

colesgroup



2022 Tax Contribution Report



FRONT COVER: Pictured are FightMND founder and AFL legend Neale Daniher (back row, second from right) with his daughter and FightMND campaign director Bec Daniher (middle), FightMND CEO Dr Fiona McIntosh (back row, third from left), Coles Chief Operations and Sustainability Officer Matt Swindells (back row, far right), Coles General Manager Meat Martin Smithson (back row, left) and Coles team members.

THIS PAGE: Sheep producers Lauchie and Sarah Cole from Cressy, Tasmania, received a \$295,000 grant from the Coles Nurture Fund in FY22 to construct an undercover animal management facility which will greatly improve the handling, welfare and management of lambs during the Tasmanian winter. The new facility will enable the Cole family to produce consistent, quality pasture-fed lamb during winter..

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Message from the Chief Financial Officer

Welcome to our 2022 Tax Contribution Report



On behalf of the Board, I am pleased to present our 2022 Tax Contribution Report.

I am extremely proud to be part of an organisation that, at its heart, cares about its customers, suppliers, employees, shareholders and the community.

Our corporate strategy has three strategic pillars to enable us to deliver our vision and purpose: Inspire Customers, Smarter Selling and Win Together. Our vision to be the most trusted retailer in Australia and our commitment to Win Together with our team members, suppliers and communities to make a positive difference for all Australians goes hand in hand with the contribution we make to the Australian economy.

As one of the largest corporate employers in Australia, and a top 100 taxpayer, we are pleased to report our \$2.3 billion of tax contributions to Australian federal and state governments in the 2022 financial period.

We approach the management of Coles' tax obligations with integrity and diligence. Committed to our vision to be Australia's most trusted retailer, we are dedicated to ensuring Coles maintains robust tax governance practices and collaborative relationships with all tax authorities.

This report provides an overview of Coles' tax profile and our approach to tax governance and risk management. The information contained in this report has been prepared on a voluntary basis in accordance with the Board of Taxation's Tax Transparency Code.

The report should be read in conjunction with our 2022 Annual Report, which is available on our website at www.colesgroup.com.au

SR (Charlie) Elias
Chief Financial Officer
Coles Group Limited

21 September 2022

Our vision, purpose and strategy

Our vision
is to become the most trusted retailer in Australia and grow long-term shareholder value.



Tax policy, strategy and governance

Coles is committed to the highest standards of corporate governance. We understand that a robust and transparent corporate governance framework is central to the success of our business and management of our taxation risks.

Our approach

A commitment to good corporate citizenship and acting with integrity and transparency in tax matters

Diligence and care in relation to tax matters ensuring compliance with applicable laws and regulations

A low appetite for tax risk, adopting conservative positions

Our risk management

The Board oversees tax risk, evaluates our tax risk management framework and delegates relevant powers to the Audit and Risk Committee

Rigorous processes in place for risk assessment, reporting and escalation of tax risks to senior management, the Audit and Risk Committee and the Board

The Coles Tax Governance Framework, approved by the Audit and Risk Committee, sets out accountabilities, procedures, internal audit requirements and documentation

Our transparency and engagement

Engage with and maintain an open, pro-active and cooperative relationship with all revenue authorities

Part of the Australian Taxation Office (ATO) 'Top 100 justified trust program' for income tax and goods and services tax

ATO annual pre-lodgment compliance review of Coles' consolidated group income tax return, covering material transactions and treatments adopted



Coles team member Amy with Steve Pergoliti, who owns and runs Harvey Citrus with his family at Harvey, Western Australia. Harvey Citrus is a long-standing citrus supplier to Coles.

Our tax contributions to Australia

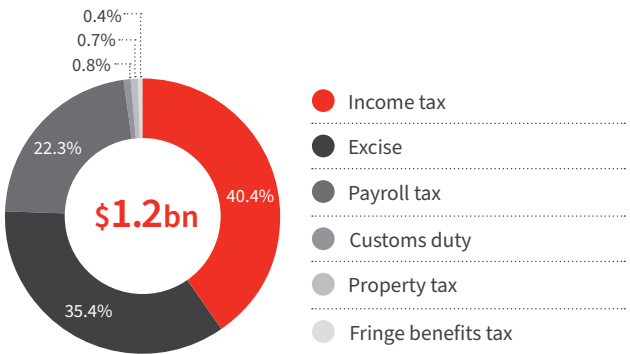
Coles’ economic contribution to the Australian economy in 2022 was \$2.3 billion of taxes paid to, and collected on behalf of, Australian Government authorities.

Taxes paid to, and collected on behalf of, Australian Government authorities have been prepared in accordance with the Basis of preparation section of this report.

