



# Board Charter



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## Board Charter

This Charter sets out the role, responsibilities, structure and processes of the Board of directors of Coles Group Limited (**Company**).

The Board Charter and the charters adopted by the Board for its standing committees have been prepared and adopted on the basis that strong corporate governance is an important foundation for the Company and its subsidiaries' (**Group**) desired culture, and will add to the performance of the Group, create shareholder value and engender the confidence of the investment market and the Group's stakeholders.

### 1. Roles and Responsibilities

- (a) The role of the Board is to demonstrate leadership and approve the strategic direction of the Group in the long term interests of, and to maximise value to, shareholders, guide and monitor the management of the Group in achieving its strategic plans and desired culture in accordance with the Group's core values, review, approve and monitor the Group's risk management systems across its businesses, and to oversee overall good governance practice.
- (b) The Board is responsible for:
  - (1) approving the Group's core values, strategy, business plans and policies, in order to uphold corporate reputation and maximise shareholder value;
  - (2) monitoring the Group's implementation and adherence to the Group's core values, strategy, business plans and policies, and approving the Group's strategic direction and portfolio of activities;
  - (3) monitoring the Group's financial and non-financial risks including exposure to environmental risks and damage to the reputation of the Group;
  - (4) reviewing, approving and monitoring the Group's risk policy and risk management systems (for both financial and non-financial risks) across the businesses, including internal compliance and control mechanisms and setting the risk appetite within which the Board expects management to operate;
  - (5) approving the annual report and financial statements (including the directors' report and remuneration report) and any other published reporting, upon recommendation from the Audit and Risk Committee (or, in respect of the remuneration report, the People and Culture Committee), and in accordance with the Constitution, Corporations Act, ASX Listing Rules and any other applicable regulations;
  - (6) approving and monitoring the progress of major capital expenditure, capital management and capital raising initiatives, and major acquisitions and divestments;
  - (7) approving the dividend policy of the Company and authorising payment of dividends;
  - (8) overseeing the Group's accounting and corporate reporting systems and appointing, re-appointing or removing the Company's external auditors and approving the auditor's remuneration, upon recommendation from the Audit and Risk Committee;
  - (9) approving and monitoring the effectiveness of the Group's system of corporate governance, including formation of Board committees and the terms of applicable governing charters;
  - (10) monitoring and guiding the culture, reputation and standards of conduct of the Group to promote ethical and socially responsible behaviour, in accordance with the core values of the Group;
  - (11) overseeing the management of the Group's interactions and communications with shareholders and other key stakeholders in the broader community;

- (12) defining the Group's vision, approving any statement of values of the Group, the Code of Conduct, Market Disclosure Policy and other Group level policies to underpin the desired culture of the Group, and monitoring their effectiveness;
- (13) receiving information regarding material breaches of the Code of Conduct, the Anti-bribery and Corruption Policy and reports of material incidents under the Group's Whistleblower Policy;
- (14) approving the overall remuneration policy and the remuneration of the non-executive directors, executive director(s) and Chief Executive Officer and Managing Director (CEO) as well as remuneration of the direct reports to the CEO, and any such incentive and/or equity plans, and overseeing, with recommendations from the People and Culture Committee, that the remuneration policy is aligned with the Group's vision, values and strategic objectives and risk appetite;
- (15) determining the size, composition and structure of the Board, and the process for evaluating its performance;
- (16) appointing and removing the CEO, and assisting the Chair of the Board and the People and Culture Committee in the annual performance review of the CEO and any other executive directors;
- (17) approving and reviewing succession plans for the non-executive directors, executive directors, CEO and the direct reports to CEO and overseeing talent management within the Group generally;
- (18) setting annually the Group's diversity initiatives and measurable objectives for achieving diversity (including its progress towards their achievement) in the composition of the Board, senior executive team and workforce generally;
- (19) approving and monitoring the systems and policies to ensure integrity of budgets, financial statements and other reporting;
- (20) overseeing and approving strategies for the Group to maintain a strong balance sheet and sound credit rating over time;
- (21) overseeing the effectiveness of the Group's sustainability and governance policies and practices, including exposure to climate change and other environmental risks and exposure to social risks;
- (22) reviewing the division of functions and responsibilities between the Board, executive directors, CEO and direct reports to CEO. The Board is responsible for satisfying itself that the Board reporting framework is appropriate, and where required, providing constructive feedback to challenge the CEO and executive leadership team;
- (23) reviewing and approving the people and culture policies of the Group, including with respect to personnel practices, team member engagement and complaints handling;
- (24) reviewing any major changes and developments to the industrial relations strategies for the Group;
- (25) overseeing the effectiveness of risk management processes in respect of health, safety and wellbeing of team members within the Group; and
- (26) monitoring and assessing that appropriate frameworks, including policies where relevant, are in place to ensure the Group provides a safe workplace.

