



ASX Release

10 November 2021

ADDRESS BY CHAIRMAN JAMES GRAHAM

COLES GROUP LIMITED 2021 ANNUAL GENERAL MEETING – 10 NOVEMBER 2021

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.

2021 Annual General Meeting – Chairman's address to shareholders

For all of us, this last 20 months has presented so many unparalleled challenges and I trust that each of you has been able to adapt in manageable ways to the many restrictions which have been aimed at minimising community risks. As we progressively open up our economy against the backdrop of increasingly high vaccination rates we look forward with optimism to restoring our ability to actively participate in and enjoy the Australian way.

During the pandemic, Coles has played an important part in ensuring the Australian community has had ready access to food, drinks and other essentials. Fulfilling this need has required an extraordinary level of co-operation and co-ordination with suppliers, State and Federal Governments, Health Authorities, transport companies and especially our team members. It has been extremely pleasing to see the way in which each of these participants has adapted to the abnormal demands and has delivered whatever has been required.

With more than 7,000 suppliers and 120,000 team members enabling us to offer more than 30,000 different food items and 6,000 different liquor items across our portfolio of nearly 2,500 supermarkets, liquor and Coles Express stores, everyone has worked together to meet the needs of our customers across the country, for which I express our very great thanks.

In the last financial year we experienced eleven different lockdowns and in the first four months of this current year we have had a further six. Each of these has placed pressure on all elements of our supply chain, distribution centres and stores, including the need for team members to isolate when classified as close contacts of affected persons. At its recent peak we had as many as 3,000 team members in isolation at any one time. Thankfully, our experience throughout the hundreds of millions of transactions in our stores since the pandemic began is that there is almost no evidence to demonstrate instances of transmission between customers and our team members.

Financially, despite COVID, we managed the impacts of additional costs and saw positive progress on most financial metrics during the 2021 financial year. In particular, sales revenue increased by 3%, including a 52% increase in demand for online sales; net profit after tax rose by 7.5% to just over 1 billion dollars; and, fully franked dividends declared for the year rose by 6.1%. Our net debt remained low at \$355 million and we saw an increase in our average debt maturities whilst maintaining our solid investment grade credit rating.

With our strong executive team leadership, Coles is well positioned to progress the strategy, announced in June 2019, where we established our overarching aim to be the most trusted retailer in Australia and to grow long term shareholder value. Corona virus has not varied this strategy but has accelerated our efforts in some areas as we continue to see trust and value as the cornerstones of all we do.

During the year we saw a significant improvement in our safety record with a 15.7% improvement in our Total Recordable Injury Frequency Rate; an increase in the significance of Coles Own Brand products, with Exclusive to Coles products representing 32% of total supermarket sales; an expansion of Liquor sales across all

three banners; and, an expansion in our online capabilities with a strengthened management team and supporting technological infrastructure enabling us to deliver customers greater choice and availability. Coles Express also performed strongly during the year driven by growth in our convenience store sales, despite a decline in the sale of fuel as a result of COVID impacts on traffic flows.

Our two transformational projects, which we embarked upon in early 2019, have continued to progress well with ongoing construction of our two automated distribution centres in partnership with Witron in Queensland and NSW; and our two customer fulfilment centres in partnership with Ocado in Melbourne and Sydney. Across these four sites we have averaged a total construction workforce of approximately 800 which numbers are expected to rise materially over the period ahead as construction, installation and fit-out continues.

Our store portfolio continues to be renewed and refined with our opening a total of 64 new stores in the 2021 financial year and with our portfolio now including eleven Coles Locals, each of which is focused upon our successfully delivering a differentiated and tailored customer offer.

It is also important to note the commitments that we made during the 2021 Financial Year under our Together to Zero strategy. This is another important part of our long-term development and builds upon the work undertaken in earlier years. Under the Together to Zero strategy we have set out ambitious goals in three key sustainability measures of climate, waste and hunger.

As regards climate, we have committed to powering the entire Coles Group with 100% renewable electricity by the end of Financial Year 2025, and pleasingly since the end of the last financial year we have signed the additional renewable electricity agreements which will enable us to reach that goal; secondly, we have committed to reducing our combined Scope 1 and Scope 2 greenhouse gas emissions by more than 75% by the end of Financial Year 2030, from a 2020 financial year baseline; and thirdly, we have committed to deliver net zero greenhouse gas emissions by 2050.

The other two main measures of our Together to Zero strategy relate to our commitments to reducing waste, and particularly food waste, and our commitments to reduce hunger, especially through our longstanding partnerships with SecondBite and Foodbank where we donate unsold edible food from our supermarkets and distribution centres to community rescue organisations. In each of these initiatives we know we can make a significant difference.

These are important commitments as they help to define who we are and how we operate. Ultimately, we will be judged by you our shareholders and all other stakeholders in how we measure up, recognising that these characteristics build the trust which is essential for our long-term value creation.

In that regard I note that in the recently released report by the World Benchmarking Alliance, where they assessed and ranked the sustainable business practices of 350 food and agriculture companies globally, Coles ranked 12th out of 350 in the overall benchmark; and, amongst food retailers, we ranked 2nd out of 62 globally, with Tesco rated as number 1.

I hasten to say however that there is a great deal more to be done across all aspects of sustainability and I am sure we will see this area being highlighted not only by us but by many other major companies in our industry over the years ahead.

In this context I note our position as one of Australia's largest employers of Aboriginal and Torres Strait Islander People, with some 4% of our team members being Indigenous. We have a target of increasing this to 5%, which we had hoped to meet by December 2023, but COVID has impacted local communities and some aspects of our Indigenous recruitment initiatives. Whilst we remain focused on meeting this target, we may need to update the timeframe to achieve it in our Sustainability Report next year.

Before inviting our Managing Director and Chief Executive, Steven Cain, to address the meeting I would like to formally note my thanks for the extraordinary efforts which each of my fellow Board members and each of the members of the senior leadership team have demonstrated during this last year. The extra engagement in so many areas and on so many occasions has been given without hesitation. In doing so, it has significantly impacted the Group's ability to deliver long term shareholder value in this fast-changing world.

As a precursor to Steven addressing us, we present a brief video on some of our Sustainability achievements over this past year.

[Sustainability video to play]

I now have pleasure in inviting Steven to address us.