colesgroup

2022 Annual Report

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

Coles Group Limited
ABN 11 004 089 936

Acknowledgment of Country

Coles Group acknowledges the Traditional Owners and Custodians of the lands on which we live and operate. We pay our respects to Elders past, present and emerging and acknowledge their continuing connection to waters, skies, seas and country.

Coles Group endorses the Uluru Statement from the Heart and its objectives to enshrine a First Nations Voice in the Australian Constitution. Supporting the Uluru Statement from the Heart reflects our commitment to our Aboriginal and Torres Strait Islander Plan and Better Together Strategy.

Coles Group has long supported elevating the voices of Aboriginal and Torres Strait Islander peoples, and we believe this structural reform and constitutional change is a significant step forward in creating lasting reconciliation in Australia.

Aboriginal and Torres Strait Islander peoples are advised that this report may contain names and images of people who are deceased.

All references to Indigenous and First Nations peoples in this report are intended to include Aboriginal and/or Torres Strait Islander peoples.

Forward-looking statements

This report contains forward-looking statements in relation to Coles Limited Group ('the Company') and its controlled entities (together 'Coles', Coles Group', or 'the Group'), including statements regarding the Group's intent, belief, goals, objectives, opinions, initiatives, commitments or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial conditions, and risk management practices. This report also includes forward-looking statements regarding climate change and other environmental and energy transition scenarios. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook', 'guidance' and other similar expressions.

Any forward-looking statements are based on the Group's current knowledge and assumptions, including with respect to financial, market, risk, regulatory and other relevant environments that will exist and affect the Group's business and operations in the future. The Group does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions, that could cause the actual results, performances or achievements of the Group to be materially different from the relevant statements. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate.

Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the Group does not undertake to publicly update, review or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide to future performance.

Non-IFRS information

This report contains IFRS and non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is presented other than in accordance with relevant accounting standards and may not be directly comparable with other companies' information.

Any non-IFRS financial information included in this report has been labelled to differentiate it from statutory or IFRS financial information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Operating metrics that are prepared on a non-IFRS basis have been included in the segment commentary to support an understanding of comparable business performance. Non-IFRS information is not subject to audit or review.

Cover image

Coles chefs Michael Weldon and Courtney Roulston with a selection of exclusive Coles Own Brand products.

Welcome to the Coles Group 2022 Annual Report

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Our purpose is to sustainably help all Australians to lead healthier, happier lives.

Coles meat team member Maria at Delatite Station near Mansfield with Mark Ritchie who produces cattle for Coles' carbon neutral beef range.

2022 performance

$39.4bn
Total sales revenue

$1.9bn
EBIT[1]

4.3%
Net profit after tax growth

$506m
Net debt[2]

104%
Cash realisation[3]

63c
Dividends per share[4]

$1.2bn
Gross operating capex[5]

~$230m
Smarter Selling benefits

14.7%
Improvement in total recordable injury frequency rate[6]

1 Includes approximately $30 million of implementation operating costs in relation to the Witron and Ocado transformation projects ($7 million in FY21)
2 Net debt pre-dividend payment
3 Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA
4 Comprising an interim dividend of 33 cents per share (paid) and a final dividend of 30 cents per share
5 Gross operating capital expenditure on an accrued basis
6 Refer to glossary of terms on page 39 for definition

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2022 highlights

Increase in Supermarkets eCommerce sales
41%

Innovation through launch of
>1,300
Coles Own Brand products

>420
Exclusive Liquor Brand awards received

Trolley assisted checkouts rolled out to more than
100 stores

Significant progress on
Witron & Ocado
transformation projects

50
Supermarket and
208
Liquor store renewals

Provided more than
$142m
in community support

Secured pathway to
100%
renewable electricity by end of FY25

39.4%
Women in leadership positions

Message from the Chairman

Our ability to work with our team members, customers, suppliers and community partners has meant that Coles has been able to continue to support a wide range of community organisations throughout the 2022 financial year.

Dear Shareholder,

The 2022 financial year proved to be our third consecutive year marked by challenging domestic and international events.

Pleasingly, we were able to adapt our operations to respond to the impacts of COVID-19, severe floods, increasing prices of commodities and global supply chain disruptions to achieve a 4.3% increase in our net profit after tax, with a 2.0% increase in sales revenue and a strong focus on cost optimisation strategies. As a result, fully franked dividends for the year increased by 2.0 cents per share to 63.0 cents per share, in line with our policy which targets an 80 to 90 per cent dividend payout ratio.

New capital investment of $1.2 billion ensured that we not only continued to develop and renew our store portfolio but also undertook investment in new systems and equipment as well as in our important long-term automation projects in partnership with Witron and Ocado. The planning for these latter two projects commenced many years ago with their contractual commencements in 2018 (Witron) and 2019 (Ocado).

In the case of the Witron project, two new ambient automated distribution centres are being constructed in Queensland and New South Wales, and we expect to see commissioning of these in the third quarter of our 2023 financial year and the third quarter of our 2024 financial year, respectively. These two facilities, with an anticipated total capital cost of $1,040 million over the four and a half year construction period, will replace five of our distribution centres and significantly improve efficiency, delivery to market and team member safety.

The two customer fulfilment centres in New South Wales and Victoria being constructed under our partnership with the globally leading online grocery company, Ocado, will significantly extend our home delivery eCommerce operations in both Supermarkets and Liquor. Using the Ocado Smart Platform we expect to offer a significantly expanded range with enhanced levels of customer satisfaction. We anticipate the commissioning of the New South Wales facility in the first quarter of our 2024 financial year and the Victorian facility mid that financial year.

Since the date of our demerger in 2018, we have placed significant emphasis upon the role of technology and new capital investment in growing and strengthening the Group's operations. These initiatives are important in ensuring that we are well placed to efficiently and competitively meet our aims of building trust with all stakeholders as we grow long term value. To that end, we actively manage all new capital allocations to meet our strategic priorities and deliver attractive returns over the long term.

In that context, I note the announcement made on 21 September, 2022 that Coles has entered into an agreement, subject to the approval of the Australian Competition and Consumer Commission and the Foreign Investment Review Board, to sell the Coles Express fuel and convenience business to our fuel partner Viva Energy Limited and will receive sale proceeds of $300 million. Completion of the transaction is expected to take place in the second half of the current financial year and will result in the transfer of the leases associated with our more than 700 Coles

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SecondBite Ambassador and Board Director Matt Preston (left), SecondBite co-founder Simone Carson AM (middle) and SecondBite Ambassador and Coles Chef Ambassador Courtney Roulston (right) celebrate the 10th anniversary of Coles' partnership with SecondBite.

Express sites. Coles' customers will continue to enjoy the loyalty benefits of the four cents per litre fuel dockets and the earning and redeeming of Flybuys points across the Coles Express network.

Across all of our Supermarket, Liquor and Coles Express operations the support of our more than 120,000 team members throughout the year has underpinned our ability to respond to evolving market conditions and opportunities, with a constant focus upon meeting our customers' requirements and delivering trusted value. To each of our team members and to our more than 8,000 supplier partners I extend a special thanks for the commitment which has been so evident during the challenges of 2021/22. Working together in harmony has been a very positive feature of the year.

Part of the privilege of Coles is the opportunity to engage with nearly all Australians, directly or indirectly. Our ability to work with our team members, customers, suppliers and community partners has meant that Coles has been able to continue to support a wide range of community organisations through the 2022 financial year.

During the year these engagements have included our established partnerships with SecondBite and Foodbank where we were able to provide more than 37.5 million meal equivalents to Australians in need as together we supported the efforts of thousands of front-line charities across the country; our support for FightMND saw the raising of more than $8.6 million for research into finding effective treatments and a cure for Motor Neurone Disease, in partnership with our customers and pork suppliers; our partnership with Redkite saw a further $4.1 million raised for families who are living with children with cancer; and our provision of pallets of food together with direct financial support to customers, suppliers and communities impacted by the floods in Queensland and New South Wales in early 2022.

Being a major Australian listed company also provides the opportunity to take leadership positions on important environmental and social impact issues. In that regard we have set ambitious targets to reduce emissions, reduce waste, reduce the impact of packaging, and to ensure that we are a significant employer of Aboriginal and Torres Strait Islanders. The scope and importance of these and other commitments are set out in detail in our 2022 Sustainability Report.

As part of the operating rhythm of your Board we annually review our own performance and engagement in the governance of Coles. The Board operates constructively in support of Steven Cain and the management team and regularly assesses its skill mix and future needs. In that regard, in September 2022 we announced the appointment of two new Directors – Terry Bowen and Scott Price.