The Company's Constitution ultimately governs matters relating to the Board and its functions. This Charter explains and interprets the Constitution. The Constitution prevails to the extent of any inconsistency between this Charter and the Constitution.

## **2. The Role of Management**

- (a) The day-to-day management of the Group and its businesses is the responsibility of the CEO, supported by the direct reports to CEO.
- (b) The Board delegates to the CEO all powers to manage the day-to-day business of the Group, subject to those powers reserved to the Board in clause 1 and any specific delegations of authority approved by the Board.
- (c) The key responsibilities of the CEO are to:
  - (1) manage and administer the day-to-day operations of the Group and its businesses in accordance with the core values, strategy, business plans and policies approved by the Board;
  - (2) develop strategies for the Group, its businesses and management, and make recommendations to the Board on such strategies, having regard to the reputation and key stakeholders, and instilling the Group's core values;
  - (3) support a culture within the Group that promotes ethical and socially responsible behaviour in accordance with the Group's core values;
  - (4) develop the Group's annual budget and conduct the Group's activities within the approved annual budget;
  - (5) develop strategies for the Group to maintain a strong balance sheet and sound credit rating over time;
  - (6) develop and maintain the Group's risk management framework and systems, including internal compliance and control mechanisms;
  - (7) ensure compliance with the Group's continuous disclosure obligations, in accordance with the role and responsibilities delegated under the Market Disclosure Policy;
  - (8) assign responsibilities clearly to the direct reports to CEO, and supervise and report on their performance to the Board;
  - (9) recommend to the Board significant operational changes, and major capital expenditure, acquisitions or divestments, which are beyond delegated thresholds;
  - (10) report regularly to the Board with accurate, timely and clear information, such that the Board is fully informed to discharge its responsibilities effectively; and
  - (11) exercise such additional powers as are delegated to the CEO by the Board from time to time.

## **3. Composition, Size and Structure of the Board**

### **3.1 Composition**

The Board is responsible for determining an appropriate mix of skills, knowledge, experience, expertise and diversity on the Board, necessary to review and approve the strategic direction of the Group, and to guide and monitor the management of the Group, upon recommendation from the Nomination Committee. The Board, assisted by the Nomination Committee, will regularly review its mix of skills to make sure it covers the skills needed to address existing and emerging business and governance issues relevant to the entity.

### **3.2 Size**

The number of directors on the Board shall be determined in accordance with the Constitution and the requirements of the Corporations Act.

### **3.3 Structure**

The Board shall consist of a majority of non-executive directors who are considered by the Board to be independent, in accordance with clause 9.

### 3.4 Qualifications

The Nomination Committee is responsible for reviewing Board composition, skills and experience, and making recommendations in relation to Board appointments and re-elections, including preparing a description of the role and capabilities required for a particular Board appointment, identifying suitable candidates to fill Board vacancies as and when they arise, and nominating candidates for the approval of the Board.

