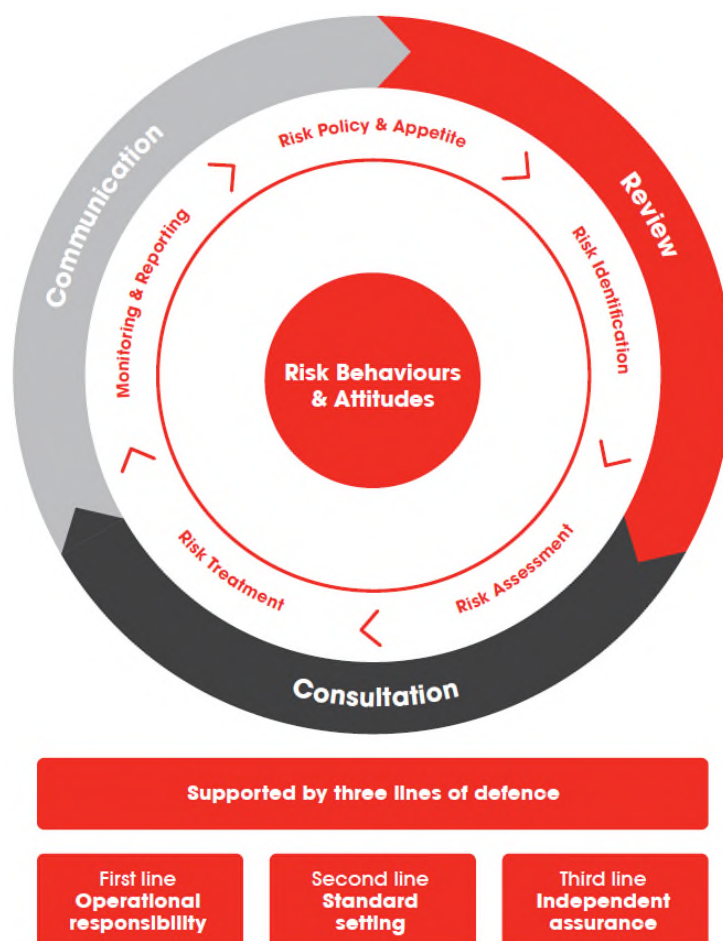
As part of this strategy, we are also launching our Simplify and Save to Invest program which forms part of the third strategic pillar and is designed to deliver in excess of \$1 billion in cumulative savings over the next four years. This is an evolution of our Smarter Selling program which successfully concluded this year.

By focusing on what matters most to our customers and prioritising our investment accordingly, we feel well positioned to deliver on our vision **to become the most trusted retailer in Australia and grow long-term shareholder value**.

Risk Management

Our operating environment continues to evolve, resulting in changes to the risks and uncertainties that we face. We regularly review risks and measures to mitigate risks and support the delivery of our purpose and strategy.

In FY23, Coles' Risk Management Policy and Coles' Risk Management Standard (previously called 'Framework') were reviewed, with the Board approving amendments to the Risk Management Standard. The design of both the Risk Management Policy and Risk Management Standard are based on ISO 31000:2018 Risk Management – Guidelines ('ISO 31000'), an internationally recognised set of principles for managing risks in organisations. Further information about our Risk Management Policy and Risk Management Standard is available in Coles' Corporate Governance Statement scheduled for release in September 2023.



A key component of the Risk Management Standard is the risk management process, which defines the process applied within Coles' business. Through application of our risk management process we have identified the material external, strategic, operational, and financial risks that could adversely affect the achievement of our objectives and future financial prospects. These risks are described in the following tables, together with key mitigations to manage them. There is a high level of interdependency between risks, which reflects both the potential effect of external risk factors and the integrated processes across our operations. This means an increased exposure to one material risk may affect risk levels in other areas of our risk profile.

In addition to the material risks listed, our performance may be affected by risks that apply generally to Australian businesses and the retail industry, as well as by the emergence of new material risks.

Although no longer considered to be a material risk, we anticipate that COVID-19 will continue to affect our business and communities. We also anticipate that the evolving geopolitical and macro-economic environment will drive continual changes to Coles' material and emerging risks during the next financial year and beyond. We will therefore continue to monitor and respond to further developments as required, including ongoing review and enhancement of our risk mitigation plans.

Risk Management

External and strategic risks



1. Geopolitical and macro-economic

Description

Uncertainty in the global and domestic geopolitical and macro-economic environment, including as a result of relationships between governments (state, federal and international) and global conflicts, can expose Coles to inflationary pressures, supply chain disruptions, changes in consumer spending and consumption choices, and increased costs of doing business.

Context

We expect the geopolitical and macro-economic environment in which we operate to remain highly uncertain for the year ahead.

Consequential impacts to Coles may include:

- increases in interest rates, energy and input prices
- wage inflation
- restricted access to, and/or higher costs of funding
- third party (supplier) insolvency
- disrupted access to export markets
- disruptions to imports impacting domestic supply of goods for resale and not for resale
- cost of living pressures resulting in reduced consumer spending and/or changing consumption choices
- risk of recession.

Additional information about how we respond to changes in consumer behaviour and expectations can be found in the Changing consumer behaviour, competition, and digital transformation risk section.

Mitigations

- Strategic and corporate planning and financial review processes that incorporate scenario planning and consideration of future market conditions.
- Maintenance of a strong balance sheet to fund operations and maximise financial performance.
- Execution of cost efficiency programs with the aim of offsetting inflation and reducing costs while investing in the business.
- Proactive engagement with government stakeholders to understand and plan for changes in policies and regulations.
- Supplier engagement processes to manage issues such as supply disruptions and changing input costs.
- Established crisis management and business continuity processes to manage disruptive events.



2. Climate change and environment

Description

Coles has a responsibility to reduce the effect of our operations on the environment and meet our sustainability commitments. Inability to do so may result in negative impacts to nature and biodiversity, reputational damage, diminished access to capital, loss in market share and enforcement action. Our operations may also be adversely affected by changes in the natural environment including biodiversity loss and water scarcity.

Context

Climate change presents an evolving set of risks and opportunities for Coles, and has the potential to contribute to, and increase, our exposure to other material risks. This includes risks associated with:

- our transition to a lower carbon economy
- risks arising from an increase in the frequency and intensity of extreme weather events and chronic changes in weather patterns.

The insolvency of REDcycle in November 2022, the provider of in-store soft plastics recycling capability, represented a challenge to our plastic packaging sustainability goals and highlighted the limited domestic recycling capabilities available.

Mitigations

- Reporting on our climate change strategy, governance, risk management and emissions reduction targets. Further information on climate change including risks and opportunities is provided in the Climate Change section.
- Our Sustainability Strategy highlights Coles' sustainability commitments and initiatives, and includes targets to reduce our impact on the environment, waste and packaging. Progress against targets is reported in our Sustainability Report. Initiatives include:
 - reducing food waste
 - sustainable packaging for our Coles Own Brand products
 - working with farmers, suppliers and industry partners to reduce environmental impact
 - continued assessment of Coles Own Brand products identified as having the highest environmental impact, to help reduce future environmental impacts for these products.
- Completion of product certification risk assessment prior to any Coles Own Brand product adopting a responsible sourcing and sustainability-related external certification or internal standard.
- Coles sought and obtained authorisation from the ACCC to work with other major food retailers and environmental regulators to develop alternative soft plastics recycling capabilities. This work is ongoing with alternative recycling options being explored.

Risk Management



3. Changing consumer behaviour, competition and digital transformation

Description

Consumer behaviour and expectations continue to change, driven in particular by macro-economic conditions and environmental and climate-related factors. The competitive environment also continues to evolve, with an increased focus on digital, automation and e-commerce to deliver efficiency and a personalised and seamless experience for our customers across our in-store and online channels. If Coles fails to keep pace with and respond to these changes and expectations, it could result in loss of market share, and ultimately, adverse margin impacts, reduced customer retention and impact to share price or market value.

Context

Macro-economic challenges and cost of living pressures have driven a customer focus on price and value. This poses a risk to customer spend, but also an opportunity through increased in-home consumption of food and drink.

While customers have returned to stores as COVID-19 risks declined, customer expectations for an integrated, seamless in-store and online experience continue to grow.

Other changes in consumer behaviour include increased focus on health, personalisation and convenience, and enhanced consciousness about consumption choices including on matters relating to sustainability and the environment.

Mitigations

- Monitoring of customer sentiment, best practice global retailers, local and international retail trends and customer insights and research, to anticipate and respond to changes in customer behaviours.
- Delivery of trusted value to customers through everyday low pricing, weekly specials, loyalty offers and exclusive product ranges. Our 'DROPPED & LOCKED' value campaign launched in FY23 aims to support customers to manage cost of living pressures.
- Programs and offers to personalise the customer shopping experience, including for Flybuys loyalty customers.
- Continued enhancement of the customer experience through Coles Online, Click & Collect Rapid, Rapid Delivery, and the Coles Plus subscription. During FY23, we transitioned Coles' customers to our unified enhanced digital platforms, across the Coles website and app.
- Partnerships with third party providers to provide convenient, on-demand delivery services to customers for grocery and drinks.



4. Strategic program prioritisation and execution

Description

Compromised prioritisation and execution of key strategic and transformational programs could result in increased costs, variability in Coles' earnings, loss of market share, delayed timeframes, and inability to meet shareholder expectations. Changes in scope or delays within our strategic programs and projects (e.g. Ocado), may occur due to multiple factors including program and resource prioritisation, interproject dependencies, disruptions to third party partners or providers, or macro-economic and geopolitical factors that may impact resource availability or cost.

Context

The execution of elements of our strategy is supported by third party strategic partnerships including Witron (automated distribution centres), and Ocado (online customer fulfilment centres). We have joint ventures with Wesfarmers (Flybuys) and Australian Venue Co. (Queensland Venue Co. Pty Ltd).

Ocado is a transformational program, and delays will result in additional costs, deferment of direct benefits and those dependent on the delivered capabilities.

We also undertake targeted acquisitions and divestments to execute our strategy more effectively. This includes completion of the May 2023 sale of Coles Express to Viva Energy.

During FY23 we announced the acquisition of two milk processing facilities from Saputo Dairy Australia which (subject to transaction completion including obtaining approval from the ACCC) will support the security of milk supply and has capacity to facilitate growth through further product innovation.

Coles may undertake future acquisitions and divestments, and enter into other third party relationships, so we can more effectively execute our strategy.

Mitigations

- Planning and budgeting processes to establish priorities and funding for programs and projects, supported by review and approval of business cases through capital and operational expenditure committees.
- Governance structures and processes to oversee, manage and execute strategic programs of work, including for the automated distribution centres and online customer fulfilment centres.
- Regular review of projects and programs to monitor progress of delivery, costs and benefits, and the allocation of resources.
- Post-implementation reviews to assess project outcomes relevant to the business case, and to identify lessons-learned to be applied for future projects.
- Assurance on the execution and governance of key projects by Internal Audit.
- Review of major projects by the Board and Executive Leadership Team ('ELT') which provides additional oversight at a portfolio level.

Risk Management

Operational risks



5. Third party dependencies

Description

A critical failure or inaction of a key supplier or third party service provider may expose Coles to risks including compromised safety or quality standards, cyber security threats and breaches, misalignment with Coles' ethical and sustainability objectives, disruptions to supply or operations, unrealised benefits, legal and regulatory exposure, additional costs, reduced customer satisfaction and reputational damage.

Context

The increasing complexity of supply chains requires us to actively manage third party dependencies. This includes making sure we meet our stakeholders' expectations to source products and services that are responsibly and sustainably sourced, are able to deliver goods and products to our sites, stores and customers, support our team members and sustain operations.

Given the challenging macro-economic environment Coles is at risk of further disruptions to our third parties including as a result of financial insolvency (e.g. Scott's Refrigerated Logistics), inability to scale production, cyber events, lack of available inputs and people resources.

Our suppliers and third parties are also subject to disruptions arising from natural disasters and extreme weather events.

Mitigations

- Due diligence processes to assess the adequacy and suitability of key suppliers, service providers and strategic partners to meet our requirements.
- Monitoring and management of key suppliers and strategic third parties throughout their engagement with Coles. Defined service level and key performance indicators are in place for key supply contracts. Risks are managed through contractual protections.
- Third party management for Goods Not For Resale ('GNFR') suppliers is governed by the GNFR Third Party Management Policy, which includes requirements for sourcing, contract management, risk management, buying and invoicing. Automated processes assess and monitor the financial health of GNFR suppliers on an ongoing basis.
- Business continuity plans consider critical third parties required to continue operating in the event of a business disruption. We initiated contingency plans to ensure adequate supplies of chilled and frozen product in response to the financial insolvency of Scott's Refrigerated Logistics in March 2023.



6. Supply chain resilience

Description

An inability of our supply chain to adapt rapidly to disruptions while operating efficiently and sustainably to meet customer expectations and support critical business activities, can result in loss of market share, price volatility, increased costs and reputational damage.

Context

While COVID-19-related supply chain disruption declined during the year, we continued to manage impacts due to extreme weather events, supplier failures and insolvency, disruptive incidents, inflation, increasing cost of inputs and geopolitical factors impacting the availability of raw materials.

La Niña weather patterns in the Eastern states, characterised by unseasonably cold weather, resulted in significant flooding, cold weather and rain/ hail events impacting fresh produce growing conditions, yield, quality and price. Localised flood events also posed challenges to our and our suppliers' transport and logistics operations, which impacted product availability. The anticipated return of El Niño conditions may result in heatwaves and increased fire risks.

Longer-term risks including changes in climate, government (domestic and international) and policy and regulation are considered during strategic planning and horizon scanning.

Mitigations

- Established business continuity processes to plan for and manage interruptions to our supply chain and delivery of goods to stores during business disruptive events. Plans are updated regularly to take account of changing internal and external risks and conditions such as forecast weather events.
- Strategic category planning assesses medium and longer term supply security risks and mitigations for domestic and international supply of goods for resale. Mitigations include geographical and supplier diversification and sourcing of alternative supply arrangements.
- During FY23 reviews were undertaken of supplier concentration in key categories, and geographical risk across a number of Coles' fresh produce categories, to highlight mitigations in place and identify opportunities to further reduce risk of supply disruption. Further information about the review of geographical risk across Coles' fresh produce categories is provided in the Climate Change section.
- Strategy developed around the security of our meat supply and the 2023 acquisition of two milk processing facilities (subject to transaction completion including obtaining approval from the ACCC) contribute to supply chain resilience in the key meat and dairy categories.

Risk Management



7. Information technology, resilience, data and cyber security

Description

A failure, attack or disruption to our information technology applications and infrastructure, could impede the processing of customer transactions, or limit our ability to receive or distribute stock or funds or otherwise impact the operations of our business. Data and cyber security events can also result in unauthorised disclosure of confidential, financial, or personal information which may lead to loss in customer trust, market share impact, regulatory and legal action and penalties and reputational damage.

Context

Coles continues to operate in an increasingly complex technological environment which increases the potential for impacts to system availability and performance, confidentiality breaches, and cyber security risks. Contributing factors include:

- our growing external digital footprint and number of third party providers
- high reliance on technology
- external threat landscape including geopolitical unrest and high profile / high impact cyber security events in the market such as ransomware, data theft and third party compromise.

Additional information on the Critical Infrastructure legislation and Coles' approach to managing related risks can be found in the Legal and Regulatory risk section.

Mitigations

- Five-year rolling technology strategy which prioritises and phases ongoing investment to enhance system stability and resilience.
- Cyber security framework and controls library which is updated regularly and independently assessed to understand the maturity of our cyber security capabilities and to identify priority areas for improvement and investment. Capabilities are aligned to principles set out in the Australian Cyber Security Centre Essential Eight Maturity Model and National Institute of Standards and Technology ('NIST') Cybersecurity Framework.
- Privacy and information security policies, standards and procedures, supported by security awareness campaigns and mandatory training for team members.
- Regular testing and reviews of information technology infrastructure, systems, processes, and resilience conducted to assess security threats, adequacy of controls and recovery readiness.
- Supplier due diligence processes which consider suppliers' cyber, information security, privacy, and IT resilience capability.
- Dual data centres and cloud services support high levels of critical system redundancy and resiliency.
- Monitoring in place 24/7 for technology operational and cyber incidents. IT incident response capability, disaster recovery plans and business continuity plans guide our response should an incident or disruption occur. Industry experts are retained to be on-call in the event of a cyber security incident.

Risk Management



8. People safety

Description

We employ and engage an extensive and diverse workforce, including third parties, with high volumes of people interactions daily. This could result in risk of fatality, injuries or illness to team members, customers, suppliers, contractors or visitors, due to accidents, incidents or unsafe work environments. Furthermore, the challenging macro-economic environment can have adverse impacts on team member mental health and wellbeing, and increase the risk of threatening situations faced by team members.

Context

The safety of our team, customers, third parties and contractors is paramount to Coles.

Although the COVID-19 pandemic is no longer assessed as a material risk to Coles its impacts will continue to be monitored and managed, along with the risks and impacts of future pandemics and communicable diseases.

The move to hybrid work arrangements requires us to manage physical and psychological risks faced by remote workers or those working from home.

Preventing and equipping team members to manage threatening situations is a priority focus.

Mitigations

- Health, Safety and Injury Management system ('SafetyCARE') in place that is supported by a team of experienced safety professionals throughout our network. SafetyCARE performance is measured, tracked and reported, and its effectiveness independently assessed and verified.
- Five-year safety and wellbeing plan which focusses on key safety obligations and risks.
- Regular review of safety risk management and consultation processes, including for contractors and third parties.
- Injury management and return to work programs to support team members who suffer an injury.
- Focus on managing team members' mental health and wellbeing, including through identification of psychosocial risk factors, our employee assistance program, flexible working arrangements, training on managing threatening situations and diversity, equity and inclusion programs.



9. People retention and talent

Description

Inability to retain skilled team members who are imperative to the execution and delivery of our strategic programs, digital transformation, and broader business operations and performance.

Context

Coles is one of Australia's largest private-sector employers. We seek to be an Employer of Choice and make Coles a workplace in which everyone feels like they belong.

With low unemployment rates and inflation placing pressure on wages, Coles faces competition to retain skilled team members.

Mitigations

- Our Great place to work strategy focuses on strengthening team member engagement, which is measured through our mysay team member engagement survey.
- Leadership and development programs to support development of leaders and career growth of key talent. Investment in graduate and industry learning programs.
- Team member performance process which aligns objective setting to strategy, provides opportunity to seek and give feedback for learning and development, and celebrates progress and achievements.
- Recognition programs including our Of the Year awards and our *mythanks* digital reward and recognition program which was released in FY23.
- Commitment to flexible working to enable our team members to manage work and personal circumstances.
- Regular discussions on talent and succession planning held with the ELT and People and Culture Committee.
- The People and Culture Committee oversees and recommends Board approval of people and culture, talent management, remuneration and incentive frameworks, policies and plans. The Board is accountable for approving Group remuneration policies.

Risk Management



10. Industrial relations

Description

As we execute our strategy, workforce changes (company, industry or legislature driven) may lead to industrial action and/or disruptions to our operations, which can result in increased costs, litigation and financial impacts from reputational damage.

Context

Changes in industrial relations and collective bargaining legislation, along with planned changes in our supply chain operations, can affect our exposure to this risk.

The federal government passed the Fair Work Amendment Act in 2022 which made important changes to multi-employer bargaining, gender pay gaps, fixed term contracts and flexible rostering. Further changes are planned in late 2023 regarding casual employment, labour hire, gig economy and wage theft.

We are committed to working collaboratively with our team and external stakeholders to renew workplace agreements.

Mitigations

- Dedicated Employee Relations resources who are responsible for monitoring and responding to industrial relations risks and issues.
- Implementation of appropriate enterprise agreements and employee relations strategies. Proactive management of renegotiation of enterprise agreements.
- Maintenance and development of strong working relationships with unions and industry organisations. Constructive liaison with team members, third party suppliers, transport and logistics providers.
- Business continuity plans in place to mitigate disruption to operations if industrial action occurs.



11. Legal and regulatory

Description

Non-compliance with key laws and regulations, could expose Coles to loss of licence to operate, substantial financial penalties, reputational damage, a deterioration in relationships with regulators, class action or other litigation and additional regulatory changes that may adversely impact the execution of our strategy and result in increased cost to operate. Where Coles is a party to litigation, it can involve reputational damage, financial costs, and high investment of Company resources and time.

Context

The diversity of our operations necessitates compliance with extensive legislative requirements at all levels of government. This includes:

- corporations law
- competition and consumer law
- discrimination law
- health and safety
- industrial relations
- employment
- privacy
- product and food safety
- modern slavery
- environment and biosecurity
- council by-laws
- measurements
- Critical Infrastructure Act 2018 (Cth) ('SOCI Act') including cyber security obligations.

This risk may become heightened due to the introduction of new and changing regulation and reporting requirements to which Coles must comply, or uncertainty regarding the interpretation or application of relevant regulatory instruments such as modern awards.

Mitigations

- Compliance standards, requirements and accountability to manage compliance obligations are set out in our Compliance Policy and Framework, which is based on AS ISO 37301:2023, Compliance Management Systems – Requirements with guidance. The Compliance Framework is regularly reviewed and assessed, including through internal audit processes.
- Obligation registers in key areas help to assess compliance with legislative obligations and identify actions to strengthen compliance controls.
- Program in place to comply with newly introduced SOCI Act obligations, which seeks to uplift the security and resilience of Australia's critical assets.
- Legal and compliance teams monitor and manage legal issues, matters, claims and disputes. These teams are supported by pre-agreed panel arrangements with external legal firms. Potential litigation claims are assessed to understand loss potential.
- Relationships maintained with regulators and industry bodies to monitor new and impending legislative and policy changes in order to respond accordingly.

Risk Management



12. Ethical sourcing

Description

Risk of modern slavery, breach of workers' human rights or breach of laws designed to protect human rights in our own operations or extended supply chain is a risk for Coles.

Context

Failure to source product or conduct our business in a manner that complies with our Coles Ethical Sourcing Policy and relevant legal requirements across Australia and the countries we source from, can impact worker safety, wellbeing and/or living conditions.

It can also result in material reputational damage, loss in consumer confidence and market share, regulator fines and penalties, and adverse financial performance.

Additional information on Coles' Ethical Sourcing Program can be found in our Modern Slavery Statement.

Mitigations

- Ethical Sourcing policy which is based on international standards and sets out the minimum standards for our suppliers.
- Ethical Sourcing Program which takes a risk-based approach to define the level of due diligence, audit frequency and monitoring that applies to suppliers. The program covers trade and GNFR suppliers, exclusive brands and Liquor.
- During FY23 we continued to focus on embedding the program across the business and building trust and strengthening relationships with suppliers and workers, including ongoing activities to review accommodation standards for workers in Australia.
- Ethical Sourcing risk indicators measure timely management action in response to supply chain ethical audit non-conformances.
- Standard supply contract terms and conditions define expectations of supplier conduct.
- Coles' whistle-blower hotline and dedicated supply chain wages and conditions hotline enable reporting of unethical, illegal, fraudulent or undesirable conduct.



13. Product and food safety

Description

The risk of selling or serving a product that is unsafe may cause serious illness, injury or death and/or result in loss of reputation or litigation.

Context

Product and food safety, and quality are critical for Coles.

Serious illness, injury or death are the most severe potential risks from compromised product or food safety.

These risks may result in loss of sales and market share, regulatory exposure, and potential litigation.

Mitigations

- Product and food safety programs (including safety plans and assurance programs for exclusive brands/products) are in place and regularly reviewed.
- Governance forums manage and monitor emerging food and product safety risks, food security risks and regulatory changes.
- Food risk and hazard assessment processes are based on the Food Standards Australia New Zealand ('FSANZ') Standard.
- Supplier quality management processes reduce product and food safety risks. Training is provided to suppliers and team members in food safety and quality management.
- Withdrawal and recall processes remove defective and potentially unsafe product from our stores and supply chain.
- Quality, complaints and incident processes help identify and drive response to safety risks.

Risk Management

Financial risks



14. Financial, treasury and insurance

Description

The availability of funding and management of capital and liquidity are important requirements to fund our business operations and growth. In addition, we are exposed to material adverse fluctuations in interest rates, foreign exchange rates and commodity movements that could impact business profitability.

Context

Changes in the macro-economic environment can expose us to adverse movements in interest rates, foreign exchange rates and commodity prices, and present barriers to funding our business operations.

We may also be exposed to financial loss from accidents, natural disasters and other events. Insurance is a tool used to protect our customers, team members and the Group against (insurable) financial loss.

Mitigations

- Group Treasury manages cash funding position and supports interest rate and foreign currency risk management.
- Treasury and related policies govern management of our financial risks, including liquidity, interest rates, foreign currency, commodity risks and use of derivatives. Further information is included in Note 4.2 Financial Risk Management of the Financial Report.
- We may choose to self-insure a significant proportion of some insurable risks. In the event of an incident, the cost is covered from internal premiums charged to the business, or the losses are absorbed.
- The Group Insurance function manages self-insurance and purchase of external insurance to optimise cover and value. Self-insured risks are monitored and programs are in place to help us pre-empt and mitigate losses.
- An external actuary helps determine self-insurance liabilities recognised in the Statement of Financial Position.

Climate Change

Coles understands our responsibility to minimise our environmental footprint, as well as to mitigate the environmental and social impacts of climate change. We are doing this by:

- building the resilience of our business, our community and our value chain against climate change impacts, both physical and transitional **(manage climate risks and opportunities)**;
- taking action to reduce our climate impacts **(decarbonisation¹)**; and
- constructively engaging on issues and challenges associated with climate change and climate policy **(influence climate action)**.

We are committed to engaging with our stakeholders and disclosing how we identify, assess and manage climate-related financial risks and opportunities, and seek to align with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD').

Key actions taken to align with the TCFD

FY20	FY21	FY22	FY23	FY24 & beyond
Published Board approved Climate Change Position Statement.	Released refreshed Sustainability Strategy – including Scope 1 and 2 emissions reduction targets.	Further developed scenario analysis work. This provided information on future climate scenarios, as well as climate-related commodity risks and opportunities.	Completed a risk analysis of the physical impacts of climate change on Coles' asset portfolio. The scope of the assessment encompassed the store network, distribution centres and supply routes.	Progress our Climate Action Roadmap.
Three-year TCFD Roadmap endorsed by the Board (based on 2017 TCFD recommendations).	Updated assessment of Coles' climate-related risks and opportunities.	Assessed fifty-five core commodities (covering ~60% of Coles' revenue) against both physical and transitional climate vulnerabilities. Subsequently undertook a 'deep dive' into 10 commodities assessed as being highly vulnerable to climate risks to inform mitigating actions.	Set a Scope 3 supplier engagement target validated by the Science Based Targets initiative.	Develop a Climate Transition Plan for Coles.
Formalised governance arrangements relating to climate change.	Undertook high-level scenario analysis on the impacts of climate change on the resilience of our strategy. Three possible climate change 2030 scenarios were used (stated policies; ambitious global climate action; and runaway climate change) to test strategic resilience.		Commenced the development of a Climate Action Roadmap to meet current and emerging climate disclosure requirements.	

Governance

The Board oversees and approves the strategic direction of the Group and oversees the effectiveness of Coles' sustainability and governance policies and practices, including exposure to climate change and other environmental and social risks, and opportunities. The Audit and Risk Committee supports the Board in fulfilling its responsibilities including 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, including financial and non-financial risks.

The Chief Operations and Sustainability Officer, a member of the ELT reporting to the Chief Executive Officer, provides regular updates to the Board and the Audit and Risk Committee on sustainability risks, issues and progress against commitments. Standardised quarterly reporting, with performance monitoring against our sustainability commitments (which includes our emission reduction targets) is also provided to the Board.

During FY23 the Board was also presented with updates on market developments (including emerging disclosure frameworks) in relation to climate change and nature, as well as information on how we are mitigating risks associated with geographical concentration in fresh produce categories. The Board reviews Coles' corporate strategy annually

¹ Coles currently does not purchase carbon offsets to decarbonise its operations. Carbon offsets are only purchased for the purpose of the Coles Finest carbon neutral beef and pork products.

Climate Change

which includes considering whether it is responsive to the future risks and opportunities arising from the transition to a net zero economy.

With the Environmental, Social and Governance ('ESG') landscape continuing to rapidly evolve, in FY23 we have been working through a review of our overall sustainability governance arrangements. During this period, the primary management governance forums for sustainability have been the quarterly business reviews, attended by members of the ELT, and ELT meetings.

Strategy

The focus this year has been on two key pieces of work – the completion of a physical risk assessment of our assets and operations, and the development of a Climate Action Roadmap, which will be ongoing in FY24.