Terry Bowen is a well recognised Australian public company director with extensive commercial and financial experience including having been Finance Director of Coles for a two-year period some 15 years ago. Scott Price is a globally experienced executive who has held leadership roles at UPS Inc., Wal-Mart Inc., DHL Express, and The Coca-Cola Company and whose retailing, eCommerce and logistics experience will be of significant value. Both Terry and Scott will stand for election at our Annual General Meeting in November 2022.

I would like to extend my thanks to all Coles Group Board members, to our Chief Executive Steven Cain, and to his leadership team for the uncompromising commitment to Coles each of them has demonstrated throughout the year. It has been a year of significant progress.

James Graham

James Graham AM
Chairman,
Coles Group Limited

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Managing Director and Chief Executive Officer's report

In delivering the third year of our transformation strategy, we have continued to focus on our vision to be the most trusted retailer in Australia and grow long-term shareholder value.

Coles is now one of Australia's most trusted brands (as measured by Roy Morgan) and over the last 3 years we have achieved upper quartile TSR compared to the ASX 100.

Back in 2019 we said we wanted to maintain or grow our market share – profitably. That remains the case. COVID restrictions and flood related availability issues have driven "local shopping" trends. We expect that these will unwind as availability improves and value becomes more important to Australian consumers.

Coles will also benefit from an increasing net new store opening profile as well as the expected reduced processing times for circa 900,000 people waiting for visas into Australia, and the skilled migration program set to increase.

We have set out five differentiators and we continue to make progress. A good strategy around differentiation needs to be executed at pace to be successful. Pace can only be achieved through a strong culture of engaged team members which is why engagement and safety are important parts of our scorecards.

Our eCommerce revenues across the Group rose by 42% in FY22 to approximately $3 billion with Supermarkets eCommerce sales increasing by 41% and Liquor eCommerce sales increasing by 49%, as we continue to invest in digital capability and operational capacity.

With regards to customer loyalty and data, our Flybuys 50/50 joint venture with the Wesfarmers Retail Group now has access to 20% of all retail expenditure in Australia following the inclusion of Bunnings and Officeworks.

Our Smarter Selling program is on track to deliver $1 billion of benefits under our four-year program, by the end of FY23 to mitigate inflationary pressures and enable us to invest in our digital and automation future. Plans for Smarter Selling 2 are now being developed.

Since our demerger back in 2018 we have increased capital investment in Coles Group. The good news is that the majority of the benefits of this investment are still to come. Within two years we will have four of the most advanced distribution facilities in Australia, thanks to our partnerships with Witron and Ocado, suppliers of the best and some of the largest automated food distribution centres and online customer fulfilment centres in the world respectively.

These facilities will bring about a step-change in our supply chain efficiency and customer offer.

As we move forward we endeavour to make long-term decisions that are in the best interests of all our stakeholders including shareholders, customers, team members, suppliers, and our community partners.

From response to recovery in FY22

Our team members, customers, suppliers and our communities faced a number of significant challenges and disruptions this year.

The first half was marked by extended lockdowns in New South Wales, the Australian Capital Territory and Victoria, which lifted supermarket sales despite some customers shopping at local retailers due to movement restrictions.

Sales growth remained elevated through Christmas as restrictions eased and shoppers returned to shopping centres, however with the rise of Omicron case numbers in the second half, large numbers of workers including Coles team members and suppliers were required to isolate, impacting product availability across the store, particularly in meat.

The second half saw widespread flooding in South Australia, New South Wales and Queensland which not only disrupted logistics but also forced us to temporarily close around 30 Supermarkets, 66 Liquor stores and 30 Express sites. The floods in South Australia then caused record closures of road and rail from the East Coast to Western Australia with Coles deploying marine shipping from Sydney and Melbourne to Perth for the first time. Supply chain issues were then exacerbated by the conflict in Ukraine impacting global commodity markets and energy prices.

Weather events also impacted our farmers, with wet conditions disrupting normal planting schedules and reducing yields, decreasing availability of key fresh produce lines and raising wholesale costs which in turn drove inflation for some products.

For Liquor, the closure of on-premise venues in New South Wales, the Australian Capital Territory and Victoria led to increased sales in the first half, however this trend eased over the year as customers were again able to visit on-premise venues. Lockdowns during the first half led to reduced fuel volumes at Express, which recovered modestly in the second half as flooding coincided with higher global fuel prices.

I would like to acknowledge and thank our more than 120,000 team members, our 8,000 plus suppliers and our community partners for their continued efforts to overcome the challenges the year presented.

As we approached year end we saw continuous improvement in our availability which will serve us well in the year ahead.

Progress against our three strategic pillars in FY22 was as follows.

Inspire customers

Our plan to inspire customers this year included our 'Value the Australian Way' campaigns, the KitchenAid Ovenware and MasterChef Knives continuity programs, and the launch of more than 1,300 new Coles Own Brand products to bring our Exclusive to Coles range to almost 6,000 SKUs.

As customers increasingly look for solutions that allow them to shop anytime, anywhere, anyhow, we launched our new Coles shoppable App to provide a more unified shopping experience, expanded Click & Collect Rapid by 50 stores to more than 450, and added same-day delivery to over 200, so that more than 520 had this capacity by the end of the year.

We continued to differentiate our Liquor offer through innovation, with customers responding positively to our local ranging and strong growth in our Exclusive Liquor Brands, underpinned by more than 420 awards received during the year including ELB brand Smithy's winning the Australian Lager of the Year at the Melbourne International Beer Competition. As more of our customers opted to shop online, the Liquor delivery On Demand service was expanded to more than 400 stores.

Coles Group CEO Steven Cain with Get Skilled Access founder and Australian of the Year Dylan Alcott AO, Get Skilled Access consultant Stephanie Agnew, then Federal Minister for Families and Social Services Senator Anne Ruston and former local MP Dr Katie Allen in March 2022 at the launch of the RecruitAble pilot program which aims to support employers to create more job opportunities and inclusive workplaces for Australians who are living with disability.

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Smarter selling

Increased COVID-19-related costs of approximately $240 million (up from $130 million in FY21) were offset by approximately $230 million in savings from our Smarter Selling program, which is on track to deliver our target of $1 billion in cumulative benefits by FY23.

During the year we expanded dynamic markdowns from meat to the fresh produce and dairy categories, rolled out loss prevention initiatives with more than 80% of stores now protected with entry gates and glass balustrading, and aligned our meat operating models nationally to deliver high quality retail ready meat for customers.

To provide our customers with more choice in how they shop in store while improving team member productivity, we have continued to transform our service offering with more trolley assisted check outs and customer bagging benches. We streamlined our distribution centre operations by introducing automated paperless entry and exit processes for 45,000 supplier vehicles, and reduced our energy use through the installation of demand-based heating, ventilation and air-conditioning as well as energy efficient LED lights across the Coles Express network.

We continued to tailor store formats to better suit the needs of customers, renewing 50 Supermarkets including 12 Format A, 22 Format C, and six Coles Local stores. In Liquor, 191 Liquorland stores were renewed in our new Black and White format, while eight First Choice Liquor Market and nine Vintage Cellar Evolution stores were also renewed.

Win together

Less than a year after announcing our detailed Sustainability Strategy, during the first half Coles was ranked the number two food retailer globally for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark.

It was a welcome recognition of the rapid progress we have made towards our ambition to be Australia's most sustainable supermarket, which this year includes securing sufficient renewable energy contracts to meet our goal of 100% renewable electricity by end of FY25, as well as a $10 million commitment over 10 years to our 'Blue Carbon Partnership' with the Great Barrier Reef Foundation to support programs to capture and store atmospheric carbon in marine ecosystems.

We have continued to record improvements in team member safety and engagement, with a 14.7% reduction in our total recordable injury frequency rate compared to FY21 and a three percentage point gain in overall engagement in our mysay team member survey.

Supporting and celebrating the diversity of our team members is core to who we are as a business, and so it was very pleasing to be recognised as a Gold tiered employer for the second year in a row at the 2022 Australian LGBTQ Inclusion Awards, based off the Australian Workplace Equality Index, as well as by the Australian Network on Disability as a top employer for people with disability at the 2022 Disability Confidence Awards. Our graduate program was again awarded the best in Australian retail and FMCG.

