



ASX Release

3 November 2023

ADDRESS BY CHAIRMAN JAMES GRAHAM

COLES GROUP LIMITED 2023 ANNUAL GENERAL MEETING – 3 NOVEMBER 2023

Please see attached the address to be delivered by the Chairman to shareholders at this morning's Annual General Meeting.

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This announcement was authorised for release by Daniella Pereira, Company Secretary.

Coles Group 2023 Annual General Meeting

Chairman's address to shareholders

The 2023 Financial Year was a significant one for Coles, our customers, suppliers, team members and communities as we achieved many milestones in our journey to build trust and grow long term shareholder value.

During the year we saw a return to more normal trading conditions being our first year where Covid-19 restrictions were less evident, albeit that significant flooding events in the first half of the year disrupted road and rail networks, communities and parts of our supply chain.

The operating environment was also marked by increases in the cost of living, higher energy prices, and the effects of inflation, which all impacted our customers and their buying preferences. These issues continue to be significant in our new financial year.

Pleasingly the retail industry, especially in food and drink, continued to show its resilience and we were able to grow our total sales by 5.9% during the year, including the growth of our Exclusive to Coles product range of 9.6% in Supermarkets and 8.5% in Liquor.

Working closely with our suppliers we continue to focus upon providing value, quality and helping customers meet their needs in eating and living better every day.

Over the last five years since demerger, Coles has placed significant emphasis upon increasing the attractiveness of our offering to and relevance for all Australians through:

- Increasing the use of technology to improve efficiency, lower operating costs, and extend freshness and product attractiveness across our food and liquor businesses;
- Enhancing the digital and e-commerce offering and increasing the value of our loyalty programme, especially Flybuys;
- Investing in our team to build greater levels of capability and service;
- Working more closely with our suppliers to ensure the growth of their businesses in a way which enhances value and supports their team member and sustainability commitments; and,
- Engaging with our communities to provide support and build long term and sustainable outcomes.

During this last year we also increased our portfolio focus upon food and drinks as a result of the sale of our fuel and convenience business, Coles Express, to Viva Energy. As part of this divestment we received payment of \$300 Million and transferred lease liabilities which had been some \$816 Million as at the end of the prior financial year. 6,000 team members also transferred with the business to Viva Energy and I wish to take this opportunity to thank each of them for the contribution and commitment which they made during prior years with Coles.

Against this background, in the 2023 Financial Year we produced an after-tax profit from continuing operations of \$1,042 Million and paid full year dividends of 66 cents per share, fully franked, which represented an increase of 4.8% on the previous year. This dividend represented a full year payout of 80% of our after-tax profits, in line with our 80 to 90% dividend payout policy which has remained unchanged since demerger.

With commitments having initially been made some five years ago, it was very pleasing to see the commencement of the first of four transformational initiatives in April of this year with the opening of our first of two Automated Distribution Centres (ADCs) at Redbank in Queensland. This facility, opened by the Prime Minister, is centred upon Coles' exclusive access to the world leading Witron technology and is one of the largest distribution facilities of its kind in the Southern Hemisphere.

This Redbank ADC has been progressively ramped up since commissioning and is now servicing 219 stores in Queensland and Northern NSW. This automation allows us to improve efficiency, extend shelf life, reduce team member safety risks and reduces our road transport requirements thereby lowering emissions.

A second like-kind facility is due to commence inbound deliveries at Kemps Creek, New South Wales in the first quarter of next calendar year.

Our third and fourth large scale technology projects are our two Customer Fulfilment Centres (CFC) being built in Sydney and Melbourne by Ocado to extend and enhance the growth of our online business. Ocado is recognised internationally as one of the leading technology providers for online supermarket operations with its improved availability; extended range; and superior freshness being key features of its customer offering.

The construction programme was delayed during this last financial year but is now progressing in line with our updated timelines. We are expecting to commence CFC operations at the end of the current financial year in Sydney and during the middle of next financial year in Melbourne.

The other significant capital project initiative has been our announced intention to purchase two milk processing plants from Saputo Dairy Australia – one in each of Victoria and New South Wales. The completion of this purchase is conditional upon the approval of the Australian Competition and Consumer Commission, which is currently being sought.

Turning now to our sustainability commitments and community involvement.

As a large corporation operating across Australia with more than 120,000 team members and more than 1,800 stores, we have the capacity to favourably contribute to lifting our performance and meeting community expectations for long term sustainable practices.

We have set targets across most areas of our Group's operations and each year aim to measure and improve our performance, which we publish in our Sustainability Report.

In this last year we saw significant progress in our emissions targets with our Scope 1 and Scope 2 emissions reducing by 27.7% during the year, as we aim to achieve a reduction of more than 75% by Financial Year 2030 from our 2020 baseline. In addition, we validated our Scope 3 Emissions target with the Science Based Targets Initiative (SBTi). This will entail our working with our suppliers as we have committed that 75% of our suppliers, by spend, will have science-based emissions targets by the end of Financial Year 2027.

In the area of plastic, packaging and waste we saw further progress including our removal of single use plastic bags, saving some 230 million bags each year and we diverted 84% of the Group's solid waste from landfill, an increase of 1.5% over the previous year. We continue to work as a member of the Government's Taskforce with industry participants on the future recycling of soft plastics, which activity has been challenged by the collapse of REDcycle and the loss of its recycling programme.

