

ASA Release

5 November 2020

ADDRESS BY CHAIRMAN JAMES GRAHAM

COLES GROUP LIMITED 2020 ANNUAL GENERAL MEETING - 5 NOVEMBER 2020

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.

2020 Annual General Meeting – Chairman's address to shareholders

The 2020 financial year at Coles has been a year like no other.

Starting the year with severe floods and droughts adversely affecting many of our suppliers; then extraordinary bushfires threatening many communities and our supply chains during the summer months; followed by the national and international impacts of the global pandemic, it has been quite an extraordinary year.

Through each of these events, with the exceptional support of our 118,000 team members, we have adapted our business to support our communities, our suppliers and our customers as we seek to fulfill our purpose of sustainably feeding all Australians to help them lead healthier, happier lives.

This 2020 year was our first full financial year as an ASX listed company and marked the commencement of many new processes and strategies as we sought to advance our vision of becoming Australia's most trusted retailer and growing long-term shareholder value.

With the support of all our stakeholders we have been able to respond to increased customer demand whilst improving our safety performance; changing processes in stores and distribution centres to ensure that our health and hygiene processes were aligned with the best advice on minimising the risk of virus transmission; and, responding to elevated levels of need for community support, especially through our long established relationships with food rescue organisations, SecondBite and Foodbank.

In coordinating our responses, we have worked closely with Governments and particularly through the Supermarkets Taskforce, an early initiative of the Home Affairs Minister Mr. Peter Dutton.

For the 2020 financial year, it was pleasing to report that, despite these elevated pressures upon our business, we saw a 6.9% increase in Group sales and we reported the first increase in Earnings Before Interest and Tax (EBIT) in four years, with an improvement of 4.7%. As a result, we were able to declare fully franked dividends totalling 57.5 cents per share for the full year, comprising the interim dividend of 30 cents per share and the final dividend of 27.5 cents per share.

These results were struck after our record levels of direct and indirect support to communities across Australia, totalling some \$139 million; the net hiring of over 5,000 additional team members, year on year; providing support to over 6,000 rural fire brigades whose dedication and courage was so evident during the year; and, substantially expanding our online capacity to meet increasing customer demand and ensure food availability to those in special need through our Coles Online Priority Service.

During the year we also saw considerable progress on our two significant step out technology commitments with Witron in automated distribution centres in NSW and Queensland; and with Ocado through our commitment to two highly automated online customer fulfilment centres in Melbourne and Sydney.

Across all elements of what we do, we recognise the need to adapt our operations by increasingly using digital information and advanced technology to lower our costs of doing business and improve our product offering.

As a large Australian company, we recognise that we have a responsibility to demonstrate high standards of business practices and to measure and reduce our impact upon our environment.

Since our 2019 AGM, we have worked closely with our suppliers, unions and industry bodies to improve the transparency and effectiveness of all elements of ethical sourcing in our supply chain; we have achieved further reductions in our Scope 1 and Scope 2 greenhouse gas emissions; we have focussed upon minimising the amount of waste we generate and we have continued to improve the recyclability of packaging in our Own Brand products, which now account for more than 30 per cent of our total supermarket sales.

These are important areas of our business, where continued focus will remain and where we will transparently report on our initiatives and our progress.

During the year your Board has worked as a cohesive team in support of management and this has required high levels of engagement from my fellow directors, to each of whom I express my appreciation.

On September 30 just past, Zlatko Todorcevski stood down from the Board in the context of his appointment as Chief Executive Officer at Boral Limited. Over the last two years, Zlatko has made a most significant contribution to the Board and as Chairman of our Audit and Risk Committee he has worked closely with our management team overseeing the establishment of our robust finance, accounting and risk management functions. On behalf of the Board and shareholders I record our special thanks and best wishes to Zlatko. Pleasingly, on 1 October we were able to welcome Paul O'Malley to the Board to fill this vacancy and Paul's election will come before the meeting under Agenda Item 2 at today's meeting.

In this most demanding year I would particularly like to express my appreciation and that of the Board to the leadership of our Chief Executive Officer and Managing Director, Steven Cain, his Executive Team and to all of those Coles team members upon whom we have relied to step up, sometimes in periods of great uncertainty, and whose collective efforts and goodwill have underpinned our responses to the extraordinary community events which we have experienced.

The impacts of COVID-19 have continued into our 2021 financial year where, as we noted last week, we saw our total Group first quarter sales increase by 10.5 per cent above those of the previous year.

Whilst the patterns of community activity have been fundamentally changed by the pandemic and there remains considerable uncertainty as to future impacts, at least in the short term we seem likely to see the maintenance of high levels of community awareness of the importance of health and hygiene standards; higher levels of home consumption of food and liquor; increased focus upon online purchases and digital recipes; and, an increase in population numbers during traditional holiday travelling periods, so long as international travel is restricted.

In these circumstances we will continue to adapt our business model at pace.

I would now like to invite our Chief Executive Officer and Managing Director, Steven Cain to provide us with his further insights on the year and the business, but before we hear from Steven, I would like to share with you a brief video presentation highlighting some of our Sustainability achievements over the past year.

[Sustainability video to play]

Thank you, Steven.