Importantly in a year in which our suppliers were also facing supply chain challenges and higher input costs, we recorded our highest-ever Net Favourable score in our Advantage Supplier Survey. Coles' focus on innovating with our suppliers saw us launch the Coles Finest Certified Carbon Neutral Beef range, while Liquor launched a range of wines in bottles made from 100% Australian recycled PET plastic (excluding the cap), reducing carbon emissions and saving energy in production and recycling.

With the communities we serve needing more support than ever, Coles was ranked number one for community contribution by an Australian company in the GivingLarge corporate philanthropy report, measured as a percentage of pre-tax profit over a three-year period.

Our financial position

Despite challenges including significant COVID-19 costs, the impact of flooding, transformation project costs, and lower Express earnings, Coles again demonstrated its ability to generate sustainable returns, with stable EBITDA and EBIT of $3,440 million and $1,869 million respectively and NPAT up 4.3% to $1,048 million.

During the first half we established a $1.3 billion, four-year Sustainability Linked Loan, replacing existing debt commitments and drawing a direct line between our sustainability performance and cost of capital as we work to fulfil our ambition to be Australia's most sustainable supermarket.

We remain committed to maintaining solid investment grade credit ratings with S&P and Moody's, which provides us with the flexibility to invest for growth.

Looking ahead

In September, we announced the sale of our fuel and convenience business to Viva Energy so that we can focus on our omnichannel food and drink, and sustainability ambitions. Coles customers will continue to benefit from fuel discount vouchers and Flybuys points. I would like to thank the Coles Express team for their significant contribution to Coles Group over the last 19 years culminating in us receiving the Canstar industry award this year. The transaction is due to complete in the second half of the current financial year subject to regulatory approval.

In an environment of continued cost of living pressures, Coles remains committed to delivering trusted value. By continuing to drive efficiencies through our Smarter Selling program, we can ensure that we are able to maintain a great value offer for customers while growing long term shareholder value.

I would like to thank our customers for choosing Coles and for the patience they have shown while we navigated the availability challenges of the past year, our team members for their dedication and support of each other and our communities, our Board for their informed and considered guidance and our leadership team for their tireless enthusiasm for sustainably helping all Australians to lead healthier, happier lives.

Steven Cain
Managing Director and Chief Executive Officer
Coles Group Limited

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Top: Coles Own Brand General Manager Charlotte Rhodes (left), Coles Dairy, Freezer and Convenience General Manager Brad Gorman (right) and Phil Horan from Sawmill Circuit in NSW with the Alley Vac which was purchased with a grant from the Coles Nurture Fund. The Alley Vac will collect effluent from dairy farms in the Nowra region and transport it to a biogas plant to be converted into electricity.
Bottom: For the third year running Coles has been recognised as GradConnection's Most Popular Retail and Fast-Moving Consumer Goods Employer. Pictured above are Jhoana and Jack who completed Coles' graduate program and now have permanent roles at Coles.

Our vision, purpose and strategy

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

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Our values.

- Customer obsession
- Passion and pace
- Responsibility
- Health and happiness

Our behaviours.

LEaD

- Look ahead
- Energise everyone
- Deliver with pride

Inspire customers

- Trusted value through personalisation
- Exclusive brands powerhouse
- Leading anytime, anywhere, anyhow shopping
- Destination for health, sustainability and convenience
- Expanded offer through new markets and services

Smarter selling

- Technology- and digitally-empowered organisation
- Strategic and sustainable sourcing
- Optimised network and formats
- Agile Store Support Centre using data driven insights

Win together

- Safer choices together
- Great place to work
- Better Together through diversity and community
- Together to Zero to drive generational sustainability
- Growth through partnership

How we create value

To achieve our strategy, we need to successfully manage the environmental, social and governance risks and opportunities[1] in our operating environment and across our value chain.

Australian farmers and growers

We rely on Australian farmers and growers to supply the products we sell in our stores.

Key issues

- Climate resilience
- Food waste
- Human rights and ethical sourcing
- Animal welfare

Suppliers, processors and packaging

We have thousands of supply partners who provide the products we sell in our stores and whose services and other products support our business operations.

Key issues

- Sustainable packaging
- Waste and circular economy
- Energy and emissions
- Responsible sourcing

Transport and distribution

We depend on our logistics partners and our own distribution network to move and store products, keeping them fresh and safe.

Key issues

- Waste and circular economy
- Climate resilience
- Energy and emissions
- Food and product quality and safety

Our sustainability performance

The two focus areas of our Sustainability Strategy – Together to Zero and Better Together – set out our ambitions across key sustainability areas and help drive our performance.

Better together

39.4%
women in leadership positions

$1.8m
in Coles Nurture Fund grants

Broadest range of RSPCA Approved products[2]

1 We undertake an annual materiality assessment to identify key environmental, social and governance (ESG) risks and opportunities. For further information refer to our 2022 Sustainability Report.
2 Of any major Australian supermarket

Our economic value creation[3,4]

Suppliers	Team members	Shareholders	Governments	Community
$31bn+	$5.1bn	$814m	$2.3bn	$142m
suppliers and services spend	payments and benefits to team members	total dividends paid	Cash taxes paid and collected	community support[4]

Retail and store network

Our extensive retail and store network stretches across Australia.

Key issues

- Health, safety and wellbeing
- Waste and circular economy
- Food waste
- Food and product quality and safety

Team members

We rely on more than 120,000 team members to help us deliver on our sustainability ambitions.

Key issues

- Health, safety and wellbeing
- Waste and circular economy
- Food waste
- Diversity and equal opportunity

Customers and community

We process an average of $18 million transactions each week across our extensive store network and eCommerce platforms.

Key issues

- Sustainable packaging
- Responsible sourcing
- Waste and circular economy
- Food waste

Together to zero

2.8%
reduction in Scope 1 and 2 greenhouse gas emissions

82.5%
solid waste diverted from landfill

37.5m
equivalent meals donated to Secondbite and Foodbank

Great place to work

↑3pp
team member engagement (mysay) results compared to FY21

74%
of mysay respondents say mental health support was readily available

3rd consecutive year
recognised as GradConnection's Most Popular Retail and Fast Moving Consumer Goods Employer

Safer choices together

14.7%
improvement in TRIFR[5]

1,000+
store leaders participated in mental health training

91
Coles Own Brand products acknowledged with awards and recognitions

3 For the 52 weeks ended 26 June 2022.
4 Includes Coles' direct contribution of cash, time, in-kind donations and management costs as well as donations from customers, suppliers and team members. Coles references the Business for Societal Impact framework for reporting community contributions.
5 Total recordable injury frequency rate (TRIFR). Refer to the glossary on page 39.

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.

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Sustainability at Coles

This year we have been working towards the commitments we set when we launched our refreshed Sustainability Strategy in FY21, with efforts focused on our two strategic pillars of Together to Zero and Better Together.

Over the past year, sustainability considerations have been embedded in our corporate strategy as we work towards integrating sustainability across our operations. We understand that if we want to succeed in the next century, business as usual will not suffice. Our stakeholders – including customers, shareholders, team members and suppliers – tell us sustainability matters to them. Carbon emissions, packaging, waste, employee safety and wellbeing, human rights, and animal welfare are some of the issues they care about most and expect Coles to be making a positive impact on. We know many of these issues are complex and cannot be solved by us alone and so we are committed to working in partnership with others to find solutions and create change for generations ahead.

A snapshot of our performance during the year is discussed in the following pages, with detailed information on progress against our Sustainability Strategy in our 2022 Sustainability Report.

Together to Zero

Together to zero emissions

As one of Australia's largest companies, we have a responsibility to minimise our environmental footprint, as well as to mitigate the social and environmental impacts associated with climate change. Coles is a significant energy user and producer of greenhouse gas emissions, both directly in our own operations and indirectly through our extensive supply chains.

We are continuing to work towards reducing emissions in our own operations and this year signed the last of the agreements needed to meet our target of 100% renewable electricity by FY25. We have also invested in energy efficiency measures and refrigeration management programs throughout our stores and trialled our first electric delivery truck earlier this year.

For further information on how Coles is managing the risks and opportunities associated with climate change, see pages 51-57.

Together to zero waste

We recognise the role we can play in reducing food waste and packaging, responding to stakeholders' concerns with respect to these issues, while also making our operations more sustainable and efficient. Together with industry partners, suppliers and customers we are seeking to reduce waste, increase food security and drive the transition to a circular economy.

