



ASX Release

9 November 2022

ADDRESS BY MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER STEVEN CAIN

COLES GROUP LIMITED 2022 ANNUAL GENERAL MEETING – 9 NOVEMBER 2022

Please see attached the address to be delivered by the Managing Director and Chief Executive Officer 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 2022 Annual General Meeting
Managing Director & Chief Executive Officer's address to shareholders

Thank you, Chairman and good morning to our shareholders and guests joining us online, and to those who have been able to join us here in person for the first time since 2019.

We have now completed the third year of our transformation strategy and we continue to focus on our vision to be the most trusted retailer in Australia and grow long-term shareholder value.

Back in 2019 we said we wanted to maintain or grow our market share – profitably. That remains the case. COVID restrictions and flood related availability issues have driven “local shopping” trends. These trends are unwinding as availability improves and value becomes more important to Australian consumers.

Going forward, Coles will benefit from an increasing net new store opening profile as well as the expected reduced processing times for people waiting for visas into Australia, and the skilled migration program set to increase.

We have set out five differentiators and we continue to make progress. A good strategy around differentiation needs to be executed at pace to be successful. Pace can only be achieved through a strong culture of engaged team members - which is why engagement and safety are important parts of our scorecards.

As we move forward, we endeavour to make decisions to grow long term shareholder value that include the interests of all our stakeholders including customers, team members, suppliers, and our community partners.

Progress against our three strategic pillars in FY22 was as follows.

Inspire customers

Inspiring customers this year included the launch of more than 1,300 new Coles Own Brand products to bring our Exclusive to Coles range to almost 6,000 SKUs – the widest range in Australia.

As customers increasingly look for omnichannel solutions that allow them to shop anytime, anywhere, anyhow, we launched our new Coles shoppable App to provide a more unified shopping experience.

Over the last 3 years our app rating has improved from 1.9 to 4.7 (out of 5!) as we invest in technology alongside increased home delivery and Click & Collect capacity.

With regards to customer loyalty and data, our Flybuys joint venture with the Wesfarmers Retail Group now has access to 20% of all retail expenditure in Australia following the inclusion of Bunnings and Officeworks.

It is clear that customers are earning more points than ever before as they recognise the value of Australia's favourite loyalty program and our future efforts will be focused on providing a more personalised experience.

We continued to differentiate our Liquor offer through innovation, with customers responding positively to our local ranging and strong growth in our Exclusive Liquor Brands, underpinned by more than 420 awards received during the year including ELB

brand Smithy's winning the Australian Lager of the Year at the Melbourne International Beer Competition. As more of our customers opted to shop online, the Liquor delivery On Demand service was expanded to more than 400 stores.

Smarter selling

I won't repeat what James has said about Smarter Selling but this has been a very important program for Coles that helps us offset inflationary pressures and invest in the future by simplifying what we have done in the past.

We continued to tailor store formats to better suit the needs of customers, renewing 50 Supermarkets including 12 Format A, 22 Format C, and six Coles Local stores.

In Liquor, 191 Liquorland stores were renewed in our new Black and White format, while eight First Choice Liquor Market and nine Vintage Cellar Evolution stores were also renewed.

To provide our customers with more choice in how they shop in store while improving team member productivity, we have continued to transform our service offering with more trolley assisted check outs (TACOs) and customer bagging benches.

Our attention is now turning to Smarter Selling 2 which we will talk more about next year.

Win together

James covered some of our progress on sustainability, particularly our Together to Zero program, and it was pleasing to be recognised as the number two food retailer globally for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark.

Disappointingly however, I'm sure some of you will have read the news today that our long-term, soft-plastic recycling partner REDcycle has advised us that they have had to pause the collection of soft plastics from our stores.

Sustainability is as important to Coles as it is to many of our customers, shareholders and partners. We are committed to, and exploring options for, a sustainable, long-term structural solution for soft plastic recycling in Australia.

