ASX Release

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ADDRESS BY CHAIRMAN JAMES GRAHAM

COLES GROUP LIMITED 2024 ANNUAL GENERAL MEETING – 12 NOVEMBER 2024

Please see attached the address to be delivered by the Chairman 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 2024 Annual General Meeting

Chairman's address to shareholders

Good morning shareholders.

This last financial year has been a year of considerable progress for Coles across all strategic pillars of the business.

Our focus has been on delivering value for customers with improved execution both in stores and online. This has been underpinned by strong supplier partnerships improving availability and quality, supported by our investment in new technology and programs to reduce costs and improve efficiency.

The external environment has however been challenging, marked by cost-of-living pressures on customers and rising input costs on suppliers. These have been driven by high rates of inflation in prior periods, disrupted supply chains and the volatility of seasonal and commodity prices.

The impacts of these external factors on supermarkets' shelf prices have not been restricted to Australia. As noted in the Interim Report of the Australian Competition and Consumer Commission's (ACCC) Inquiry into Supermarkets the price increase for a basket of food and non-alcoholic beverages in Australia over the last five years from March 2019 until June 2024 was 24%. This increase was however lower than that experienced in each of New Zealand, Canada, the UK and the US and compares with an average price increase for OECD countries of 39%.

Over the same period, Coles Group's total sales revenue for the five years to June 2024 increased by 14% and our profit margin, as measured by the after tax profit as a percentage of Group sales revenue, remained essentially constant at 2.6% throughout. That is, on average, for every dollar of sales throughout the period our profit was 2.6 cents, which was either distributed as dividends to our more than 420,000 direct shareholders, and millions more indirectly through their superannuation funds, or reinvested in the business to more efficiently meet customer expectations.

In this environment, our focus has been to use the benefits of our improved operating performance to support investments in shelf value and to provide customers with wider product choices and more convenient purchasing options to address changing preferences and shopping patterns.

With more than 1,800 retail outlets serving over 14 million customers a week across the whole of Australia, supported by the everyday commitment of our 115,000 team members, we are well aware of the economic pressures on customers and we continually seek to find ways to respond and build customer trust.

In this context it has been disappointing to see how cost-of-living issues have been politicised and targeted at supermarket operations. This is in sharp contrast to the level of engagement and support of supermarkets by Governments and regulators during the COVID lock down years. That experience and the results of working together in the face of floods, bushfires and other natural disasters have shown the benefits of constructive engagement between business and Governments, which is hopefully the template for the future when it comes to addressing the impacts of complex issues like inflation.

Turning now to our financial results and business operations.

In this our 110th year since our establishment as an Australian retailer when our first store opened in Smith Street, Collingwood, it is pleasing to note that the Group's sales revenue from continuing operations increased by 5.7 per cent and our after-tax profit by 2.1 per cent, on a 52-week basis.

As a result and in line with our dividend payment policy, 81.1% of our profit for the year was paid to shareholders as fully franked dividends, totalling 68 cents per share, a 3 per cent increase on the prior period.

During the year we were able to invest $1.4 billion in new stores, store renewals, growth, efficiency and maintenance initiatives, whilst maintaining our balance sheet strength, so important in underpinning our future operations. Continuing to re-invest in our business is an essential part of our being able to improve operating efficiencies, meet customer needs and build long term shareholder value.

Towards the end of the 2024 financial year and early into this new year, we have pleasingly seen the progressive commencement and ramp up of our second Automated Distribution Centre (ADC) located at Kemps Creek in Sydney and our two online Customer Fulfilment Centres (CFCs) in Melbourne and Sydney. Each of these has been built with world leading technology and is the result of investment decisions taken five years earlier, in 2019.

These long-term investments of scale will deliver both operational and customer benefits in lowering costs, increasing team member safety and improving product availability. In each of these three major new facilities we have constructed large roof top solar facilities which will in aggregate add installed capacity of 7.5 Megawatts to our network.