Coles is aligned with Australia's 2025 National Packaging Targets and 94.6% of Coles Own Brand and Coles Liquor Own Brand packaging in Australia is now 100% recyclable, reusable or compostable (up from 87% at end FY21). This year we diverted 82.5% of the Group's solid waste from landfill (against a target of 85% by end of FY25), up from 80.6% at end FY21.[1] While we acknowledge this is a modest year-on-year increase, in large part this was due to the impacts of flooding in the eastern states of Australia which disrupted recycling services.

TOGETHER TO ZERO	BETTER TOGETHER
Together to zero emissions	A team that is better together
Together to zero waste	A community that is better together
Together to zero hunger	Sourcing that is better together
	Farming that is better together

1 Excludes liquid waste except high-strength sludges (which contain a high proportion of solids) and liquids diverted for use as food (such as donations to SecondBite and farmers).

Together to zero hunger

Our focus on *Together to zero hunger* encompasses our commitment to donate unsold, edible food to food rescue organisations. Coles and food rescue organisation SecondBite have been working together since 2011 in the fight against hunger and food waste. Since the partnership began, Coles has provided SecondBite with the equivalent of 185.3 million meals[2] to be distributed to people in need.

We have also been working with Foodbank, Australia's largest food relief organisation, providing the equivalent of 37.7 million meals[3] since the partnership began in 2003. The food we provide to Foodbank supports 2,950 agencies and community groups.

Better Together

A team that is better together

We have performance improvement targets against each of the five focus areas of our diversity and inclusion program: Belonging, Gender Equity, Indigenous engagement, Accessibility, and Pride.

We are continuing to build gender balance in leadership roles at Coles, achieving our largest single year increase in FY22, from 36.5% to 39.4%.

Our commitment to engage with Aboriginal and/or Torres Strait Islander peoples to better reflect the communities in which we live and work is outlined in our Aboriginal and Torres Strait Islander Plan (available at www.colesgroup.com.au). We remain focused on increasing Aboriginal and Torres Strait Islander representation within our workforce, with representation currently at 3.2%[4]. We do acknowledge reaching our target of 5% team members who identify as Aboriginal or Torres Strait Islander by December 2023 will be a challenge. However currently 84.1% of Coles Supermarkets employ Indigenous team members, and this is something we remain focused on building.

During the year, Coles' leadership in LGBTQI+ was recognised as a Gold tiered employer at the 2022 Australian Workplace Equality LGBTQ Inclusion Awards.

A community that is better together

At Coles, we believe we can make a positive difference in the community and help people in need by working together with community organisations through partnerships, sponsorships and fundraising.

Together with our customers, suppliers and team members, Coles Group contributed $142 million[5] to the community in FY22.

Our community support included more than $12 million in cash contributions to charities and community organisations in FY22 through the sale of:

- Coles Own Brand bread for Redkite to support families affected by childhood cancer;
- Coles Own Brand fresh pork for FightMND to help find a cure for Motor Neurone Disease;
- Mum's Sause pasta and pizza sauce for Curing Homesickness Ltd – an initiative supporting childen's hospital foundations and paediatric services across Australia;
- Coles Bakery biscuits and cookies for Bravery Trust in the lead up to Anzac Day to support injured veterans facing financial hardship; and
- reusable bags to support a range of community organisations including Clean Up Australia.

In addition, Coles' customers, suppliers and team members contributed more than $22 million from activities such as in-store fundraising for SecondBite, Redkite, Movember, the Australian Red Cross Queensland and NSW Floods Appeal and children's hospital foundations.

Fundraising highlights for Coles Group in FY22 included:

- raising $4.1 million in our supermarkets and liquor stores for SecondBite to help provide food to people in need;
- raising a record $8.6 million for FightMND in supermarkets and Coles Express to help find a cure for Motor Neurone Disease;
- raising more than $1 million for Guide Dogs Australia from collection dogs in our stores and from the sale of reusable bags; and
- reaching a milestone of $5 million raised in three years for Curing Homesickness Ltd to help sick children in hospitals across Australia.

Supporting communities affected by natural disasters

Coles and its team members also responded quickly to support communities affected by natural disasters.

In March 2022, our local store teams and customers donated supplies and funds to provide immediate and long-term support to flood-affected communities in New South Wales and southern Queensland.

Together with our customers, we donated and delivered over 100 pallets of food and essentials to Lismore, North Richmond and the

2 SecondBite uses the conversion of total kilograms donated multiplied by two to determine equivalent meals.
3 Foodbank uses the conversion of total kilograms donated divided by 0.555 to determine equivalent meals.
4 Based on results of our May 2022 mysay engagement survey, which was responded to by 72% of team members.
5 Includes Coles' direct contribution of cash, time, in-kind and management costs as well fundraising from customers and suppliers (leverage).

Local teams unload bulk donations from Coles for flood-affected residents in Lismore (top); Red Cross team member Alex and Coles team member Matt pack donations for flood-affected residents in Lismore (right); and flood waters in Lismore. Photo credit: Stuart Cumming/NewsPix (bottom left).

Northern Rivers region in New South Wales to get supplies quickly to isolated locals.

In total, Coles and our customers contributed more than $1.8 million to the Red Cross Queensland and New South Wales Floods Appeal during the campaign. This helped the Red Cross to support volunteers and staff to assist with evacuations, relief centres and cash assistance. In addition, monies raised will enable longer term recovery work in flood-affected communities.

Sourcing that is better together

Working together with our farmers, suppliers and industry partners, we are seeking to reduce our environmental and social impacts.

With respect to Coles Own Brand products, we use independent and internationally recognised certification and verification programs to support environmental protection across our tea, coffee, cocoa, sugar, timber, paper, pulp, palm oil and seafood supply chains.

During the year, we commenced an environmental impact review of Coles Own Brand products, mapping potential impacts against three key areas: deforestation, water security and soil health. The results of this review will inform a future action plan to reduce our environmental impacts and will help us prepare for emerging disclosure frameworks focused on nature-related financial risks and opportunities.

In FY22, Coles worked to further safeguard human rights and strengthen our processes and systems for managing risk within our supply chain, collaborating closely with suppliers, unions and workers. A detailed overview of these activities can be found in Coles' 2022 Commitment to Human Rights (Modern Slavery Statement), available at www.colesgroup.com.au.

Farming that is better together

Coles Supermarkets has an Australian-first sourcing policy, reflecting our commitment to strong, multi-generational and collaborative relationships with Australian farmers and producers. In FY22, more than 96% of fresh produce, by volume, was sourced from suppliers all over Australia.[6]

Since its launch in 2015, the Coles Nurture Fund has awarded more than $30 million in financial support to over 90 Australian producers. The Fund seeks to drive innovation and generational sustainability in Australia by helping producers expand local production, reduce water and energy consumption, and increase recycling. More information on the Coles Nurture Fund and recipients is available at www.coles.com.au/nurturefund.

We understand that many of our customers care deeply about animal welfare and our Animal Welfare Policy sets out our expectations regarding the treatment of animals in our Coles Own Brand supply chain, helping to ensure we source from farming operations that have a high standard of animal welfare and, where appropriate, hold animal welfare certification. Coles offers customers the broadest range of RSPCA Approved products of any major Australian supermarket – in FY22, 347 RSPCA Approved products were available in our supermarkets and Coles Express stores.

For more information read the **2022 Sustainability Report**, available at **www.colesgroup.com.au**

6 Excluding floral, nuts, dried fruit, sauces, dressings and packaged salads.

Governance at Coles

We are committed to the highest standards of corporate governance and believe a robust and transparent corporate governance framework is central to the success of our business.

Our corporate governance framework

The Board provides leadership and approves the strategic direction and objectives of the Group in the long-term interests of, and to maximise value for, shareholders.

The Board and management team are committed to maintaining and building on the confidence of our shareholders, our customers, our suppliers, our team members and the broader community as we continue to strive to achieve our vision to become the most trusted retailer in Australia and to grow long-term shareholder value.

Coles' 2022 Corporate Governance Statement contains a comprehensive overview of our corporate governance framework and highlights and is available at www.colesgroup.com.au/corporategovernance.

The Board

Audit and Risk Committee

Nomination Committee

People and Culture Committee

Managing Director and Chief Executive Officer

Executive Leadership Team

Coles Team Members

Board of Directors

James Graham AM
Chairman of the Board
Chairman of the Nomination Committee
and Member of the People and Culture Committee

Steven Cain
Managing Director and Chief Executive Officer

David Cheesewright
Member of the Nomination Committee
and the People and Culture Committee

Jacqueline Chow
Member of the Nomination Committee
and the Audit and Risk Committee

Abi Cleland
Member of the Nomination Committee
and the People and Culture Committee

Richard Freudenstein
Chairman of the People and Culture Committee
and Member of the Nomination Committee

Paul O'Malley
Chairman of the Audit and Risk Committee
and Member of the Nomination Committee

Wendy Stops
Member of the Nomination Committee
and the Audit and Risk Committee

Biographical details of the Board of Directors can be found on pages 59-60.