Australian taxes paid by Coles

Coles is subject to federal and state government taxes, including income tax and other taxes such as excise, payroll tax, customs duty, property taxes and fringe benefits tax.

| AUSTRALIAN TAX | 2022 \$m | 2021 \$m |
|---------------------------|-------------|-------------|
| Income tax ¹ | 485 | 358 |
| Excise ² | 425 | 389 |
| Payroll tax | 268 | 252 |
| Customs duty ³ | 10 | 49 |
| Property tax | 9 | 9 |
| Fringe benefits tax | 5 | 4 |
| TOTAL | 1,202 | 1,061 |

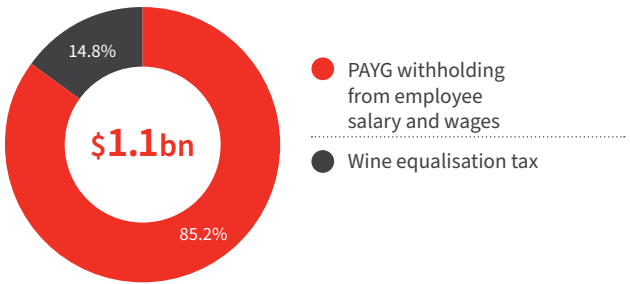


1 Increase due to changes in the PAYG instalment rate.
2 Increase due to increased excise rates and greater consumption of spirit products.
3 Decrease due to not directly importing tobacco products in FY22.

Australian taxes collected and paid by Coles

Coles also collects and pays taxes including PAYG withholding tax, wine equalisation tax, and net goods and services tax.

| AUSTRALIAN TAX | 2022 \$m | 2021 \$m |
|---|-------------|-------------|
| PAYG withholding from employee salary and wages | 906 | 840 |
| Wine equalisation tax | 158 | 159 |
| Net goods and services tax ¹ | 0 | 22 |
| TAXES COLLECTED BY COLES | 1,064 | 1,021 |



1 Decrease due to increased input tax credits relating to purchases and other costs.

The total taxes paid to, and collected on behalf of, Australian Government authorities in FY22 was \$2.3 billion.

Reconciliation of accounting profit to income tax expense

A reconciliation of Coles’ accounting profit to income tax expense is published in the Financial Report (part of Coles’ 2022 Annual Report) for the 52 week period ended 26 June 2022 at Note 1.6. This disclosure has been prepared for the financial statements of Coles Group Limited and its controlled entities in accordance with relevant standards issued by the Australian Accounting Standards Board (AASB).

A reconciliation of Coles’ accounting profit to income tax expense is set out below.

| | CONSOLIDATED | |
|--|--------------|-------------|
| | 2022 \$m | 2021 \$m |
| Profit before income tax | 1,473 | 1,446 |
| At Australia’s corporate tax rate of 30.0% (27 June 2021: 30.0%) | 442 | 434 |
| Non-temporary differences | | |
| Adjustments in respect of income tax of previous periods | (5) | 10 |
| Share of results of joint venture | 2 | 2 |
| Non-deductible expenses for income tax purposes | 2 | 2 |
| Non-assessable income for income tax purposes | (11) | (7) |
| Recognition of prior year capital losses | (5) | - |
| Income tax expense reported in the Income Statement ¹ | 425 | 441 |

1 At the effective income tax rate of 28.9% (27 June 2021: 30.5%)



The Witron Queensland automated distribution centre is on track to be commissioned in 2023.

Reconciliation of income tax expense to current period income tax payable

Income tax payable represents the income tax paid or estimated payable to the ATO.

A reconciliation of Coles’ income tax expense to current period income tax payable is set out below.

| | CONSOLIDATED | |
|---|--------------|------|
| | 2022 | 2021 |
| | \$m | \$m |
| Income tax expense reported in the Income Statement | 425 | 441 |
| Adjustment in respect of current income tax of previous years | 8 | (13) |
| Deferred income tax relating to origination and reversal of temporary differences | (39) | 18 |
| Adjustment in respect of deferred income tax of previous years | (3) | 3 |
| Current year income tax payable | 391 | 449 |

Calculation of the current year income tax payable includes both temporary and non-temporary differences.

Temporary differences exist where amounts are assessable or deductible under income tax law at a different time to when they are recognised under Australian Accounting Standards. For example, different depreciation rates may be used for tax and accounting purposes. The differences will reverse over time until an asset is fully depreciated.

Temporary differences in FY22 predominantly relate to movements in employee entitlements, intangible assets, fixed assets, lease liabilities, right-of-use assets and other provisions, leading to the difference between income tax expense and income tax payable.

Non-temporary differences are amounts that are recognised for either accounting purposes or tax purposes, but not both.