We are encouraged by the early performance and impact of each of these transformational investments and two weeks ago announced our decision to proceed with a third ADC based in Truganina to serve our stores in Victoria and Tasmania, continuing the exclusive partnership we enjoy with German technology provider, Witron. The estimated capital investment of this new facility over a five year period is $880 million.

At the centre of our ambition to build trust and create long-term shareholder value is sustainability.

Since becoming a listed public company in 2018 we have focussed upon assessing the impact, directly and indirectly, of our business operations on the environment and the community. As a result, we have set and disclosed targets to lower emissions; reduce waste; remove unnecessary packaging; enhance our ethical sourcing compliance; and are developing guidelines and targets in relation to the wider impacts of our business on nature.

During the year we saw further progress in reducing our Scope 1 and Scope 2 emissions which are now 34.5% below our 2020 baseline and on track to achieve a 75% reduction by end of financial year 2030.

In August 2023 we announced our Scope 3 supplier engagement target which is that by the end of Financial Year 2027, 75% of suppliers by spend will have science-based emissions reduction targets. This is important, recognising that these indirect emissions which occur in our supply chain represent some 90% of our total emissions profile and as at the end of June this last financial year, 35.5% of our suppliers have Scope 1 and Scope 2 science-based emissions reduction targets.

We have also continued to make progress in diverting waste from landfill with an increase in diversion of 2.7% to 86.7% by year end.

And in Own Brand packaging across our Supermarkets and Liquor businesses we increased the recyclable packaging by 3.6% to 87.4%, albeit this level remains well below our target of 100% by the end of the current year.

Before moving to my concluding remarks, I would like to briefly make mention of the current regulatory reviews and ACCC litigation.

Over the last twelve months Coles has participated in nine separate Federal Government, State Government, and ACCC official reviews into some aspect of supermarkets.

In all cases we have provided information to assist those undertaking the review.

In relation to the Dr Emerson Food and Grocery Code of Conduct Review, as a foundation participant in the voluntary code, we have supported the recommendation that the Code be made mandatory and would welcome its extension to other large companies that retail groceries.

As regards to the ACCC Supermarkets Inquiry we have provided extensive operational information and have made certain proposals where we felt in some cases industry wide standards may enhance transparency and simplify communication. We have also provided the ACCC with detailed information regarding the intensity of competition in the Australian food and grocery market as the presence of more recent international participants increasingly expand their physical and online penetration. We will continue to assist this Inquiry through to its scheduled completion in February 2025.

In this context I also note the commencement of proceedings by the ACCC in the Federal Court of Australia in September 2024 alleging that we misled consumers about price discounts which it alleges were "illusory".

The matters raised by the ACCC relate to a period of significant inflation leading to a sharply increasing level of supplier cost price increases. The subsequent discounts offered to customers on these items were the result of promotional investment by the supplier and Coles which delivered a reduction in the shelf price at a time when households were under significant cost-of-living pressure.

We are very conscious of the significance of these allegations as they go to the heart of customer trust. We take compliance with Australian Consumer Law seriously and it is always our aim to ensure discounts and specials are genuine.

As previously advised we are defending these allegations and we will continue to keep shareholders informed.

Pleasingly, the 2024 Financial Year saw material progress in reducing safety related incidents with a further 8.8% reduction in the Total Recordable Injury Frequency Rate; we also achieved a further increase in our women in leadership across the Group to 42.5%; and a 0.1% increase to 3.6% of team members who identify as Aboriginal or Torres Strait Islander.

These results further reflect the success of our management team in constantly seeking ways to improve our operating performance in every aspect of our business.

This is only possible because of the capability and leadership of our senior management, and in that regard I particularly acknowledge our Chief Executive, Leah Weckert, in setting the tone from the top with great distinction.

I also pay tribute to those team members who everyday are the face of Coles delivering for customers across our entire store, distribution and support centre network.

In this year which has been marked by positive progress on so many fronts but with considerable external challenge I extend my special thanks to my fellow Board members for their unwavering support and participation throughout the year.

And finally, to you our shareholders I convey our thanks for your trust and support of Coles Group.

I would now like to invite our CEO, Leah Weckert, to address the meeting and as she does so to show a short video on our community engagement during the year.