Board skills matrix

The Board recognises the importance of having directors who possess a broad range of skills, background, expertise, diversity and experience in order to facilitate constructive decision-making and facilitate good governance processes and procedures.

The Board, on the recommendation of the Nomination Committee, determines the composition, size and structure requirements for the Board and regularly reviews its mix of skills to make sure it covers the skills needed to address existing and emerging business and governance issues relevant to the Company.

The current mix of skills and experience represented on the Board as at 21 September 2022 is set out in the below skills matrix:

Skill/experience	Number of Directors with the requisite skill
Corporate governance Experience serving on boards in diverse industries and for a range of organisations, including public listed entities or other large, complex organisations. An awareness of global practices and trends. Experience in implementing high standards of governance in a large organisation and assessing the effectiveness of senior management.	8
Executive experience Effective senior leadership in a large, complex organisation or public listed company. Successfully leading organisational transformation and delivering sustained business success, including through line management responsibilities.	8
Financial acumen Senior executive or other experience in financial accounting and reporting, internal financial and risk controls, corporate finance and/or restructuring, corporate transactions, including ability to probe the adequacies of financial and risk controls.	8
Strategic thinking Demonstrated ability to identify and critically assess strategic opportunities and threats and to develop and implement successful strategies to create sustained, resilient business outcomes. Ability to question and challenge on delivery against agreed strategic planning objectives.	8
People, culture and remuneration Experience overseeing or implementing a company's culture and people management framework, including succession planning to develop talent, culture and identity. Board or senior executive experience in applying remuneration policy and framework, including linking remuneration to strategy and performance, and the legislative and contractual framework governing remuneration.	8
Risk management Understanding of and experience in identifying and monitoring key risks to an organisation and implementing appropriate risk management frameworks and procedures and controls.	8
Retail and FMCG skills and experience Senior executive experience in the retail and fast moving consumer goods (FMCG) industry, particularly in the food and liquor industry, including an in-depth knowledge of merchandising, product development, exporting, logistics and customer strategy.	6
Customer service delivery Advanced understanding of customer service delivery models, benchmarking and oversight.	8
Supply chains Senior executive experience in managing or overseeing the operation of supply chains and distribution models in large, complex entities, including retail suppliers.	7
Interstate / global business experience Senior executive or equivalent experience in national or international business, providing exposure to a range of interstate or international political, regulatory and business environments.	8
Property development and asset management Experience in property development and asset management.	5
Marketing Senior executive experience in consumer and brand marketing and in eCommerce and digital media, including in the retail industry.	6
Digital technology and innovation Expertise and experience in the adoption and implementation of new technology. Understanding of key factors relevant to digital disruption and innovation, including opportunities to leverage digital technologies and cyber security and understanding the use of data and analytics.	7
Sustainability and environment Experience in managing and driving environmental management and social responsibility initiatives, including in relation to sustainability and climate change.	6
Health and safety Identification of key health and safety issues, including management of workplace safety, and mental and physical health.	7
Regulatory and public policy Senior executive experience working in diverse political, cultural, regulatory and business environments. Experience in regulatory and competition policy and influencing public policy decisions and outcomes, particularly in relation to regulation relevant to food and liquor industries.	8

Executive Leadership Team

Steven Cain
Managing Director & Chief Executive Officer

Charlie (Sharbel Raymond) Elias
Chief Financial Officer

Leah Weckert
Chief Executive, Commercial & Express

Matthew Swindells
Chief Operations & Sustainability Officer

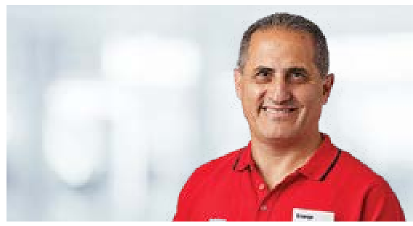
Kris Webb
Chief People Officer

John Cox
Chief Technology Officer

Daniella Pereira
Company Secretary

Darren Blackhurst
Chief Executive Liquor

David Brewster
Chief Legal & Safety Officer



George Saoud
Chief Executive Emerging Businesses

Ben Hassing
Chief Executive eCommerce

Sally Fielke
General Manager Corporate & Indigenous Affairs

Operating and Financial Review

The Operating and Financial Review relates to Coles Group Limited ('the Company') and its controlled entities (together, 'Coles', 'Coles Group', or 'the Group').

Forward-looking statements

This report contains forward-looking statements in relation to the Group, including statements regarding the Group's intent, belief, goals, objectives, opinions, initiatives, commitments or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial conditions, and risk management practices. This report also includes forward-looking statements regarding climate change and other environmental and energy transition scenarios. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook', 'guidance' and other similar expressions.

Any forward-looking statements are based on the Group's current knowledge and assumptions, including with respect to financial, market, risk, regulatory and other relevant environments that will exist and affect the Group's business and operations in the future. The Group does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions, that could cause the actual results, performances or achievements of the Group to be materially different from the relevant statements. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate.

Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the Group does not undertake to publicly update, review or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide to future performance.

Non-IFRS information

This report contains IFRS and non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is presented other than in accordance with relevant accounting standards and may not be directly comparable with other companies' information.

Any non-IFRS financial information included in this report has been labelled to differentiate it from statutory or IFRS financial information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Operating metrics that are prepared on a non-IFRS basis have been included in the segment commentary to support an understanding of comparable business performance. Non-IFRS information is not subject to audit or review.

Business model and strategy

Coles is an omnichannel retailer selling products including fresh food, groceries and liquor through its supermarkets, liquor stores and eCommerce platforms. Coles also sells convenience products and, under its alliance with Viva Energy (Viva), is a commission agent for retail fuel sales through the Coles Express network. We employ more than 120,000 team members, engage with more than 8,000 suppliers, have more than 430,000 direct shareholders and we welcome millions of customers through our extensive store network and eCommerce platforms every week.

The Group's reportable segments are:

- Supermarkets: fresh food, groceries and general merchandise retailer with a national network of 835 supermarkets, including Coles Online and Coles Financial Services;
- Liquor: liquor retailer with 933 stores nationally under the brands Liquorland, First Choice Liquor Market and Vintage Cellars, including online liquor delivery services; and
- Express: convenience store operator and commission agent for retail fuel sales across 711 sites nationally.

Other business operations that are not separately reportable, such as Property, as well as costs associated with enterprise functions, such as Insurance and Treasury, are included in Other.

Coles is one of the most trusted consumer brands in Australia with businesses including Coles, Coles Local, Coles Express, Liquorland, First Choice Liquor Market, Vintage Cellars and Coles Financial Services. Coles is also a 50% shareholder of Flybuys, a loyalty program with more than six million active households.

Coles' core competencies include merchandising, product development and supplier relationships, marketing, customer service and maintaining and operating a national store and online network. Coles also operates an integrated supply chain, including logistics, and a national distribution centre network.

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

Since launching our 'Winning in our second century strategy' in 2019, Coles has made significant progress in the delivery of our vision, purpose and strategic pillars. By building on the success of the past three years, we are evolving the strategy to position Coles to thrive in the next horizon.

The Coles Group purpose has been updated to 'sustainably ***help*** all Australians lead healthier, happier lives'. Coles sells more than just food, and this change reflects the wider role our Company plays in the community and the ever-broadening range of offers encompassing food, drink and home. Our values of customer obsession, passion and pace, responsibility and health and happiness have not changed, and they continue to guide the day-to-day decisions and actions of our team members.

The five key areas we have set the ambition to differentiate in have also been updated to encompass our wider ambitions in areas such as eCommerce, sustainability, team engagement and community partnerships. They are:

1. Win in food and drink with unique omnichannel offering
2. Be a great value exclusive brands powerhouse and destination for convenience and health
3. Achieve long-term structural cost advantage through Smarter Selling programs, including data, automation and technology partnerships
4. Be Australia's most sustainable supermarket group together with our partnerships and communities
5. Deliver at pace through our engaged team

We have made progress against our three strategic pillars of **Inspire Customers**, **Smarter Selling** and **Win Together** while supporting our team members, customers, suppliers, and community partners.