Physical risk assessment

Over recent years Coles has experienced the physical and financial impacts of extreme weather events such as floods, cyclones, and bushfires. These impacts include physical damage to assets, inability to access assets and equipment, loss of revenue from store closures, and decreases in the efficiency of equipment sensitive to climate (e.g. refrigeration, heating and cooling). For this reason, prior to finalising the location of our new ADC in Redbank, Queensland, we undertook extensive analysis of potential flooding impacts as part of the location planning process.

Climate change projections show that the intensity and frequency of extreme weather events in Australia are only going to increase¹, exacerbating impacts on our business. In FY23, we completed an assessment of Coles' assets and operations (including stores, distribution centres, and key transport routes) that built on the high-level physical risk assessment completed in FY22. This work involved engagement with different parts of the business to understand historical events and impacts, determine an asset criticality framework and to inform where to focus the risk assessment and recommendations.

Key findings from the assessment include:

- The financial impact of physical climate risk in the store network is not materially significant in the context of Coles' total portfolio, which is well diversified across assets and regions. In addition, with respect to store design, the specifications used already take into consideration future conditions to improve resilience in extreme weather (for example, new stores are designed for a one in 100-year storm event). The design brief is frequently updated.
- Flooding events drive approximately 60% of financial losses across the portfolio. The financial impact of flooding events is estimated to increase by around 23% over the next 10 years when assessing against RCP 8.5 2030 (Intergovernmental Panel on Climate Change high-emissions scenario).
- The distribution network (distribution centres and transport routes) was found to be the area of highest risk due to the scale of potential downstream impacts. Resilience of the distribution network is therefore a critical consideration in all operations and future asset planning.
- Coles has a high reliance on asset integrity and function of third party assets, such as transport infrastructure, distribution centres and shopping centres.

In FY24, we will use these findings to inform our climate risk management approach.

Managing supply chain disruption – fresh produce

In recent years Coles has experienced supply chain disruptions to several fresh produce categories because of extreme weather events and changing weather patterns.

During FY23, we reviewed several categories within fresh produce considered to be at risk from a geographical concentration perspective. In determining the level of risk, we considered both the financial loss (as a percentage of fresh produce sales) resulting from an impact to a 'high geographically concentrated' region, and the likelihood, after accounting for risk mitigation factors and impacts associated with historical weather events.

While no categories were deemed high risk due to the ability to source alternative supply, high substitutability and the likelihood that material impacts of extreme weather events would be industry wide, four fresh produce categories were considered to be medium risk – namely, lettuce, strawberries, berries and bananas.

In response, we are seeking to partner with suppliers developing new growing regions (e.g. bananas grown in regions other than Far North Queensland, which is prone to cyclones) or 'spreading out' existing regions to reduce geographical concentration and investing in purpose built and technologically advanced facilities (such as covered cropping).

¹ Source: IPCC WGII AR6 Fact Sheets – Australasia: Fact Sheets | Climate Change 2022: Impacts, Adaptation and Vulnerability (ipcc.ch)

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Climate Action Roadmap

Building on work undertaken over the past three years to align our approach with the 2017 recommendations of the TCFD, this year we commenced the development of a Climate Action Roadmap ('the Roadmap'). It is anticipated the Roadmap will include key actions for Coles over the short, medium and long term to manage climate-related risks and opportunities effectively and respond to stakeholder expectations.

The Roadmap will seek to further align Coles to the TCFD and other current and emerging disclosure frameworks – including the Transition Plan Taskforce Disclosure Framework (UK) and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board ('ISSB').

The scenario analysis we undertook in FY21 and FY22 will inform the development of the Roadmap. Detail of the scenario analysis undertaken in prior years is available in our FY21 and FY22 Annual Reports.

Risk management

We apply an integrated Group-wide approach to the management of risk through the application of the Coles Risk Management Standard.

Climate change has been identified and disclosed as a material risk to the Group since FY19. Refer to the Risk Management section for further information on Coles' material risks.

Climate change risk exposure, together with associated management plans, risk appetites and metrics, is reported to the Executive Leadership Team, the Audit and Risk Committee, and the Board regularly during the year, along with the broader suite of material risks to the Group.

Climate change risk is supported by an underlying climate change risk and opportunity profile. This profile identifies transition and physical climate change risks and opportunities impacting the Group, together with associated actions and management plans. These risks and opportunities are presented in the following section.

During FY23, we also incorporated the management of climate change risks and opportunities within the Coles Risk Management Standard. This update was approved by the Board in June 2023.

Further information about our Risk Management Policy and Risk Management Standard is available in Coles' Corporate Governance Statement.

Climate-related risks

As noted in the previous section, we recognise that Coles is exposed to increasing climate-related risks. Changing weather patterns and climate extremes are happening at an increased pace¹, emphasising the need to develop, refine and implement adaptation and mitigation actions to address the changing nature of climate risk now and in the future.

Our assessment includes the following risks:

- **Transition** – risks associated with the transition to a lower carbon economy including management of heightened stakeholder expectations, policy, regulatory and legal changes, and technological developments.
- **Physical** – risks associated with acute event driven weather impacts, for example increasing severity of extreme weather events, and chronic long-term shifts in climate patterns.

A description of Coles' transition and physical risks and management response, as well as future opportunities, is presented in the following table. Many of the downside risks are also considered to be material business risks to the Coles Group. Analysis of the risk exposures considered financial, reputational, health and safety, legal and regulatory, and operational consequences in the short-term (0 to 2 years), medium-term (2 to 10 years) and long-term (10+ years).

Potential financial impacts include: revenue streams, operational and capital costs, asset values, cost of finance and insurance premiums, and market share.



Consideration has also been given to the potential financial impacts of climate-related risks on the carrying value of goodwill through a qualitative review of the Group's climate change risk assessment. This review did not identify any material financial reporting impacts.

¹ Intergovernmental Panel on Climate Change (IPCC) AR6 Synthesis Report, March 2023 (AR6 Synthesis Report: Climate Change 2023 — IPCC.)


Climate Change

Transition risks

Risk 1 – Changing stakeholder expectations of acceptable climate performance


Description	Coles seeks to minimise the impact of its operations on the environment. We also recognise the expectations and preferences of our team members, customers, community, investors and NGOs are shifting in relation to climate change and the environment. This includes enhanced expectations around minimising the impact of climate-related disruptions to our customers, improving energy efficiency, offering sustainable products and reducing greenhouse gas emissions.	
Relevant TCFD risk category	 	Reputation Market
Relevant TCFD financial impact category	Revenue, expenditure, assets and liabilities, capital financing	
Potential financial impacts	<ul style="list-style-type: none"> Decreased revenue due to reduced demand for goods and services. Increased costs due to turnover in team members or third parties with whom we do business. 	
Our management response	<ul style="list-style-type: none"> Sustainability strategy incorporating our emissions reduction targets. Refer to the Metrics and Targets section for further information. Teams and processes in place to understand, monitor and respond to the concerns and expectations of team members, customers, investors, NGOs and the community more broadly. Governance arrangements to manage and monitor the development and progress against sustainability goals and initiatives, including those related to climate change. 	
Medium- and long-term considerations	<ul style="list-style-type: none"> Monitoring for shifts in consumer preferences in favour of lower emissions and fewer water-intensive products. 	

Risk 2 – Changing policy, regulatory and legal requirements to decarbonise and manage climate risk


Description	New and evolving climate-related policies and regulations may impose requirements that affect the way our business operates. These may include policies and regulations designed to limit the impacts of climate change, or transition to a lower carbon economy. Ongoing monitoring and assessment of changing regulations is required to determine whether action is needed to manage compliance.	
Relevant TCFD risk category		Policy & Legal
Relevant TCFD financial impact category	Expenditure	
Potential financial impacts	<ul style="list-style-type: none"> Increased costs to comply with changing requirements. Increased costs associated with offsetting carbon-intensive operations or products. 	
Our management response	<ul style="list-style-type: none"> Regulatory non-compliance is one of our material business risks and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. Refer to the Risk Management section for further information about risk mitigations. Monitoring of new and impending legislative and policy changes, as well as participation in policy consultations to influence change. Annual emissions reporting to the Clean Energy Regulator under the National Greenhouse and Energy Reporting scheme. Compliance and legal teams train and support relevant teams on sustainability related advertising and claims to make sure they are not misleading or contrary to Australian Consumer Law. 	
Medium- and long-term considerations	<ul style="list-style-type: none"> Managing the divergence in environmental requirements imposed by state-based legislation in the absence of a national approach. Monitoring of external trends relating to climate litigation and direct claims being made against companies internationally and domestically. 	

Climate Change

Risk 3 – Low emissions technology development and adoption

Description	Decarbonising, or becoming more resilient to climate impacts, can be aided by technology. Delayed adoption of new technologies can reduce our competitiveness and increase our exposure to energy market volatility. Delays may occur when there are limited suppliers in the market to source new technologies; when there is inadequate infrastructure to support technology adoption; or when there is a lack of people trained in the installation, operation and maintenance of the technology.
Relevant TCFD risk category	 Technology
Relevant TCFD financial impact category	Expenditure, assets and liabilities, capital financing
Potential financial impacts	<ul style="list-style-type: none"> • Write-offs or early retirement of existing assets. • Increased costs associated with investment in the research, development and implementation of new technology. • Increased costs to adopt new practices and processes, including upskilling workforce capabilities.
Our management response	<ul style="list-style-type: none"> • Regularly assessing new technologies with the potential to advance how we mitigate or adapt to climate change through literature reviews, attending conferences, and assessing inbound requests from potential suppliers to review their products. • Energy purchasing, market services and energy asset strategy to manage and orchestrate energy consumption and cost to supermarkets, including renewable energy contracts and orchestration agreements. • Strategies developed to replace existing refrigeration and heating, ventilation and air conditioning assets with systems that run on lower global warming potential gases and natural refrigerants.
Medium- and long-term considerations	<ul style="list-style-type: none"> • Adequacy of infrastructure to support increasing uptake of electric vehicles in Australia.



Risk 4 – Decreased access to insurance and finance

Description	Banks and insurers may become increasingly reluctant to support businesses and operations with significant exposure to climate risks and inadequate processes to manage these risks.
Relevant TCFD risk category	 Policy & Legal
Relevant TCFD financial impact category	Expenditure, asset and liabilities, capital financing
Potential financial impacts	<ul style="list-style-type: none"> • Increased cost of finance. • Higher insurance premiums. • Unavailability of insurance for activities or sites located in specific high-risk areas.
Our management response	<ul style="list-style-type: none"> • Coles' Sustainability Strategy (and associated metrics and targets) has facilitated access to the sustainable finance markets. Coles has established a total of \$1.425 billion bilateral bank facilities in sustainability linked loan formats ('SLLs'). The SLLs draw a direct line between our sustainability performance and our cost of capital. Coles is incentivised through margin adjustments to achieve sustainability targets linked to Scope 1 and 2 emission reductions, waste diversion from landfill, and women in leadership. • Transferring risk through the insurance market where it is competitive to do so and based on exposure to the balance sheet. Coles Captive Insurance is used as a mechanism to fund additional exposures that cannot be risk transferred to a certain extent. • Natural catastrophe modelling to give confidence to external insurers. This modelling will be revisited at least every two years or earlier if there is evidence that the modelling has become outdated.
Medium- and long-term considerations	<ul style="list-style-type: none"> • Increased insurance exclusion clauses for specific regions susceptible to extreme weather events.



Climate Change

Physical risks

Risk 5 – People safety and wellbeing (Coles team members and broader supply chain)



Description	Increases in the frequency and intensity of extreme weather events, and changes in weather patterns, can lead to increasing health and safety risks to Coles' team members, customers, and third party suppliers and providers. This includes exposure to the risk of physical harm, as well as adverse health and wellbeing impacts including to mental health.	
Relevant TCFD risk category	 Acute	 Chronic
Relevant TCFD financial impact category	Expenditure	
Potential financial impacts	<ul style="list-style-type: none"> Increased operating costs associated with implementing plans to reduce and mitigate the health and wellbeing impacts to our team members, customers, and third party suppliers and providers. Increased costs associated with employee leave, including disaster leave, absenteeism and/or turnover. 	
Our management response	<ul style="list-style-type: none"> People safety is a material business risk and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. Refer to the Risk Management section for further information about risk mitigations. The Coles Health, Safety and Injury Management system (SafetyCARE) and the safety plans for each of our segments factor in the acute impacts (e.g. bushfires) and chronic impacts (e.g. heat fatigue) of climate change. Every store has an emergency response plan, informed by a safety risk assessment that factors in bushfire, flood and cyclone zones. Learnings from incidents and events, and opportunities for improvement, are identified and incorporated into our safety, emergency management and response plans and processes. 	
Medium- and long-term considerations	<ul style="list-style-type: none"> The types of people safety and wellbeing risks are expected to be the same in the medium and long-term, however their impact may be amplified by an increase in the frequency and/or intensity of extreme weather events and changing weather patterns. 	

Risk 6 – Food safety and quality

Description	An increase in the frequency and severity of extreme weather events and long-term shifts in climate patterns can lead to food safety and quality risks throughout the supply chain, including changing persistence and occurrence of pests and diseases, food and soil contamination, and lower than expected shelf-life for fresh produce.	
Relevant TCFD risk category	 Acute	 Chronic
Relevant TCFD financial impact category	Expenditure	
Potential financial impacts	<ul style="list-style-type: none"> Decreased revenue due to reduced availability of supply. Increased operating costs associated with implementing plans to reduce and mitigate impacts to food and product safety and quality. 	
Our management response	<ul style="list-style-type: none"> Product and food safety is a material business risk and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. Refer to the Risk Management section for further information about risk mitigations. Disaster recovery checklists established to help suppliers recover from the impact of extreme weather events on food safety. Developing a food safety strategy to improve the management of food safety across the supply chain considering likely changes in climatic conditions. 	
Medium- and long-term considerations	<ul style="list-style-type: none"> The types of food safety and quality risks are expected to be the same in the medium and long-term, however their impact may be amplified by an increase in the frequency and/or intensity of extreme weather events and changing weather patterns. 	



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Risk 7 – Operational resilience

Description	Acute and chronic weather events can result in disruption to our stores and distribution centres through physical damage to assets and equipment, and/or the inability to access facilities and major transport routes. There may also be more frequent and prolonged instances of power outages, as well as decreases in the efficiency and resilience of assets and equipment that are sensitive to climate (e.g. refrigeration units, heating and cooling).
Relevant TCFD risk category	  Acute Chronic
Relevant TCFD financial impact category	Revenue, expenditure, assets and liabilities, capital financing
Potential financial impacts	<ul style="list-style-type: none"> • Increased operating and capital costs. • Increased costs to repair, maintain or replace assets. • Reduced revenue and/or stock loss. • Increased insurance premiums. • Write-offs or impairment of assets.
Our management response	<ul style="list-style-type: none"> • Supply chain resilience is a material business risk and is managed with regard to risk appetite statements and key risk indicators agreed by the Board. Refer to the Risk Management section for further information about risk mitigations. • Store design specifications consider their resilience in extreme conditions. • Ongoing maintenance and asset replacement program aimed at progressively maintaining and replacing assets when required. • Stock planning in areas affected by cyclone activity (e.g. WA, QLD), and other forecast weather events to ensure stores are sufficiently stocked before entering cyclone season. • Insurance arrangements are in place for property and business interruption (subject to policy terms, conditions and exclusions). • Completion of a physical climate risk assessment to understand the potential physical impacts of climate change on Coles' assets and operations and identify mitigation actions to improve climate resilience.
Medium- and long-term considerations	<ul style="list-style-type: none"> • Continuous increases in the frequency and/or severity of natural hazards and the potential impact on our assets, particularly ageing assets, and third party logistics infrastructure.



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Risk 8 – Supply security

Description	Our ability to source products domestically and internationally can be adversely impacted by climate change. The occurrence of extreme weather events and longer-term changes in weather patterns can reduce supplier productivity and availability of supply.	
Relevant TCFD risk category	 	Acute Chronic
Relevant TCFD financial impact category	Revenue, expenditure	
Potential financial impacts	<ul style="list-style-type: none"> Decreased revenue due to reduced availability of supply. Increased costs to import products from overseas or diversify supplier base. Increased exposure to price volatility. 	
Our management response	<ul style="list-style-type: none"> Supply chain resilience is a material business risk and is managed with regard to the risk appetite statements and key risk indicators agreed by the Board. Refer to the Risk Management section for further information about risk mitigations. During FY23 reviews were undertaken of supplier concentration in key categories, and geographical risk across a number of Coles' fresh produce categories, to highlight mitigations in place and identify opportunities to further reduce risk of supply disruption. Medium and longer-term supply security risks and mitigations are assessed on an ongoing basis as part of category planning. Strategy developed around the security of our meat supply. Provision of support to suppliers through grants for climate change adaptation and mitigation initiatives via the Coles Nurture Fund. Disaster relief packages are available to suppliers on an ad hoc basis. 	
Medium- and long-term considerations	<ul style="list-style-type: none"> Increasing frequency and/or severity of extreme weather events and changing climate patterns may result in the risk of supplier consolidation. 	

Climate-related opportunities

Opportunity 1 – Resource efficiency and greenhouse gas reduction

Description	We are continuing to increase our resource efficiency and reduce greenhouse gas emissions in areas over which we have control and influence.	
Relevant TCFD opportunity category	 	Resource Efficiency Energy Source
Potential financial benefits	<ul style="list-style-type: none"> Reduced operating costs (e.g. through efficiency gains and cost reductions) Increased production capacity 	
Our management response	<ul style="list-style-type: none"> Detailed information on how we are working to increase resource efficiency and reduce greenhouse gas emissions is provided in the following Metrics and Targets section. 	

Climate Change

Opportunity 2 – Increased operational resilience, supply chain resilience and business continuity planning

Description	We are seeking to build the resilience of our business, our community and our value chain against climate-related impacts, both physical and transitional.
Relevant TCFD opportunity category	 Resilience
Potential financial benefits	<ul style="list-style-type: none"> Enhanced resilience of our supply chain and ability to operate in various conditions, increasing sales and revenue Enhanced resilience of our assets and infrastructure, increasing asset value
Our management response	<ul style="list-style-type: none"> In FY24, we will use the results of the physical risk assessment discussed previously to inform the work necessary to reduce exposure to climate risk across the portfolio. We will also continue to support suppliers through grants for climate change adaptation and mitigation initiatives through the Coles Nurture Fund (further information about this grants program will be available in our 2023 Sustainability Report scheduled for release in September 2023).

Metrics and targets

In FY21, we announced targets to reduce greenhouse gas emissions including the following commitments:

- to deliver net zero greenhouse gas emissions by 2050¹
- for the entire Coles Group to be powered by 100% renewable electricity by the end of FY25 (refer to the Renewable electricity section for further information)
- to reduce combined Scope 1 and 2 greenhouse gas emissions by more than 75% by the end of FY30 (from a FY20 baseline). In July 2023 this target was validated by the Science Based Targets initiative ('SBTi')² and classified as 1.5°C aligned, currently the most ambitious designation available through the SBTi process.

Our main sources of Scope 1 (direct) emissions include emissions from refrigerant gases, natural gas and transport fuel, with a minimal contribution from stationary LPG and diesel for onsite back-up generators.

Scope 2 (indirect) emissions are those associated with our electricity use and make up the bulk of our combined Scope 1 and 2 emissions.

Scope 3 emissions are indirect emissions (not included in Scope 2) that occur in our value chain and make up the bulk of Coles' overall emissions profile.

Emissions data, including our Scope 3 inventory, will be available in our 2023 Sustainability Report scheduled for release in September 2023.

Scope 1 and 2 emissions

Renewable electricity

We have made significant progress this year towards our 100% renewable electricity target through onsite solar and large-scale generation certificate ('LGCs') arrangements which match our consumption. In July 2022, we commenced our agreement with CleanCo in Queensland to purchase electricity and LGCs and began our long-term LGC agreement with Lal Lal Wind Farms in Victoria. These agreements are in addition to our LGC-bundled power purchase agreement which commenced in 2021 with MYTILINEOS in New South Wales.

We are aiming to purchase more than 90% of our electricity in Queensland for 10 years from CleanCo, the state-owned low-emissions energy generator, retailer and developer. In addition to Clean Co's existing low emissions portfolio, the retailer will support Coles through agreements with Western Downs Green Power Hub (set to be Australia's largest solar farm when completed) and the MacIntyre Wind Farm (one of the largest wind farms to be built in the Southern Hemisphere, with 180 turbines).

¹ Currently, Coles' commitment refers only to Coles' Scope 1 and Scope 2 emissions.

² The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. It provides an independent assessment and validation of net-zero science-based targets in line with a 1.5°C future.

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Our agreement with Lal Lal Wind Farms will enable us to purchase LGCs from the wind farms near Ballarat, Victoria until the end of 2030. Lal Lal Wind Farms has been exporting renewable electricity at full capacity to the Victorian grid since December 2020.

We are on track to meet our FY25 renewable electricity commitment through the addition of upcoming long-term LGC agreements. We have signed these agreements with Neoen, Origin Energy, ACCIONA Energía, and ENGIE to source LGCs from wind and solar farms across Victoria, New South Wales, South Australia and Queensland. The portfolio of generation assets includes several wind and solar farms, which are under construction, as well as existing sites such as Willogoleche Wind Farm in South Australia and Mt Gellibrand Wind Farm in Victoria.

In May 2023 we completed a 3.5 megawatt ('MW') solar installation and energisation at our automated dry good distribution centre in Oakdale, New South Wales. The solar installation, which is among the largest rooftop solar solutions in the Coles network, is comprised of 7,000 solar panels covering 16,700 square metres of roof and is expected to supply 32% of the electricity for the facility. Furthermore, a 300 kilowatt ('kW') solar system was constructed at our Chef Fresh facility in New South Wales and is expected to generate 420 megawatt hours ('MWh') of renewable energy per year. Construction of two further rooftop solar systems is underway at our chilled distribution centres in Kewdale, Western Australia and Eastern Creek, New South Wales. All three systems are expected to be energised in either FY24 or FY25.

Coles and Origin recently signed an agreement which will see the companies co-invest in solar, batteries and flexible load controls across Coles stores nationally. The agreement is expected to lower Coles' emissions, reduce electricity consumption from the grid and bring down operational costs, with solar to be delivered at 20 stores in FY24. Over the next three years, the companies aim to install 20 MW of solar panels on top of 100 stores, with batteries to be installed at one third of the stores to capture and store excess renewable electricity generated on-site. In addition, Coles' rooftop solar, batteries, and energy assets such as in-store heating, cooling and refrigeration systems will be connected to Origin's virtual power plant to help ease pressure on the energy grid during peak periods of demand.

Refrigeration, HVAC management and energy efficiency

Refrigeration is vital for maintaining and extending food quality and reducing waste. Coles' refrigeration management program includes the use of natural refrigerants, which have close to no global warming potential ('GWP') compared with older synthetic refrigerant gases with high GWP.

When building new Coles supermarkets, the majority (>90%) now use natural refrigerants. Aligning to our store refurbishment program where practical and commercially viable we convert supermarkets to lower GWP or natural refrigerants. At the end of FY23, natural refrigerants were in use in 54 supermarkets (28 in FY22) and 33 Coles Liquor stores (15 in FY22).

To reduce gas loss, we have continued to invest in leak detection technology and our refrigeration pipe replacement program. We also have several energy efficiency initiatives and trials in place across our stores and distribution centres.

Scope 3 emissions

Coles has set a supplier engagement target requiring more than 75% of suppliers by spend to set science-based targets by the end of FY27. This Scope 3 target was validated by the SBTi during the year.




Given most of Coles' Scope 3 emissions are upstream of our operations, this target allows us to engage high emitting categories and work collaboratively with our suppliers to reduce emissions. As an organisation with an extensive supply chain, there are a range of challenges related to measuring and reducing Scope 3 emissions. These include our reliance on supplier partners for relevant information, gaps in data, issues with data quality and our ability to influence suppliers' operational and commercial practices. With these challenges in mind, Coles has appointed a new position of General Manager, Sustainability Supplier Relations, whose focus will be on engaging with, and supporting, our suppliers to reduce their emissions.

During FY23, we calculated our FY22 and FY23 inventory for Scope 3 emissions covering the following Greenhouse Gas Protocol ('GHG Protocol') categories.¹ We also recalculated our FY20 baseline to account for the sale of Coles Express fuel and convenience retailing operations during FY23.

¹ Consistent with guidance in the GHG Protocol, Category 8 – Upstream leased assets and Category 9 – Downstream transportation and distribution are excluded from our Scope 3 emissions inventory. Category 10 – Processing of sold products, 13 – Downstream leased assets and 14 – Franchises are not relevant to Coles Group. It should also be noted that Coles has calculated a portion of emissions associated with Viva Energy's sale of fuel through Coles Express sites in Category 15 – Investments, based on commission received through the agreement with Viva Energy.

Climate Change

Scope 3 categories

Category	
Upstream	 1. Purchased goods and services
	 2. Capital goods
	 3. Fuel and energy-related activities
	 4. Upstream transportation and distribution
	 5. Waste generated in operations
	 6. Business travel
	 7. Employee commuting
Downstream	 11. Use of Sold Products
	 12. End-of-life treatment of sold products
	 15. Investments and joint ventures

Further detail on how we have been working with suppliers to reduce their emissions will be available in our 2023 Sustainability Report scheduled for release in September 2023.

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Board Of Directors

Board of Directors: Biographical details

James Graham AM

BE(Chem) (Hons), MBA, FIEAust EngExec, FTSE, FAICD, SF FIN

Chairman and Non-executive Director, Chairman of the Nomination Committee and Member of the People and Culture Committee

Age: 75

James Graham has extensive business, investment, corporate and governance experience, including as a Non-executive Director of Wesfarmers Limited for 20 years, prior to his retirement in July 2018. James is Chairman of Gresham Partners Limited, having founded the Gresham Partners Group in 1985.

From 2001 to 2009, James was a Director of Rabobank Australia Limited, initially as Deputy Chairman and then Chairman, and was responsible for the Bank's operations in Australia and New Zealand. He was also Chairman of the Darling Harbour Authority between 1989 and 1995, and was previously Managing Director of Rothschild Australia Limited. In 2008, James was made a member of the Order of Australia.

Leah Weckert

BEng (Hons), BSc, MBA, GAICD

Managing Director and CEO

Age: 44

Leah Weckert became the Managing Director and Chief Executive Officer of Coles on 1 May 2023. Leah joined Coles in 2011 and has held several senior roles across the business. Most recently, Leah was Chief Executive, Commercial and Express, leading the Supermarkets and Coles Express business units. Before this, Leah was Chief Financial Officer and played a leadership role in the demerger of Coles from Wesfarmers in 2018. Leah has also held roles as Director Strategy, Director People & Culture, State General Manager Victoria Operations, and General Manager Merchandise, Strategy and Innovation.

Prior to joining Coles, Leah worked at McKinsey & Company, advising large private and public sector clients, and Foster's Group in Strategy and Business Development.

She is a Graduate of the Australian Institute of Company Directors and a member of Chief Executive Women.

Terry Bowen

BAcc, FCPA, MAICD

Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee

Age: 56

Terry Bowen is currently a Non-executive Director of BHP Group Limited and Transurban Group Limited. He is also Chairman of the Operations Group at BGH Capital.

Terry previously served as Finance Director of Coles (2007 to 2009), Finance Director of Wesfarmers Limited (2009 to 2017) and Managing Partner and Head of the Operations Group at BGH Capital (2018 to 2019). Terry was also formerly the Chief Financial Officer of Jetstar Airways, Finance Director of Wesfarmers Landmark, and before this held senior finance roles with Tubemakers of Australia Limited.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of BHP Group Limited (since October 2017), Transurban Group Limited (since February 2020).

Board of Directors: Biographical Details

Jacqueline Chow

MBA, BSc (Hons), GAICD

Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee

Age: 51

Jacqueline Chow is a Non-executive Director of Boral Limited, nib Holdings Limited and Charter Hall Group. She is also a Director of the Australia-Israel Chamber of Commerce of New South Wales.

From 2016 to 2019, Jacqueline was a Director of Fisher & Paykel Appliances. Jacqueline previously held senior management positions, including Chief Operating Officer, Global Consumer and Food Service, with Fonterra Co-operative Group, one of the world's largest dairy product producers and exporters. Prior to that, she was in senior management with Campbell Arnott's and Kellogg Company. She was also Programme Steering Group Director, Ministry for Primary Industries, New Zealand and Deputy Chairman of the Global Dairy Platform Inc. She was previously a Senior Advisor at McKinsey Consulting RTS.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of Boral Limited (since March 2022), nib Holdings Limited (since April 2018), Charter Hall Group (since February 2021).