Non-temporary differences in FY22 primarily relate to the reversal of property impairments, properties held for sale, recognition of carry forward capital losses utilised in the period and Coles’ 50% share of the loss recorded by Flybuys, which is equity accounted.

Effective company tax rate

The effective tax rate is calculated as income tax expense divided by accounting profit before tax.

The effective tax rate will differ from the company tax rate of 30%, due to non-temporary differences and tax rate differentials in foreign jurisdictions.

The effective company tax rate is set out below.

| Effective tax rate | CONSOLIDATED | |
|--|--------------|-------|
| | 2022 | 2021 |
| Effective tax rate for Australian operations | 28.9% | 30.5% |
| Effective tax rate for global operations | 28.9% | 30.5% |

Notes

- 1 The effective tax rate in FY22 was less than 30% due to the non-temporary differences set out on page 8.

International related party transactions

Coles’ Tax Governance Framework is designed to ensure all taxation laws and regulations applicable to our business are adhered to, including those in relation to international related party dealings.

Coles applies arm’s length principles with respect to its international related party dealings that are consistent with Australia’s transfer pricing laws and ATO guidance on accepted pricing methodologies. Arm’s length pricing analysis also takes into account the regulatory requirements of the counterparty jurisdiction and the Organisation for Economic Co-operation and Development guidelines.

While Coles’ operations are predominantly in Australia, in FY21, Coles established a captive insurance company in Singapore to provide access to the reinsurance market. Coles also has a presence in China (with a holding company in Hong Kong) to support the export and sale of meat and other consumer goods.

Details of Coles’ international related party dealings are set out below:

| JURISDICTION | NATURE OF ACTIVITIES | 2022 \$m | 2021 \$m |
|--------------|--|-------------|-------------|
| China | Fee for services provided by Coles China to Coles Australia | 3 | 3 |
| Hong Kong | Holding Company | - | - |
| Singapore | Premium for insurance cover and reinsurance placement provided by Coles Singapore to Coles Australia | 11 | 8 |

Basis of preparation

This report discloses details of the total taxes paid and collected on behalf of Australian Government authorities by Coles in accordance with taxation laws, regulations and guidance.

References in this report to Coles, we and our, are references to Coles Group Limited and its wholly owned subsidiaries.

All payments to governments are stated in Australian dollars.

This report has been prepared in accordance with the requirements of the Board of Taxation’s Tax Transparency Code. Specifically, it provides the necessary disclosures and information to address the minimum requirements of Part A and Part B for large businesses as set out in the Code.

The tax reconciliations and effective tax rate disclosures in this report have been prepared having regard to the draft guidance developed by the AASB to assist companies in meeting the Tax Transparency Code recommendations .

This report has been prepared based on data recorded in our financial systems, being the same data and financial systems used to prepare our financial statements for the same period.

All data, unless otherwise stated, is prepared for the 52 week period 28 June 2021 to 26 June 2022 (2022 or FY22) and the comparative period 29 June 2020 to 27 June 2021 (2021 or FY21). Total tax contributions are calculated in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is paid, or received, by Coles.



eCommerce capacity was expanded during the year with Click & Collect now available at more than 740 stores.

Independent Auditor's Review Report to the Directors of Coles Group Limited

We have reviewed the Total Taxes Paid and Collected on behalf of Australian Government authorities of \$2,266 million ('Total Tax Contributions') as set out in the 'Our tax contributions to Australia' section of the attached Tax Contribution Report of Coles Group Limited for the year ended 26 June 2022 (the 'Tax Report').

Management's responsibility for the Tax Report

The Company's management is responsible for the preparation of the Tax Report and for establishing a framework in which the Total Tax Contributions and other related information in the Tax Report has been prepared. Management has determined that this framework as set out in the Basis of preparation section of the Tax Report is appropriate to the needs of the users of the Tax Report. Management is also responsible for such internal controls as management determines are necessary to enable the preparation of the Tax Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Total Tax Contributions in the Tax Report based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Total Tax Contributions is not prepared, in all material respects, in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is paid, or received by Coles Group Limited. ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

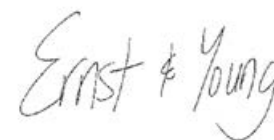
Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Total Tax Contributions of \$2,266 million in the Tax Report is not prepared, in all material respects, in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is paid, or received by Coles Group Limited.

Emphasis of matter - basis of accounting and restriction on reliance

Without modifying our conclusion, we draw attention to the Basis of preparation section of the Tax Report which describes the basis of accounting. This basis of accounting is of such importance that it is fundamental to your understanding of the Total Tax Contributions.

This review report has been prepared for the Directors of Coles Group Limited in accordance with our engagement letter with Coles Group Limited. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report or the reliance upon our report by the other party.



Ernst & Young

Melbourne
21 September 2022



Coles Group Limited

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