

Message from the Chairman

The 2020 financial year was extraordinary for Coles and the whole Australian community as droughts, bushfires and COVID-19 created significant demands across our businesses.



Coles strengthened its financial position during the year, including extending the term of our debt maturity dates and, at year end, had net debt of \$362 million, a 30% reduction on the prior year.

Leadership and team

During the year we significantly expanded our leadership team with the appointment of new Executives in: Liquor – Darren Blackhurst; eCommerce – Ben Hassing; Emerging Businesses – George Saoud; Transformation – Ian Bowring; and Corporate Affairs – Sally Fielke. Under the leadership of our Chief Executive, Steven Cain, Coles has built a strong leadership team with complementary skills which are well aligned to our vision of becoming the most trusted retailer in Australia and growing long-term shareholder value.

We also saw an increase of more than 5,000 team members at year end, as we responded to the significant surge in customer demand across food and liquor driven by COVID-19. This increase in part reflected our underlying business growth and in part the extra focus upon customer and team member hygiene and safety in response to the coronavirus pandemic.

With our commitment to increase our Aboriginal and Torres Strait Islander participation levels to 5% of our total team members by 2023, further progress was made during the year. By the end of the 2020 financial year we had surpassed 4,700 team members which was an increase of more than 600 on the prior year.

Team member safety remains a priority and through increased training, technology and commitment we saw an improvement of 18.3% in our total recordable injury frequency rate through the year.

On behalf of the Board, I extend our thanks to all Coles team members and to our many strategic partners in

supply, logistics and services for the exceptional efforts that have been made during a year marked by so many extraordinary events.

Customers and community

Throughout FY20 Coles played its part in supporting our customers and the Australian community as we engaged our nearly 2,500 retail outlets and rapidly growing online services.

In times of community stress, large corporations have the opportunity, and responsibility, to bring much needed resources to address special needs. During this last financial year we provided special support to the emergency services and the rural fire services both financially and in food availability at the time of the East Coast bushfires; to our farmers and the Country Women's Association through our Coles Nurture Fund as we responded to the drought-driven hardships experienced by so many in rural communities; and to the elderly and disabled to whom we provided special access to supermarkets and to our Coles Online Priority Service in response to the restrictions arising from COVID-19.

These special community focused activities were in addition to our long-term support for national food rescue organisations, SecondBite and Foodbank; to children with cancer and their families through Redkite; to the crusade to address motor neurone disease – FightMND; as well as our support of hospitals caring for sick children across Australia through the sale of Mum's Sause; and many others.

In total, our community support was more than \$139 million comprising \$125 million from Coles directly and \$14 million contributed by Coles' customers, team members and suppliers.

Technology and sustainability

Throughout our business we are investing for the future. This investment is much more than the expansion of our footprint; it is directed at how we can become more efficient in meeting the needs of our customers and in doing so more responsibly.

In every area there are opportunities where we can improve our performance. Our progress on our hallmark projects of automation of the two Witron distribution centres in Queensland and New South Wales and the development of the two Ocado Online customer fulfilment centres in Victoria and New South Wales, is advancing in line with our business plans. These two large projects are illustrative of how we will make a difference to our future operating effectiveness as we partner with global technology leaders with fit for purpose retail solutions.

But there are many other projects throughout our business operations where new technology is making a difference. Coles is committed to improving how we operate and to lessening our impact on the environment by improving our packaging, decreasing our waste,

reducing our electricity needs and increasing our utilisation of renewable energy sources. Full details of these initiatives are set out in our 2020 Sustainability Report which is accessible at www.colesgroup.com.au.

Importantly we are continually working with our suppliers to improve not only our Coles Own Brand and proprietary grocery product offerings but also to seek to ensure we source product in accordance with our ethical sourcing policy and requirements. At the 2019 Annual General Meeting concerns were raised as to the importance of labour standards amongst suppliers and since that time we have increased our resources and efforts in this important area. Working with suppliers, unions and other stakeholders we are seeking to ensure that all aspects of our supply chain support our dual objectives of trust and sustainability.

Board

I extend a special thanks to all my fellow directors who have greatly contributed to the progress which we have been able to make during this most unusual year. In particular, I express appreciation on behalf of Coles to the contribution made by Zlatko Todorcevski, who is retiring at the end of September 2020. Zlatko has been the Chairman of our Audit and Risk Committee since our demerger and has ensured that our systems and financial procedures have been robust and secure for our status as an ASX listed company and his sound counsel has been greatly valued.

I also extend my thanks to our Chief Executive, Steven Cain. Steven has driven the development and implementation of our new strategy, the building of our leadership team, and the competitive positioning of the business in this rapidly changing world.

I am also very pleased to welcome our new director Paul O'Malley. Paul O'Malley has a very strong financial and commercial background within prominent ASX listed companies which will complement the Board and our skills mix. Paul will join the Board on 1 October 2020 and will stand for election at our 2020 Annual General Meeting which is being held virtually on 5 November 2020.

To all our shareholders, I express my thanks for your continuing support of Coles and look forward to our making further progress in the year ahead.

James Graham AM
Chairman, Coles Group Limited