Abi Cleland

MBA, BCom/BA

Non-executive Director, Member of the Nomination Committee and the People and Culture Committee

Age: 49

Abi Cleland is currently a Non-executive Director of Computershare Limited and Orora Limited. She was previously a Non-executive Director of Sydney Airport Corporation Limited, Chairman of Planwise AU, a Director of Swimming Australia and on the Lazard PE Fund advisory committee. From 2012 to 2017, Abi established and ran an advisory and management business, Absolute Partners, focusing on strategy, mergers and acquisitions and disruption. Before that, she held senior management roles at KordaMentha's 333, where she was Managing Director, and at ANZ Banking Group Limited, Incitec Pivot Limited and Amcor Limited.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of Computershare Limited (since February 2018), Orora Limited (since February 2014), Sydney Airport Corporation Limited (April 2018 to March 2022).

Richard Freudenstein

LLB (Hons), BEc

Non-executive Director, Chairman of the People and Culture Committee and Member of the Nomination Committee

Age: 58

Richard Freudenstein is the Chairman and a Non-executive Director of Appen Limited as well as a Non-executive Director of REA Group Limited (where he was Chairman from 2007 to 2012). He is a board member of Cricket Australia and Deputy Chancellor of the University of Sydney.

Richard was previously Chief Executive Officer of Foxtel (2011 to 2016), Chief Executive Officer of The Australian and News Digital Media at News Ltd (2006 to 2010), and Chief Operating Officer at British Sky Broadcasting plc (2000 to 2006). His previous board positions include Ten Network Holdings Limited (2015 to 2016), Foxtel (2009 to 2011) and Astro Malaysia Holdings Berhad (2016 to 2019). Richard was also a member of the Advisory Board of artificial intelligence software company, Afinity Ltd (2017 to 2022).

Directorships of listed entities, current and recent (last three years):

Chairman of Appen Limited (since October 2021) and Non-executive Director (since August 2021), Non-executive Director of REA Group Limited (since November 2006).

Board of Directors: Biographical Details

Paul O'Malley

BCom, M.AppFinance, ACA

Non-executive Director, Chairman of the Audit and Risk Committee and Member of the Nomination Committee

Age: 59

Paul O'Malley is the Chairman and a Non-executive Director of Commonwealth Bank of Australia Limited. He was Managing Director and Chief Executive Officer of BlueScope Steel Limited from 2007 to 2017, after joining the company as Chief Financial Officer. Previously, Paul was the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas. He held other senior financial management roles within TXU and previously worked in the investment banking and consulting sectors. A former Director of the Worldsteel Association, Paul was Chairman of their Nominating Committee and Trustee of the Melbourne Cricket Ground Trust. He has also served as Chairman for Australian Catholic Redress Ltd.

Directorships of listed entities, current and recent (last three years):

Chairman of Commonwealth Bank of Australia Limited (since August 2022) and Non-executive Director (since January 2019).

Scott Price

BA, MBA, MA

Non-executive Director, Member of the Nomination Committee and People and Culture Committee

Age: 62

Scott Price commenced as Group Chief Executive of DFI Retail Group Holdings Limited on 1 August 2023, having retired in early 2022 as Executive Vice-President; President of UPS International. Scott was also previously UPS's Chief Strategy and Transformation Officer and was responsible for strategic planning, Global Business Services and the company's Advanced Technology Group.

From 2009 to 2017, Scott led Walmart's Asia store business before moving to the United States to lead global sourcing, international technology, real estate and strategy. He was also previously President and CEO of DHL Asia and then DHL Europe and began his career at The Coca-Cola Company in Asia. Scott is a former board member of the not-for-profit World Food Program USA.

Directorships of listed entities, current and recent (last three years):

Group Chief Executive and Director of DFI Retail Group Holdings Limited (and representative director on its affiliate, Robinsons Retail Holdings Inc) (since August 2023).

Wendy Stops

BAppSc (Information Technology), GAICD

Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee

Age: 62

Wendy Stops is the Chairman of Fitted for Work, Deputy Chancellor and Council member at the University of Melbourne, Chairman of the Advisory Board for the Melbourne Business School's Centre for Business Analytics and a member of the AICD's Governance of Innovation and Technology Panel.

Previously, Wendy was a member of the Advisory Committee to the Digital Technology Taskforce of the Department of Industry, Science and Resources and a senior management executive in the information technology and consulting sectors. This includes her last 16 years with Accenture in various senior management positions in Australia, Asia Pacific and globally. Her board experience includes Blackmores Limited (where she was Chairman from 2022 to 2023), Commonwealth Bank of Australia Limited, Altium Limited, Accenture Software Solutions Australia and Diversiti. Currently, Wendy is a member of Chief Executive Women, serving on their Leaders Program Committee, and a graduate of the AICD.

Directorships of listed entities, current and recent (last three years):

Chairman of Blackmores Limited (November 2022 to August 2023) and Non-executive Director (April 2021 to August 2023), Non-Executive Director of Commonwealth Bank of Australia Limited (March 2015 to October 2020)

Directors' Report

The Directors present their report on the consolidated entity consisting of Coles Group Limited ('the Company') and its controlled entities at the end of, or during, the financial year ended 25 June 2023 (collectively, 'Coles' or 'the Group').

The information referred to below forms part of and is to be read in conjunction with this Directors' Report:

- the Operating and Financial Review
- the Remuneration Report
- Board of Directors: Biographical Details
- Note 7.3 Auditor's remuneration to the financial statements accompanying this report
- Note 7.5 Events after the reporting period to the financial statements accompanying this report
- the Auditor's Independence Declaration required under section 307C of the *Corporations Act 2001* (Cth)

Directors

The Directors in office as at the date of this Directors' Report are:

NAME	POSITION HELD	PERIOD AS A DIRECTOR
James Graham AM	Chairman and Independent, Non-executive Director	Appointed 19 November 2018
Leah Weckert	Managing Director and Chief Executive Officer	Appointed 1 May 2023
Terry Bowen	Independent, Non-executive Director	Appointed 1 October 2022
Jacqueline Chow	Independent, Non-executive Director	Appointed 19 November 2018
Abi Cleland	Independent, Non-executive Director	Appointed 19 November 2018
Richard Freudenstein	Independent, Non-executive Director	Appointed 19 November 2018
Paul O'Malley	Independent, Non-executive Director	Appointed 1 October 2020
Scott Price	Independent, Non-executive Director	Appointed 1 October 2022
Wendy Stops	Independent, Non-executive Director	Appointed 19 November 2018

The biographical details of the current Directors set out information about the Directors' qualifications, experience, special responsibilities and other directorships.

The following persons were also Directors during FY23:

NAME	POSITION HELD	PERIOD AS A DIRECTOR
Steven Cain	Managing Director and Chief Executive Officer	Appointed Chief Executive Officer 17 September 2018 and Managing Director 2 November 2018 Retired as Managing Director and Chief Executive Officer on 30 April 2023
David Cheesewright	Independent, Non-executive Director	Appointed 19 November 2018 Retired 15 June 2023

Company secretary

Daniella Pereira LLB (Hons), BA

Daniella Pereira was appointed the Company Secretary of Coles Group Limited on 19 November 2018. Daniella has an extensive career in legal, governance and company secretariat, including a 14-year career with ASX-listed industrial chemicals company, Incitec Pivot Limited. Daniella began her career as a lawyer with Ashurst (formerly Blake Dawson).

Directors' Report

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are listed below:

DIRECTOR - CURRENT ^{1,2}	BOARD		AUDIT AND RISK COMMITTEE		PEOPLE AND CULTURE COMMITTEE		NOMINATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
James Graham	12	12			5	5	4	4
Leah Weckert ³	2	2						
Terry Bowen ⁴	9	9	3	3			2	2
Jacqueline Chow	12	12	5	5			4	4
Abi Cleland	12	12			5	5	4	4
Richard Freudenstein	12	12			5	5	4	4
Paul O'Malley	12	12	5	5			4	4
Scott Price ⁵	9	9			3	3	2	2
Wendy Stops	12	12	5	5			4	4
DIRECTOR - FORMER								
Steven Cain ⁶	10	10						
David Cheesewright ⁷	12	10			5	3	4	4

¹ 'Held' indicates the number of meetings held during the period that the Director was a member of the Board or Committee.

² 'Attended' indicates the number of meetings attended during the period that the Director was a member of the Board or Committee.

³ Leah Weckert commenced as Managing Director and Chief Executive Officer of Coles Group Limited on 1 May 2023.

⁴ Terry Bowen was appointed as a Non-executive Director of Coles Group Limited and a member of the Nomination Committee with effect from 1 October 2022. Terry Bowen was appointed as a member of the Audit and Risk Committee with effect from 1 November 2022.

⁵ Scott Price was appointed as a Non-executive Director of Coles Group Limited and a member of the Nomination Committee with effect from 1 October 2022. Scott Price was appointed as a member of the People and Culture Committee with effect from 1 November 2022.

⁶ Steven Cain retired as Managing Director and Chief Executive Officer of Coles Group Limited on 30 April 2023.

⁷ David Cheesewright retired as a Non-executive Director of Coles Group Limited on 15 June 2023.

Directors' shareholdings in the Company

Details of Directors' shareholdings in the Company as at the date of this Directors' Report are shown in the table below. All Directors have met the minimum shareholding requirement under the Board Charter.

DIRECTOR	NUMBER OF SHARES HELD ¹
James Graham	500,188
Leah Weckert ²	257,829
Terry Bowen	16,545
Jacqueline Chow	20,000
Abi Cleland	19,816
Richard Freudenstein	25,000
Paul O'Malley	3,809
Scott Price	1,000
Wendy Stops	35,000

¹ The number of shares held refers to shares held either directly or indirectly by Directors as at 22 August 2023. Refer to the Remuneration Report tables for total shares held by Directors and their related parties directly, indirectly or beneficially as at 25 June 2023.

² As at 22 August 2023, Leah Weckert also holds 12,994 STI Shares and 266,039 Performance Rights.

Principal activities

The principal activities of Coles during the financial year were providing customers with everyday products, including fresh food, groceries, general merchandise, liquor and financial services through its store network and online platforms.

On 1 May 2023, the Group completed the sale of its fuel and convenience retailing business to Viva Energy. Accordingly, the principal activities of Coles also included fuel and convenience retailing up to the date of completion.

Directors' Report

State of affairs

Sale of fuel & convenience business

As noted above, the Group sold its fuel and convenience retailing business during the year with completion on 1 May 2023. Refer to Note 5.3 Discontinued operations for further information.

CEO transition

On 21 February 2023, Coles announced the appointment of Leah Weckert as Managing Director and Chief Executive Officer of Coles with effect from 1 May 2023, upon the retirement of Steven Cain.

Review and results of operations

A review of the operations of the Group during the financial year, the results of those operations and the Group's financial position are contained in the Operating and Financial Review ('OFR').

Business strategies and prospects for future financial years

The OFR sets out information on the business strategies and prospects for future financial years and refers to likely developments in Coles' operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group.

Information that could give rise to any likely unreasonable prejudice or material detriment to the Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included. Other than the information set out in the OFR, information about other likely developments in the Group's operations and the expected results of these operations in future financial years has not been included.

Events after the reporting date

On 22 August 2023, the Directors determined a final dividend of 30.0 cents per fully paid ordinary share to be paid on 27 September 2023, fully franked at the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid out of profits, but not recognised as a liability at 25 June 2023, is expected to be \$402 million.

Dividends

Dividends since Coles' last Annual Report:

	CENTS PER SHARE	TOTAL AMOUNT \$m	FRANKED PERCENTAGE	DATE OF PAYMENT
Paid during the year				
2022 final dividend	30.0	401	100%	28 September 2022
2023 interim dividend	36.0	482	100%	30 March 2023
To be paid after end of year				
2023 final dividend	30.0	402*	100%	27 September 2023
DEALT WITH IN THE FINANCIAL REPORT AS			NOTE	\$m
Dividends paid			3.3	883

* Estimated final dividend payable, subject to variations in the number of shares up to the record date.

Environmental regulations

The activities of the Company are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group is also subject to various state and local government food licensing requirements, and may be subject to town-planning regulations. While the Group has not incurred any significant liabilities under any significant environmental regulation during the financial year, the NSW EPA issued a Clean Up Notice relating to stockpiled plastics collected by REDcycle, which Coles is in the process of satisfying.

Directors' Report

Indemnification and insurance of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, the Company Secretary and other executive officers, against the liabilities incurred while acting as such officers to the extent permitted by law.

As permitted by the Company's Constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors, Company Secretary, Chief Financial Officer and certain executives. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

The Company has paid a premium in respect of a contract insuring current and former directors, company secretaries and executives of the Company and its subsidiaries against liability that they may incur as an officer of the Company or any of its subsidiaries, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with certain exceptions. It is a condition of the insurance contract that no details of the premiums payable or the nature of the liabilities insured are disclosed.

Indemnification of auditors

Pursuant to the terms of engagement the Company has with its auditor, Ernst & Young ('EY' or 'Auditor'), the Company has agreed to indemnify EY to the extent permitted by law and professional regulations, against any losses, liabilities, costs or expenses incurred by EY where they arise out of or occur in relation to any negligent, wrongful or wilful act or omission by the Company. No payment has been made to EY by the Company pursuant to this indemnity, either during or since the end of the financial year.

Non-audit services and auditor's independence

Details of the non-audit services undertaken by, and amounts paid to, EY are detailed in Note 7.3 Auditor's remuneration to the financial statements.

The Board is satisfied that the provision of non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

- all non-audit services provided by EY were reviewed and approved to ensure they would not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

A copy of the Auditor's Independence Declaration forms part of this Directors' Report.

Proceedings on behalf of the Company

No application has been made under section 237 of the Corporations Act 2001 (Cth) in respect of the Company, and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section as at the date of this Directors' Report.

Rounding

The amounts shown in this Directors' Report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one million dollars, with the Company being in a class specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Signed on behalf of the Board in accordance with a resolution of the Directors of the Company.



James Graham AM

Chairman

22 August 2023



Leah Weckert

Managing Director and Chief Executive Officer

22 August 2023

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Remuneration Report

Remuneration Report

Letter to shareholders from the Chair of the People and Culture Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the FY23 Remuneration Report for Coles Group Limited ('the Company') and its controlled entities (together, 'Coles', 'Coles Group' or 'the Group'). The Remuneration Report provides information on the remuneration arrangements for our Key Management Personnel (KMP), which include the Managing Director and Chief Executive Officer ('Managing Director and CEO'), Other Executive KMP and Non-executive Directors of the Company.

Company Performance

In FY23, Coles has continued to deliver trusted value for its customers, with value campaigns and an exclusive brand portfolio delivering a solid sales result and EBIT growth. Group sales revenue from continuing and discontinued operations increased by 5.3% to \$41.5 billion. Group EBIT from continuing and discontinued operations increased by 5.4% to \$1,970 million supported by Smarter Selling benefits and a net reduction in direct COVID-19 costs. Group EBIT from continuing operations increased by 1.8% to \$1,859 million.

Outcomes for FY23

The Board assessed the performance of the Executive KMP against their individual balanced scorecard. The Board determined to exclude the Coles Express sale and transaction impacts from the FY23 STI calculation as the approved targets were set prior to the divestment. If the Board had determined not to exclude these impacts, the Executive KMP STI outcomes would have been higher. Section 4.4 details the FY23 STI payments and includes a summary of the Board's approach in determining the final STI payable to Executive KMP, which ranged between 62.1% to 73.4% of the maximum STI opportunity.

The FY21 LTI, which covered performance between FY21 and FY23, will vest on 30 August 2023. Based on performance against the two equally weighted LTI metrics, Cumulative Return on Capital ('ROC') and Relative Total Shareholder Return ('RTSR'), 50% of the performance rights allocated to Executive KMP will vest. Cumulative ROC was measured as 109.3% of target with all performance rights aligned to this metric approved to vest. This result also excludes the impact of the Coles Express sale and transaction impacts, which did not change the vesting outcome. Relative TSR was below threshold at the 38th percentile against the comparator group, therefore no performance rights aligned to this metric will vest.

Executive KMP transition

Steven Cain retired from the role of Managing Director and CEO on 30 April 2023. On behalf of the Board, I would like to acknowledge Steven Cain's leadership since re-joining Coles in 2018 to lead us through the demerger from Wesfarmers, establishing us as a standalone ASX listed organisation. On 1 May 2023, Leah Weckert succeeded Steven Cain as Managing Director and CEO. Leah's appointment was the result of our executive succession planning process. This enabled Leah to grow and develop across many cross-functional portfolios at Coles, including in her previous roles as Chief People Officer, Chief Financial Officer, and Chief Executive, Commercial and Express. Leah is an outstanding executive with a proven track record of leadership and change within Coles, and the right person to lead our business into this next phase of growth.

Leah has taken the opportunity to review the structure of her Executive Leadership Team, which has resulted in several portfolio changes. This has notably expanded the portfolios for both SR (Charlie) Elias and Matthew Swindells. Charlie now leads Group Transformation and Procurement in addition to his current Chief Financial Officer portfolio. Matthew, our Chief Operations and Sustainability Officer, is now accountable for the opening and operation of our new Customer Fulfilment Centres in partnership with Ocado. All manufacturing portfolios have also been consolidated under Matthew's leadership.

Looking ahead

The Board regularly reviews the remuneration and incentive frameworks, so that they continue to strongly align to our remuneration strategy and principles in support of delivering our Group strategy. For FY24, the Board has made three changes to STI metrics within the Managing Director and CEO's balanced scorecard. Firstly, Coles Online Sales will be removed as a financial metric and the weighting will be re-distributed between Group Sales and EBIT. This reflects our focus on growing Group Sales and EBIT through omnichannel customers. Secondly, we will evolve the Customer Net Promoter Score (NPS) to become a two-stream metric including both Strategic NPS and Store NPS. Strategic NPS was the measurement used in FY23 and provides a strategic measure of brand and experiences over time to identify opportunities

Letter to shareholders from the Chair of the People and Culture Committee

to build stronger customer loyalty. Store NPS provides a localised measure of the customer experience at specific touch points to identify opportunities for operational improvement. The Board determined that a two-stream NPS metric has many benefits that will importantly lead to improved customer outcomes. Finally, a sustainability customer perception metric will replace the team member engagement metric (mysay). This metric will measure the percentage of customers who strongly agree that Coles undertakes environmentally sustainable practices. In FY23, the uplift in team member engagement was exceptional and positioned Coles above the benchmark for organisations of our size. Therefore, the Board determined the requirement for Executive KMP to drive our desired company culture should be reflected within the 'Quality and Behaviour' overlay within the STI framework, rather than remaining a standalone metric. The Board determined this reprioritisation of the Managing Director and CEO scorecard will appropriately shift focus to the Group's refreshed purpose – 'to help all Australians eat and live better every day'.

No further changes were made to the Executive remuneration framework for FY24.

On behalf of the Board, I would like to thank all Coles team members for their commitment and contribution this year.



Richard Freudenstein

Chair of the People and Culture Committee

Remuneration Report

Introduction

The Directors of Coles Group Limited (the Company) present the Remuneration Report for the Company and its controlled entities (together, 'Coles', 'Coles Group' or 'the Group') for the financial year ended 25 June 2023 (FY23). This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) and is audited.

This Remuneration Report covers the period from 27 June 2022 to 25 June 2023.

Structure of this report

The Remuneration Report is divided into the following sections:

SECTION

- (1) Key Management Personnel
- (2) Remuneration governance
- (3) Remuneration policy and structure overview
- (4) FY23 Executive KMP remuneration outcomes
- (5) FY23 Non-executive Director remuneration
- (6) Ordinary Shareholdings

Section 1: Key Management Personnel

We have prepared this Remuneration Report in respect of the Group's Key Management Personnel ('KMP'), being the people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly. This includes the Board of Directors and Executive KMP.

The 'Executive KMP' consists of the Managing Director and CEO, and all other executives considered to be KMP. References to 'Other Executive KMP' means the Executive KMP excluding the Managing Director and CEO.

Table 1 shows the people who were considered KMP of the Group during FY23.

Table 1: KMP

Non-executive Directors

NAME	POSITION HELD	TERM
Current		
James Graham AM	Chairman and Non-executive Director	Full Year
Terry Bowen	Non-executive Director	Appointed 1 October 2022
Jacqueline Chow	Non-executive Director	Full Year
Abi Cleland	Non-executive Director	Full Year
Richard Freudenstein	Non-executive Director	Full Year
Paul O'Malley	Non-executive Director	Full Year
Scott Price	Non-executive Director	Appointed 1 October 2022
Wendy Stops	Non-executive Director	Full Year
Former		
David Cheesewright	Non-executive Director	Retired 15 June 2023

Executive KMP¹

NAME	POSITION HELD	TERM
Current		
Leah Weckert ²	Managing Director and Chief Executive Officer from 1 May 2023 Chief Executive, Commercial and Express to 30 April 2023	Full Year
SR (Charlie) Elias	Chief Financial Officer	Full Year
Matthew Swindells	Chief Operations and Sustainability Officer	Full Year
Former		
Steven Cain	Managing Director and Chief Executive Officer	Retired 30 April 2023

¹ Anna Croft will commence in the role of Chief Commercial Officer in January 2024.

² Leah Weckert has retained accountability for the Chief Executive Commercial portfolio for the period the role is vacant.

Remuneration Report

Section 2: Remuneration Governance

2.1 Governance framework

The following infographic provides an overview of the remuneration governance framework that has been established by the Group.

Further information regarding the membership and meetings of the People and Culture Committee is provided in the Directors' Report.

THE BOARD

The Board maintains overall accountability for oversight of the Group's remuneration policies to ensure they are aligned with the Group's vision, values, strategic objectives and risk appetite. The Board approves all remuneration and benefit arrangements as they relate to the Managing Director and CEO, and executive-level direct reports to the Managing Director and CEO ('Executive Direct Reports'), and the Non-executive Directors, having regard to the recommendations made by the People and Culture Committee. The Board maintains absolute discretion to either positively or negatively adjust the remuneration outcomes for the Managing Director and CEO, and Executive Direct Reports. The Board will use its discretion based on the provision of supporting data and its assessment of performance aligned to the Group's values and LEaD behaviours, risk, compliance, reputational, safety and sustainability considerations as well as the quality of earnings delivered.

AUDIT & RISK COMMITTEE

The Audit and Risk Committee advises the Board and People and Culture Committee on any risk, conduct and compliance matters that may relate to executive remuneration outcomes and/or financial targets and results.

PEOPLE & CULTURE COMMITTEE

The role of the Committee is to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to the Group's remuneration policies. The Committee does this by reviewing and making recommendations to the Board on matters including, but not limited to:

- setting remuneration arrangements of Non-executive Directors, the Managing Director and CEO, and Executive Direct Reports
- the annual performance review of the Managing Director and CEO and Executive Direct Reports
- assessing remuneration outcomes for the Managing Director and CEO and Executive Direct Reports.

The Committee delegates authority for the operation and administration of all Group incentive and equity plans to management.

EXTERNAL ADVISORS

The People and Culture Committee may seek advice from independent remuneration consultants in determining appropriate remuneration policies for the Group, and specifically remuneration arrangements for the Managing Director and CEO, and Executive Direct Reports.

SHAREHOLDERS & OTHER STAKEHOLDERS

The People and Culture Committee may consult with shareholders, proxy advisors and other relevant stakeholders, in determining appropriate remuneration policies for the Group, including remuneration arrangements for the Managing Director and CEO, and Executive Direct Reports.

MANAGEMENT

Management makes recommendations to the People and Culture Committee on matters including, but not limited to:

- remuneration arrangements of Executive Direct Reports, including the establishment of any new incentive and equity plans, or amendments to the terms of existing arrangements
- annual performance review of Executive Direct Reports
- changes to the Group's remuneration policies.

External advisors may be engaged either directly by the People and Culture Committee or through management, to provide information on remuneration-related issues, including benchmarking information and market data.

During FY23, Mercer provided independent benchmarking in relation to executive remuneration to management and the People and Culture Committee. No remuneration recommendations were made by external consultants. The People and Culture Committee is satisfied that the information provided was free from undue influence by any executive.

Remuneration Report

2.2 Corporate governance policies related to remuneration

Our robust remuneration framework is supported by several corporate governance policies related to remuneration including those following.

2.2.1 Securities Dealing Policy

Coles has adopted a Securities Dealing Policy that applies to all Group team members including Non-executive Directors and Executive KMP and their connected persons, as defined within the policy. This policy sets out the insider trading laws all Group team members must comply with, including specific restrictions with which KMP must comply. This includes obtaining approval prior to trading in the Group's securities and not trading within Blackout Periods, other than with approval in exceptional circumstances as detailed within the policy. The policy aims to protect the reputation of the Group and maintain confidence in trading in the Group's securities. It prohibits specific types of transactions being made that are not in accordance with market expectations or may otherwise give rise to reputational risk. In accordance with the policy, all directors, the Managing Director and CEO, Executive Direct Reports and their connected persons are prohibited from hedging their exposure to Company securities.

2.2.2 Minimum Shareholding Policy

The Group's Minimum Shareholding Policy is a key means by which the interests of the KMP are aligned with those of the shareholders. The policy requires both Non-executive Directors and Executive KMP to build and maintain a significant shareholding in the Group.

Non-executive Directors

Non-executive Directors are required to hold at least 1,000 ordinary shares in the Company within six months of their appointment. The shares may be held by a Non-executive Director either in their own name, or indirectly in the name of a custodian, depository, or an entity controlled by the Non-executive Director or a closely related party. As at the date of this Remuneration Report, each Non-executive Director satisfies this requirement.

Within five years of appointment, each Non-executive Director is expected to increase their shareholding to an amount equivalent to 100% of their annual base fee at that time. The details of each Non-executive Director's shareholding are summarised in Table 10.

Executive KMP

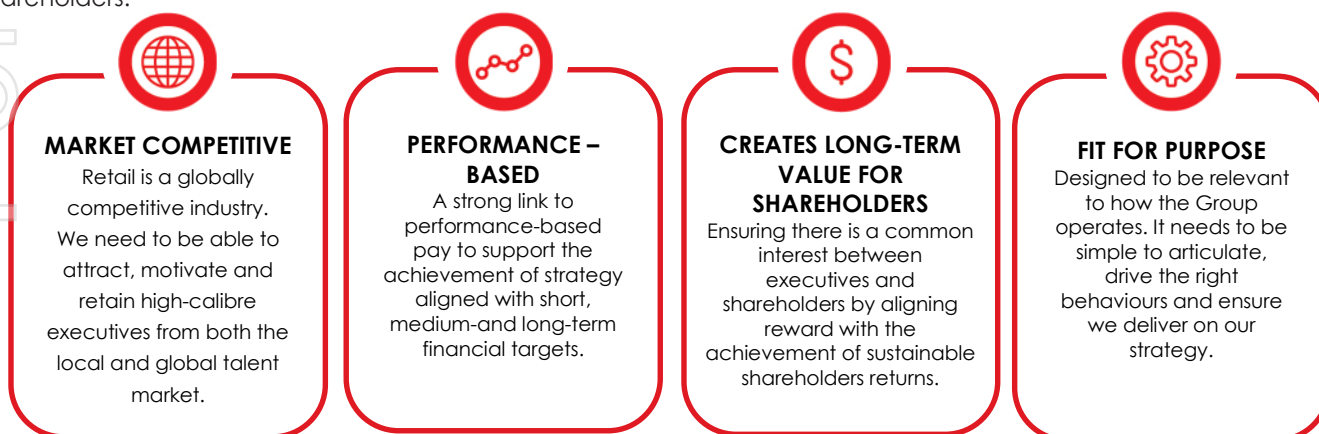
Executive KMP are required to achieve a minimum shareholding equivalent to 100% of Total Fixed Compensation (TFC) by the latter of five years from the date they commence, or five years from the introduction of the policy on 1 July 2019. The details of each Executive KMP shareholding are summarised in Table 11.

In addition to Executive KMP, this policy also applies to all other Executive Direct Reports.

Section 3: Executive remuneration policy and structure overview

3.1 Executive remuneration policy for FY23

Our remuneration framework is aligned with our Group strategy and is guided by our remuneration principles. The People and Culture Committee determined the framework is appropriately aligned with our strategy and the interests of our shareholders.