Our brands

Supermarkets

Liquor

Convenience

Inspire Customers

The focus areas of the first pillar of our strategy, '***Inspire Customers*** *through best value solutions in food, drink and home*', are outlined below:

- Trusted value through personalisation
- Exclusive brands powerhouse
- Leading anytime, anywhere, anyhow shopping
- Destination for health, sustainability and convenience
- Expanded offer through new markets and services

Update on Inspire Customers pillar:

We have made progress against our strategic pillar of Inspire Customers by delivering a tailored range and trusted value to our customers. Coles was ranked by the Roy Morgan survey as one of the most trusted consumer brands in Australia for the third year in a row.

With Australian families facing increased pressure on household budgets, our commitment to deliver trusted value remains more important than ever. With an Exclusive to Coles range of almost 6,000 products, Coles provides extensive value-oriented options. Seasonal value campaigns and everyday pricing have continued to support strong value offers across the year, with prices maintained on many essential everyday items.

More than 1,300 Coles Own Brand products were launched during the year, while Coles Own Brand won 91 product awards including nine consumer-voted 'Product of the Year' awards for innovation across products including Coles' Ultimate 40% Choc Chip Cookies and DALEY ST Dark Ground Coffee.

In Liquor, trusted value was delivered through lowering prices for longer with more than 2,000 Price Drops across Liquorland and First Choice Liquor Market. Exclusive Liquor Brand (ELB) and local product contribution also grew strongly, delivered through improved range planning and market-leading sustainability innovations such as the 100% recyclable eco-bottle wine range which was launched during the year. The ELB portfolio continued to be recognised with more than 420 awards received during the year including ELB brand, Smithy's, winning the Australian Lager of the Year at the Melbourne International Beer Competition, and The Bio Project Tempranillo Blend winning Gold at the National Wine Show of Australia.

With a focus on anytime, anywhere, anyhow shopping, Coles delivered strong eCommerce growth during the year, across Supermarkets and Liquor.

In Supermarkets, eCommerce sales grew by 41% with progress made in the unified customer experience through the launch of a new shoppable Coles App. Capacity for customers increased through the expansion of Click & Collect Rapid (order to pick up in 90 minutes) to more than 450 stores and same day home delivery to more than 520 stores. Benefits were also expanded for Coles Plus members, offering members a differentiated omnichannel experience with online and instore shopping benefits.

In Liquor, eCommerce sales grew by 49% through the opening of a fourth eCommerce dark store, and an expanded range. Capacity was increased through the continued roll out of Click & Collect, the expansion of on demand (immediacy delivery) which is available in more than 400 stores while 1,400 products were added to the online range.

We are also creating opportunities with our joint venture partner in Flybuys, providing additional value for Flybuys members with new customer offers and the addition of Bunnings and Officeworks to the Flybuys portfolio.

In an Australian first, Coles partnered with KitchenAid to introduce a collectible program to reward customers with a premium collection of cookware designed to go straight from the oven to serving on the table.

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Smarter Selling

The focus areas of the second pillar of our strategy '***Smarter Selling*** *through efficiency and innovation*', are outlined below:

- Technology and digitally empowered organisation
- Strategic and sustainable sourcing
- Optimised network and formats
- Agile Store Support Centre using data driven insights

Update on Smarter Selling pillar:

We continue to deliver against our Smarter Selling strategic pillar, with approximately $230 million of benefits realised during the year and are on track to deliver $1 billion of benefits, under our four-year program, by the end of FY23.

With the benefits being generated, Coles has been able to partially offset cost pressures in the business, including the COVID-19 costs incurred during the year and, importantly, invest in an enhanced customer service, both online and in store.

Key Smarter Selling initiatives delivered during the year focused on technology-led in-store improvements such as the use of artificial intelligence with dynamic markdowns rolled out in fresh produce and dairy, following the successful deployment of this technology in meat in FY21. The in-store service transformation also saw the roll out of trolley assisted checkouts and customer bagging benches which are giving customers greater choice while at the same time, improving team member productivity. Front of store loss prevention initiatives rollout also continued with more than 80% of stores now protected with entry gates and glass balustrading.

Efficiencies in eCommerce were delivered through the introduction of an automated fraud detection tool to reduce loss, as well as a continued focus on reducing our cost to serve through improved pick efficiencies and delivery van optimisation which was achieved through adjusting store catchments and optimising routes, shift times and customer offerings.

Demand-based heating, ventilation and air-conditioning was installed in stores, as well as energy efficient LED lights across the Coles Express network.

During the year, Coles aligned its meat operating models nationally which delivers high quality retail ready meat for customers. This also reduces waste and provides a safer working environment for team members.

Coles' store format strategy is to invest in the right store, at the right time, with the optimum format. During the year, Coles renewed 50 supermarkets including 12 Format A, 10 Format B, 22 Format C and six Coles Local stores. In Liquor, 191 Black and White Liquorland, eight First Choice Liquor Market and nine Vintage Cellar Evolution stores were renewed.

The Witron and Ocado transformation projects are the biggest automation projects in Coles' history. In FY22, the Ocado Customer Fulfilment Centres (CFCs) in Melbourne and Sydney were handed over for robotic fit-out. In Queensland, the fit-out of the automation equipment and racking progressed in the Witron automated Distribution Centre (DC), and the fit-out of automation commenced in the New South Wales automated DC.

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

Win Together

The focus areas of the third and final pillar of our strategy '***Win Together*** *with our team, suppliers and communities*', are outlined below:

- Safer choices together
- Great place to work
- Better Together through diversity and community
- Together to Zero to drive generational sustainability
- Growth through partnership

Update on Win Together pillar:

We have made progress against our strategic pillar of Win Together focusing on helping all Australians to lead healthier and happier lives, including our team members, our suppliers and our communities.

Coles again delivered another year of improvement in our safety performance with a 14.7% improvement in Total Recordable Injury Frequency Rate (TRIFR) compared to FY21. This was delivered through investments in team member development, wearable technology and critical risk reduction programs such as fall from height improvements and manual handling equipment in stores.

We aim for Coles to be a *Great place to work* and during the year, more than 90,000 team members provided feedback through an employee engagement survey. The results showed a three-percentage point improvement, including improved scores in mental health metrics.

Coles' vision for diversity and inclusion is to foster a safe, inclusive and diverse workplace that is reflective of the community and customers we serve. We know we are a team that is Better Together. During the year, Coles was recognised as a Gold tiered employer for the second year in a row at the 2022 Australian LGBTQ Inclusion Awards, based off the Australian Workplace Equality Index. The Australian Network on Disability also recognised Coles as a top employer for people with disability at the 2022 Disability Confidence Awards.

Creating opportunities, raising awareness, sharing stories and strengthening relationships with our Indigenous team members remains a focus. However despite doing so, we ended the financial year with only 3.2% Indigenous team members and we continue to develop strategies to increase longer term participation. Coles was also pleased to support NAIDOC week during the year after celebrations were cancelled in FY21 due to COVID-19.

Our ambition to be Australia's most sustainable supermarket will see us transition to 100% renewable energy by FY25, continue to invest in solar energy, efficiency and reduction of food waste, and continue to focus on delivering our Coles Own Brand commitments. We continue to strengthen our processes and systems in close collaboration with key stakeholders such as suppliers, unions and workers in our supply chain. We partnered with farmers in Victoria and New South Wales to launch Coles Finest Certified Carbon Neutral Beef range[1], providing customers with more sustainable options. In Liquor, we launched the 100% recyclable eco-bottle wine range[2], made from 100% recycled PET plastic and 83% lighter than an average glass wine bottle. The eco-bottle has a lower carbon footprint in all stages of production, transportation and recycling.

In addition to our long standing programs of support in providing edible food for charities through our partnerships with SecondBite and Foodbank, significant contributions to other charities and community organisations were made in FY22. More than $8.6 million was raised for FightMND to help fund research and treatments for Motor Neurone Disease; more than $4.1 million raised for Redkite to help families affected by childhood cancer; and more than $1.8 million raised for the Red Cross Queensland and New South Wales Flood Appeal.

Good progress was also made on the pathway to Together to Zero. During the year, Coles secured a path to 100% renewable electricity by the end of FY25 through three additional renewable energy contracts to purchase large-scale generation certificates with Origin Energy, ACCIONA Energia, and ENGIE. Coles was ranked the number two food retailer globally for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark[3]. Coles has committed $10 million over 10 years to our 'Blue Carbon Partnership[4]' with the Great Barrier Reef Foundation, supporting programs to capture and store atmospheric carbon in marine ecosystems that are 30-50 times more efficient at this task than land-based forests.