Our Better Together strategy is about supporting and celebrating the diversity of our team. We believe we are more likely to achieve our full potential as a business when our team reflects the diverse customer base we serve and that everyone feels confident to make a contribution and give us their diversity of thought and opinion.

Achieving Gold tiered employer status for the second year in a row at the 2022 Australian LGBTQ Inclusion Awards, a top employer for people with disability at the 2022 Disability Confidence Awards, and the best graduate program in Australian retail and FMCG are acknowledgements of the hard work being done by the team to truly diversify - and I'm looking forward to achieving our 40% Women in Leadership target next year and increasing the number of Indigenous team members in the Group.

In terms of our most experienced team members, I am delighted that we now have more than 4,400 team members who have worked for Coles for than 25 years and more than 7,000 team members who are more than 60 years of age. I would like to take this opportunity to recognise and thank Brenda Palmer who retired last month after 55 years with Coles. Many of you will remember she was on the front cover of our demerger booklet back in 2018 and we even rang the ASX bell together. We wish her a very happy retirement!

Moving on to our suppliers who are facing supply chain challenges and higher input costs, we recorded our highest-ever Net Favourable score in our Advantage Supplier Survey and we thank them for supporting Coles and our customers.

Finally with the communities we serve needing more support than ever, Coles was ranked number one for community contribution by an Australian company in the GivingLarge corporate philanthropy report, measured as a percentage of pre-tax profit over a three-year period.

FY22 financial performance

James has covered our solid profit results in the year. Sales in Supermarkets and Liquor were both up more than 2% despite cycling lockdowns and the related local shopping behaviours.

Our eCommerce revenues across the Group rose by 42% in FY22 to approximately \$3 billion with the additional capacity and customer experience of Ocado in Melbourne and Sydney still to come.

We continue to generate strong cash flows and maintain a strong balance sheet to fund future growth ambitions.

During the first half we established a \$1.3 billion, four-year Sustainability Linked Loan, replacing existing debt commitments and drawing a direct line between our sustainability performance and cost of capital as we work to fulfil our ambition to be Australia's most sustainable supermarket.

Q1 and beyond

We reported Q1 sales last month with Supermarkets, Liquor and Express up 14%, 15% and 8% respectively on a 3 year pre Covid basis.

I would like to thank the Coles Express team for their significant contribution to Coles Group over the last 19 years culminating in us receiving the Canstar customer industry award this year. We wish them well in their future careers with Viva and of course we will continue to support them through our new strategic partnership.

In an environment of increasing cost of living pressures, Coles remains committed to delivering trusted value. By continuing to drive efficiencies through our Smarter Selling program, we can ensure that we are able to maintain a great value offer for customers while growing long term shareholder value.

Over the past few months, we have introduced dropped and locked prices on hundreds of products that will remain in place to the end of January, member only pricing for Flybuys customers, and our free Schott Zwiesel glassware program that provides differentiated value only available at Coles.

Looking ahead, we are optimistic about the upcoming Christmas period as Australia comes back together to celebrate again.

We have curated our most sustainable Christmas range ever focused on easy entertaining for a variety of budgets.

In terms of community, we are currently actively supporting Movember, and are launching a Secondbite Christmas appeal to help feed the most vulnerable members of our society who are doing it tough.

Looking to next year, our new Witron and Ocado automation facilities will make 2023 one of the most transformational years in Coles' long 108 year history - which will provide long term game changing supply chain efficiencies, and a world class online customer experience for years to come.

Coles is now a better business than before Covid, we are more resilient, more agile, and now classified as essential! We are making significant progress on our strategy and our increased investment in the business. The good news is the best is still to come.

I would like to thank our customers for choosing Coles, for their patience while we and the food and beverage industry navigate the various and almost continuous availability challenges, our team members for their dedication and support of each other and our communities, our Board for their informed and considered guidance, our leadership team for their tireless enthusiasm for sustainably helping all Australians to lead healthier, happier lives, and finally you, our 448,000 shareholders, for your continued support.

Before handing back to the Chairman, I would like to share the new Dropped & Locked pricing and Christmas easy entertaining adverts.