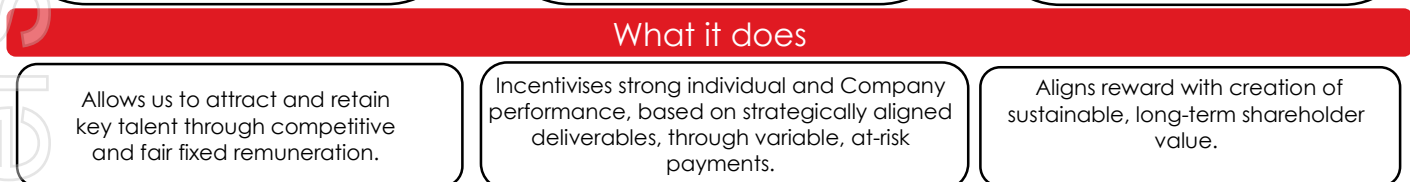
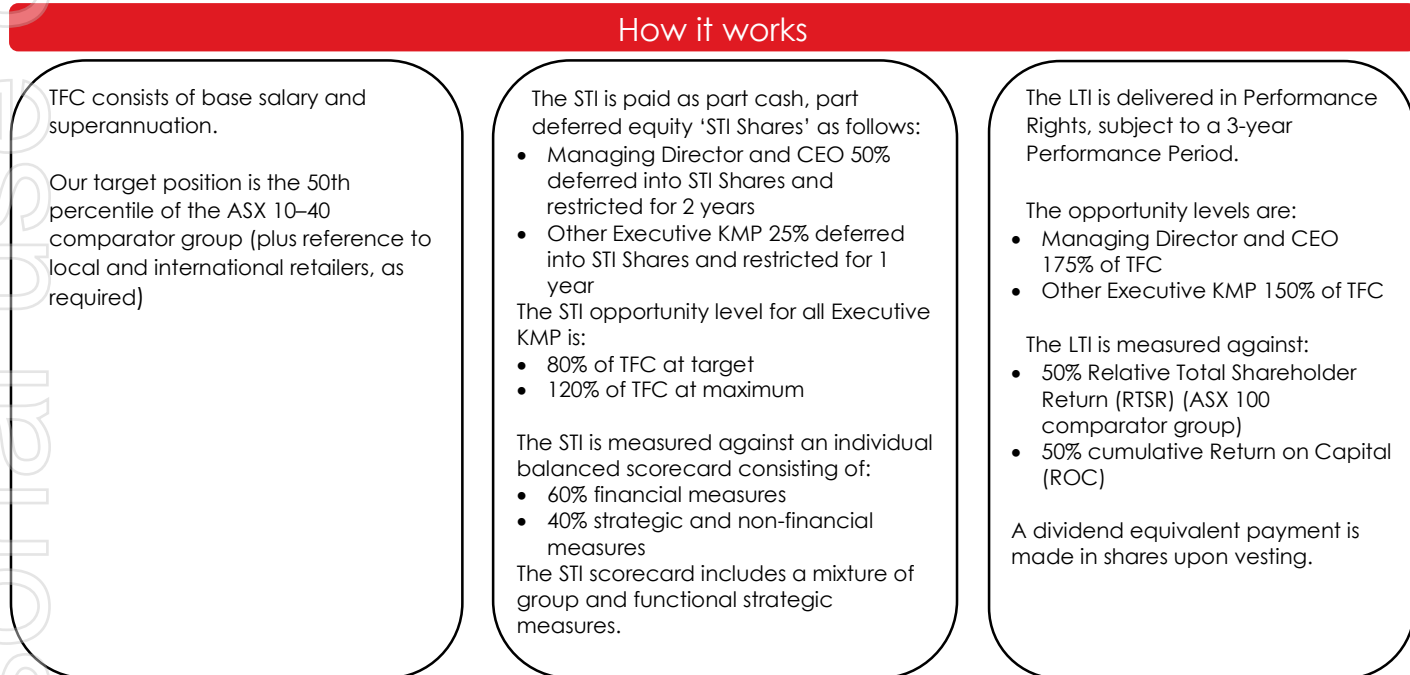
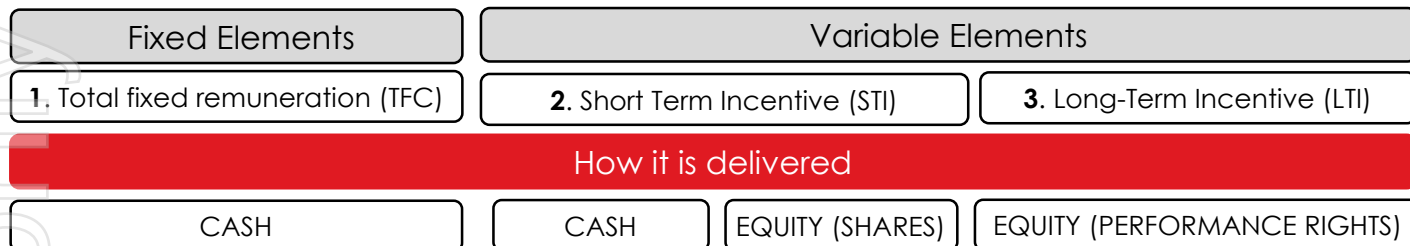


Specific performance measures and outcomes for FY23 are included in section 4. Details of prior years' remuneration, including performance measures and outcomes, are set out in the Remuneration Reports of prior Annual Reports, which are available on the Coles website.

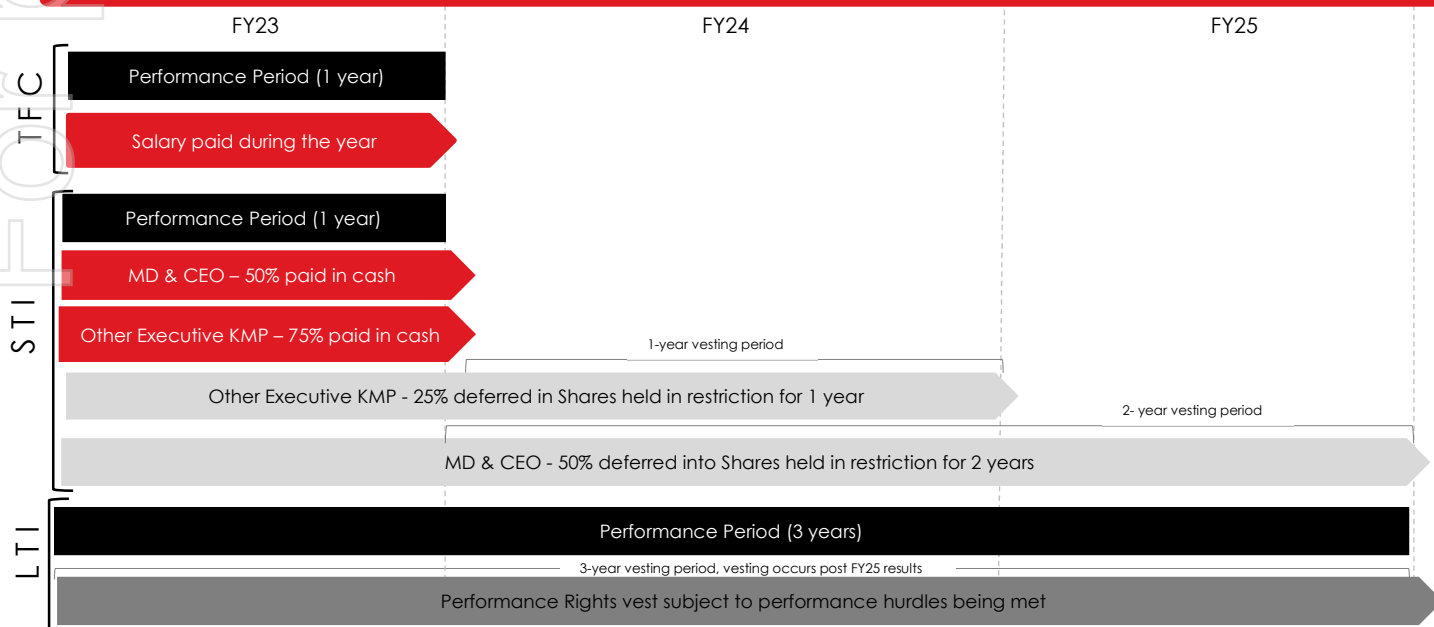
Remuneration Report

Executive KMP remuneration is delivered using both fixed and variable (at-risk) components as outlined in the following graphic.

Our Executive KMP remuneration is delivered through a simple, three element structure using both fixed and variable (at-risk) components.



What are the time horizons of the awards?

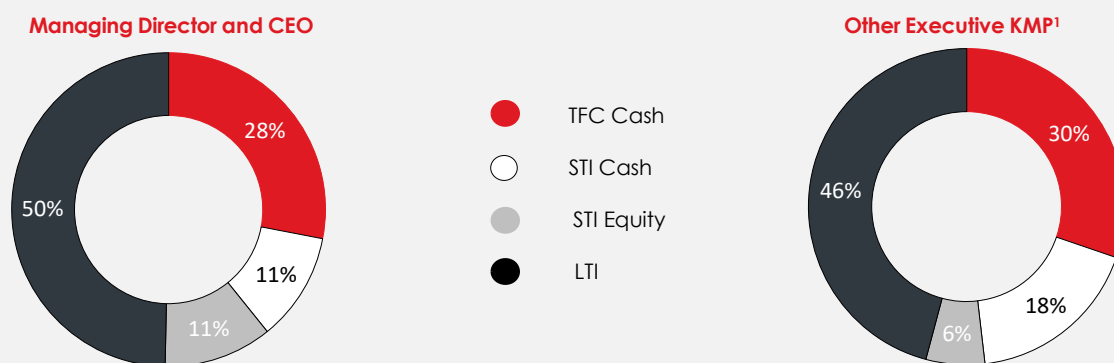


Remuneration Report

3.2 FY23 target remuneration mix for Executive KMP

The FY23 total target remuneration mix for the Executive KMP is in Graph 1.

Graph 1 – Total target remuneration mix



¹ Matthew Swindells' remuneration also includes a Medium-Term Incentive (refer section 4.5).

3.3 Executive KMP employment agreements

Executive KMP employment terms are formalised in employment contracts that have no fixed term. Specific information relating to the terms of the Executive KMP's employment contracts is in Table 2.

Table 2: Executive KMP employment contracts

NAME	NOTICE PERIOD ¹	RESTRAINT OF TRADE
Current		
Leah Weckert	12 months	12 months
SR (Charlie) Elias	12 months	12 months
Matthew Swindells ²	12 months	12 months
Former		
Steven Cain ³	12 months	12 months

¹ Executive KMP can be terminated without notice if they are found to have engaged in serious or wilful misconduct, are seriously negligent in the performance of their duties, commit a serious or persistent breach of their employment contract, or commit an act, whether at work or otherwise, that would bring the Group into disrepute. The Group may also make a payment in lieu of notice.

² Matthew Swindells' notice period increased from 6 months to 12 months on 1 October 2022 aligned to the date of his annual remuneration review.

³ Steven Cain's entitlements on ceasing employment are in accordance with his employment contract, and the terms of the STI and LTI plans that Steven Cain participated in as Executive KMP.

3.4 Current Managing Director and CEO remuneration arrangements

Leah Weckert commenced as Managing Director and CEO on 1 May 2023. Leah Weckert's remuneration as disclosed to the ASX on 21 February 2023 is outlined below.

Component	Amount
Total Fixed Compensation (TFC)	\$2,000,000 per annum (including superannuation)
Short Term Incentive (STI)	<p>Target Opportunity – 80% of TFC</p> <p>Maximum Opportunity – 120% of TFC</p> <p>50% of the STI outcome will be deferred into STI Shares which will be restricted for a period of two years and granted subject to shareholder approval at the Coles Annual General Meeting.</p>
Long Term Incentive (LTI)	<p>Target Opportunity – 175% of TFC</p> <p>Performance Rights will be granted under the LTI subject to shareholder approval at the Coles Annual General Meeting.</p>

Remuneration Report

3.5 Former Managing Director and CEO entitlements

Steven Cain retired as Managing Director and CEO on 30 April 2023. Steven Cain will receive his contractual entitlements and benefits outlined below:

- Payment of his TFC up to and including 20 February 2024 ('employment end date');
- Payment of statutory accrued leave entitlements;
- A pro-rated FY23 STI award calculated up until 30 April 2023 and paid/allocated in the ordinary course with all other terms of the STI plan continuing to apply;
- STI Shares held at the time of retirement were retained and will be released in accordance with the terms of the applicable STI plan; and
- Performance Rights held at the time of retirement will be pro-rated based upon the employment end date with vesting subject to the original performance and vesting conditions in the applicable LTI plan.

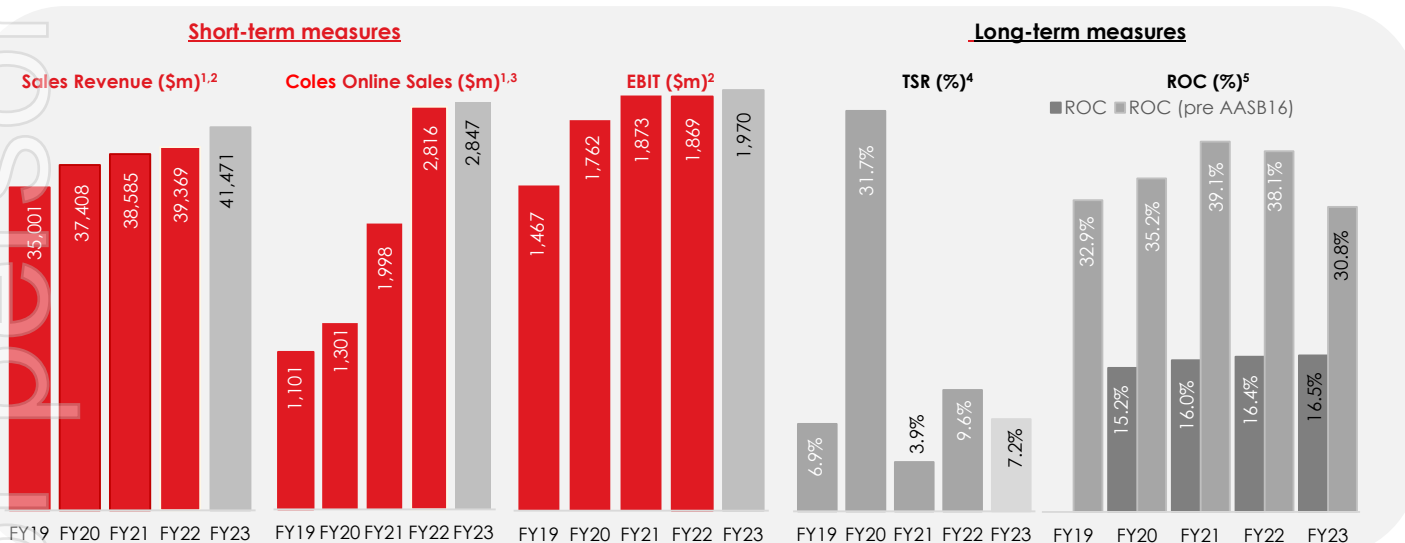
As required by the Accounting Standards, all expenses relating to the period 1 May 2023 to the employment end date have been recognised in FY23. Therefore, the total compensation for Steven Cain in Table 6 includes: payment of TFC for the period 26 June 2023 to the employment end date (not paid in FY23) and expensing of pro-rated unvested Performance Rights that would ordinarily have been recognised in future years.

Section 4: FY23 Executive KMP remuneration outcomes

4.1 Company performance

The remuneration framework has been designed to reward Executive KMP for their contribution to the collective performance of the Company, and to support the alignment between the remuneration of Executive KMP and shareholder returns.

The following graphs and table represent the relationship between remuneration of Executive KMP and the Group's financial performance over the last five financial years (including FY23).



	FY19	FY20	FY21	FY22	FY23
STI outcomes (AVG Executive KMP % of maximum)	39.0%	97.4%	88.2%	73.1%	67.3%
LTI outcomes (% of maximum)	n/a	n/a	97.6%	100%	50%
Dividends determined in respect of the financial year (cents) ⁶	35.5	57.5	61.0	63.0	66.0
Closing share price (at end of financial year) ⁷	\$13.35	\$16.79	\$16.83	\$17.81	\$18.40

¹ FY21 Sales revenue and online sales have been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

² FY23 Sales revenue and EBIT includes continuing and discontinued operations.

³ Coles Online Sales comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybys scheme points.

⁴ Total Shareholder Return (TSR) is calculated as the change in share price during the financial measurement period plus dividends reinvested on the respective ex-dividend dates.

⁵ ROC is Group EBIT divided by capital employed. Capital employed is calculated on a rolling average basis (seven months in FY19).

⁶ The dividends determined in respect of the financial year reflect the dividends determined for the financial year irrespective of the dividend payment date.

⁷ The opening share price on listing on the ASX on 21 November 2018 was \$12.49.

Remuneration Report

4.2 Board oversight of remuneration outcomes

The Board maintains absolute discretion to ensure remuneration outcomes are appropriate in the context of the Company's performance, our customer experience and shareholder expectations. The Board has discretion in evaluating the achievement against performance measures, including to adjust for unusual factors. The steps undertaken by the Board to inform their decisions with respect to remuneration outcomes for FY23 is further outlined in sections 4.3 to 4.6.

4.3 Total Fixed Compensation (TFC)

TFC is designed to be competitive to attract, motivate and retain the right talent. The TFC for Executive KMP is compared to the ASX 10-40 (based on market capitalisation) benchmark group, as well as local and international retailers. We target TFC at the 50th percentile of this peer group for comparable roles. This approach to benchmarking has remained unchanged since FY19.

The Board reviewed Executive KMP TFC and total remuneration packages against the comparator group during FY23. This review was informed by a detailed benchmarking exercise conducted by Mercer. The Board determined that there would be no increase to the former Managing Director and CEO's TFC, however it was appropriate to award TFC increases ranging between 3.5% and 4.0% to each of the other Executive KMP, effective 1 October 2022.

Following the retirement of Steven Cain, and the subsequent appointment of Leah Weckert to the role of Managing Director and CEO, several leadership and portfolio changes occurred across the Coles Executive Leadership Team. This included an expanded leadership portfolio for SR (Charlie) Elias and Matthew Swindells. As a result, the Board decided to bring forward the FY24 fixed remuneration review for both. A TFC increase of 11.7% was awarded to SR (Charlie) Elias and a TFC increase of 7.8% was awarded to Matthew Swindells both effective 1 May 2023. The Board determined this level of increase was appropriate to better position their total remuneration packages against the detailed benchmarking provided by Mercer.

4.4 Short-term incentive (STI)

The Group's STI rewards Executive KMP for the achievement of key short-term performance measures.

The FY23 STI payable for the Executive KMP was assessed against individual balanced scorecards consisting of Financial, Strategic and Non-financial metrics. The scorecards include a mix of group and functional strategic metrics. The balanced scorecard approach for Executive KMP provides a simple and transparent approach to highlighting performance priorities, measuring performance outcomes against each weighted metric, and gives clarity regarding the connection between the performance assessment and reward outcomes.

The scorecards include a 'Quality and Behaviour' overlay that considers;

- how the Executive KMP achieved performance aligned with the Group's values and LEaD behaviours;
- risk, compliance and reputational matters; and
- the quality of earnings delivered.

The Executive KMP had an at target STI opportunity of 80% of TFC. The maximum STI opportunity for Executive KMP is 120% of TFC, which is equivalent to 150% of the target STI opportunity. The FY23 Group Financial performance measures contributed to a maximum weighting of 110% of the STI opportunity for all Executive KMP (60% weighting at target). The Strategic and Non-financial measures contribute up to 40% of the target STI opportunity for all Executive KMP.

Details of the performance measures for the Managing Director and CEO's calculated balanced scorecard for FY23 are set out in Table 3. The same balanced scorecard also applied to the former Managing Director and CEO.

Remuneration Report

Table 3: FY23 Performance measures for the Managing Director and CEO

Measures		Weighting	Maximum Weighting	Target	Outcome	Actual STI Outcome
Financial Performance (60% weighting)	Group EBIT	35%	70%	\$1,886m	\$1,970 Above Target	43.1%
	Group Sales	15%	30%	\$40,744m	\$41,471 Above Target	30%
	Coles Online Sales	10%	10%	\$3,328m	\$2,847 Below Threshold	0%
Strategic Performance (40% weighting)	Transformation Ocado Program	10%	10%	On time, budget and strategy	Not achieved Below Threshold	0%
	Safety Index	10%	10%	New Index Baseline including 5% TRIFR improvement	11.7% index improvement 9.2% TRIFR improvement Above Target	10%
	People mysay	10%	10%	1pp improvement	3pp improvement Above Target	10%
	Customer NPS	10%	10%	3.6 point improvement	4.3 point decrease Below Threshold	0%
Overall Performance						93.1% (74.5% of TFC)

Group EBIT: EBIT from continuing operations increased by 1.8% supported by Smarter Selling benefits and a net reduction in direct COVID-19 costs. This was delivered despite investments in value and the major project implementation operating expenditure for the Witron and Ocado projects. Discontinued operations contributed \$111 million in EBIT.

Group Sales: Sales revenue growth from continuing operations increased by 5.9%. This was delivered through the 'Dropped & Locked' value campaigns and the successful execution of trade plans, including festive events. Discontinued operations contributed \$988 million in Sales revenue.

Coles Online Sales: Online sales for the full year increased by 1.1% and did not meet threshold performance. Strong online sales growth of 10.1% was delivered in the second half of FY23 following a decline in online sales of 6.6% in the first half as COVID-19 behaviours normalised and some customers returned to shopping in store.

Transformation Ocado Program: The CFC in Victoria will be delayed with the incremental ramp up period expected to commence mid-FY25. The New South Wales CFC is expected to be commissioned with an incremental ramp up period commencing end 2H FY24. The impacts of the delays are likely to increase the project capital and operating expenditure by approximately \$70 million and \$50 million respectively. Total capital expenditure is now expected to be approximately \$400 million of which 55% has been incurred to the end of FY23, with the balance expected to be incurred in FY24 and FY25.

Safety Index: Team member safety as measured by the Group safety index improved by 11.7% across FY23. TRIFR performance also reduced by 9.2%.

People mysay: Achieved our highest ever team member engagement score which increased by 3 percentage points.

Customer NPS: NPS was impacted during the year from availability challenges and did not meet threshold performance. Pleasingly, NPS began to improve in the fourth quarter of FY23, driven by improved availability and range.

The Board determined to exclude the Coles Express sale and transaction impacts from the FY23 STI calculation as the approved targets were set prior to the divestment. If the Board had determined not to exclude these impacts, the Executive KMP STI outcomes would have been higher.

Other Executive KMP shared the same financial measures as the Managing Director and CEO, except that:

- the Chief Financial Officer had a Group cash realisation metric which was achieved in full for FY23 instead of an Online Sales metric, and
- the Chief Executive, Commercial and Express had an Own Brand Sales metric which was achieved in full for FY23 instead of an Online Sales metric and was of the same weighting.

Strategic and Non-financial measures for Other Executive KMP are also aligned to the Managing Director and CEO with variations relevant to their portfolio. For FY23, achievement against Strategic and Non-financial measures for Other Executive KMP ranged from not achieved to fully achieved. The outcomes are set out in Table 4 in section 4.4.1.

Remuneration Report

4.4.1 FY23 STI award

The Board assessed performance against the calculated balanced scorecards of the Managing Director and CEO, and the Other Executive KMP, to determine any STI award payable. The Board also considered the appropriate application of the 'Quality and Behaviour' overlay to determine the final Executive KMP STI outcomes for FY23 as detailed in Table 4.

Table 4: FY23 Executive KMP STI outcomes

NAME	STI OPPORTUNITY ¹		STI AWARDED				STI FORFEITED ⁴
	TARGET 80%	MAXIMUM 120%	\$	% OF TFC	CASH ²	EQUITY ³	(%)
Current							
Leah Weckert ⁵	\$953,688	\$1,430,532	\$947,315	79.5%	\$473,658	\$473,657	33.8%
SR (Charlie) Elias	\$784,708	\$1,177,062	\$864,160	88.1%	\$648,120	\$216,040	26.6%
Matthew Swindells	\$752,026	\$1,128,039	\$760,487	80.9%	\$570,366	\$190,121	32.6%
Former							
Steven Cain ⁶	\$1,432,548	\$2,148,822	\$1,334,061	74.5%	\$667,031	\$667,030	37.9%

¹ The minimum STI opportunity was nil. The value of target and maximum STI opportunities are pro-rated and reflect changes to TFC in FY23 for Leah Weckert, SR (Charlie) Elias and Matthew Swindells.

² The FY23 cash component of the STI will be paid on or about 15 September 2023.

³ The FY23 equity component of the STI will be granted in STI Shares following the Coles' 2023 AGM, using a 10-day Volume Weighted Average Price (VWAP) for the period up to, and including, 25 June 2023 of \$18.18. Shareholder approval will be sought for the grant of equity to the Managing Director and CEO at the Coles' 2023 AGM.

⁴ As a percentage of STI maximum opportunity.

⁵ Leah Weckert's total STI award represents an amount of \$698,301 related to her role of Chief Executive, Commercial & Express up until 30 April 2023 and \$249,014 related to her role of Managing Director and CEO from 1 May 2023.

⁶ Steven Cain's STI cash and equity values represent the pro-rata amount earned up to 30 April 2023.

4.4.2 Other terms of the FY23 Short term incentive (STI)

What was the Performance Period?

27 June 2022 to 25 June 2023.

Why were the performance conditions chosen?

The Financial measures align with the Company's strategy and the commitments made to shareholders. In particular, Group EBIT focuses on delivering strong earnings through the business cycle and ensuring strong returns for shareholders. Including sales metrics as well as Group EBIT ensures a strong focus on our capability to deliver sustainable returns for shareholders in the long term.

The Strategic and Non-financial metrics aligned to the Coles Group strategy.

The Board replaced the TRIFR safety metric for all Executive KMP with a broader Safety index, which goes beyond TRIFR and has a greater focus on lead indicators. The Safety Index includes TRIFR and various safety leading measures that will help measure how well incidents and injuries are being prevented from occurring in the first place, as well as strengthen other health and safety outcomes in the workplace.

How were the performance conditions assessed?

Performance against the balanced scorecard metrics was assessed by the Board based on the Company's annual audited results, financial statements and other data provided to the Board. The Board determined this method is the most appropriate way to assess the true performance of the Company's and the Executive KMP's contributions to determine remuneration outcomes.

What portion of the STI component was deferred into equity?

The equity deferred amount is determined once the individual balanced scorecard calculation has been completed and the total STI award is determined (see Table 4). Fifty per cent of the total STI award for the Managing Director and CEO, is deferred into equity, and 25% of the total STI award for the Other Executive KMP is deferred into equity.

The number of STI Shares that will be granted and subject to deferral is calculated by using the 10-day VWAP up to and including the final day in the Performance Period (i.e. 25 June 2023). STI Shares are unable to be traded during the restricted period, being one year for the Other Executive KMP and two years for the Managing Director and CEO. Once the restricted period ends, the Executive KMP may trade these shares subject to Coles' Securities Dealing Policy.

Remuneration Report

When will the FY23 STI award be paid?

The cash component of the STI award will be paid in September 2023.

The equity component of the STI award will be allocated following the Coles 2023 AGM, where shareholder approval will be sought for the grant to Leah Weckert, Managing Director and CEO.

What happens if an Executive KMP leave the organisation prior to payment?

In the event of resignation or dismissal for cause or significant underperformance prior to payment of the STI, an Executive KMP will not be eligible for any STI award, unless the Board determines otherwise.

What happens if an Executive KMP leaves the organisation before their STI Shares vest?

During the restricted period, if an Executive KMP leaves the organisation in the event of resignation or dismissal for cause or significant underperformance, all STI Shares will be forfeited unless the Board determines otherwise.

In any other circumstances (including by reason of redundancy, permanent disability, death or ill health) the shares will continue on foot until the relevant vesting date, unless the Board determines otherwise.

Can the Board amend the STI program?

The Board retains discretion to suspend or terminate the program at any time and amend all or any elements of the program up until the date of payment.

4.5 Other Executive KMP remuneration

At the time of the leadership transition from Steven Cain to Leah Weckert, the Board approved a Medium-Term Incentive (MTI) for Matthew Swindells with the opportunity to earn up to \$1 million. The Board determined this incentive was appropriate to retain Matthew Swindells following the expansion of his portfolio to include the opening and operations of the new Customer Fulfilment Centres and the consolidation of manufacturing operations. The MTI is split into two tranches. The first tranche of up to 40% of the total opportunity is payable in cash in FY24. The second tranche of up to 60% of the total opportunity is payable in cash in FY25. Any payment made to Matthew Swindells will be assessed against achievement of the successful build and go-live for the new Customer Fulfilment Centres in NSW and Victoria and the successful integration of the milk processing plants, subject to transaction completion. The MTI is subject to a service condition whereby Matthew Swindells cannot have resigned or left employment with Coles at the time of each payment, to be eligible.

4.6 Long-term incentive (LTI)

The LTI rewards Executive KMP for the achievement of long-term sustainable returns for shareholders.

For FY23, the LTI component of Executive KMP remuneration was delivered in Performance Rights. The Performance Period for the FY23 LTI runs from 27 June 2022 to 29 June 2025 (FY23–FY25).

Performance Rights will vest subject to the satisfaction of the following performance conditions measured over the Performance Period:

- 50% of Performance Rights are subject to a cumulative return on capital (ROC) hurdle ('ROC component')
- 50% of Performance Rights are subject to a relative total shareholder return (RTSR) performance hurdle. Coles' RTSR will be compared to companies in the S&P ASX100 (Comparator Group) at 26 June 2022.

