

## Managing Director and Chief Executive Officer's report

Since our successful demerger from Wesfarmers during the 2019 financial year, Coles has been executing our refreshed strategy to transform our business and lay the foundations for long-term sustainable growth. COVID-19 has seen Coles classified as an 'essential service' and our focus has been on team and customer safety and supporting vulnerable Australians in our community.



I am pleased to say that we have made substantial progress against each of the pillars of our strategy despite the challenges the 2020 financial year has presented, as our team worked hard to fulfil our purpose of sustainably feeding all Australians to help them lead healthier, happier lives.

### Together during COVID-19

As a designated 'essential service', Coles has played an important role in ensuring Australians can safely access the food, drinks and fuel they need.

As demand surged in early March, we worked collaboratively with suppliers, governments and industry stakeholders to increase our supply chain capacity and also introduced Community Hour to serve the vulnerable and emergency services workers.

Coles Online briefly suspended service in March and April in part due to limited and uncertain product availability, with capacity almost doubling across home delivery and contactless Click & Collect at service desks and to the car boot. Coles Online Priority Service, focusing on service

for those most in need, including the elderly, was then introduced.

We also worked closely with government experts and the Supermarkets Taskforce to formulate industry-wide hygiene and distancing protocols to keep our customers and team members safe and improve product supply.

To manage the surge in volumes, our supply chain team set up pop-up distribution centres in a matter of days to increase our capacity, while our recent investment in our integrated stock replenishment system and advanced data analytics helped to improve availability and ensure high-demand products were sent into stores to meet customer needs.

As the community adapted to the 'new normal,' demand for food and liquor remained elevated as venue closures and working from home meant customers were increasingly cooking for themselves and staying in on weekends. COVID-19 restrictions reduced traffic on the road and fuel volumes at Coles Express.

As ever, it was the tremendous efforts of our team members that made everything possible, and we were pleased to be able to recognise their outstanding work with a thank you payment to store and supply chain team members, doubling the team member discount on shopping at Coles and subsidising their flu vaccinations.

I am immensely proud of the way we truly worked as one Coles team to support our customers, our suppliers, our communities and each other. To further strengthen our culture, in June we launched our Coles values: Customer obsession, Passion and pace, Responsibility, and Health and happiness.

These values are supported by our LEaD behaviours of Look ahead, Energise everyone and Deliver with pride, and were developed with input from our team members.



Coles provided \$3 million in gift cards to around 6,000 rural fire brigades across Australia to thank volunteer fire fighters for helping to keep rural communities safe. Coles CEO Steven Cain is pictured at Wauchope with NSW Rural Fire Service Mid Coast District Incident Controller Kam Baker, Wauchope and King Creek Rural Fire Brigade fire fighters, Coles NSW State General Manager Ivan and local Coles team members from the Lake Innes supermarket in Port Macquarie.

They will guide the day-to-day decisions and actions of team members, shaping the way we work together to get things done as we continue to transform Coles for a second century of generating long-term returns for our shareholders.

### Inspire Customers

We were pleased to report an improvement in customer satisfaction across Supermarkets, Liquor and Express in the fourth quarter.

We continued tailoring our customer offer by using data-driven ranging tools, which allowed us to execute one of the largest range changes in Coles' history and introduce more than 1,600 new product lines.

We delivered trusted value through our campaigns to Help Lower the Cost of Breakfast, Lunch and Dinner, including the introduction of more than 1,500 new products at everyday low prices, while sales of Own Brand grew by 10% to exceed \$10 billion for the first time – accounting for more than 31% of supermarket sales.

We have prioritised building capabilities in a number of areas where COVID-19 has accelerated existing consumer trends, including the growth of online shopping and cooking at home.

We have grown our convenience offer, with dedicated convenience sections now in almost 150 supermarkets and with more than 240 new lines launched, including the new Coles Kitchen range from our recently acquired Jewel Fine Foods manufacturing facility in Sydney.

In Liquor, our refreshed strategy is focused on being a simpler, more accessible, locally relevant drinks specialist with a differentiated offer, while our Exclusive Liquor Brands continue to collect accolades, bringing home a total of 372 medals and awards during the year.

### Smarter Selling

Our Smarter Selling strategy achieved cost savings in excess of \$250 million, driven by the increased use of technology to drive efficiencies.

#### Our values.

 Customer obsession	 Passion and pace
 Responsibility	 Health and happiness

#### Our behaviours.

**LEaD**

 Look ahead	 Energise everyone	 Deliver with pride
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To our millions of customers across almost 2,500 supermarkets, convenience and liquor stores, I thank you for your understanding, patience, respectfulness and adherence to the new social distancing guidelines that keep us all safe.

This included streamlining our Store Support Centre and implementing new systems across Finance and Procurement, more efficient use of logistics so more trucks carry both inbound and outbound loads, new technology to help our store teams order the right amount of stock, reduced energy consumption through use of LED lights and refrigeration control systems, and improved measures to reduce stock loss in stores.

Further progress was also made in tailoring our store formats to the needs of local communities, with 70 renewals completed during the year, including 10 Format A, 31 Format C and three Coles Local supermarkets.

The first of our two distribution centres being built by global automation experts Witron is under construction in Queensland, and the second facility in New South Wales is in the approvals stage. Meanwhile we have entered long-term leases to underpin the development of automated online customer fulfilment centres in Victoria and New South Wales by leading online retail technology experts Ocado.

**Our financial position**

In line with our objective of providing shareholders with sustainable earnings growth and attractive dividends, we delivered a total shareholder return of 31.7% for the year. Total dividends of 57.5 cents per share were declared in relation to FY20.

On a retail basis, full year sales revenue increased by 6.9% to \$37,408 million with sales revenue growth across all segments, and we were pleased to mark a return to growth in full-year Group EBIT – up 4.7% to \$1,387 million on a retail basis – the first increase since FY16.

Importantly, we had begun to see benefits of the new strategy prior to the onset of COVID – providing assurance that Coles will be a stronger, more sustainable business long after the pandemic.

**Looking ahead**

In the 106 years since Coles was founded as a single store in Melbourne’s Collingwood, our Company has weathered many challenges. Few of them would be greater than those that we have faced over the past financial year.

I am extremely grateful for and proud of the resilience that our more than 118,000 team members have demonstrated in their response to the ongoing challenges that we face as a community, and for their dedication to safely serving our customers with a smile.

I would like to thank the Board for their support and valuable guidance throughout the year, and our leadership team for their tireless efforts to ensure our business could keep doing what it does best while simultaneously making the necessary changes to set Coles up for long-term success.

To our millions of customers across almost 2,500 supermarkets, convenience and liquor stores, I thank you for your understanding, patience, respectfulness and adherence to the new social distancing guidelines that keep us all safe. To our suppliers and community partners, none of what has been achieved could have happened without your collaboration, innovation and hard work for which I thank you sincerely.

And finally to our shareholders – we will continue to transform Coles into the most trusted retailer in Australia and deliver long-term sustainable returns for you, your families and millions of beneficiaries in Australia and beyond.



**Steven Cain**  
Managing Director and Chief Executive Officer,  
Coles Group Limited

# Our vision, purpose and strategy

**Our vision**  
Become the most trusted retailer in Australia and grow long-term shareholder value.