Our long term relationships with SecondBite and Foodbank expanded during the year and we were pleased to provide the equivalent of more than 35 million meals to Australians in need through SecondBite and their 1,100 charity partners across Australia, as well as more than 4 million meals through our partnership with Foodbank.

As regards our workforce, we continue to make significant progress against our established targets. Team member safety is paramount and as at the end of this last Financial Year our Total Recordable Injury Frequency Rate reduced by a further 9.2%; in addition, at year end we had surpassed our earlier goal for achieving women in leadership positions which reached 41.5%; and as a part of our great place to work ambition, I am pleased that 7.6% of our team now includes team members who identify as having a disability.

In the context of Team, I would like to refer to the recent national referendum on the Voice, about which a number of questions were submitted by shareholders in advance of today's meeting.

Coles is very pleased to be one of Australia's largest employers of Aboriginal and Torres Strait Islander persons. This engagement reflects very specific policies developed and pursued by Coles for almost 15 years. As a result, today 92% of all supermarkets have Aboriginal and/or Torres Strait Islander team members and, as Bonny noted earlier, in total 3.5% of our team members identify accordingly. In addition we have 63 Aboriginal and/or Torres Strait Islander suppliers and 16 community partnerships, all of which are encouraged at Coles.

Consistent with these long standing commitments, we were supportive of the recent referendum initiative to enhance the communication with and engagement of Aboriginal and Torres Strait Islanders. However we appreciated that there was a wide diversity of views and we felt that it was our role as a large employer to provide information to and opportunities for discussion regarding the Voice amongst our team members in advance of the referendum. We saw our doing so as contributing to the informed, welcome and thoughtful engagement of all our team as they each deliberated on their own decision. Now that the referendum outcome has been determined we will continue to pursue opportunities for Aboriginal and Torres Strait Islanders across our business operations as we contribute to closing the gap.

I should however correct a misunderstanding which was implicit in some of the shareholder questions which we received. At Coles we did not provide any donations or financial support to any group in the lead up to the referendum. Our support was centred upon providing information to our team members.

During this last year we saw a number of developments both within the Board and management. At Board level there have been a number of significant developments since the date of our last Annual General Meeting.

First we have seen two retirements – David Cheesewright who had been a Non-Executive Director since demerger retired in June and Paul O'Malley retired at the end of October after three years on the Board. We have been extremely fortunate to have enjoyed the participation of both David and Paul during this period of our development as an ASX listed company. The breadth of their commercial experience and insights made a significant contribution in our setting strategy and supporting management, throughout their periods of office. On behalf of myself, the Board and the shareholders I extend our thanks to both of them.

Secondly we announced last week the appointment, effective 1 December 2023, of Andrew Penn as a Non-Executive Director. Andy has very relevant experience in large, complex, customer facing businesses and we very much look forward to his

participation on the Board. Andy will assume the position of Chairman of the Audit and Risk Committee of the Board, previously held by Paul O'Malley.

Thirdly, Terry Bowen, who has had a long history with Coles having been its Finance Director some 15 years ago and who joined the Board as a Non-Executive Director in October last year, will in fact retire from the Board next February to assume a senior executive role. We very much thank Terry for his contribution over this period and greatly appreciate the benefit of his many insights in relation to the Company's business.

During this past year we also saw the transition of Managing Director and Chief Executive from Steven Cain to Leah Weckert.

Steven had been appointed to the position of Chief Executive of Coles in 2018, prior to the demerger from Wesfarmers. Steven led the company through this process, created the senior management leadership team and developed the strategy to build Coles as an ASX listed company.

This was an extremely demanding task and saw Coles embark upon its transformational projects and establish a strong management team. Steven's period of office included steering the Group through the unexpected community wide challenges of Covid-19 and addressing the many supply chain challenges as well as natural disasters which became characteristics of our everyday operations. On behalf of the Board, our team and all stakeholders I extend our thanks to Steven for his important contribution to Coles over these five years.

In February, the Board was delighted to be able to announce an internal successor to the position of Managing Director and Chief Executive with the appointment of Leah Weckert, who assumed the role on the 1st of May this year.

Leah is an exceptional leader whose extensive involvement with Coles extends over a period of 12 years and includes her roles as General Manager of merchandise strategy and innovation; General Manager of store operations for Victorian supermarkets; Director of People and Culture; Group Chief Financial Officer; and Chief Executive, Commercial and Express.

The Board very much looks forward to the future impact of Leah's leadership across the whole of the Coles Group's business.

Before passing over to Leah to make her remarks, on behalf of the Board I would like to express our thanks to the Coles Executive Leadership team and to our 120,000 team members who every day face some new experience or challenge, and to our 8,000 suppliers who are our partners in delivering upon our purpose of helping Australians eat and live better every day.

May I also extend my thanks to my colleagues on the Board for the judgment, support and advice which they provide and to the continued support of our more than 440,000 shareholders as we seek to build trust and grow long term shareholder value.

I will now invite Leah to address us and as she approaches the lectern we will show a brief video highlighting some of our Sustainability initiatives through the year.