The Board chose these performance conditions because they provide a direct link between Executive KMP reward and sustained shareholder returns, to promote further alignment with shareholders.

4.6.1 ROC component

Vesting of the Performance Rights in the ROC component is subject to achievement of at least 95% of the Cumulative ROC target over the Performance Period.

Cumulative ROC measures the Company's average annual return on capital over the Performance Period against targets set by the Board. Cumulative ROC is calculated based on the Company's audited financial information. The Board will assess Cumulative ROC after the end of the Performance Period.

In assessing achievement against the Cumulative ROC performance condition, the Board may have regard to any matters that it considers relevant and retains discretion to review outcomes to ensure the results are appropriate.

Remuneration Report

The number of Performance Rights in the ROC component that vest, if any, will then be based on the Group's Cumulative ROC performance determined over the Performance Period by reference to the following vesting schedule:

GROUP CUMULATIVE ROC OVER THE PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS THAT VEST
Equal to or below 95% of the Cumulative ROC target is achieved	0%
Between 95% and 105% of the Cumulative ROC target is achieved	Straight-line pro rata vesting between 0% and 100%
Equal to 105% or above of the Cumulative ROC target is achieved	100%

The ROC targets are considered by Coles to be commercially sensitive. However, the Board will disclose the relevant vesting outcomes following the end of the Performance Period.

4.6.2 RTSR component

The number of Performance Rights in the RTSR component that vest, if any, will be based on Coles' RTSR ranking within the Comparator Group over the Performance Period, as set out in the following vesting schedule:

COLES RTSR RANK IN THE COMPARATOR GROUP	% OF PERFORMANCE RIGHTS THAT VEST
Below the 50th percentile	0%
Equal to the 50th percentile	50%
Between 50th percentile and 75th percentile	Straight-line pro rata vesting between 50% and 100%
Equal to the 75th percentile or above	100%

Following testing, any Performance Rights that do not vest will lapse. There is no re-testing of awards. The Board has discretion to adjust the comparator group to take account of events such as takeovers, mergers and demergers.

4.6.3 FY23 LTI outcomes

Performance Rights granted under the FY23 LTI will be tested following the end of FY25 (the end of the Performance Period). Details of the number of Performance Rights granted under the FY23 LTI are included in section 4.7. Details of equity awards granted to Executive KMP in prior years (including applicable performance conditions and vesting dates) have been disclosed in previous Remuneration Reports.

4.6.4 Other terms of the FY23 LTI

How was the LTI award delivered?

The LTI award was delivered in Performance Rights. Each Performance Right entitles the Executive KMP to one ordinary share in the Company on vesting. The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares.

Performance Rights vest subject to achievement of relevant performance conditions and were allocated at no cost to the Executive KMP, and no amount is payable on vesting.

When were Performance Rights allocated?

The Performance Rights for all Executive KMP under the FY23 LTI plan were allocated on 30 November 2022, following the Coles' 2022 AGM (at which the grant made to the former Managing Director and CEO was approved for the purposes of ASX Listing Rule 10.14 and details of which are published in this FY23 Remuneration Report).

How were Performance Rights allocated?

The number of Performance Rights allocated to the Executive KMP was determined by dividing each Executive KMP's LTI opportunity by the VWAP of Coles shares trading on the ASX over the 10 trading days up to and including 26 June 2022, rounded up to the nearest whole number.

How are the performance conditions assessed?

RTSR performance is independently assessed over the Performance Period against the constituents of the Comparator Group. ROC is calculated using Coles' audited financial results.

These assessment methods are designed to safeguard the integrity of the performance assessment process and ensure the accuracy of underlying information.

Remuneration Report

When does vesting occur?

Following testing, the Board will determine the number of Performance Rights to vest, which is expected to occur in late August 2025. Details regarding the vesting of the Performance Rights will be included in the FY25 Remuneration Report. If the anticipated vesting date falls within a Blackout Period (as defined within the Company's Securities Dealing Policy), vesting will be delayed until the end of that period.

Following testing, any Performance Rights that do not vest will lapse. No re-testing of the performance conditions is permitted.

What happens if an Executive KMP ceases employment?

In the event of resignation or dismissal for cause or significant underperformance, all unvested Performance Rights will lapse, unless the Board determines otherwise.

In any other circumstances (including by reason of redundancy, permanent disability, death or ill health), a pro rata number of Performance Rights (based on the proportion of the Performance Period that has been served) will remain on foot and subject to the original terms of offer, as though the Executive KMP had not ceased employment, unless the Board determines otherwise.

Do Performance Rights have voting rights?

No. Prior to vesting, Performance Rights do not entitle Executive KMP to voting rights.

Are dividends paid on Performance Rights?

Executive KMP do not have an entitlement to dividends prior to vesting.

After testing against the performance conditions, Executive KMP will receive a dividend equivalent amount related to the vested Performance Rights only. The dividend equivalent amount will be delivered in additional shares, equal in value to that of dividends that would have been paid on the vested Performance Rights had the Executive KMP been the owner of Coles shares during the period from the Performance Rights grant date to the vesting date. There is no dividend payable on any Performance Rights that do not vest. The Board retains a discretion to settle the dividend equivalent amount in cash.

How can the Board apply discretion to claw back outcomes?

The Board has broad claw back powers to determine that any Performance Rights may lapse, any shares allocated on vesting are forfeited, or that the Executive KMP is required to pay as a debt the net proceeds of the sale of shares or dividends in certain circumstances. For example, circumstances include where the Executive KMP has acted fraudulently or dishonestly, has engaged in gross misconduct, brought the Group into disrepute, or breached their obligations to the Group.

This protects Coles against the payment of benefits where participants have acted inappropriately.

What happens if there is a change of control?

Under the Offer terms, the Board may determine in its absolute discretion that some or all the Executive KMP's Performance Rights will vest or cease to be subject to restrictions on a likely change of control.

Where there is an actual change in control of the Company, unless the Board determines otherwise, unvested Performance Rights will vest on a pro rata basis (based on the proportion of the Performance Period that has elapsed).

What restrictions are there on dealing in the Performance Rights?

Executive KMP must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. Executive KMP will be free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of Coles' Securities Dealing Policy.

4.6.5 FY21 LTI vesting outcome

On 23 November 2020, Executive KMP were granted Performance Rights relating to their FY21 LTI award. The Performance Period for the award was 29 June 2020 to 25 June 2023.

The Performance Rights were subject to two vesting conditions (as well as a service condition):

- 50% of the Performance Rights were subject to the Group's cumulative return on capital (ROC) performance over the Performance Period (ROC Component); and
- the remaining 50% of the Performance Rights were subject to a relative total shareholder return (TSR) condition, measured over the Performance Period (TSR Component). The Company's TSR was compared to a comparator group of companies, comprising the ASX100 (Comparator Group) as at 28 June 2020.

Remuneration Report

Table 5: Testing of performance hurdles

Based on testing of each performance hurdle, the following vesting will occur on 30 August 2023 in relation to the FY21 LTI award.

Measures	Weighting	Threshold 0% Vest	Target 50% Vest	Maximum 100% Vest	Result	% Vest
Cumulative ROC	50%	95%	100% of Target	105% of Target	109.3%	50%
RTSR	50%	n/a	50 th percentile	75 th percentile	38.6 th percentile	0%
Overall Vesting						50%

As a result of the overall vesting outcome, the following number of shares will be allocated to each of the Executive KMP on 30 August 2023. The total number of shares includes both the conversion of Performance Rights to shares, and shares allocated in consideration of the dividend equivalent amount.

NAME	NUMBER OF SHARES
Current¹	
Leah Weckert	47,069
Matthew Swindells	42,114
Former	
Steven Cain	121,386

¹ TSR (Charlie) Elias was not eligible for the FY21 LTI Plan.

Further details regarding each performance hurdle in Table 5 is provided as follows:

Cumulative ROC (pre-AASB16): The ROC exceeded the stretch targets set by the Board on a cumulative basis over the three-year Performance Period resulting in 100% of this component of the FY21 LTI vesting as shown below:

ROC	FY21	FY22	FY23	CUMULATIVE PERFORMANCE
% of target achieved	115.1%	112.0%	100.3%	109.3%

The ROC result excluded the Coles Express sale and transaction impacts which did not change the vesting outcome.

RTSR: The company performed below threshold at 38.6 percentile against the Comparator Group which resulted in no vesting of this component of the FY21 LTI award.

Remuneration Report

4.7 Summary of remuneration received by Executive KMP (statutory remuneration)

Table 6 details the nature and amount of each element of remuneration of the Executive KMP. There were no transactions or loans between Executive KMP and the Company or any of its subsidiaries during FY23.

Table 6: Executive KMP remuneration

		SHORT-TERM			LONG-TERM	POST-EMPLOYMENT	VALUE OF SHARE- BASED PAYMENTS²		
NAME	YEAR	BASE SALARY \$	OTHER BENEFITS¹ \$	CASH STI \$	ACCRUED LEAVE BENEFITS \$	SUPERANNUATION BENEFITS \$	PERFORMANCE RIGHTS \$	SHARES \$	TOTAL COMPENSATION \$
Current									
Leah Weckert³	2023	1,157,624	1,146	473,658	251,840	25,292	1,109,275	283,744	3,302,579
	2022	960,182	1,366	670,096	(29,442)	23,568	1,139,998	326,642	3,092,410
SR (Charlie) Elias⁴	2023	946,291	373	648,120	75,575	25,292	699,877	158,965	2,554,493
	2022	302,441	122	365,906	46,282	5,892	395,155	38,808	1,154,606
Matthew Swindells	2023	905,833	1,725	570,366	85,835	25,292	994,294	201,917	2,785,262
	2022	858,307	1,904	597,134	28,319	23,568	998,475	271,192	2,778,899
Former									
Steven Cain⁵	2023	1,766,374	1,795,227	667,031	(24,031)	25,292	4,225,605	1,785,894	10,241,392
	2022	2,113,932	3,424	890,182	50,576	23,568	2,947,786	1,224,463	7,253,931
Total 2023	2023	4,776,122	1,798,471	2,359,175	389,219	101,168	7,029,051	2,430,520	18,883,726
Total 2022⁶	2022	4,234,862	6,816	2,523,318	95,735	76,596	5,481,414	1,861,105	14,279,846

¹ Other benefits include costs associated with employment (including any applicable fringe benefits tax).

² The amounts represent the accounting fair value of the grants of Performance Rights and STI Shares. If the performance conditions are not met, the Executive KMP will not be entitled to the shares. Refer to sections 4.6 and 4.4 for further details for the grants, their performance conditions and Performance Periods.

³ Leah Weckert commenced as Managing Director and CEO on 1 May 2023 having previously held the Chief Executive, Commercial and Express role.

⁴ SR (Charlie) Elias' remuneration for FY22 is reflective of the period he was Executive KMP, from 28 February 2022, with cash STI reflecting the full award. Total base salary for FY22 from commencement on 1 December 2021 was \$521,907.

⁵ Short term other benefits for Steven Cain include benefits that have been expensed in FY23 and cover fixed remuneration, superannuation and other benefits provided/to be provided to Steven Cain from 1 May 2023 until his employment end date on 20 February 2024. The expensing of the fair value of Steven Cain's pro-rated Performance Rights and STI Shares have been fully accelerated in FY23 in accordance with Accounting Standards.

⁶ Greg Davis ceased being a KMP from 14 April 2022 and he has been excluded from Table 6. His total compensation recognised in FY22 was \$3,555,219 as detailed in the FY22 Remuneration Report.

Remuneration Report

4.8 Summary of Executive KMP shareholding and Performance Rights

Table 7.1 and 7.2 show the movements of Performance Rights and STI Shares, held beneficially, by each Executive KMP during FY23. No other shares were acquired as remuneration during the year. STI Shares are time-based only. Details of Executive KMP holdings of ordinary shares are provided in Table 11.

Table 7.1: STI Shares

NAME	BALANCE OF SHARES HELD AT 27 JUNE 2022	MOVEMENTS DURING THE FINANCIAL PERIOD				ADDITIONAL INFORMATION
		GRANTED DURING THE YEAR	VESTED/ RELEASED DURING THE YEAR	LAPSED DURING THE YEAR	CLOSING BALANCE AT 25 JUNE 2023 ²	ACCOUNTING FAIR VALUE OF GRANT YET TO VEST (\$)¹
Current						
Leah Weckert	15,734	12,994	(15,734)	-	12,994	222,847
SR (Charlie) Elias	-	7,096	-	-	7,096	121,696
Matthew Swindells	13,261	11,580	(13,261)	-	11,580	198,597
Former						
Steven Cain³	140,380	51,785	(75,866)	-	116,299	-

¹ The fair value of STI Shares was \$17.15 per share at grant date of 30 November 2022 for Executive KMP including Leah Weckert. The fair value of STI Shares is an estimate of the total maximum value of grants in future financial years. STI Shares are subject to the satisfaction of conditions and, therefore, the minimum total value of the awards for future financial years is nil.

² STI Shares are time-based only. No STI Shares were held nominally by Executive KMP or their related parties as at 25 June 2023. Steven Cain's closing balance is reflective of the balance at the date of retirement as KMP.

³ Approval from shareholders for the issue of the STI Shares to Steven Cain during the year was obtained for the purpose of ASX Listing Rule 10.14 at the Coles 2022 AGM.

Table 7.2: Performance Rights

NAME	MOVEMENTS DURING THE FINANCIAL PERIOD					ADDITIONAL INFORMATION
	BALANCE OF RIGHTS HELD AT 27 JUNE 2022	RIGHTS ALLOCATED AS REMUNERATION	RIGHTS VESTED DURING THE YEAR	RIGHTS FORFEITED/ LAPSED DURING THE YEAR	CLOSING BALANCE AT 25 JUNE 2023	ACCOUNTING FAIR VALUE OF GRANT YET TO VEST (\$)¹
Current						
Leah Weckert	283,143	89,878	(106,982)	-	266,039	3,297,842
SR (Charlie) Elias	83,334	83,945	-	-	167,279	2,051,627
Matthew Swindells	247,911	80,978	(90,091)	-	238,798	2,959,785
Former						
Steven Cain²,³	725,010	218,878	(275,901)	-	667,987	-

¹ The fair value of Performance Rights is an estimate of the total maximum value of grants in future financial years. The fair value of the Executive KMP including Leah Weckert's FY23 Performance Rights at the grant date of 25 November 2022 was \$7.60 for RTSR component and \$15.39 for the ROC component. The Performance Rights are subject to the satisfaction of conditions and, therefore, the minimum total value of the awards for future financial years is nil.

² Steven Cain's closing balance reflects the balance at the date of retirement as KMP. Approval from shareholders for the issue of these Performance Rights to Steven Cain was obtained for the purpose of ASX Listing Rule 10.14 at the Coles 2022 AGM. While Steven Cain's Performance Rights held at the time of retirement will be pro-rated to the employment end date (as outlined in section 3.5).

³ In accordance with the accounting standards, 125,634 Performance Rights included in the closing balance have been deemed forfeited upon retirement as a KMP.

Section 5: FY23 Non-executive Director remuneration

5.1 Non-executive Director remuneration framework

Non-executive Director remuneration is designed to ensure the Company can attract and retain suitably qualified and experienced Non-executive Directors.

Non-executive Directors receive a base fee for their service as a Director of the Company, and other than the Chairman, an additional fee for membership of, or for chairing a Board committee. Non-executive Directors do not receive shares or any performance-related incentives as part of their remuneration from the Company. A minimum shareholding policy applies to Non-executive Directors (see section 2.2.2).

Non-executive Directors are reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or conducting the business of the Company.

The People and Culture Committee reviews and makes recommendations to the Board with respect to Non-executive Directors' fees and Board committee fees.

Remuneration Report

5.2 Current Non-executive Director remuneration policy

The non-executive director remuneration policy enables the Company to attract and retain high-quality Non-executive directors with relevant experience. The remuneration policy is reviewed annually by the People and Culture Committee. Non-executive Director fees are set after consideration of fees paid by companies of comparable size, complexity, industry and geography. They reflect the qualifications and experience necessary to discharge the Board's responsibilities.

The maximum aggregate fee limit is \$3.6 million. This was approved by the shareholders of the Company at the 2018 AGM, prior to listing. There were no increases to Board and Committee fees in FY23. Table 8 sets out the Board and committee fees (inclusive of superannuation) for FY23.

Table 8: Board and committee fees (inclusive of superannuation) for FY23

BOARD AND COMMITTEE FEES	CHAIR	MEMBER
Board	\$695,000 ¹	\$220,000
Audit and Risk Committee	\$55,000	\$27,000
People and Culture Committee	\$55,000	\$27,000
Nomination Committee	No fee	No fee

¹ The Chairman of the Board does not receive Committee fees in addition to his Board fee.

5.3 FY23 Non-executive Director remuneration

Table 9 outlines the remuneration for the Non-executive Directors of Coles during FY23. There were no transactions or loans between Non-executive Directors and the Company, or any of its subsidiaries during FY23.

Table 9: FY23 Non-executive Director remuneration

NAME	FINANCIAL YEAR	BASE AND COMMITTEE FEES (EXCLUDING SUPERANNUATION) \$	OTHER BENEFITS ⁵ \$	SUPERANNUATION BENEFITS \$	TOTAL COMPENSATION \$
Current					
James Graham	2023	669,708	242	25,292	695,242
	2022	671,432	215	23,568	695,215
Terry Bowen ¹	2023	167,647	212	17,603	185,462
	2022	-	-	-	-
Jacqueline Chow	2023	223,529	582	23,471	247,582
	2022	224,267	434	22,733	247,434
Abi Cleland ²	2023	241,132	895	5,868	247,895
	2022	247,000	497	-	247,497
Richard Freudenstein ²	2023	275,000	-	-	275,000
	2022	269,108	-	5,892	275,000
Paul O'Malley	2023	249,708	-	25,292	275,000
	2022	251,432	-	23,568	275,000
Scott Price ³	2023	185,250	-	-	185,250
	2022	-	-	-	-
Wendy Stops	2023	223,529	678	23,471	247,678
	2022	224,267	1,498	22,733	248,498
Former					
David Cheesewright ⁴	2023	246,639	-	361	247,000
	2022	246,655	-	345	247,000
TOTAL	2023	2,482,142	2,609	121,358	2,606,109
TOTAL	2022	2,134,161	2,644	98,839	2,235,644

¹ Terry Bowen was appointed to the Board on 1 October 2022.

² Approval was obtained from the ATO by individual Non-executive Directors to be exempt from making superannuation contributions due to superannuation obligations being met by other employers.

³ Scott Price was appointed to the Board on 1 October 2022. As Scott Price resided in the US during FY23, no superannuation contributions were payable.

⁴ As David Cheesewright resided in Canada during FY22 and FY23, superannuation contributions were only payable for time worked in Australia. David Cheesewright retired as a Non-executive Director on 15 June 2023.

⁵ Other benefits include costs associated with directorships (including any applicable fringe benefits tax).

Remuneration Report

Section 6: Ordinary shareholdings

6.1 Non-executive Director Ordinary Shareholdings

Table 10 shows the shareholdings and movements in shares held directly, or indirectly, by each Non-executive Director, including their related parties during FY23. No shares held by any Non-executive Directors were held nominally.

Table 10: Non-executive Director Ordinary Shareholdings

NAME	BALANCE OF SHARES HELD AT 27 JUNE 2022	SHARES ACQUIRED	SHARES DISPOSED	CLOSING BALANCE AS AT 25 JUNE 2023	MINIMUM SHAREHOLDING REQUIREMENT ACHIEVED
Current					
James Graham	500,188	-	-	500,188	✓
Terry Bowen	-	16,545	-	16,545	✓
Jacqueline Chow	20,000	-	-	20,000	✓
Abi Cleland	19,816	-	-	19,816	✓
Richard Freudenstein	19,000	6,000	-	25,000	✓
Paul O'Malley	3,809	-	-	3,809	✓
Scott Price	-	1,000	-	1,000	✓
Wendy Stops	25,000	10,000	-	35,000	✓
Former					
David Cheesewright ¹	20,000	-	-	20,000	✓
TOTAL	607,813	33,545	-	641,358	

¹ David Cheesewright retired as a Non-executive Director on 15 June 2023 therefore his closing balance is as at 15 June 2023.

6.2 Executive KMP Ordinary Shareholdings

Table 11 shows the shareholdings and movements in shares held directly, or indirectly, by each KMP, including their related parties during FY23. No shares held by any Executive KMP were held nominally.

Table 11: Executive KMP Ordinary Shareholdings

NAME	BALANCE OF SHARES HELD AT 27 JUNE 2022	SHARES ACQUIRED	SHARES DISPOSED	CLOSING BALANCE AS AT 25 JUNE 2023	MINIMUM SHAREHOLDING REQUIREMENT ACHIEVED
Current					
Leah Weckert	125,684	132,145	-	257,829	✓
SR (Charlie) Elias	-	8,633	-	8,633	Not Yet Achieved
Matthew Swindells	80,918	111,292	(50,000)	142,210	✓
Former					
Steven Cain ¹	218,115	376,083	-	594,198	✓
TOTAL	424,717	628,153	(50,000)	1,002,870	

¹ Steven Cain retired as Managing Director and CEO and ceased to be a KMP on 30 April 2023 therefore his closing balance is as at 30 April 2023.



Building a better
working world

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Auditor's Independence Declaration to the Directors of Coles Group Limited

As lead auditor for the audit of the financial report of Coles Group Limited for the financial year ended 25 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Coles Group Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
22 August 2023

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Consolidated Financial Statements

Income Statement

For the 52 weeks ended 25 June 2023

	NOTES	2023 \$m	2022 \$m
Continuing operations			
Sales revenue	1.3	40,483	38,237
Other operating revenue		108	104
Total operating revenue		40,591	38,341
Cost of sales		(30,034)	(28,396)
Gross profit		10,557	9,945
Other income		163	86
Administration expenses	1.4	(8,848)	(8,197)
Share of net loss from equity accounted investments	5.1	(13)	(7)
Earnings before interest and tax (EBIT)		1,859	1,827
Financing costs	1.5	(394)	(360)
Profit before income tax		1,465	1,467
Income tax expense	1.6	(423)	(422)
Profit for the period from continuing operations		1,042	1,045
Discontinued operations			
Profit for the period from discontinued operations, after tax	5.3	56	3
Profit for the period		1,098	1,048
Profit attributable to:			
Equity holders of the parent entity		1,098	1,048
Earnings per share (EPS) attributable to equity holders of the Company:			
Basic EPS (cents)	1.2	82.3	78.8
Diluted EPS (cents)	1.2	82.1	78.7
EPS attributable to equity holders of the Company from continuing operations:			
Basic EPS (cents)	1.2	78.1	78.6
Diluted EPS (cents)	1.2	77.9	78.5
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net movement in the fair value of cash flow hedges		14	31
Income tax effect	1.6	(4)	(9)
Other comprehensive income which may be reclassified to profit or loss in subsequent periods		10	22
Total comprehensive income attributable to:			
Equity holders of the parent entity		1,108	1,070

The accompanying notes form part of the consolidated financial statements.

Balance Sheet

As at 25 June 2023

	NOTES	2023 \$m	2022 \$m
Assets			
Current assets			
Cash and cash equivalents	2.1	597	589
Trade and other receivables	2.2	605	470
Inventories	2.4	2,323	2,448
Income tax receivable		4	42
Assets held for sale	5.2	127	82
Other assets	2.3	96	120
Total current assets		3,752	3,751
Non-current assets			
Property, plant and equipment	2.5	4,985	4,807
Right-of-use assets	2.7	6,507	7,199
Intangible assets	2.6	2,035	1,864
Deferred tax assets	1.6	740	822
Equity accounted investments	5.1	220	219
Other assets	2.3	53	174
Total non-current assets		14,540	15,085
Total assets		18,292	18,836
Liabilities			
Current liabilities			
Trade and other payables	2.8	4,434	4,335
Provisions	2.9	905	854
Lease liabilities	2.7	820	914
Other		249	312
Total current liabilities		6,408	6,415
Non-current liabilities			
Interest-bearing liabilities	3.1	1,118	1,095
Provisions	2.9	376	424
Lease liabilities	2.7	7,029	7,767
Other		5	11
Total non-current liabilities		8,528	9,297
Total liabilities		14,936	15,712
Net assets		3,356	3,124
Equity			
Contributed equity	3.2	1,644	1,636
Reserves		104	95
Retained earnings		1,608	1,393
Total equity		3,356	3,124

The accompanying notes form part of the consolidated financial statements.

Statement of Changes in Equity

For the 52 weeks ended 25 June 2023

	SHARE CAPITAL	SHARES HELD IN TRUST	SHARE- BASED PAYMENTS RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL
	\$m	\$m	\$m	\$m	\$m	\$m
2023						
Balance at beginning of period	1,695	(59)	92	3	1,393	3,124
Profit for the period	-	-	-	-	1,098	1,098
Other comprehensive income	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	10	1,098	1,108
Dividends paid	-	-	-	-	(883)	(883)
Issue of shares to satisfy the dividend reinvestment plan	18	-	-	-	-	18
Issue of shares to Trust	18	(18)	-	-	-	-
Issue of shares to satisfy the employee share purchase plan	2	-	-	-	-	2
Transfer of shares to employees under the employee equity incentive plan	-	38	(38)	-	-	-
Purchase of shares to satisfy the employee equity incentive plan	-	(50)	-	-	-	(50)
Share-based payments expense	-	-	37	-	-	37
Balance at end of period	1,733	(89)	91	13	1,608	3,356
2022						
Balance at beginning of period	1,655	(70)	88	(19)	1,159	2,813
Profit for the period	-	-	-	-	1,048	1,048
Other comprehensive income	-	-	-	22	-	22
Total comprehensive income for the period	-	-	-	22	1,048	1,070
Dividends paid	-	-	-	-	(814)	(814)
Issue of shares to satisfy the dividend reinvestment plan	16	-	-	-	-	16
Issue of shares to Trust	24	(24)	-	-	-	-
Transfer of shares to employees under the employee equity incentive plan	-	21	(21)	-	-	-
Share-based payments expense	-	-	25	-	-	25
Transfers	-	14	-	-	-	14
Balance at end of period	1,695	(59)	92	3	1,393	3,124

The accompanying notes form part of the consolidated financial statements.

Cash Flow Statement

For the 52 weeks ended 25 June 2023

	NOTES	2023 \$m	2022 \$m
Cash flows from operating activities			
Receipts from customers		44,043	41,887
Payments to suppliers and employees		(40,439)	(38,309)
Interest paid		(57)	(41)
Interest component of lease payments		(372)	(363)
Interest received		2	1
Income tax paid		(370)	(485)
Net cash flows from operating activities	2.1	2,807	2,690
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangibles		(1,514)	(1,272)
Proceeds from sale of property, plant and equipment		248	136
Proceeds from the sale of a business net of transaction costs		280	-
Net investments in joint venture and associate	5.1	(14)	(6)
Net cash flows used in investing activities		(1,000)	(1,142)
Cash flows used in financing activities			
Proceeds from borrowings		10,812	5,082
Repayment of borrowings		(10,789)	(5,129)
Payment of principal component of lease payments		(907)	(901)
Dividends paid		(844)	(798)
Purchase of shares to satisfy the DRP		(21)	-
Purchase of shares to satisfy the employee equity incentive plan		(50)	-
Net cash flows used in financing activities		(1,799)	(1,746)
Net increase/(decrease) in cash and cash equivalents		8	(198)
Cash at beginning of period		589	787
Cash at end of the period		597	589

The Consolidated Statement of Cash Flows includes both continuing and discontinued operations.

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

The Financial Report of Coles Group Limited ('the Company') in respect of the Company and the entities it controlled at the reporting date or during the 52-week period ended 25 June 2023 (collectively, 'Coles' or 'the Group') was authorised for issue in accordance with a resolution of the Directors on 22 August 2023. The comparative period is for the 52-week period ended 26 June 2022.

Reporting entity

The Company is a for-profit company limited by shares which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange ('ASX').

The nature of the operations and principal activities of the Group are described in Note 1.1 Segment Reporting.

Basis of preparation and accounting policies

The Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001* (Cth). The Financial Report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as explained in the notes to the consolidated financial statements ('the Notes').

The accounting policies adopted are consistent with those of the previous period. Refer to Note 7.4 New accounting standards and interpretations.

This Financial Report presents reclassified comparative information where required for consistency with the current year's presentation. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group has presented the profit or loss from discontinued operations separately from its continuing operations in its Consolidated Statement of Profit or Loss in the current period with the prior period restated. Refer to Note 5.3 Discontinued Operations for further details.

Key judgements, estimates and assumptions

The preparation of the financial statements requires judgement and the use of estimates and assumptions in applying the Group's accounting policies, which affect amounts reported for assets, liabilities, income and expenses.