### 3.5 Tenure

- (a) The Board will review periodically its composition and the duration of terms served by directors, upon recommendation from the Nomination Committee. The Nomination Committee is responsible for developing and reviewing the succession plans of the Board (including the role of Chair), with the aim of maintaining an appropriate mix of skills, experience, expertise and diversity on the Board over time.
- (b) The Nomination Committee is responsible for identifying existing directors who are due for re-election by rotation at Annual General Meetings, in accordance with the Constitution and the requirements of the ASX Listing Rules, and notifying the Board.
- (c) Each non-executive director shall take into account the views of other non-executive directors of the Company when deciding whether to stand for re-election.
- (d) An executive director shall tender their resignation as director immediately upon cessation of employment with the Group.

### 3.6 Performance Review

The Board is responsible for undertaking a performance evaluation process to review its performance and that of its committees, individual directors and the Chair at least once every two years.

The Nomination Committee is responsible for scheduling these reviews and determining whether they should be conducted internally or with external facilitation.

### 3.7 Shareholding Qualification

- (a) It is Board policy that each director is required to hold, commencing from the date which is not later than six months after the date of the director's appointment, and continuing throughout his or her term in office as a director, at least one thousand (1,000) ordinary shares in the Company.
- (b) Each director is expected, within five years of appointment, to increase his or her holdings in ordinary shares in the Company to a number which is equivalent in approximate value to the gross annual base fee paid to each non-executive director at the relevant time.
- (c) For the purposes of the policy outlined above, shares may be held by each director either in his or her own name, or indirectly in the name of either an entity controlled by the director or a closely related party of the director.

## **4. Appointment and Responsibilities of Chair**

- (a) The Board shall appoint a Chair in accordance with the Constitution.
- (b) The role of Chair must not be held by someone who is performing the role of CEO.
- (c) The appointment of the Chair shall be formally reviewed at the end of each three year period.
- (d) The responsibilities of the Chair are to:
  - (1) maintain effective communication and promote constructive and respectful relationships between the Board and management;
  - (2) lead the Board;
  - (3) ensure the efficient organisation and conduct of the Board's function;
  - (4) brief all directors in relation to issues arising at Board meetings;

- (5) chair general meetings of the Company;
- (6) exercise such specific and express powers as are delegated to the Chair by the Board from time to time; and
- (7) represent the Board in communications with shareholders and other stakeholders.

## **5. Company Secretary**

- (a) The Board must appoint at least one secretary in accordance with the Constitution.
- (b) Appointment and removal of the Company Secretary is subject to Board approval.
- (c) The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
- (d) Each director has a right of access to the Company Secretary at all times.
- (e) The role of the Company Secretary includes:
  - (1) assisting the Board and Board committees on governance matters;
  - (2) monitoring Board and committee policy and procedures;
  - (3) co-ordinating the timely completion and dispatch of Board and committee papers;
  - (4) ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
  - (5) helping to organise and facilitate the induction and professional development of directors.

## **6. Committees of the Board**

- (a) The Board may from time to time establish and delegate any powers to a committee of the Board in accordance with the Constitution.
- (b) The Board is responsible for approving and reviewing the charter terms and membership of each committee established by the Board.
- (c) The Board has established the following committees:
  - (1) Audit and Risk Committee;
  - (2) Nomination Committee; and
  - (3) People and Culture Committee.
- (d) All non-executive directors shall be entitled to attend meetings and receive papers and minutes of Board committees where there is no conflict of interest.

## **7. Board Meetings**

- (a) The Board shall meet at least eight times per year, and otherwise as often as the directors determine necessary to enable the directors and the Board to fulfil their duties and responsibilities to the Group.
- (b) A director may call a meeting of the directors, and the Company Secretary must, if requested by a director, call a Board meeting.
- (c) The Company Secretary or his/her delegate is responsible for distributing Board meeting papers to directors prior to each meeting.
- (d) A quorum for a Board meeting shall be determined in accordance with the Constitution.
- (e) The Chair is responsible for the conduct of all Board meetings, including briefing all directors in relation to the issues arising at Board meetings. The Chair has a casting vote, subject to the terms of the Constitution.
- (f) Draft minutes of each Board meeting shall be prepared by the Company Secretary or his/her delegate promptly following the meeting for review by the Chair.