1 Product is certified carbon neutral from paddock to shelf under Climate Active Carbon Neural Standards and ranged in selected Victorian stores.
2 Range was launched in collaboration with Packamama and winemakers Garcon Wines, Taylors Wines and Accolate Wines.
3 Based on 2021 Food and Agriculture Benchmark of 350 food and agriculture companies globally by the World Benchmarking Alliance. Benchmark across four key measurement areas of social inclusion, nutrition, governance & strategy, and environment. Coles ranked #12/350 companies overall and #2/62 of food retailers globally.
4 Coles' partnership with the Great Barrier Reef Foundation will dedicate funds towards a number of innovative projects based on 'blue carbon' – the process of capturing and storing carbon in oceanic or coastal ecosystems such as mangroves, tidal marshes and seagrasses. These ecosystems have the potential to capture and store more carbon than tropical rainforests, helping in the fight against climate change. More information is available at https://www.colesgroup.com.au/media-releases/?page=coles-commits-10-million-to-help-protect-the-great-barrier-reef.

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Top: Tim from Coles' fresh produce team visits organic vegetable growers Wayne and Natasha Shields from Peninsula Fresh Organics in Victoria. The business was awarded a $300,000 grant to help transform its irrigation infrastructure in a bid to save 60 million litres of water per year and prevent run off of nutrients into local waterways.
Bottom: Coles ambassador Eddie Betts at a Coles Healthy Kicks program, inspiring young Australians to enjoy healthy and happy lifestyles.

Group performance

$m	FY22	FY21	CHANGE
Sales revenue			
Supermarkets[1]	34,624	33,868	2.2%
Liquor	3,613	3,525	2.5%
Express	1,132	1,192	(5.0%)
Group sales revenue	**39,369**	**38,585**	**2.0%**
EBIT			
Supermarkets[2]	1,715	1,702	0.8%
Liquor	163	165	(1.2%)
Express	42	67	(37.3%)
Other	(51)	(61)	16.4%
Group EBIT	**1,869**	**1,873**	**(0.2%)**
Financing costs	(396)	(427)	7.3%
Income tax expense	(425)	(441)	3.6%
Profit after tax	**1,048**	**1,005**	**4.3%**

1 FY21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).
2 FY22 includes approximately $30 million of implementation operating costs in relation to the Witron and Ocado transformation projects ($7 million in FY21).

Highlights

- Sales revenue growth of 2.0% to $39.4 billion with eCommerce performance in Supermarkets and Liquor cycling elevated COVID-19 related prior year sales.
- EBIT of $1,869 million despite significant COVID-19 costs, transformation project costs, flood events and lower Express earnings as a result of reduced mobility from COVID-19 lockdowns.
- Cash realisation of 104% and net debt of $506 million.
- Fully-franked final dividend of 30.0 cents per share declared, taking total dividends in relation to FY22 to 63.0 cents.

Performance overview

Despite cycling significantly elevated COVID-19 related sales in the prior corresponding period, FY22 Group sales revenue of $39.4 billion increased by 2.0% in FY22.

Group EBIT of $1.9 billion decreased by 0.2%. EBIT includes COVID-19 costs of approximately $240 million and project implementation costs in relation to the Witron and Ocado transformation projects of approximately $30 million and lower Express earnings as a result of reduced mobility from COVID-19 travel restrictions. Smarter Selling benefits of approximately $230 million were also realised during the year. The vast majority of these EBIT impacts were borne by Supermarkets while Liquor comprised a minor component.

Impacts of COVID-19 and floods

Supermarkets

Extended lockdowns in New South Wales, the Australian Capital Territory and Victoria for much of the first half led to higher sales and customers preferring or having to shop locally rather than in larger shopping centre stores. As restrictions eased, sales growth remained elevated with a strong Christmas trading period and the contribution from shopping centre stores increasing.

As Omicron became more prevalent early in the second half and despite the lack of formal restrictions, local shopping trends re-emerged. In addition, availability issues in store as a result of a large number of Coles and supplier team members being required to isolate again led to customers choosing to shop at their local store network. The availability challenges impacted Coles' promotional program which was restored by the end of the year. Over the fourth quarter, local shopping trends subsided and the contribution from shopping centre stores increased again.

The highly disruptive flood events in South Australia, New South Wales and Queensland early in the second half caused severe road and rail logistics disruptions, impacting availability. This also led to 30 temporary store closures and, by the end of the year, one remained closed and one store permanently closed.

eCommerce growth remained elevated early in FY22. As the year progressed and restrictions eased, customers returned to shopping in store, however eCommerce sales are more than two times pre-pandemic levels.

Liquor

Liquor sales remained elevated in the first half with the closure of on-premise venues in New South Wales, the Australian Capital Territory and Victoria. However, the COVID-19 sales impacts tapered over the year as restrictions eased and on-premise venues re-opened. The emergence of Omicron early in the second half impacted sales with limited social gatherings and associated liquor consumption with customers still preferring larger pack sizes. Consistent with Supermarkets, availability was also impacted as a result of Liquor and supplier team members being required to isolate.

Liquor stores were disrupted due to the flood events in February with 66 Liquor stores initially impacted with seven stores remaining closed at the end of the year.

eCommerce performed strongly across the year with penetration peaking at 5.0% in the second quarter and ending the fourth quarter at 4.5%.

Express

Fuel volumes were negatively impacted from reduced mobility and traffic flows as a result of lockdowns in the first half. The recovery from COVID-19 restrictions slowed throughout the second half due to the flood events, inclement weather as well as higher fuel prices. More than 30 Express sites were closed as a result of the floods with three remaining closed at the end of the year.

Costs

COVID-19 costs of approximately $240 million were incurred during the year, compared to approximately $130 million of COVID-19 costs incurred in FY21. COVID-19 costs were incurred primarily in the Supermarkets and Liquor segment and largely related to store remuneration, including costs in relation to team member absenteeism, recruitment, rapid antigen testing and additional door greeters to ensure QR code compliance in the early part of the first half.

Coles incurred direct costs from flood events in the second half of approximately $30 million including the loss of stock, asset write-offs and increased freight costs through rail and road disruptions. The majority of these costs were recovered through insurance in the fourth quarter.

Award covered salaried team member review

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 (GRIA). The review assessed the remuneration paid to 15,011 team members against GRIA. Coles conducted a remediation program, and to date Coles has incurred $13 million of remediation costs with a further $12 million provided for at the date of this report.

Following the announcement in February 2020, the Fair Work Ombudsman (FWO) commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA. FWO alleges that Coles is obligated to pay a further $108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in the Coles' remediation.

Coles has lodged its defence in this proceeding, and the matter has been listed for trial in mid 2023. The trial will include consideration of threshold issues, including interpretation of the GRIA provisions. As such, the potential outcome, extent to which further remediation may be necessary, and costs associated with this matter remain uncertain as at the date of this report.

In May 2020, Coles was notified that a class action proceeding had been filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets. Coles is defending the proceeding. This matter will be heard in conjunction with the FWO proceedings at trial in mid June 2023. The potential outcome and total costs associated with this matter remain uncertain as at the date of this report.

Earnings per share and dividends

Basic earnings per share (EPS) increased to 78.8 cents, a 4.6% increase from the prior year.

	FY22	FY21
Profit for the period ($m)	1,048	1,005
Weighted average number of ordinary shares for basic EPS (shares, million)	1,330	1,334
Weighted average number of ordinary shares for diluted EPS (shares, million)	1,331	1,335
Basic EPS (cents)	78.8	75.3
Diluted EPS (cents)	78.7	75.3

The Board has determined a fully franked final dividend of 30.0 cents per share (cps).

In respect of the year:	CPS	FRANKED AMOUNT PER SECURITY
FY22		
Interim dividend	33.0 cents	33.0 cents
Final dividend	30.0 cents	30.0 cents
FY21		
Interim dividend	33.0 cents	33.0 cents
Final dividend	28.0 cents	28.0 cents

Balance sheet

A summary of key balance sheet accounts for the Group:

$m	FY22	FY21	CHANGE
Assets			
Cash and cash equivalents	589	787	(25.2%)
Trade and other receivables	470	368	27.7%
Inventories	2,448	2,107	16.2%
Property, plant and equipment	4,807	4,463	7.7%
Right-of-use assets	7,199	7,288	(1.2%)
Intangible assets	1,864	1,698	9.8%
Deferred tax assets	822	873	(5.8%)
Other	637	539	18.2%
Total assets	**18,836**	**18,123**	**3.9%**
Liabilities			
Trade and other payables	4,335	3,660	18.4%
Provisions	1,278	1,408	(9.2%)
Interest-bearing liabilities	1,095	1,142	(4.1%)
Lease liabilities	8,681	8,756	(0.9%)
Other	323	344	(6.1%)
Total liabilities	**15,712**	**15,310**	**2.6%**
Net assets	**3,124**	**2,813**	**11.1%**

Cash and cash equivalents decreased to $589 million despite strong operating activities of $2,690 million due to the repayment of debt.