Judgements, estimates and assumptions are continuously evaluated and are based on the following:

- historical experience
- current market conditions
- reasonable expectations of future events

Actual results may differ from these judgements, estimates and assumptions. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

The key areas involving judgement or significant estimates and assumptions are set out below:

Note	Judgements
Note 2.7 Leases	Determining the lease term
Note 5.1 Equity accounted investments	Control and significant influence
Note	Estimates and Assumptions
Note 2.4 Inventories	Net realisable value, Commercial income
Note 2.7 Leases	Incremental borrowing rate
Note 2.9 Provisions	Employee benefits, Self-insurance, Restructuring
Note 4.1 Impairment of non-financial assets	Assessment of recoverable amount
Note 6.2 Contingencies	Contingent liabilities
Note 7.2 Employee share plans	Valuation of share-based payments

Detailed information about each of these judgements, estimates and assumptions is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

Basis of preparation and accounting policies (continued)

The Notes

The Notes include information which is required to understand the consolidated financial statements and is material and relevant to the operations, financial performance and position of the Group.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of the Group
- it helps to explain the impact of significant changes in the Group's business
- it relates to an aspect of the Group's operations that is important to its future performance

The Notes are organised into the following sections:

- 1. Performance:** this section provides information on the performance of the Group, including segment results, earnings per share and income tax.
- 2. Assets and Liabilities:** this section details the assets used in the Group's operations and the liabilities incurred as a result.
- 3. Capital:** this section provides information relating to the Group's capital structure and financing.
- 4. Financial Risk:** this section details the Group's exposure to various financial risks, explains how these risks may impact the Group's financial performance or position, and details the Group's approach to managing these risks.
- 5. Group Structure:** this section provides information relating to subsidiaries and other material investments and divestments of the Group.
- 6. Unrecognised Items:** this section provides information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.
- 7. Other Disclosures:** this section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

Basis of consolidation

In preparing these consolidated financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of its equity accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Foreign currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Accounting policies

Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the Notes.

Rounding of amounts

The amounts contained in the Financial Report have been rounded to the nearest million dollars (unless specifically stated to be otherwise) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

1. Performance



This section provides information on the performance of the Group, including segment results, earnings per share and income tax.

1.1 Segment reporting

The Group has identified its operating segments based on internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision-maker). The Managing Director and Chief Executive Officer regularly reviews the Group's internal reporting to assess performance and allocate resources across the operating segments. The segments identified offer different products and services and are managed separately. The Group's reportable segments from continuing operations are set out below:

Reportable Segment	Description
Supermarkets	Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
Liquor	Liquor retailing, including online delivery services

Other comprises Property and a product supply arrangement that are not separately reportable, as well as costs associated with enterprise functions which include Insurance and Treasury.

As a result of Express being classified as a discontinued operation, it is no longer presented in the segment disclosures from continuing operations for the current and prior period.

There are varying levels of integration between operating segments. This includes the common usage of property, services and administration functions. Financing costs and income tax are managed on a Group basis and are not allocated to operating segments.

EBIT is the key measure by which management monitors the performance of the segments.

The Group does not have operations in other geographic areas or economic exposure to any individual customer that is in excess of 10% of sales revenue.

	SUPERMARKETS	LIQUOR	OTHER	TOTAL CONTINUING OPERATIONS
	\$m	\$m	\$m	\$m
2023				
Sales revenue	36,746	3,610	127	40,483
Segment EBIT	1,765	157	(63)	1,859
Financing costs				(394)
Profit before income tax				1,465
Income tax expense				(423)
Profit for the period from continuing operations				1,042
Share of net loss from equity accounted investments included in EBIT				(13)
2022				
Sales revenue	34,624	3,613	-	38,237
Segment EBIT	1,715	163	(51)	1,827
Financing costs				(360)
Profit before income tax				1,467
Income tax expense				(422)
Profit for the period from continuing operations				1,045
Share of net loss from equity accounted investments included in EBIT				(7)

1.2 Earnings Per Share ('EPS')

	2023	2022
EPS attributable to equity holders of the Company		
Basic EPS (cents)	82.3	78.8
Diluted EPS (cents)	82.1	78.7
EPS attributable to equity holders of the Company from continuing operations		
Basic EPS (cents)	78.1	78.6
Diluted EPS (cents)	77.9	78.5
Profit for the period (\$m)		
Continuing operations	1,042	1,045
Discontinued operations	56	3
Total	1,098	1,048
Weighted average number of ordinary shares for basic EPS (shares, million)	1,334	1,330
Weighted average number of ordinary shares for diluted EPS (shares, million)	1,338	1,331

Calculation methodology

EPS is profit for the period attributable to ordinary equity holders of the Company, divided by the weighted average number of ordinary shares on issue, adjusted to exclude shares held in trust during the period.

Diluted EPS is calculated on the same basis except it includes the impact of any potential commitments the Group has to issue shares in the future.

Between the reporting date and the issue date of the Financial Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

1.3 Sales revenue

Sale of goods

The Group operates a network of supermarkets, retail liquor stores and convenience stores (prior to the divestment of the Express business on 1 May 2023, refer note 5.3 Discontinued operations), as well as online platforms. Revenue is recognised by the Group when it is the principal in the sales transaction. Revenue from the sale of goods is recognised when control of the goods has transferred to the customer. For goods purchased in-store, control of the goods transfers to the customer at the point of sale. For goods purchased online, control of the goods transfers to the customer upon delivery, or when collected by the customer.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and is recorded net of discounts and goods and services tax ('GST').

1.4 Administration expenses

	2023 \$m	2022 \$m
Employee benefits expense	5,118	4,804
Occupancy and overheads	774	701
Depreciation and amortisation ¹	1,461	1,385
Marketing expenses	234	230
Net impairment reversal	(11)	(11)
Other store expenses	668	551
Other administration expenses	604	537
Total administration expenses	8,848	8,197

¹ Total depreciation and amortisation from continuing operations is \$1,523 million (2022: \$1,432 million from continuing operations), the remaining depreciation and amortisation is included within cost of sales.

Employee benefits expense is comprised of:

	2023 \$m	2022 \$m
Remuneration, bonuses and on-costs	4,673	4,396
Superannuation expense	408	384
Share-based payments expense	37	24
Total employee benefits expense	5,118	4,804

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in Note 2.9 Provisions. The policy relating to share-based payments is set out in Note 7.2 Employee share plans.

Retirement benefit obligations

The Group contributes to a number of superannuation funds on behalf of its employees, and the Group's legal or constructive obligation is limited to these contributions. Contributions payable by the Group are recognised as an expense in the Income Statement when incurred.

1.5 Financing costs

	2023 \$m	2022 \$m
Interest on debt and borrowings	28	16
Interest on lease liabilities	343	325
Other finance related costs	23	19
Total financing costs	394	360

Financing costs

Financing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes more than 12 months to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

1.6 Income tax

The major components of income tax expense in the Income Statement are set out below:

	NOTE	2023 \$m	2022 \$m
Current income tax expense		443	391
Adjustment in respect of current income tax of previous periods		(34)	(8)
Deferred income tax relating to origination and reversal of temporary differences		17	39
Adjustment in respect of deferred income tax of previous periods		25	3
		451	425
Income tax expense is attributable to:			
Profit from continuing operations		423	422
Profit from discontinued operations	5.3	28	3
		451	425

The components of income tax expense recognised in Other Comprehensive Income ('OCI') are set out below:

	2023 \$m	2022 \$m
Deferred tax related to items recognised in OCI during the period:		
Net profit on revaluation of cash flow hedges	(4)	(9)
Deferred income tax charged to OCI	(4)	(9)

The tax expense included in the Income Statement consists of current and deferred income tax.

Current Income Tax is:

- the expected tax payable on taxable income for the period
- calculated using tax rates enacted or substantively enacted at the reporting date
- inclusive of any adjustment to income tax payable or recoverable in respect of previous periods

Deferred Income Tax is:

- recognised using the liability method
- based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes
- calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the reporting date

Both current and deferred income tax are charged or credited to the Income Statement. However, when it relates to items charged or credited directly to the Statement of Changes in Equity or Other Comprehensive Income, the tax is recognised in equity, or OCI, respectively.

1.6 Income tax (continued)

Reconciliation of the Group's applicable tax rate to the effective tax rate

	2023 \$m	2022 \$m
Profit before tax from continuing operations	1,465	1,467
Profit before tax from discontinued operations	84	6
Profit before income tax	1,549	1,473
At Australia's corporate tax rate of 30.0% (2022: 30.0%)	465	442
Adjustments in respect of income tax of previous periods	(9)	(5)
Share of results of joint venture	4	2
Non-deductible expenses for income tax purposes	6	2
Non-assessable income for income tax purposes	(13)	(11)
Utilisation of previously unrecognised capital losses	(8)	(5)
Taxable gain on sale of Express business	6	-
Income tax expense reported in the Income Statement¹	451	425

¹ At an effective income tax rate of 29.1% (2022: 28.9%).

Tax consolidation

The Company and its 100% owned Australian resident subsidiaries formed an income tax consolidated group with effect from 31 December 2018.

The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement which operates to manage joint and several liability for group tax liabilities amongst group members as well as enable group members to leave the group clear of future group tax liabilities. Members of the group have also entered into a taxation funding agreement which provides that each member of the tax consolidated group pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated tax return and payment of the tax liability.

Deferred income tax balances recognised in the Balance Sheet

	OPENING BALANCE \$m	CHARGED TO PROFIT OR LOSS \$m	CREDITED TO OCI \$m	ACQUISITIONS /(DISPOSALS) \$m	OTHER \$m	CLOSING BALANCE \$m
2023						
Provisions	67	11	-	-	-	78
Employee benefits	230	3	-	(8)	-	225
Trade and other payables	28	6	-	-	-	34
Inventories	53	-	-	(1)	-	52
Property, plant and equipment	171	16	-	(7)	-	180
Lease Liabilities	2,604	(273)	-	(218)	242	2,355
Other individually insignificant balances	6	5	-	(1)	-	10
Deferred tax assets	3,159	(232)	-	(235)	242	2,934
Accelerated depreciation for tax purposes	125	5	-	-	-	130
Intangible assets	-	44	-	(7)	-	37
Right-of-use assets	2,160	(258)	-	(192)	242	1,952
Other assets	8	(1)	-	-	-	7
Cash flow hedges	1	-	4	-	-	5
Other individually insignificant balances	43	20	-	-	-	63
Deferred tax liabilities	2,337	(190)	4	(199)	242	2,194
Net deferred tax assets	822	(42)	(4)	(36)	-	740

1.6 Income tax (continued)

	OPENING BALANCE	CHARGED TO PROFIT OR LOSS	CREDITED TO OCI	OTHER	CLOSING BALANCE
2022	\$m	\$m	\$m	\$m	\$m
Provisions	61	6	-	-	67
Employee benefits	257	(27)	-	-	230
Trade and other payables	50	(22)	-	-	28
Inventories	45	8	-	-	53
Property, plant and equipment	153	18	-	-	171
Intangible assets	18	(18)	-	-	-
Lease Liabilities	2,627	(268)	-	245	2,604
Cash flow hedges	9	(1)	(9)	-	(1)
Other individually insignificant balances	12	(6)	-	-	6
Deferred tax assets	3,232	(310)	(9)	245	3,158
Accelerated depreciation for tax purposes	116	9	-	-	125
Right-of-use assets	2,186	(271)	-	245	2,160
Other assets	9	(1)	-	-	8
Other individually insignificant balances	48	(5)	-	-	43
Deferred tax liabilities	2,359	(268)	-	245	2,336
Net deferred tax assets	873	(42)	(9)	-	822

Tax assets and liabilities

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

The Group has unrecognised deferred tax assets relating to temporary differences arising from its investments in Loyalty Pacific Pty Ltd (operator of the Flybuys loyalty program) and Queensland Venue Co. Pty Ltd ('QVC'), and capital losses from disposal of capital gains tax assets. Deferred tax assets have not been recognised in relation to these amounts as the Group has determined that at the reporting date, it is not probable that capital gains will be available against which the Group can utilise these benefits. The unrecognised deferred tax asset is \$169 million (2022: \$107 million).

An uncertain tax treatment is any tax treatment applied by the Group where there is uncertainty over whether it will be accepted by the relevant tax authority. If it is not probable that the treatment will be accepted, the effect of the uncertainty is reflected in the period in which that determination is made (for example, by recognising an additional tax liability). The Group measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty: either the most likely amount method or the expected value method. The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements.

The Group determined, based on its tax compliance, that it is probable that its tax treatments applied at 25 June 2023 will be accepted by the taxation authorities.

1.6 Income tax (continued)

Goods and Services Tax ('GST')

Revenue, expenses and assets are recognised net of GST, except:

- when the GST incurred on the sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset; or
- when receivables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities where recoverable or payable to the taxation authority is classified as part of operating cash flows.

2. Assets and Liabilities



This section details the assets used in the Group's operations and the liabilities incurred as a result.

2.1 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2023 \$m	2022 \$m
Cash on hand and in transit	511	559
Cash at bank and on deposit	86	30
Total cash and cash equivalents	597	589

All receivables from EFT, credit card and debit card point of sale transactions during the period are classified as cash and cash equivalents.

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in transit, at bank and on deposit, net of outstanding bank overdrafts which are repayable on demand.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits earn interest at the respective short-term deposit rates.

Reconciliation of profit for the period to net cash flows from operating activities

	2023 \$m	2022 \$m
Profit for the period	1,098	1,048
<i>Adjustments for:</i>		
Depreciation and amortisation	1,558	1,571
Net impairment reversal	(11)	(10)
Net loss on disposal of non-current assets	-	14
Net loss on disposal of business	16	-
Share of net loss of equity accounted investments	13	7
Share-based payments expense	37	25
Other	1	5
<i>Changes in assets and liabilities net of the effects of acquisitions and disposals of businesses:</i>		
Decrease / (increase) in inventories	39	(341)
Increase in trade and other receivables	(135)	(102)
Decrease in prepayments	11	4
Decrease / (increase) in other assets	33	(64)
Decrease in deferred tax assets	46	51
Decrease / (increase) in income tax receivable	38	(102)
Increase in trade and other payables	102	675
Increase / (decrease) in provisions	30	(130)
(Decrease) / increase in other liabilities	(69)	39
Net cash flows from operating activities	2,807	2,690

Notes to the Consolidated Financial Statements

2.2 Trade and other receivables

Trade and other receivables are comprised of the following:

	2023 \$m	2022 \$m
Trade receivables ¹	470	386
Other receivables	154	95
	624	481
Allowance for expected credit losses	(19)	(11)
Total trade and other receivables	605	470

¹ Includes commercial income due from suppliers of \$149 million (2022: \$117 million).

Trade receivables and other receivables are classified as financial assets held at amortised cost.

Trade receivables

Trade receivables are initially recognised at the amount due and subsequently at amortised cost using the effective interest method, less an allowance for expected credit losses (impairment provision). The carrying value of trade and other receivables, less impairment provisions, is considered to approximate fair value, due to the short-term nature of the receivables.

Impairment of trade receivables

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified.

The Group recognises an impairment provision based upon anticipated lifetime losses of trade receivables. The anticipated lifetime losses are determined with reference to historical experience and are regularly reviewed and updated.

The amount of the impairment loss is recognised in the Income Statement within 'Administration expenses'.

2.3 Other assets

Other assets are comprised of the following:

	2023 \$m	2022 \$m
Prepayments	82	83
Other assets	14	37
Total other current assets	96	120
Prepayments	3	15
Other assets	50	159
Total other non-current assets	53	174

2.4 Inventories

Inventories comprise goods held for resale and are valued at the lower of cost and net realisable value, which is the estimated selling price less estimated costs to sell.

The cost of inventory is based on purchase cost, after deducting certain types of commercial income and including logistics and store remuneration incurred in bringing inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the Income Statement when the inventory is sold.



Key estimate: Net realisable value

An inventory provision is recognised where the realisable value from sale of inventory is estimated to be lower than the inventory's carrying value. Inventory provisions for different product categories are estimated based on various factors, including expected sales profile, prevailing sales prices, seasonality and expected losses associated with slow-moving inventory items.

Commercial income

Commercial income represents various discounts or rebates provided by suppliers. These include:

- settlement discounts for the purchase of inventory
- discounts based on purchase or sales volumes
- contributions towards promotional activity for a supplier's product

Depending on the type of arrangement with the supplier, commercial income will either be deducted from the cost of inventory (where it relates to the purchase of inventory) or recognised as a reduction in related expenses (where it relates to the sale of goods).

Amounts due from suppliers are recognised within trade receivables, except in cases where the Group has the legal right and the intention to offset, in which case only the net amount receivable or payable is presented. Refer to Note 4.3 Financial instruments for details of amounts offset in the Balance Sheet.



Key estimate: Commercial income

The recognition of certain types of commercial income requires the following estimates:

- the volume of inventory purchases that will be made during a specific period
- the amount of the related product that will be sold
- the balance remaining in inventory at the reporting date.

Estimates are based on historical and forecast sales and inventory turnover levels

2.5 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost comprises expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred that are eligible for capitalisation. Repairs and maintenance costs are charged to the Income Statement during the period in which they are incurred. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its expected useful life.

Notes to the Consolidated Financial Statements

2.5 Property, plant and equipment (continued)

	LAND \$m	BUILDINGS \$m	PLANT & EQUIPMENT \$m	LEASEHOLD IMPROVEMENTS \$m	TOTAL \$m
<i>Useful life (range)</i>	<i>Not applicable</i>	<i>20 – 40 years</i>	<i>3 – 20 years</i>	<i>Term of lease</i>	
2023					
Cost	534	164	8,437	1,184	10,319
Accumulated depreciation and impairment	(87)	(5)	(4,563)	(679)	(5,334)
Carrying amount at end of period	447	159	3,874	505	4,985
Carrying amount at beginning of period	419	258	3,576	554	4,807
Additions	136	10	960	46	1,152
Transfer to assets held for sale	(53)	(36)	(38)	-	(127)
Depreciation	-	(4)	(507)	(68)	(579)
(Impairment)/Reversal	14	-	(3)	-	11
Sale of Business	-	(2)	(90)	(25)	(117)
Disposals and write-offs ¹	(69)	(67)	(24)	(2)	(162)
Carrying amount at end of period	447	159	3,874	505	4,985
Construction work in progress included above	-	49	795	138	982
2022					
Cost	520	268	7,944	1,236	9,968
Accumulated depreciation and impairment	(101)	(10)	(4,368)	(682)	(5,161)
Carrying amount at end of period	419	258	3,576	554	4,807
Carrying amount at beginning of period	349	301	3,313	500	4,463
Additions	103	10	790	135	1,038
Transfer to assets held for sale	(39)	(27)	(16)	-	(82)
Depreciation	-	(4)	(489)	(75)	(568)
(Impairment)/Reversal	20	-	(6)	-	14
Disposals and write-offs ¹	(14)	(22)	(16)	(6)	(58)
Carrying amount at end of period	419	258	3,576	554	4,807
Construction work in progress included above	-	51	991	170	1,212

¹ Net loss on disposal of property, plant and equipment during the period was \$2 million (2022: \$14 million net loss).

2.6 Intangible assets

The Group's intangible assets comprise licences, software and goodwill.

Licences and software

Licences and software are measured initially at acquisition cost or costs incurred to develop the asset. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. They are amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortised. Instead, they are tested for impairment annually or more frequently if events or changes in circumstances indicate they may be impaired.

Licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

For internally generated software, research costs are expensed as incurred. Development expenditure is capitalised when management has the intention to develop the asset, it is probable that future economic benefits will flow to the Group and the cost can be reliably measured.

In respect to cloud computing arrangements, the Group assesses whether the arrangement contains a lease and if not, whether the arrangement provides the Group with a resource that it can control. Costs associated with implementation are then assessed as to whether they can be capitalised in accordance with relevant accounting standards.

Goodwill

Goodwill recognised by the Group has arisen as a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Goodwill is initially measured as the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. Goodwill is considered to have an indefinite useful economic life. It is therefore not amortised but is instead tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses and, for the purpose of impairment testing, is allocated to cash generating units.

Refer to Note 4.1 Impairment of non-financial assets for further details on impairment testing.

Notes to the Consolidated Financial Statements

2.6 Intangible assets (continued)

	GOODWILL	SOFTWARE	LICENCES	TOTAL
	\$m	\$m	\$m	\$m
<i>Useful life (range)</i>	<i>Indefinite</i>	<i>5 – 15 years</i>	<i>Indefinite</i>	
2023				
Cost	1,115	2,093	31	3,239
Accumulated amortisation and impairment	-	(1,204)	-	(1,204)
Carrying amount at end of period	1,115	889	31	2,035
Carrying amount at beginning of period	1,160	675	29	1,864
Additions	-	373	2	375
Sale of business	(45)	(27)	-	(72)
Amortisation	-	(132)	-	(132)
Carrying amount at end of period	1,115	889	31	2,035
Development work in progress included above	-	435	-	435
2022				
Cost	1,160	1,775	29	2,964
Accumulated amortisation and impairment	-	(1,100)	-	(1,100)
Carrying amount at end of period	1,160	675	29	1,864
Carrying amount at beginning of period	1,156	515	27	1,698
Additions	4	272	2	278
Disposals and write-offs	-	(1)	-	(1)
Impairment	-	(3)	-	(3)
Amortisation	-	(108)	-	(108)
Carrying amount at end of period	1,160	675	29	1,864
Development work in progress included above	-	361	-	361

Notes to the Consolidated Financial Statements

2.7 Leases

The Group has lease agreements for properties and various items of machinery, vehicles and other equipment used in its operations.

Set out below are the carrying amounts of recognised right-of-use assets and movements during the period:

	2023			2022		
	PROPERTY LEASES \$m	NON- PROPERTY LEASES \$m	TOTAL \$m	PROPERTY LEASES \$m	NON- PROPERTY LEASES \$m	TOTAL \$m
At beginning of period	7,096	103	7,199	7,176	112	7,288
Additions	388	47	435	183	25	208
Other remeasurements ¹						
Continuing operations	344	-	344	568	-	568
Discontinued operations	16	-	16	30	-	30
Depreciation expense						
Continuing operations	(767)	(52)	(819)	(750)	(34)	(784)
Discontinued operations	(28)	-	(28)	(111)	-	(111)
Sale of business	(640)	-	(640)	-	-	-
At end of period	6,409	98	6,507	7,096	103	7,199

¹ Includes reasonably certain options and remeasurements, net of leases terminated.

Set out below are the carrying amounts of recognised lease liabilities and movements during the period:

	2023 \$m	2022 \$m
At beginning of period	8,681	8,756
Additions	435	208
Other remeasurements ¹		
Continuing operations	352	587
Discontinued operations	16	31
Accretion of interest		
Continuing operations	343	325
Discontinued operations	29	38
Payments		
Continuing operations	(1,146)	(1,105)
Discontinued operations	(133)	(159)
Sale of business	(728)	-
At end of period	7,849	8,681
Current	820	914
Non-current	7,029	7,767

¹ Includes reasonably certain options and remeasurements, net of leases terminated.

The maturity analysis of lease liabilities is disclosed in Note 4.2 Financial risk management.

Variable lease payments based on sales

A number of the Group's retail property lease agreements contain variable payment terms that are linked to sales. These lease payments are based on a percentage of sales recorded by a particular store. The specific percentage rent adjustment mechanism varies by individual lease agreement. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs and are generally payable for future periods in the lease term.

Notes to the Consolidated Financial Statements

2.7 Leases (continued)

Variable lease payments based on sales (continued)

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2023			2022		
	FIXED PAYMENTS	VARIABLE PAYMENTS	TOTAL	FIXED PAYMENTS	VARIABLE PAYMENTS	TOTAL
	\$m	\$m	\$m	\$m	\$m	\$m
Leases with lease payments based on sales	614	70	684	587	47	634

Extension options

Extension options are included in the majority of property leases across the Group. Where practicable, the Group seeks to include extension options when negotiating leases to provide flexibility and align with business needs. Leases may contain multiple extension options and are exercisable only by the Group and not by the lessors.

Extension options are only reflected in the lease liability when it is reasonably certain they will be exercised. When assessing if an option is reasonably certain to be exercised, a number of factors are considered including the option expiry date, whether formal approval to extend the lease has been obtained, store trading performance and the strategic importance of the site. Where a lease contains multiple extension options, only the next option is considered in the assessment. Option periods range from 1 to 15 years.

Of the Group's lease portfolio, 92% of leases have extension options (2022: 70%). Of those leases, 8%¹ have an extension option included in the calculation of the lease liability at 25 June 2023 (2022: 30%).

The following amounts have been recognised in the Income Statement relating to continuing operations:

	2023 \$m	2022 \$m
Depreciation of right-of-use assets	819	784
Interest expense on lease liabilities	343	325
Expenses relating to short-term leases (included in administration expenses)	5	2
Variable lease payments based on sales (included in administration expenses)	70	47
Other variable lease payments (included in administration expenses)	6	3
Total amount recognised in the Income Statement	1,243	1,161

The Group recognised a total gain of \$8 million relating to two sale and leaseback transaction during the period (2022: \$17 million).

Group as lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Group recognises lease liabilities to make future lease payments and right-of-use assets representing the right to use the underlying assets from the date the leased asset is available for use by the Group.

Each lease payment is apportioned between the liability and financing costs. Financing costs are recognised in the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining liability.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term (which includes options that are considered 'reasonably certain'). Payments associated with short-term leases and leases of low-value assets are expensed when incurred in the Income Statement.

Cash payments for the principal portion of the lease liability are presented within financing activities in the Cash Flow Statement, while payments relating to short-term leases, low-value assets and variable lease components not included in the measurement of the lease liability are presented within cash flows from operating activities.

¹ 75% of these leases contain one or more future extension options not included in the lease liability (2022: 54%).

2.7 Leases (continued)

Group as lessee (continued)

Lease liabilities are initially measured at net present value and comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives
- variable lease payments based on an index or rate, using the index or rate at the commencement date
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payment of termination penalties if the lessee is reasonably certain to terminate the lease and incur penalties.

If the interest rate implicit in the lease cannot be readily determined, the lease payments are discounted using the lessee's incremental borrowing rate at the lease commencement date.

Right-of-use assets are measured at cost and comprise the following:

- the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- any restoration costs

Right-of-use assets are also subject to impairment testing. Refer to the accounting policies in Note 4.1 Impairment of non-financial assets.

Key estimate: Incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR requires estimation when no observable rates are available or when adjustments need to be made to reflect the terms and conditions of the lease. The Group estimates the IBR using observable market inputs when available and is required to make certain estimates specific to the Group (such as credit risk).

Key judgement: Determining the lease term

Extension options are included in the majority of property leases across the Group. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be exercised. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and is within the control of the Group.

Changes in the assessment of the lease term are accounted for as a reassessment of the lease liability at the date of the change.

Group as lessor

The Group leases out some of its freehold properties and sub-leases some of its right-of-use assets. The Group has classified these leases as operating leases because they do not transfer all of the risks and rewards incidental to ownership of the assets.

The undiscounted lease payments to be received are set out below:

	2023 \$m	2022 \$m
Within one year	18	29
Between one and five years	46	59
More than five years	35	37
Total	99	125

Rental income is accounted for on a straight-line basis over the lease term and is included in 'Other operating revenue' in the Income Statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease income not dependent on an index or rate is recognised as revenue in the period in which it is earned. The Group recognised income of \$20 million for the period with respect to subleasing of its right-of-use assets (2022: \$19 million).

2.8 Trade and other payables

Trade and other payables are comprised of the following:

	2023 \$m	2022 \$m
Trade payables	3,281	3,211
Other payables	1,153	1,124
Total trade and other payables	4,434	4,335

Trade payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Provisions

	2023 \$m	2022 \$m
Current		
Employee benefits	736	716
Restructuring provision	37	6
Self-insurance liabilities	110	114
Other	22	18
Total current provisions	905	854
Non-current		
Employee benefits	65	72
Restructuring provision	52	96
Self-insurance liabilities	259	256
Total non-current provisions	376	424

Movements in restructuring, self-insurance, and other provisions

	RESTRUCTURING \$m	SELF-INSURANCE \$m	OTHER \$m	TOTAL \$m
At beginning of period	102	370	18	490
Arising during the period	1	120	5	126
Utilised	(14)	(103)	(1)	(118)
Unused amounts reversed	-	(22)	-	(22)
Unwind / changes in discount rate	-	4	-	4
At end of period	89	369	22	480
Current	37	110	22	169
Non-current	52	259	-	311

2.9 Provisions (continued)

Provisions are:

- recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that cash will be required to settle the obligation and the amount can be reliably estimated;
- measured at the present value of the estimated cash outflow required to settle the obligation.

Where a provision is non-current, and the effect is material, the nominal amount is discounted. The discount is recognised as a financing cost in the Income Statement.