## 8. Ethical Standards and Legal Duties

- (a) **Code of Conduct** Each director shall abide by the terms of the Group's Code of Conduct, and are expected to demonstrate leadership and uphold the ethical standards and corporate behaviour described in the Code of Conduct.
- (b) **Duties** The Board will operate in a manner reflecting the values of the Group and in accordance with its agreed corporate governance guidelines, the Constitution, the Corporations Act and all other applicable laws and regulations.
- (c) **Conflicts of interest** Each director has a fiduciary and statutory duty not to place themselves in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict, whether it be a conflict of interest or conflict of duties. All directors are required to comply with the Director Conflicts of Interest Policy.
- (d) **Dealing in shares** Directors must ensure any dealings in shares are in strict compliance with the Company's Securities Dealing Policy and otherwise in accordance with the values of honesty and integrity.

## 9. Independence of Directors

- (a) The Board considers an independent director to be a non-executive director who is not a member of management and who is free of any interest, position, association or relationship that might influence or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Group and Coles shareholders generally.
- (b) If a director is or becomes aware of any information, facts or circumstances which will or may affect that director's independence, the director must immediately disclose all relevant details in writing to the Company Secretary and the Chair.
- (c) The Board will regularly assess the independence of each director in light of disclosures made in accordance with clause 9(b).
- (d) If the Board determines that a director's status as an independent director has changed, that determination should be disclosed and explained in a timely manner to the market.
- (e) In considering whether a director is independent, the Board is to have regard to the relationships affecting the independent status of a director as described in the ASX Corporate Governance Council's Principles and Recommendations and any other matters the Board considers relevant.

## 10. External Directorships

### 10.1 Non-executive Directors

- (a) A non-executive director should continually evaluate the number of boards of companies (and any committees of those boards) on which the non-executive director serves, to ensure that each company can be given the time and attention to detail required to properly exercise the director's powers and discharge the director's duties to that company, in addition to any review by the Nomination Committee of the time commitments required by the non-executive directors and whether these time commitments are being met.
- (b) A non-executive director shall notify the Chair prior to accepting an invitation to become a director of any company (other than the Company or any related body corporate). Prior to accepting such an invitation, the director must have regard to:
  - (1) helping to organise and facilitate the induction and professional development of directors the views and recommendations of the Chair with respect to the director acting simultaneously as a director of the Company and as a director of an external entity (whether in competition with the Company or not);
  - (2) any current policies of the Board on multiple directorships; and
  - (3) best practice standards on multiple directorships.



## 10.2 Executive Directors

An executive director shall not accept an invitation to become a director of any company (other than the Company or any related body corporate) without the prior approval of the Board.

### **11. Independent Advice**

- (a) The Board collectively, and each director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.
- (b) Individual directors who wish to obtain independent professional advice as contemplated under clause 11(a) should seek the approval of the Chair (acting reasonably), and will be entitled to reimbursement of all reasonable costs in obtaining such advice. In the case of a request made by the Chair, approval is required by the Chair of the Audit and Risk Committee.

### **12. Access to external auditors**

Board members will have access to, and may meet with, the external auditors.

### **13. Confidentiality**

The directors acknowledge that all proceedings of the Board and its committees are strictly confidential and will not be disclosed to any person other than Board members, except as agreed by the Board or as required by law.

### **14. Review of Charter**

The Board will from time to time review the Charter to ensure that it meets best practice standards, complies with the ASX Corporate Governance Principles and Recommendations and meets the needs of the Group and the Board.

Adopted by the Board on 25 May 2021.