

Message from the Chairman



Dear Shareholder,

Four years ago, following the demerger from Wesfarmers, we embarked on a strategy to transform the business and position ourselves for long-term sustainable growth. Since then we have invested deeply to drive efficiencies and innovation as we seek to create value from our strategy and deliver returns to shareholders.

2023 has been a year of change and renewal as we have navigated many challenges including disruption from natural disasters, economic uncertainty and other inflationary pressures.

We continued to grow and enhance our core business of selling food and drinks; invested in technology and automation in our supply chain and in our digital and online platforms; and, on 1 May 2023, we completed the sale of the Coles Express fuel and convenience business to Viva Energy, enabling us to focus on growing our core omnichannel supermarket and liquor businesses.

Today, the Coles business is strong and resilient – supported by more than 120,000 dedicated team members, 1,800 stores, 8,000 suppliers and millions of loyal customers every week.

Importantly, the period since demerger has also seen solid financial performance for shareholders. In FY23, Coles delivered Net Profit After Tax of \$1,098 million¹, Basic Earnings per Share of 82.3 cents and the Board declared a fully franked final dividend of 30 cents per share bringing the full year dividend to 66 cents per share, representing an 80% dividend payout ratio and an increase of 4.8% compared with FY22.

An important aspect of the Company's strategy is to look ahead, anticipate change and to initiate investments which will support our long term success.

In April of this year we opened our first Automated Distribution Centre (ADC) in Redbank, Queensland, in partnership with Witron. This is an example of identifying world-leading technology and engineering to transform and enhance our supply chain. The Redbank ADC serviced more than 100 supermarkets as at the end of June and will greatly improve efficiency, team member safety and availability for our stores as it becomes fully operational. The opening of our second ADC in Sydney will further support our operations when it commences, anticipated in the first quarter of next calendar year.

Albeit somewhat delayed, progress continued on the construction of our two Customer Fulfillment Centres (CFCs) in Sydney and Melbourne as part of enhancing our future online home delivery business. These CFCs are being developed in conjunction with our leading technology partner, Ocado.

The four Witron and Ocado sites are major, long-term investments that underscore the critical role technology plays in our future in building speed and efficiency in our operations and enhancing customer experience with better availability, selection and convenience.

The Group's 2019 Smarter Selling program achieved its target of \$1 billion in cumulative benefits over four years, including approximately \$220 million in FY23. The Group will carry forward this initiative into our evolved strategy to enable ongoing investment with our new Simplify and Save to Invest program.



I am confident that we are well-positioned to deliver on our vision to become the most trusted retailer in Australia and grow long-term shareholder value.

In April 2023, we announced the proposed acquisition of two automated milk processing facilities from Saputo Dairy Australia to improve the security of milk supply and access capacity to support product innovation. The acquisition remains conditional upon approval of the Australian Competition and Consumer Commission and other customary closing conditions, which we are now aiming to complete by the end of FY24.

Sustainability

Our scale puts us in a strong position to support a sustainable and inclusive Australia and during the past financial year we continued to drive progress towards meeting our ambitions in energy and emissions, waste, plastics and packaging, and sourcing and farming.

The collapse of REDcycle was particularly disappointing for Coles and our customers, many of whom had diligently recycled their soft plastics in the special purpose bins in our supermarkets. We continue to work as part of the Soft Plastics Taskforce with government and industry towards reintroduction of soft plastics recycling for Australian consumers.

During the year, we also made important progress in diversity and inclusion.

We reached 41.5% of women in leadership roles across the Group and a company-wide gender pay parity gap of less than 1 per cent. Coles was also awarded Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA) for its active commitment to achieving gender equality.

Pleasingly, 92% of our supermarkets across Australia now employ Aboriginal and Torres Strait Islander team members.

The percentage of our team members who identify as Aboriginal and/or Torres Strait Islander has risen to 3.5%, up from 3.2% in FY22.

These outcomes are indicative of the strong programs driving our culture of diversity and inclusion at Coles as we continue to build a workplace that reflects the communities we serve and where everyone can achieve their potential.

Board and leadership renewal

During the year a number of changes in the Board and senior management occurred.

In October 2022, we were pleased to appoint Terry Bowen and Scott Price to the Board, both of whom bring a great deal of industry knowledge.

However in September this year, Terry advised the Board that he had been invited to assume a full time senior executive role in the United States of America, which he intended to accept and as a result, with considerable regret, Terry anticipates retiring from the Coles Board around late February 2024.

After five years on the Board, in June David Cheesewright retired as a Director and in October, Paul O'Malley who joined the Board in 2020 will also retire. David and Paul have made substantial contributions to Coles during a time of significant progress for the Group. Both have played an active role in supporting the reshaping of the business and positioning it for our next period of development.

Also during the year, Steven Cain retired. Steven had led the company through the 2018 demerger, established the strategic priorities for the Group,

strengthened the management team and steered the business through the complexities of COVID-19. On behalf of the Board and shareholders, I extend my thanks to Steven for his significant contribution to Coles.

In February, we announced the appointment of Leah Weckert as Steven's successor as Managing Director and Chief Executive Officer. Leah is an outstanding executive with deep knowledge of Coles and the retail sector. She has a proven track record of leading teams and generating results across many operating areas, making her the right person to lead our business into the next phase of growth.

Looking ahead

As we look forward to the period ahead, I am confident that we are well-positioned to deliver on our vision to become the most trusted retailer in Australia and grow long-term shareholder value.

I would like to thank all our team members, who have worked with purpose and dedication to deliver strong results and for their ongoing commitment to Coles. I also want to thank our many suppliers, partners and millions of customers for their ongoing loyalty.

Finally, thank you to you and all our shareholders for your ongoing support as we continue to build the future of Coles.

James Graham AM
Chairman,
Coles Group Limited

FY23
Total dividends per share

66c

FY23
Dividend payout ratio

80%