Provision	Key Estimates
<p>Employee benefits</p> <p>Provisions for employee entitlements to annual leave, long service leave and employee incentives (where the Group does not have an unconditional right to defer payment for at least twelve months after the reporting date) are recognised within the current provision for employee benefits and represent the amount which the Group has a present obligation to pay, resulting from employees' services up to the reporting date.</p> <p>All other short-term employee benefit obligations are presented as payables.</p> <p>Liabilities for long service leave where the Group has an unconditional right to defer payment for at least twelve months after the reporting date are recognised within the non-current provision for employee benefits.</p>	<p>Employee benefits provisions are based on a number of estimates including, but not limited to:</p> <ul style="list-style-type: none"> • expected future wages and salaries • attrition (applicable to long service leave provisions only) • discount rates • expected salary related payments, interest and on-costs following a review of the pay arrangements for award-covered salaried team members
<p>Self-insurance</p> <p>The Group is self-insured for workers compensation and certain general liability risks. The Group seeks external actuarial advice in determining self-insurance provisions. Provisions are discounted and are based on claims reported and an estimate of claims incurred but not reported.</p> <p>These estimates are reviewed bi-annually, and any reassessment of these estimates will impact self-insurance expense.</p>	<p>Self-insurance provisions are based on a number of estimates including, but not limited to:</p> <ul style="list-style-type: none"> • discount rates • future inflation • average claim size • claims development • risk margin
<p>Restructuring</p> <p>Restructuring provisions are recognised when restructuring has either commenced or has raised a valid expectation in those affected, and the Group has a detailed formal plan identifying:</p> <ul style="list-style-type: none"> • the business or part of the business impacted • the location and approximate number of employees impacted • an estimate of the associated costs • the timeframe for restructuring activities 	<p>Restructuring provisions are based on a number of estimates including, but not limited to:</p> <ul style="list-style-type: none"> • number of employees impacted • employee tenure and costs • restructure timeframes • discount rates

3. Capital



This section provides information relating to the Group's capital structure and financing.

The Group's capital management strategy aims to ensure the Group has continued access to funding for current and future business activities by maintaining a mix of equity and debt financing, while maximising returns to shareholders.

The Group's objective is to maintain investment grade credit metrics to optimise the weighted average cost of capital over the long term, enable access to long term debt capital markets and build investor confidence.

The Directors consider the capital structure at least twice a year and provide oversight of the Group's capital management. Capital is managed through the following:

- repaying or raising debt in line with ongoing business requirements and growth opportunities aligned with the Group's strategic objectives
- amount of ordinary dividends paid to shareholders
- raising and returning capital.

3.1 Interest-bearing liabilities

	2023 \$m	2022 \$m
Non-current		
Bank debt	72	50
Capital market debt	1,046	1,045
Total non-current interest-bearing liabilities	1,118	1,095

Interest-bearing loans and borrowings are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised.

3.2 Contributed equity and reserves

Contributed equity

Contributed equity represents the number of ordinary shares on issue less shares held in trust by the Group. Ordinary shares on issue are fully paid and carry one vote per share and the right to dividends. Shares held in trust are ordinary shares that have been repurchased by the Group and are being held to satisfy employee equity incentive plans.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

The following reconciliation shows the total number of ordinary shares on issue less the shares held in trust:

	2023		2022	
	m	\$m	m	\$m
Share Capital				
At beginning of period	1,336.1	1,695	1,333.9	1,655
Issue of shares to satisfy the dividend reinvestment plan	1.1	18	0.9	16
Issue of shares to satisfy the employee equity incentive plans	1.0	18	1.3	24
Issue of shares to satisfy the employee share purchase plan	0.2	2	-	-
At end of period	1,338.4	1,733	1,336.1	1,695
Shares held in trust				
At beginning of period	(3.5)	(59)	(3.7)	(70)
Purchase of shares to satisfy the employee equity incentive plans	(2.8)	(50)	-	-
Issue of shares to satisfy the employee equity incentive plans	(1.0)	(18)	(1.3)	(24)
Transfer of shares to employees under the employee equity incentive plan	2.3	38	1.5	21
Transfers	-	-	-	14
At end of period	(5.0)	(89)	(3.5)	(59)
Total contributed equity	1,333.4	1,644	1,332.6	1,636

Cash flow hedge reserve

The hedging reserve records the portion of the gain or loss on a cash flow hedging instrument that is determined to be in an effective hedge relationship. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income within the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement.

Share-based payments reserve

The share-based payments reserve reflects the fair value of awards recognised as an expense in the Income Statement.

Notes to the Consolidated Financial Statements

3.3 Dividends paid and proposed

The Company considers current earnings, future cash flow requirements, targeted credit metrics and availability of franking credits in determining the amount of dividends to be paid.

Dividends are recognised as a liability in the Balance Sheet in the period in which they are determined by the Board.

	CENTS PER SHARE		TOTAL \$m	
	2023	2022	2023	2022
Fully franked dividends determined and paid during the period				
Paid final dividend	30.0	28.0	401	373
Paid interim dividend	36.0	33.0	482	441
	66.0	61.0	883	814
Fully franked dividends proposed and unrecognised at reporting date¹				
Final dividend proposed	30.0	30.0	402 ¹	401
	30.0	30.0	402 ¹	401

¹ Estimated final dividend payable, subject to variations in the number of shares up to the record date.

The Company operates a Dividend Reinvestment Plan ('DRP') under which eligible holders of ordinary shares are able to reinvest all or part of their dividend payments into additional fully paid Coles Group Limited shares.

Franking account

	2023 \$m	2022 \$m
Total franking credits available for subsequent periods based on a tax rate of 30% (2022: 30%)	549	558

4. Financial Risk



This section details the Group's exposure to various financial risks, explains how these risks may impact the Group's financial performance or position, and details the Group's approach to managing these risks.

4.1 Impairment of non-financial assets

The Group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried above their recoverable amounts:

- at least annually for goodwill
- where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, the recoverable amount of the cash generating unit ('CGU') to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows. The recoverable amount, measured at the asset or CGU level, is the higher of fair value less costs of disposal ('FVL COD'), or value in use ('VIU'). A discounted cash flow model is used to determine the recoverable amount under both FVL COD and VIU. FVL COD is based on a market participant approach and is estimated using assumptions that a market participant would use when pricing the asset or CGU. VIU is determined by discounting the future cash flows expected to be generated from the continuing use of an asset or CGU.



Key estimate: Assessment of recoverable amount

FVL COD valuations are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs in the calculation. The assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources. VIU calculation represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset or CGU in its current condition.

Both FVL COD and VIU calculations use judgements and estimates. In particular, significant judgements and estimates are made in relation to the following:

Forecast future cash flows

Forecast future cash flows are based on the Group's latest Board approved internal five-year forecasts and reflect management's best estimate of income, expenses, capital expenditure and cash flows for each asset or CGU. Internal forecasts have considered the ongoing impacts of the cost of living on income and expenses. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets in which the Group operates.

In addition, consideration has been given to the potential financial impacts of climate change related risks on the carrying value of goodwill through a qualitative review of the Group's climate change risk assessment. This review did not identify any material financial reporting impacts.

When calculating the FVL COD of an asset or CGU, future forecast cash flows also incorporate reasonably available market participant assumptions such as enhancement capital expenditure.

Discount rates

Estimated future cash flows are discounted to their present value using discount rates that reflect the Group's weighted average cost of capital, adjusted for risks specific to the asset or CGU. The rates have been calculated in conjunction with independent valuation experts.

Expected long-term growth rates

Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. The growth rates are based on historical performance as well as expected long-term market operating conditions specific to each asset or CGU and with reference to long-term average industry growth rates. Growth rates have been calculated with the assistance of independent valuation experts.

The judgements and estimates used in assessing impairment are best estimates based on current and forecast market conditions and are subject to change in the event of shifting economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes to impairment recognised in future periods.

Notes to the Consolidated Financial Statements

4.1 Impairment of non-financial assets (continued)

Net impairment reversal for the current and prior period is included in 'Administration expenses' in the Income Statement as it relates to the day-to-day management of the Group's freehold property portfolio and other non-financial assets.

	2023			2022		
	PROPERTY	OTHER NON-FINANCIAL ASSETS	TOTAL	PROPERTY	OTHER NON-FINANCIAL ASSETS	TOTAL
	\$m	\$m	\$m	\$m	\$m	\$m
Impairment	(32)	(3)	(35)	(4)	(10)	(14)
Reversal	46	-	46	24	1	25
Net impairment reversal/(impairment)	14	(3)	11	20	(9)	11

Recognised impairment

An impairment loss is recognised in the Income Statement if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU.

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or may have decreased, the asset is re-tested for impairment. The impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment been recognised. Impairments recognised for goodwill are not reversed.

Goodwill impairment testing

For the purpose of impairment testing, goodwill is allocated to CGUs or groups of CGUs according to the level at which management monitors goodwill. The FVLCD valuation methodology was applied to determine the recoverable amount of CGUs.

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount of each CGU:

	2023		2022		
	SUPERMARKETS	LIQUOR	SUPERMARKETS	LIQUOR	EXPRESS
Goodwill allocation (\$m)	986	129	986	129	45
Indefinite life intangible assets (\$m)	-	31	-	29	-
Post-tax discount rate (%)	7.5%	7.5%	7.6%	7.6%	7.9%
Terminal growth rate (%)	2.0%	2.0%	2.8%	2.8%	nil

Sensitivity analysis is performed to determine the point at which the recoverable amount is equal to the carrying amount for each CGU. For the Group's CGUs, based on current economic conditions and CGU performance, no reasonably possible change in a key assumption used in the determination of the recoverable value is expected to result in a material impairment.

4.2 Financial risk management



The following note outlines the Group's exposure to and management of financial risks. These arise from the Group's requirement to access financing (bank debt, capital market debt and overdrafts), from the Group's operational activities (cash, trade receivables and payables) and from instruments held as part of the Group's risk management activities (derivative financial instruments).

The Group's financial risk management is carried out by the Group Treasury function and governed by the Board-approved Treasury Policy ('the Policy'). The Policy strictly prohibits speculative positions to be taken.

Management of financial risks is undertaken by the Group in line with its risk management principles and includes the following key steps: risk identification, risk measurement, setting risk tolerances and hedging objectives, strategy design and strategy implementation.

The Policy requires periodic reporting of financial risks to the Board, and its application is subject to oversight from the Chief Financial Officer and the Chairman of the Audit and Risk Committee.

The Policy allows the use of various derivatives to hedge financial risks and provides guidance in relation to volume and tenor of these instruments.

In the normal course of business, the Group is exposed to various risks as set out below:

Risk	Exposure	Management
Market risks		
Interest rate risk	The Group's exposure to interest rate risk relates primarily to interest-bearing liabilities where interest is charged at variable rates.	The Group manages interest rate risk by having access to both fixed and variable debt facilities. In line with the Policy, this risk is further managed by hedging a portion of the variable rate debt exposures with derivative financial instruments to convert floating rate debt obligations to fixed rate obligations.
Foreign exchange risk	The Group has exposure to foreign exchange risk principally arising from purchases of inventory and capital equipment denominated in foreign currencies.	To manage foreign currency transaction risk, the Group hedges material foreign currency denominated expenditure at the time of the commitment and hedges a proportion of foreign currency denominated forecast exposures (mainly relating to the purchase of inventory) through the use of forward foreign exchange contracts.
Commodity price risk	The Group is exposed to changes in commodity prices in respect to the price of electricity.	To mitigate the variability of wholesale electricity prices, the Group utilises Power Purchase Arrangements ('PPAs') and electricity swaps.
Liquidity risk		
	The Group is exposed to liquidity and funding risk from operations and external borrowings.	Liquidity risk is measured under both normal market operating conditions and under a crisis situation which curtails cash flows for an extended period. This approach is designed to ensure that the Group's funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions.
	Liquidity risk is the risk that unforeseen events cause pressure on, or curtail, the Group's cash flows.	
	Funding risk is the risk that sufficient funds will not be available to meet the Group's financial commitments in a timely manner.	The Group regularly reviews its short, medium and long-term funding requirements. The Policy requires that sufficient committed funds are available to meet medium term requirements, with flexibility and headroom in the event a strategic opportunity should arise. The Group maintains a liquidity reserve in the form of undrawn facilities of at least \$1 billion.

4.2 Financial risk management (continued)

Risk	Exposure	Management
Credit risk	<p>The Group is exposed to credit risk from its financing activities, including deposits with financial institutions and other financial instruments.</p> <p>With respect to credit risk arising from cash and cash equivalents, trade and other receivables and certain derivative instruments, the Group's exposure arises from default of the counterparty.</p> <p>Credit risk for the Group also arises from various financial guarantees in which members of the Group act as guarantor.</p>	<p>The majority of the Group's sales are on a cash basis, and the Group's exposure to credit risk from customer sales is minimal.</p> <p>The Group's trade and other receivables relate largely to commercial income due from suppliers and other receivables from creditworthy third parties.</p> <p>Counterparty limits, credit ratings and exposures are actively managed in accordance with the Policy. The Group's exposure to bad debts is not significant, and default rates have historically been very low. The credit quality of trade and other receivables neither past due nor impaired has been assessed as high on the basis of credit ratings (where available) or historical information about counterparty default.</p> <p>Since the Group trades only with recognised creditworthy third parties, there is no requirement for collateral by either party.</p> <p>The carrying amount of trade and other receivables and other financial assets in the Balance Sheet represents the Group's maximum exposure to credit risk.</p> <p>There is also exposure to credit risk where members of the Group have entered into guarantees, however the probability of being required to make payments under these guarantees is considered remote. Refer to Note 6.2 Contingencies for further details.</p>

Foreign exchange risk

The Group is primarily exposed to foreign exchange risk in relation to the United States dollar (USD), the Euro (EUR) and the British Pound (GBP). The Group considers its exposure to USD, EUR and GBP arising from purchases to be a long-term and ongoing exposure that is highly probable.

The table below sets out the total forward exchange contracts at the reporting date and the carrying value of the derivative asset / (liability) positions:

	NOTIONAL VALUE		CARRYING VALUE		WEIGHTED AVERAGE HEDGE RATE	
	2023	2022	2023	2022	2023	2022
BUY / SELL	\$m	\$m	\$m	\$m		
USD / AUD	103	82	2	3	0.68	0.72
EUR / AUD	197	208	5	(10)	0.62	0.61
GBP / AUD	38	37	1	(1)	0.54	0.54
AUD / USD	(8)	(3)	(0)	-	0.67	0.71

Notes to the Consolidated Financial Statements

4.2 Financial risk management (continued)

At the reporting date, the Group has the following exposures to USD, EUR and GBP:

	USD \$m		EUR €m		GBP £m	
	2023	2022	2023	2022	2023	2022
Financial assets						
Cash and cash equivalents	5	3	-	-	-	-
Trade receivables	10	13	-	-	-	-
Forward exchange contracts	71	59	123 ¹	127	21	20
Financial liabilities						
Trade and other payables	(68)	(65)	(28)	(33)	(3)	(6)
Forward exchange contracts	(6)	(2)	-	-	-	-
Net exposure	12	8	95	94	18	14

¹ EUR forward exchange contracts of \$56 million (2022: \$86 million) relate to capital commitments. The remaining contracts hedge current and future trade payables denominated in EUR.

Foreign exchange rate sensitivity

At the reporting date, had the Australian dollar moved against the USD, EUR and GBP (with all other variables held constant), the Group's post-tax profit and OCI would have been affected by the change in value of its financial assets and financial liabilities.

The following sensitivities are based on the foreign exchange risk exposures in existence at the reporting date and the determination of reasonably possible movements based on management's assessment of reasonable fluctuations:

RATE	CHANGE	POST-TAX PROFIT INCREASE/(DECREASE):		POST-TAX OCI INCREASE/(DECREASE):	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
AUD / USD	+10%	1	2	(2)	(2)
	-10%	(1)	(2)	3	3
AUD / EUR	+10%	-	1	(10)	(10)
	-10%	-	(1)	12	13
AUD / GBP	+10%	-	-	(2)	(2)
	-10%	-	-	3	2

Interest rate risk

At the reporting date, the Group has the following financial assets and liabilities exposed to variable interest rate risk that, with the exception of interest rate swaps, are not designated as cash flow hedges:

	2023		2022	
	EXPOSURE	WEIGHTED AVERAGE INTEREST RATE	EXPOSURE	WEIGHTED AVERAGE INTEREST RATE
	\$m	%	\$m	%
Financial assets				
Cash at bank and on deposit	86	3.4	30	0.5
Financial liabilities				
Bank debt	(75)	(5.5)	(50)	(2.1)
Capital market debt	(150)	(4.9)	(150)	(2.1)
Less: interest rate swaps (notional principal amount)	150	(2.0)	150	1.3
Net exposure to cash flow interest rate risk	11		(20)	

4.2 Financial risk management (continued)

Interest rate sensitivity

A 100 basis point increase represents management's assessment of the reasonably possible change in interest rates. Based on the variable interest rate exposures in existence at the reporting date, if interest rates increased by 100 basis points, with all other variables held constant, the impact would be:

	POST-TAX PROFIT INCREASE/(DECREASE):		POST-TAX OCI INCREASE/(DECREASE):	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Impacts of reasonably possible movements:				
+1.0% (100 basis points)	-	-	2	3

Liquidity risk

The Group aims to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank debt with a variety of counterparties.

The committed facilities of the Group are set out below:

	2023 \$m	2022 \$m
Financing facilities available:		
Bank overdrafts	13	13
Revolving multi-option facilities	2,715	2,715
	2,728	2,728
Financing facilities utilised:		
Revolving multi-option facilities	75	50
Guarantees issued ¹	350	333
	425	383
Financing not utilised:		
Bank overdrafts	13	13
Revolving multi-option facilities ¹	2,290	2,332
	2,303	2,345

¹ As of 25 June 2023, bank guarantees totalling \$350 million (2022: \$333 million) have been issued on behalf of the Group through the revolving multi-option facilities. While the Company has entered into these guarantees, the probability of having to make payments under these guarantees is considered remote.

The Group holds \$597 million cash and cash equivalents at the reporting date (2022: \$589 million).

Maturity analysis

The table below sets out the Group's financial liabilities across the relevant maturity periods based on their contractual maturity date. At the reporting date, the remaining undiscounted contractual maturities of the Group's financial liabilities and their carrying amounts are as follows:

4.2 Financial risk management (continued)

	< 12 MONTHS	1-2 YEARS	2-5 YEARS	> 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT
	\$m	\$m	\$m	\$m	\$m	\$m
2023						
Trade and other payables (less accrued interest)	4,427	-	-	-	4,427	4,427
Bank debt (principal and interest)	16	16	93	-	125	74
Capital market debt (principal and interest)	28	28	504	628	1,188	1,050
Lease liabilities	1,175	1,178	3,299	5,326	10,978	7,849
Power Purchase Arrangement	6	5	-	-	11	10
Total	5,652	1,227	3,896	5,954	16,729	13,410

2022						
Trade and other payables (less accrued interest)	4,330	-	-	-	4,330	4,330
Bank debt (principal and interest)	12	11	59	-	82	52
Capital market debt (principal and interest)	24	24	512	642	1,202	1,049
Lease liabilities	1,288	1,285	3,653	5,599	11,825	8,681
Interest rate swaps	2	2	1	-	5	(7)
Forward exchange contracts	7	1	-	-	8	8
Electricity swaps	13	-	-	-	13	13
Power Purchase Arrangement	18	12	8	-	38	38
Total	5,694	1,335	4,233	6,241	17,503	14,164

For variable rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date. Contractual cash flows are undiscounted and as such will not necessarily agree with their carrying amounts.

Changes in liabilities arising from financing activities

	NOTE	AT BEGINNING OF PERIOD	CASH FLOWS	CHANGES IN FAIR VALUE	LEASES RECOGNISED	OTHER	AT END OF PERIOD
		\$m	\$m	\$m	\$m	\$m	\$m
2023							
Bank debt	3.1	50	23	-	-	(1)	72
Capital market debt	3.1	1,045	-	-	-	1	1,046
Lease liabilities	2.7	8,681	(1,279)	-	793	(346)	7,849
Derivatives	4.3	62	-	(51)	-	-	11
Total liabilities from financing activities		9,838	(1,256)	(51)	793	(346)	8,978

2022							
Bank debt	3.1	98	(50)	-	-	2	50
Capital market debt	3.1	1,044	-	-	-	1	1,045
Lease liabilities	2.7	8,756	(1,264)	-	826	363	8,681
Derivatives	4.3	42	(22)	42	-	-	62
Total liabilities from financing activities		9,940	(1,336)	42	826	366	9,838

Notes to the Consolidated Financial Statements

4.3 Financial instruments

Financial assets and liabilities measured at fair value

The following table sets out the fair value measurement hierarchy of the Group's derivative financial instruments:

FAIR VALUE HIERACHY		2023		2022	
		ASSET	LIABILITY	ASSET	LIABILITY
		\$m	\$m	\$m	\$m
Cash flow hedges					
Forward exchange contracts	Level 2	8	(1)	4	(11)
Interest rates swaps	Level 2	7	-	7	-
Electricity swaps	Level 2	-	-	15	(13)
Power Purchase Arrangement	Level 3	21	(10)	48	(38)
Total		36	(11)	74	(62)

The Group measures certain financial instruments, such as derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1	Fair value is calculated using quoted prices in active markets for identical assets or liabilities
Level 2	Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3	Fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, electricity swap contracts and power purchase agreements are valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and electricity futures. In addition, the valuation of the power purchase arrangement includes an unobservable input relating to forward electricity price assumptions.

Carrying amounts versus fair values

The carrying amount and fair value of financial assets and liabilities recognised in the financial statements are materially the same unless stated below:

	CARRYING AMOUNT		FAIR VALUE	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Financial liabilities				
Capital market debt	1,046	1,045	913	892

Notes to the Consolidated Financial Statements

4.3 Financial Instruments (continued)

Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a gross basis except where there is an enforceable legal right to offset and there is an intention to settle on a net basis.

Commercial income due from suppliers is recognised within trade receivables, except in cases where the Group has a legally enforceable right of set-off and the intention to settle on a net basis, in which case only the net amount receivable or payable is recognised.

The following table sets out the Group's financial assets and financial liabilities which have been offset in the Balance Sheet at the reporting date:

	GROSS FINANCIAL ASSETS / (LIABILITIES)	GROSS FINANCIAL (LIABILITIES) / ASSETS SET-OFF	NET FINANCIAL ASSETS / (LIABILITIES) PRESENTED IN THE BALANCE SHEET
	\$m	\$m	\$m
2023			
Trade and other receivables	740	(135)	605
Trade and other payables	(4,569)	135	(4,434)
2022			
Trade and other receivables	605	(135)	470
Trade and other payables	(4,470)	135	(4,335)

Hedge accounting

Where the Group undertakes a hedge transaction it documents at the inception of the transaction the type of hedge, the relationship between hedging instruments and hedged items and its risk management objective and strategy for undertaking the hedge. The documentation also demonstrates, both at hedge inception and on an ongoing basis, that the hedge has been, and is expected to continue to be, highly effective.

The Group uses derivative financial instruments for cash flow hedging purposes and designates them as such.

Cash flow hedge

Derivatives or other financial instruments that hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.

The Group uses cash flows hedges to mitigate the risk of variability of:

- future cash flows attributable to foreign currency fluctuations over the hedging period where the Group has highly probable purchase or settlement commitments denominated in foreign currencies;
- interest rate fluctuations over the hedging period where the Group has variable rate debt obligations; and
- energy commodity price fluctuations over the hedging period.

Recognition date

The date the hedging instrument is entered into.

Measurement

Fair value.

Changes in fair value

Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in OCI and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the Income Statement.

5. Group Structure



This section provides information relating to subsidiaries and other material investments of the Group.

5.1 Equity accounted investments

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	TYPE	OWNERSHIP INTEREST	
				2023	2022
Loyalty Pacific Pty Ltd	Operator of the Flybuys loyalty program	Australia	Joint Venture	50%	50%
Queensland Venue Co. Pty Ltd ('QVC')	Operator of Spirit Hotels and Queensland retail liquor business	Australia	Associate	50%	50%

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An associate is an entity that is not controlled or jointly controlled by the Group, but over which the Group has significant influence.

The Group accounts for its investments in joint ventures and associates using the equity method of accounting. Under the equity method, the investment in a joint venture or associate is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise the Group's share of profit after tax of the joint venture or associate, which is recognised in profit or loss. The Group's share of OCI is recognised within Other Comprehensive Income. Dividends received from a joint venture or associate reduce the carrying amount of the investment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investment in a joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value. Any impairment loss will be recognised within 'share of net profit of equity accounted investments' in the Income Statement.



Key judgement: Control and significant influence

The Group has a number of management agreements relating to its joint venture and associate investments which it considers when determining whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision-making rights and scope of powers specified in the agreements.

Loyalty Pacific Pty Ltd

A reconciliation of the carrying amount of the Group's investment in Loyalty Pacific Pty Ltd is set out below:

	2023 \$m	2022 \$m
At beginning of period	18	19
Additions	14	6
Loss for the period	(13)	(7)
At end of period	19	18

5.1 Equity accounted investments (continued)

Queensland Venue Co. Pty Ltd

In FY19, the Company entered into an incorporated joint venture with Australian Venue Co. ('AVC') for the operation of Spirit Hotels (the 'Hotel business') and the retail liquor stores linked to Spirit Hotels venues (collectively the 'Retail Liquor business'). An incorporated joint venture company, QVC was established. Under the joint venture documents, the Company holds all R-shares in QVC and operates the Retail Liquor business through its wholly-owned subsidiary, Liquorland (Australia) Pty. Ltd. ('LLA').

For accounting purposes, LLA is considered the principal in relation to retail liquor sales due to its exposure to the economic risks and benefits associated with the Retail Liquor business. Accordingly, LLA recognises revenue from retail liquor sales by QVC directly in its Income Statement. Revenue recognised by QVC relates solely to Spirit Hotels.

Furthermore, due to the application of service fees and cost recoveries between the Company and QVC, net profit relating to the Retail Liquor business as recognised by QVC is nominal.

A reconciliation of the carrying amount of the Group's investment in QVC is set out below:

	2023 \$m	2022 \$m
At beginning of period	201	201
Additions	-	-
Profit for the period	-	-
At end of period	201	201

5.2 Assets held for sale

At 25 June 2023, four of the Group's properties with a total carrying value of \$127 million have been classified as held for sale (2022: four of the Group's properties with a total carrying value of \$82 million).

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. A sale is considered highly probable when actions required to complete the sale indicate that it is unlikely significant changes to the sale will be made or that the decision to sell will be withdrawn, and where management is committed to a plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

5.3 Discontinued operations

The Group presents as discontinued operations any component of the Group that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business, or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Express discontinued operation

On 1 May 2023, the Group completed the sale of its fuel and convenience retailing business to Viva Energy Group Limited for \$319 million (proceeds of \$300 million and working capital adjustment of \$19 million). The agreement allows the Group to focus on growing its omnichannel supermarket and liquor businesses. The business disposed of was previously presented as the Express reportable segment.

Analysis of profit from discontinued operations

The profit/loss from discontinued operations for the reporting period to 1 May 2023 are set out below:

	2023	2022
	\$m	\$m
Sales revenue	988	1,132
Other operating revenue	246	273
Total operating revenue	1,234	1,405
Expenses	(1,070)	(1,224)
Depreciation and Amortisation ¹	(35)	(139)
Earnings before interest and tax (EBIT) before sale of business	129	42
Loss on sale of Express business	(18)	-
Earnings before interest and tax (EBIT)	111	42
Financing costs	(27)	(36)
Profit before income tax	84	6
Income tax expense	(28)	(3)
Profit for the period from discontinued operations	56	3
EPS attributable to equity holders of the Company from discontinued operations:		
Basic EPS (cents)	4.2	0.2
Diluted EPS (cents)	4.2	0.2

¹ Depreciation and amortisation ceased from the date the assets were held for sale, including the depreciation on right of use assets. Depreciation and amortisation not recognised in FY23 up to the date of sale was \$83 million of which \$66 million relates to the right of use assets.

Notes to the Consolidated Financial Statements

5.3 Discontinued operations (continued)

Cash flows from/(used in) discontinued operations

The condensed cash flows from/(used in) discontinued operations during the period to 1 May 2023 are set out below:

	2023 \$m	2022 \$m
Net cash inflow from operating activities	113	142
Net cash inflow/(outflow) from investing activities	267 ¹	(15)
Net cash outflow from financing activities	(104)	(121)
Net increase in cash and cash equivalents from discontinued operations	276	6

¹Includes \$319 million consideration for the sale of the Express business.

