



**ASX Release**

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**ADDRESS BY CHAIRMAN JAMES GRAHAM**

**COLES GROUP LIMITED 2022 ANNUAL GENERAL MEETING – 9 NOVEMBER 2022**

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

**For more information:**

**Investors**

Anita Healy

Mobile: +61 411 109 108

E-mail: [investor.relations@colesgroup.com.au](mailto:investor.relations@colesgroup.com.au)

Lisa Zimmet

Mobile: +61 428 857 242

E-mail: [investor.relations@colesgroup.com.au](mailto:investor.relations@colesgroup.com.au)

**Media**

Therese Allaoui

Mobile: +61 435 323 339

E-mail: [media.relations@coles.com.au](mailto:media.relations@coles.com.au)

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

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## Coles Group 2022 Annual General Meeting Chairman's address to shareholders

The 2022 Financial Year was again marked by significant outside events impacting all aspects of the Group's business. The extended COVID-19 lockdowns in the first half of the year; the South Australian January floods with associated disruption to the rail networks of Western Australia and the Northern Territory; the impacts of Omicron and its consequential effects on team member health and absenteeism; and, the exceptional flooding in New South Wales and Queensland early this calendar year, all added pressures on our supply chain, store operations and product availability.

Nevertheless the Group again responded to these unpredictable events, with full year sales increasing by 2 per cent; earnings before interest and tax broadly remaining at levels comparable with the previous year, despite our incurring COVID specific costs of \$240 million; and, profit after tax increased by 4 per cent, underpinning a 2 cent per share increase in full year dividends to 63 cents per share.

Despite this volatile environment, our strategy remained unchanged as we continued to focus upon responsibly increasing our investment in efficiency with an increasing focus upon the importance of sustainability across all aspects of the business.

Pleasingly, we have continued to progress the development of our two distribution centre automation projects in partnership with Witron and look forward to the commissioning of our Queensland facility at Redbank in the first quarter of this coming calendar year, followed by our Kemp's Creek facility in New South Wales in the first quarter of the following year.

And in partnership with Ocado we are making progress in the development of both our New South Wales and Victorian Customer Fulfilment Centres. At the Sydney facility, we recently had a construction delay which is currently being assessed to determine what, if any, impact there may be on the scheduled commissioning.

These four new facilities represent a significant capital investment which we embarked upon in 2018/19 and as they progressively come online in 2023 and 2024, we are confident that they will directly improve our operating efficiency and enhance value for our customer offering for many years ahead.

During the year we also continued our Smarter Selling programme against our target of \$1 Billion in savings over the four years to June 2023. In this last year we delivered savings totalling some \$230 million across our business operations in areas such as energy savings; loss prevention; realignment of the meat operating model; and, the automation of the entry and exit for some 45,000 supplier vehicles at our distribution centres, to name but a few.

An important element in our vision to create trust and build long term shareholder value has been responsibly and reliably delivering upon commitments to team members, suppliers and community. In all three areas we made substantial progress during the year.

We supported team members through COVID and beyond with many health and well-being initiatives and through a continuing focus upon safety we saw a 14.7 per

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cent reduction in our safety incident measure – TRIFR, Total Recordable Injury Frequency Rate. Pleasingly this was accompanied by a 3 percentage point improvement during the year in our team member engagement survey – mysay, which reflects a favourable increase in how team members feel about Coles and their participation.

As regards suppliers, we spent \$31 billion during this last financial year across more than 8,000 suppliers with whom we partnered. In somewhat challenging circumstances our suppliers worked collaboratively with us to overcome availability constraints and we have responded to many requests for cost price increases where there were clear signs that raw material and/or operating costs had also increased. These challenges in both availability and cost pressures have continued into our new financial year where we have seen an increase in the effects of inflation.

With nearly every Australian being impacted directly or indirectly by Coles we continued working closely with a wide number of community groups during the year. Coles, together with our customers, suppliers and team members, contributed \$142 million by way of total community support during the year.

The largest single component of this support is our provision of unsold edible food to food rescue organisations SecondBite and Foodbank who partner with charities and community organisations across the country to feed vulnerable Australians in need. Not only is this a critical step in sustaining our community, but it also assists in meeting our wider goals targeting zero waste, zero emissions and zero hunger.

During the year we made further progress in lowering our Scope 1 and Scope 2 emissions where we have targeted a 75% reduction in these emissions by 2030 compared with our 2020 baseline. In addition, through a range of initiatives, we made significant progress on our target of being powered 100% by renewable electricity by the end of our 2025 Financial Year, now less than three years away.

We have also closely analysed our Scope 3 emissions, being those indirect emissions that occur in our extensive value chain. Following this assessment and mapping we developed and have submitted a proposed Scope 3 target to the Science Based Target initiative for validation. Following receipt of SBTi's response we will provide details of those targets in the year ahead.

Shareholders will be aware that in September this year we announced the sale of our petrol and convenience business, Coles Express, to our fuel partner Viva Energy Limited, subject to the approval of the Commonwealth Government's competition and foreign investment authorities. This will allow us to focus upon growing our omni channel supermarkets and liquor businesses whilst customers will still benefit from fuel discount dockets (now available digitally), our flybuys program, and of course great value Coles branded products.

Upon completion, Viva will own and operate the 710 Coles Express sites and we will receive a cash payment of \$300 million and assign the leases, which previously represented some \$816 million of liabilities on Coles' balance sheet, to Viva. This agreement provides a logical outcome for all parties involved, greater certainty, and further investment into the Coles Express business to ensure that it remains at the forefront of petrol and convenience retailing in Australia.

Before closing I would like to comment about your Board. With the exception of the resignation of Zlatko Todorovski and the concurrent appointment of Paul O'Malley in October 2020, the Board has remained unchanged over the last four years since demerger. In preparation for future Board renewal the Board decided that two new non-executive director appointments should be made to facilitate that renewal and to add to our skills mix. In that regard, we have been delighted to welcome Terry Bowen and Scott Price who were both appointed on 1 October and who will stand for election at today's meeting.

Shareholders will also have noted in the Notice of Meeting my advice to the Board that, if re-elected today, I would expect to retire at an appropriate time during the ensuing three-year term. This will further support Board renewal and the long-term development of Coles.

I would now like to invite our Managing Director and Chief Executive Officer, Steven Cain to provide us with his comments on the year and the business. In doing so, I would like to record my thanks to Steven, the executive leadership, and the whole Coles team for the significant commitment and contribution which they have made during this extraordinary year.

Before we hear from Steven, I would like to show a brief video presentation looking back at the year we have had.