Loss on sale

	1 MAY 2023 \$m
Total consideration	319
Book value of net assets disposed	(321)
Transaction costs	(16)
Loss on sale before income tax¹	(18)
Income tax benefit	2
Loss on sale after tax	(16)

¹ Depreciation and amortisation ceased from the date the assets were held for sale, including the depreciation on right of use assets. Depreciation and amortisation not recognised in FY23 up to the date of sale was \$83 million of which \$66 million relates to the right of use assets.

Notes to the Consolidated Financial Statements

5.4 Subsidiaries

The ultimate parent of the Group is Coles Group Limited, a company incorporated in Australia. Subsidiaries are consolidated from the date of acquisition, being the date Coles Group Limited obtains control, and continue to be consolidated until the date control ceases. Control exists where the Group has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities.

Set out below are the subsidiaries of the Group. All entities were incorporated in Australia and wholly-owned unless stated otherwise.

Andearp Pty Ltd	Coles Group Superannuation Fund Pty Ltd
Australian Liquor Group Ltd *	Coles Group Supply Chain Pty Ltd *
BetaElementCo Pty Ltd (formally CSA Retail (Finance) Pty Ltd)	Coles Group Treasury Pty Ltd (formerly Coles Group Payments Pty Ltd) *
Bi-Lo Pty. Limited *	Coles Online Pty Ltd *
Charlie Carter (Norwest) Pty Ltd	Coles Property Management Pty Ltd
Chef Fresh Pty Ltd *	Coles Supermarkets Australia Pty Ltd *
CMPQ (CML) Pty Ltd	Coles Trading (Shanghai) Co. Limited (incorporated in China)
CNSCE Pty Ltd	Coles WFS Pty Ltd (formerly Wesfarmers Finance Pty Ltd)
CNSCV Pty Ltd	Eureka Operations Pty Ltd *
Coles Ansett Travel Pty Ltd (97.5%)	GBPL Pty Ltd
Coles Captive Insurance Pte. Ltd. (incorporated in Singapore)	Grocery Holdings Pty Ltd *
Coles Environmental Services Pty Ltd (formerly Richmond Plaza Shopping Centre Pty Ltd)	Katies Fashions (Aust) Pty Limited
Coles Export Asia Limited (incorporated in Hong Kong)	Liquorland (Australia) Pty. Ltd *
Coles Export Australia Pty Ltd (formerly Tooronga Holdings Pty Ltd) *	Newmart Pty Ltd
Coles Financial Services Pty Ltd	Procurement Online Pty Ltd
Coles FS Holding Company Pty Ltd (formerly Wesfarmers Finance Holding Company Pty Ltd)	Retail Ready Operations Australia Pty. Ltd *
Coles Group Deposit Services Pty Ltd	Tickoth Pty Ltd
Coles Group Finance Limited *	WFPL Funding Co Pty Ltd
Coles Group Properties Holdings Ltd *	WFPL SPV Pty Ltd
Coles Group Property Developments Ltd *	
Entities formed/incorporated or acquired during the financial year	
CGBV1 Pty Ltd ¹	Coles Group Business Venture Pty Ltd ¹
Coles Supply Services Pty Ltd * ¹	Property Structures Pty Ltd ¹
Coles Fresh Milk Co. Pty Ltd ²	

* These entities are parties to the Deed of Cross Guarantee (DOCG) and are members of the Closed Group as at 25 June 2023, Coles Supply Services Pty Ltd joined the Closed Group on 20 June 2023.

¹ Incorporated 21 December 2022

² Incorporated 24 March 2023

5.4 Subsidiaries (continued)

Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 ('ASIC Instrument') the wholly-owned subsidiaries listed on the previous page (*) are relieved from the Corporations Act 2001 (Cth) requirements for preparation, audit and lodgement of financial reports, and Directors' Reports. Together with Coles Group Limited, the entities represent a 'Closed Group' for the purposes of the ASIC Instrument.

As a condition of the ASIC Instrument, the Company and the subsidiaries listed on the previous page (*) have entered into a Deed of Cross Guarantee ('the Deed'). The effect of the Deed is that the Company guarantees to pay any deficiency in the event of winding up any controlled entity in the Closed Group, or if they do not meet their obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities in the Closed Group have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee.

An Income Statement and retained earnings and a Balance Sheet, comprising the Company and controlled entities which are a party to the Deed at the reporting date, after eliminating all transactions between the parties to the Deed, for the period are set out below:

Income Statement and retained earnings

	CLOSED GROUP	
	2023	2022
	\$m	\$m
Continuing operations		
Sales revenue	40,483	38,237
Other operating revenue	108	103
Total operating revenue	40,591	38,340
Cost of sales	(30,034)	(28,395)
Gross profit	10,557	9,945
Other income	163	86
Administration expenses	(8,839)	(8,196)
Share of net loss from equity accounted investments	(13)	(7)
Earnings before interest and tax	1,868	1,828
Financing costs	(394)	(360)
Profit before income tax	1,474	1,468
Income tax expense	(425)	(422)
Profit for the period from continuing operations	1,049	1,046
Discontinued Operations		
Profit for the period from discontinued operations, after tax	56	3
Profit for the period	1,105	1,049
<i>Items that may be reclassified to profit or loss:</i>		
Net movement in the fair value of cash flow hedges	14	31
Income tax effect	(4)	(9)
Other comprehensive income/ (loss) which may be reclassified to profit or loss in subsequent periods	10	22
Total comprehensive income for the period	1,115	1,071
Retained earnings		
Retained earnings at beginning of period	1,468	1,245
Chef Fresh retained earnings in opening balance now in Closed Group	-	(12)
Profit for the period	1,105	1,049
Dividends paid	(883)	(814)
Retained earnings at end of period	1,690	1,468

5.4 Subsidiaries (continued)

Balance Sheet

	CLOSED GROUP	
	2023	2022
	\$m	\$m
Assets		
Current assets		
Cash and cash equivalents	592	580
Trade and other receivables	616	459
Inventories	2,323	2,448
Income tax receivable	4	42
Assets held for sale	127	82
Other assets	96	121
Total current assets	3,758	3,732
Non-current assets		
Property, plant and equipment	4,980	4,799
Right-of-use assets	6,507	7,194
Intangible assets	2,035	1,864
Deferred tax assets	737	820
Investment in subsidiaries	190	190
Investment in joint venture	220	219
Other assets	52	174
Total non-current assets	14,721	15,260
Total assets	18,479	18,992
Liabilities		
Current liabilities		
Trade and other payables	4,542	4,425
Provisions	903	851
Lease liabilities	820	913
Other	249	312
Total current liabilities	6,514	6,501
Non-current liabilities		
Interest-bearing liabilities	1,118	1,095
Provisions	375	424
Lease liabilities	7,029	7,762
Other	5	11
Total non-current liabilities	8,527	9,292
Total liabilities	15,041	15,793
Net assets	3,438	3,199
Equity		
Contributed equity	1,644	1,636
Reserves	104	95
Retained earnings	1,690	1,468
Total equity	3,438	3,199

5.5 Parent entity information

Summary financial information for the Company is set out below:

	2023 \$m	2022 \$m
Profit for the period	316	327
Dividends received	-	-
Profit for the period (after dividends)	316	327
Other comprehensive income	-	-
Total comprehensive income for the period	316	327

	2023 \$m	2022 \$m
Assets		
Current assets	2,371	3,045
Non-current assets	5,057	5,088
Total assets	7,428	8,133

Liabilities		
Current liabilities	937	1,080
Non-current liabilities	2,769	2,778
Total liabilities	3,706	3,858

Equity		
Contributed equity	1,644	1,630
Reserves	100	100
Retained earnings	1,978	2,545
Total equity	3,722	4,275

As at 25 June 2023, the Company has no guarantees in relation to the debts of its subsidiaries (2022: \$nil).

As at 25 June 2023, the Company has no contingent liabilities (2022: \$nil). As at 25 June 2023, the Company has bank guarantees totalling \$346 million (2022: \$328 million).

As at 25 June 2023, the Company has contractual commitments for the acquisition of property, plant and equipment totalling \$162 million (2022: \$235 million).

6. Unrecognised Items



This section provides information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.

6.1 Commitments

A commitment represents a contractual obligation to make a payment in the future. The Group's commitments relate to capital expenditure and certain operating leases not recognised. Commitments are not recognised in the Balance Sheet but are disclosed.

Capital expenditure commitments of the Group at the reporting date are set out below:

	2023	2022
	\$m	\$m
Within one year	268	233
Between one and five years	52	121
More than five years	2	-
Total capital commitments for expenditure	322	354

The commitment amounts disclosed above represent the maximum amounts that the Group is obliged to pay.

At 25 June 2023, the Group also has commitments relating to lease agreements that have not yet commenced. The commitments relate to lease agreements associated with new stores, the Supply Chain Modernisation program and online fulfilment centres. The future lease payments (undiscounted) for non-cancellable periods are set out below:

	2023	2022
	\$m	\$m
Within one year	57	41
Between one and five years	469	491
More than five years	1,259	1,613
Total commitments for lease agreements not yet commenced (undiscounted)	1,785	2,145

6.2 Contingencies

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 ('GRIA'). The review assessed the remuneration paid to 15,011 team members against the GRIA. Coles conducted a remediation program, and to date Coles has incurred \$13 million of remediation costs. A provision of \$37 million (2022: \$12 million) is reflected in the FY23 financial statements.

Following the announcement in February 2020, the Fair Work Ombudsman ('FWO') commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA and the Fair Work Act 2009 (Cth). FWO alleges that Coles is obligated to pay a further \$108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in Coles' remediation.

Following further consideration of the issues as they have evolved, Coles announced on 2 June 2023 that, it intends to conduct a further remediation relating to the reconciliation of available records of the days and hours of work of salaried supermarket managers. A provision of \$25 million was subsequently recognised which is included in the provision balance of \$37 million noted above.

The FWO matter was heard in a seven week trial from 5 June 2023 and judgment is pending. The judgment is expected to include consideration of threshold issues, including interpretation of the GRIA and Fair Work Act provisions. As such, the potential outcome, extent to which further remediation may be necessary, and costs associated with this matter remain uncertain as at the date of this report.

In May 2020, a class action proceeding was filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets. This matter was heard in conjunction with the FWO proceedings and judgment has also been reserved. The potential outcome and total costs associated with this matter remain uncertain as at the date of this report.

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it is expected that the resolution of these contingencies will not have a material impact on the financial position of the Group, or are not at a stage to support a reasonable evaluation of the likely outcome.



Key estimate: Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated.

7. Other Disclosures



This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

7.1 Related party disclosures

	2023 \$m	2022 \$m
Joint ventures and associates		
Loyalty Pacific Pty Ltd		
Sale of goods to members of Flybuys	268	199
Payments for loyalty program to Loyalty Pacific Pty Ltd	378	359
Amounts owing to Loyalty Pacific Pty Ltd	240	251
Queensland Venue Co. Pty Ltd		
Service fees paid to QVC	55	56
Amounts receivable from QVC	29	21

Transactions with Key Management Personnel (KMP)

Compensation of KMP of the Group:

	2023 \$	2022 \$
Short-term employee benefits	11,418,519	10,903,690
Post-employment benefits	222,526	193,111
Other long-term benefits	389,219	118,652
Share-based payments	9,459,571	8,855,257
Total compensation paid to key management personnel	21,489,835	20,070,710

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the reporting date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The Group has not recognised a provision for expected credit losses relating to amounts owed by related parties (2022: \$nil).

7.2 Employee share plans

The Group operates an Equity Incentive Plan (the 'Plan') which provides equity instruments to employees as a component of their remuneration.

Long Term Incentive (LTI) program

Refer to the Remuneration Report for the terms and conditions of the LTI program.

The fair value of Performance Rights under each performance measure is determined at grant date by an independent valuation expert and takes into account the terms and conditions upon which they were granted. The fair value is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

For the relative total shareholder return ('RTSR') measure, the fair value is recognised as an expense irrespective of whether the Performance Rights vest to the holder, and a reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period. For the return on capital ('ROC') measure, the amount expensed is based on the expected number of Performance Rights vesting, with the ultimate expense reflecting the actual Performance Rights that vest.

7.2 Employee share plans (continued)

Short Term Incentive (STI) program

For Executives, 25% of their STI is deferred into Restricted Shares (50% for the Managing Director and Chief Executive Officer) and are subject to a one-year service condition (two years for the Managing Director and Chief Executive Officer). The cost of the deferred STI is based on the market price at grant date and is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

Further explanation of the deferred STI is disclosed in the Remuneration Report.

Restricted share offer

Restricted Shares are subject to a continued service condition, a three-year trading restriction period and cessation of employment provisions. During the trading restriction period, Restricted Shares are held in trust by the Trustee on behalf of the employee. The number of Restricted Shares to be granted is determined based on the currency value of the achieved Restricted Share offer divided by the volume weighted average price (VWAP) at which the Company's shares are traded on the Australian Stock Exchange over the period outlined in the offer letter. The value of Restricted Shares granted is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

Restricted Shares carry the same dividend and voting rights as other fully paid Ordinary Shares in the Company.

Performance rights (number)

Movements in Performance Rights granted under the LTI program that existed during the current or prior period are:

GRANT DATE	BALANCE AT 26 JUNE 2022	GRANTED	FORFEITED	VESTED	BALANCE AT 25 JUNE 2023	EXERCISABLE AT 25 JUNE 2023
2023						
Nov 2019	955,866	-	-	(874,784)	81,082	-
May 2020	89,528	-	-	(89,528)	-	-
Nov 2020	223,133	-	-	-	223,133	-
Nov 2020	716,279	-	(5,169)	-	711,110	-
Nov 2021	225,976	-	(26,960)	-	199,016	-
Dec 2021	797,696	-	(63,314)	-	734,382	-
Nov 2022	-	218,878	(98,674)	-	120,204	-
Nov 2022	-	667,283	(82,636)	-	584,647	-
	3,008,478	886,161	(276,753)	(964,312)	2,653,574	-
GRANT DATE	BALANCE AT 28 JUNE 2021	GRANTED	FORFEITED	VESTED	BALANCE AT 26 JUNE 2022	EXERCISABLE AT 26 JUNE 2022
2022						
Nov 2019	962,246	-	(6,380)	-	955,866	-
May 2020	89,528	-	-	-	89,528	-
Nov 2020	223,133	-	-	-	223,133	-
Nov 2020	772,930	-	(56,651)	-	716,279	-
Nov 2021	-	225,976	-	-	225,976	-
Dec 2021	-	877,925	(80,229)	-	797,696	-
	2,047,837	1,103,901	(143,260)	-	3,008,478	-

7.2 Employee share plans (continued)

Fair value of equity instruments

The assumptions underlying the fair value measurement of the performance rights are:

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE \$	EXPECTED VOLATILITY IN SHARE PRICE ¹ %	EXPECTED DIVIDEND YIELD %	RISK FREE INTEREST RATE ² %	FAIR VALUE PER INSTRUMENT \$
Nov 2019	Aug 2022	16.26	25.0	3.90	0.65	12.58
May 2020	Aug 2022	15.02	25.0	4.20	0.25	12.92
Nov 2020	Aug 2023	18.26	25.0	3.68	0.10	13.52
Nov 2020	Aug 2023	17.95	25.0	3.68	0.11	12.67
Nov 2021	Aug 2024	17.63	20.0	3.56	0.89	12.61
Dec 2021	Aug 2024	17.85	20.0	3.53	0.95	13.04
Nov 2022	Aug 2025	16.48	20.0	3.92	3.35	11.00
Nov 2022	Aug 2025	17.15	20.0	3.92	3.22	11.50

¹ Reflects the assumption that the historical volatility is indicative of future trends.

² Represents the zero coupon interest rate derived from government bond market interest rates on the valuation date and vary according to each maturity date.

Additional Information on Award Schemes

Details of grants made under the Plan during the period are set out in the Remuneration Report.



Key estimate: Share-based payments

The fair value of share-based payment transactions has been determined by an independent valuation expert.

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. Assumptions regarding the most appropriate inputs to the valuation model must be made. This includes, but is not limited to, share price volatility, discount rate and dividend yield.

In measuring the fair value of awards issued under the Long-Term Incentive ('LTI') plan subject to the relative total shareholder return ('RTSR') vesting condition, an adjusted form of the Black-Scholes Model that includes a Monte Carlo Simulation Model has been utilised. The Monte Carlo Simulation Model has been modified to incorporate an estimate of the probability of achieving the RTSR hurdle. In measuring the fair value of awards subject to non-market based vesting conditions, the Black-Scholes Model has been utilised.

7.3 Auditor's remuneration

	2023 \$000	2022 \$000
<i>Fees to Ernst & Young (Australia):</i>		
Audit services:		
Audit or review of the Financial Report of the Group	2,899	2,825
Assurance related	1,084	822
Non-audit services:		
Tax compliance services	120	133
Other compliance services	80	-
Total fees to Ernst & Young (Australia)	4,183	3,780
<i>Fees to overseas member firms of Ernst & Young:</i>		
Audit services:		
Audit or review of the Financial Report of any controlled entities	55	49
Total fees to overseas member firms of Ernst & Young	55	49
Total auditor's remuneration	4,238	3,829

The auditor of the Group is Ernst & Young ('EY'). Fees charged by EY for 'Assurance related services' are for services that are reasonably related to the performance of the audit or review of financial reports, for other assurance engagements (such as assurance over the Group's Sustainability Report) and for other assurance related engagements which are appropriate for our external auditor to perform.

The total fees for non-audit services of \$200,000 represent 4.7% (2022: 3.5%) of the total fees paid or payable to EY and related practices for the period.

7.4 New accounting standards and interpretations

There are amendments and interpretations that apply for the first time in this period. These did not have a material impact on the consolidated financial statements of the Group.

New and revised Australian accounting standards and interpretations on issue but not yet effective

Subsequent to year end, on 26 June 2023, the International Sustainability Standards Board ('ISSB') issued its inaugural global sustainability disclosure standards, *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and *IFRS S2 Climate-related Disclosures*. The Group has not early adopted these standards that are effective for annual reporting periods beginning on or after 1 January 2024.

There are no other standards issued but are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

7.5 Events after the reporting period

Other than events disclosed elsewhere in this report, the Group is not aware of any matter or circumstance that has occurred since the reporting date that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in subsequent reporting periods.

Directors' Declaration

1. The directors of Coles Group Limited (the Company) declare that, in the directors' opinion:
 - (a) the financial statements and the Notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with the accounting standards and *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the financial position and performance of the Company and its consolidated entities;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. A statement of compliance with the International Financial Reporting Standards is included in the Basis of Preparation and Accounting Policies in the Notes to the consolidated financial statements.
3. The directors have been given the declaration required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 25 June 2023.
4. As at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 5.4 Subsidiaries to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 5.4 Subsidiaries.

Signed in accordance with a resolution of the directors.



James Graham AM

Chairman

22 August 2023



Leah Weckert

Managing Director and Chief Executive Officer

22 August 2023



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working world

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Independent Auditor's Report to the Members of Coles Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the Financial Report of Coles Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the Consolidated Balance Sheet as at 25 June 2023, the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 25 June 2023 and of its consolidated financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current year. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

1. Accounting for Supplier Rebates ('Commercial Income')

Why significant	How our audit addressed the key audit matter
<p>Supplier rebates (also referred to in the retail industry as "commercial income") comprises discounts and rebates received by the Group from its suppliers.</p> <p>Determining the value and timing of when commercial income is recognised through the Consolidated Income Statement requires judgement and the consideration of a number of factors including:</p> <ul style="list-style-type: none"> ▶ The commercial terms of each individual rebate agreement; ▶ The nature and substance of the rebate arrangement to determine whether the amount reflects a reduction in the purchase price of inventory, requiring the rebate to be applied against the carrying value of inventory, or can be otherwise recognised in the Consolidated Income Statement; and ▶ The accurate recognition and measurement of rebates in accordance with Australian Accounting Standards and the Group's processes and controls related to these arrangements. <p>Disclosures relating to the measurement and recognition of commercial income can be found in <i>Note 2.4 Inventories</i>.</p>	<p>Our audit procedures in respect of commercial income included the following:</p> <ul style="list-style-type: none"> ▶ We gained an understanding of the nature of each significant type of commercial income and assessed a sample of agreements in place to determine whether the terms of each agreement were appropriately reflected in the accounting treatment; ▶ We assessed the design and operating effectiveness of the Group's controls in place relating to the recognition and measurement of amounts related to these agreements; ▶ We performed comparisons of the various arrangements against the prior year, including analysis of ageing profiles and where material variances were identified, we obtained supporting evidence; ▶ We selected a sample of supplier agreements and assessed whether the agreements or other documentation appropriately supported the recognition and measurement of the rebates recorded in the 25 June 2023 Financial Report, including an assessment of amounts recorded before and after the balance date; ▶ We inquired of the Group including business category managers, supply chain managers, legal counsel and procurement management as to the existence of any non-standard agreements or side arrangements; and ▶ We considered the adequacy of the associated Financial Report disclosures.

2. Divestment of Coles' fuel and convenience business (Express)

Why significant	How our audit addressed the key audit matter
<p>On 1 May 2023, the Group completed the sale of its fuel and convenience business ("Express"). The transaction represents the disposal of a major line of business and a previously reportable segment. The transaction includes ongoing transitional agreements relating to the supply of inventories and service arrangements to Viva Energy. The treatment of these agreements in the Financial Report required judgement by the Group in relation to the specific nature and substance of the arrangements.</p> <p>The divestment is required to be presented by the Group as a 'Discontinued Operation' in the Financial Report in accordance with Australian Accounting Standards.</p> <p>The Group recognised a \$16 million net loss on sale with respect to the transaction. The determination of the net loss required consideration of contractual terms with regards to the assets disposed, accounting implications from the date the disposal group was designated as held for sale, and the identification of relevant transaction costs.</p> <p>Disclosures relating to the discontinued operation can be found in <i>Note 5.3</i>.</p>	<p>Our audit procedures in respect of the sale of Express included the following:</p> <ul style="list-style-type: none"> ▶ We assessed the terms of the purchase and sale agreement and the loss on sale calculation, based on the net assets of Express at 1 May 2023; ▶ We assessed the accounting treatment of the ongoing arrangements between the Group and Viva Energy, including the product supply arrangement and their classification in the Financial Report; and ▶ We considered the disclosure included in the 25 June 2023 Financial Report relating to Express being presented as a discontinued operation.

3. Impairment of non-current assets including intangible assets

Why significant	How our audit addressed the key audit matter
<p>The determination of the recoverable amount of non-current assets including property, plant and equipment, right of use assets, goodwill and other intangible assets is complex and requires significant judgement by the Group.</p> <p>The impairment assessment completed by the Group includes numerous assumptions and estimates that will be impacted by future performance and market conditions.</p> <p>Key assumptions, judgements and estimates applied in the Group's impairment assessment are set out in <i>Note 4.1</i>.</p> <p>Based upon the disclosed sensitivity analysis, changes to the key assumptions applied in the impairment test are not expected to give rise to an impairment of the carrying value of the Group's cash generating units.</p>	<p>Our audit procedures included an evaluation of the following assumptions utilised in the Group's impairment assessment:</p> <ul style="list-style-type: none"> ▶ Determination of cash generating units; ▶ Forecast cash flows, which were based on the Group's Board approved five-year forecasts; ▶ Long term inflation and growth rates; ▶ Discount rates; and ▶ Other market evidence. <p>In performing our procedures, we assessed whether the Group's impairment models were in accordance with Australian Accounting Standards and tested the mathematical accuracy of the calculations.</p> <p>We considered the adequacy of the Financial Report disclosures regarding the impairment testing approach, key assumptions, results and sensitivity analysis.</p> <p>Where required, we involved our valuation specialists in performing these procedures.</p>

4. IT environment

Why significant	How our audit addressed the key audit matter
<p>A significant part of the Group's financial processes are heavily reliant on IT systems with automated processes and controls over the capture, valuation and recording of transactions.</p> <p>This was a key audit matter because of the following:</p> <ul style="list-style-type: none"> ▶ Complex IT environment supporting diverse business processes, with varying levels of integration between them; ▶ Mix of manual and automated controls; ▶ Multiple internal and outsourced support arrangements; and ▶ Continuing enhancements to the Group's IT systems. 	<p>We involved our IT specialists to perform procedures to understand the IT environment, including procedures to identify the Group's manual and automated controls relevant to financial reporting.</p> <p>We tested the effectiveness of the key IT controls relevant to the financial reporting systems of the Group. This included assessing the key IT controls over changes made to the material financial reporting systems and controls over appropriate access to these systems and related data.</p>

5. Inventory existence

Why significant	How our audit addressed the key audit matter
<p>At 25 June 2023, the Group held inventories of \$2,323 million. Being one of the Group's most significant assets, its inventory existence verification process is extensive and occurs routinely throughout the financial year.</p> <p>This inventory is held at geographically diverse locations around Australia at various retail stores and distribution centres, some of which are managed by third parties.</p> <p>The Group's accounting policy in respect of inventories is disclosed in Note 2.4 of the Financial Report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We selected a sample of stores and observed and assessed the Group's stocktake processes and controls throughout the year; ▶ For the stocktakes we observed, we assessed whether the required adjustment to inventory determined by the stocktake was accurate and processed correctly; ▶ We observed a sample of daily cycle counts at distribution centres during the year; ▶ For a sample of stocktakes and cycle counts observed during the year, we analysed movements in inventory from count dates through to 25 June 2023; and ▶ For a select number of distribution centres and production facilities managed by third parties, we observed and assessed the stocktake processes and obtained confirmation of inventories held by those third parties at year end.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report, but does not include the Financial Report and our auditor's report thereon. We obtained the Operating and Financial Review, Board of Directors section and Directors' Report that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual report after the date of this auditor's report.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

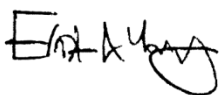
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 25 June 2023.


In our opinion, the Remuneration Report of Coles Group Limited for the year ended 25 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



David Shewring
Partner
Melbourne
22 August 2023

Glossary of terms

ADC: Automated distribution centre

bps: Basis points. One basis point is equivalent to 0.01%

Cash realisation: Calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding significant items)

CFC: Customer fulfilment centre

CODB: Costs of doing business. These are expenses which relate to the operation of the business below gross profit and above EBIT

Coles Own Brand: refers to the portfolio of product brands owned by Coles. It includes grocery, fresh produce, meat and non-food products that are available in Coles supermarkets under Coles Brands (e.g. Coles Finest, Coles Nature's Kitchen) and Exclusive Own Brands (e.g. Koi, Daley St)

Coles Liquor Own Brand: the portfolio of brands owned by Coles Liquor. It includes liquor products that are sold in Coles Liquor stores under Coles Liquor Brands (e.g. Vintage Cellars Collaborations) and Private Label Brands (e.g. Pensilva)

Comparable sales: A measure which excludes stores that have been opened or closed in the last 12 months and excludes demonstrable impact on existing stores from store disruption because of store refurbishment or new store openings

DRP: Dividend reinvestment plan

EBIT: Earnings before interest and tax

EBITDA: Earnings before interest, tax, depreciation and amortisation

Exclusive brands: refers to the portfolio of product brands consisting of Exclusive to Coles in Coles supermarkets and Exclusive Liquor Brands in Coles Liquor stores.

Exclusive to Coles: refers to the portfolio of product brands available in Coles supermarkets that are exclusively available at Coles, and consists of Coles Own Brand and Exclusive Proprietary Brand products.

Exclusive Liquor Brands ('ELB'): refers to the portfolio of product brands exclusively available in Coles Liquor stores, including brands that are owned by Coles (e.g. James Busby, Mr Finch) and brands that are owned by suppliers but exclusive to Coles Liquor (e.g. Coal Pit, Abbey Vale)

Exclusive Proprietary Brands: refers to the portfolio of products where the brands are owned by suppliers but are exclusively available in Coles supermarkets (e.g. La Espanola, Great Ocean Road)

EPS: Earnings per share

Gross margin: The residual income remaining after deducting cost of goods sold, total loss and logistics from sales, divided by sales revenue

IFRS: International Financial Reporting Standards

Leverage ratio: Gross debt less cash at bank and on deposit add lease liabilities, divided by EBITDA

MAT: Moving Annual Total

Net Promoter Score ('NPS'): Metric used to measure customer advocacy, derived from an externally facilitated survey with a nationally representative sample. The point movement reported represents the NPS measured over the relevant period relative to the prior corresponding period. Liquor NPS is based on Liquorland NPS results

Sales density: Calculated as sales divided by net selling area. Both sales and net selling area are on a MAT basis, calculated on a rolling 52-week basis.

Significant items: Large gains, losses, income, expenditure or events that are not in the ordinary course of business. They typically arise from events that are not considered part of the core operations of the business

TCFD: Taskforce on Climate-related Financial Disclosures

TRIFR: Total Recordable Injury Frequency Rate. The number of lost time injuries, medically treated injuries and restricted duties injuries per million hours worked, calculated on a rolling 12-month basis. TRIFR includes all injury types including musculoskeletal injuries

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