Trade and other receivables increased to $470 million largely driven by an increase in international receivables and timing.

Inventory increased to $2,448 million driven by an increase in stock holdings to support availability and COVID-19 recovery.

Right-of-use assets decreased to $7,199 million largely driven by depreciation for the period, partly offset by new leases and modifications.

Property, plant and equipment increased to $4,807 million largely reflecting investment in the Group's annual capital program, partly offset by depreciation and property transactions during the year.

Intangible assets increased to $1,864 million largely driven by the Group's continued investment in technology, partly offset by amortisation for the year.

Trade and other payables increased to $4,335 million due to the increase in purchases and inventory following availability issues, extended shipping times and costs.

Provisions decreased to $1,278 million largely driven by costs incurred in the closure of the Goulburn Distribution Centre during the period, move to retail ready meat and reduction in employee entitlements.

Capital management

Interest-bearing liabilities reflect external borrowings and debt capital funding commitments. Coles repaid $100 million term debt in August 2021 which was replaced by $50 million term debt.

As at 26 June 2022, Coles' average debt maturity was 6.0 years, with undrawn facilities of $2,345 million. Coles remains committed to maintaining diversified funding sources and extending its debt maturity profile over time.

The lease-adjusted leverage ratio at the reporting date was 2.8x with current published credit ratings of BBB+ with Standard & Poor's and Baa1 with Moody's.

Cash flow

Summary cash flows of the Group:

$m	FY22	FY21	CHANGE
Cash flows from operating activities			
Receipts from customers	41,887	41,138	1.8%
Payments to suppliers and employees	(38,309)	(37,510)	2.1%
Interest paid	(41)	(47)	(12.8%)
Interest component of lease payments	(363)	(390)	(6.9%)
Interest received	1	4	(75.0%)
Income tax paid	(485)	(358)	35.5%
Net cash flows from operating activities	**2,690**	**2,837**	**(5.2%)**
Net cash flows used in investing activities	**(1,142)**	**(1,106)**	**3.3%**
Net cash flows used in financing activities	**(1,746)**	**(1,936)**	**(9.8%)**
Net increase/(decrease) in cash and cash equivalents	**(198)**	**(205)**	**(3.4%)**

Net cash flows from operating activities decreased to $2,690 million predominantly reflecting an increase in income tax paid.

Net cash flows used in investing activities increased to $1,142 million reflecting the Group's annual capital program, partly offset by the proceeds from property sales during the year.

Net cash flows used in financing activities decreased to $1,746 million reflecting the Group's lease payments, dividends and net repayment of borrowings.

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

Supermarkets

Segment overview

$m	FY22	FY21	CHANGE
Sales revenue[1]	34,624	33,868	2.2%
EBITDA[2]	3,022	3,001	0.7%
EBIT[2]	1,715	1,702	0.8%
Gross margin (%)	26.3	25.9	42bps
Cost of doing business (CODB)[1] (%)	(21.4)	(20.9)	(50bps)
EBIT margin (%)	5.0	5.0	(7bps)

1 FY21 sales revenue and CODB have been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).
2 FY22 includes approximately $30 million of implementation operating costs in relation to the Witron and Ocado transformation projects ($7 million in FY21).

Operating metrics (non-IFRS)

	FY22 (52 WEEKS)	2H22 (25 WEEKS)	1H22 (27 WEEKS)	FY21 (52 WEEKS)
Gross retail sales[1] ($ billions)	35.7	17.1	18.6	34.6
Gross retail sales growth[1] (%)	3.0	4.0	2.0	3.0
Comparable sales growth (%)	2.6	3.8	1.5	2.5
eCommerce sales[2] ($ billions)	2.8	1.3	1.5	2.0
eCommerce penetration[2] (%)	7.9	7.6	8.2	5.8
Sales density per square metre[3] (MAT $/sqm)	18,209	18,209	17,919	17,847
Net promoter score (point increase/(decrease))	(3.6)	(7.5)	0.2	2.3
Inflation / (deflation) (%)	1.7	3.8	(0.2)	0.8
Inflation / (deflation) excl. tobacco and fresh (%)	1.6	3.6	(0.2)	(0.8)

1 Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.
2 eCommerce sales include Liquor sold through coles.com.au. FY21 eCommerce sales and penetration has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).
3 Sales density per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Highlights

Supermarkets sales revenue was $34.6 billion for the year, an increase of 2.2% on the prior corresponding period.

Sales revenue growth was driven by the successful execution of trade plans throughout the year including the seasonal Christmas and Easter campaigns, the KitchenAid Ovenware and MasterChef Knives customer continuity campaigns, as well as value campaigns focused on lowering the cost of living for customers. eCommerce contributed to sales revenue growth, particularly in the first half during the lockdowns in New South Wales, Victoria and the Australian Capital Territory.

eCommerce sales of $2.8 billion grew by 41% year-on-year with penetration of 7.9% in FY22, compared to 5.8% in the prior corresponding period. During the year, Coles Online increased its network coverage with 95% of Australians now having access to home delivery. The Click & Collect network expanded to more than 740 stores with Click & Collect to the boot of car available at more than 670 stores. With a focus on immediacy, Click & Collect Rapid was expanded to more than 450 stores and same day home delivery expanded to more than 520 stores. The unified customer experience was enhanced through the launch of a shoppable Coles App. Benefits for Coles Plus members were expanded during the year offering a differentiated omnichannel experience with online and instore shopping benefits.

Total Supermarkets price inflation of 1.7% was recorded for the year and 4.3% for the fourth quarter. In the fourth quarter, fresh inflation was 4.7%, driven by both bakery, reflecting higher wheat prices, and fresh produce, due to the Queensland and New South Wales floods impacting supply, particularly in vine and soft vegetables such as tomatoes, capsicums and broccoli. This was partly offset by fruit deflation, particularly in bananas and grapes. Supermarkets recorded packaged inflation of 1.6% for the year and 4.3% for the fourth quarter. Raw material, commodity, shipping and fuel costs remained the key driver to supplier input cost requests received in the fourth quarter impacting inflation in packaged.

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Coles team member Linda from Greenacres in South Australia celebrated 50 years working with Coles in 2021.

Exclusive to Coles range revenue grew by 4.2% to $11.4 billion in FY22. More than 1,300 new Coles Own Brand products were launched during the year, including Coles' liquid Breakfast on the Move (BOM) range and Coles PerForm sports nutrition products and supplements, ranging from performance meals and soups to high protein bars and powders. Coles was the first major Australian supermarket to launch a Certified Own Brand Carbon Neutral Beef product. During the year, Coles Own Brand won 91 product awards including nine consumer-voted Product of the Year awards for product innovation across a range of products including Coles' Ultimate 40% Choc Chip Cookies, DALEY ST Dark Ground Coffee, Finest Beef Herbs and Spices Sausages and Coles Kitchen Green Goddess Salad Kit.

With an Exclusive to Coles range of almost 6,000 products, seasonal value campaigns and everyday pricing have continued to support strong value offers across the year, with prices maintained on many essential everyday items. This includes Coles Durum Wheat Pasta (500 gms), Coles Tuna (85 gms), Coles Baked Beans (420 gms) and Coles Italian Diced Tomatoes (400 gms) which continue to be priced at '$1 or less'.

Customer satisfaction, as measured by Net Promoter Score (NPS), was negatively impacted as a result of supply chain challenges which impacted availability for customers, particularly in the second half of the financial year.

Coles completed 50 store renewals during the year including 12 Format A, 10 Format B, 22 Format C and six Coles Local stores. For the year, 11 new openings and 10 closures were completed. At the end of FY22 there were 835 Supermarkets in the fleet.

Gross margin of 26.3% increased by 42 bps year-on-year with strategic sourcing and Smarter Selling benefits such as supply chain and loss prevention initiatives partially offset by COVID-19 costs incurred in the year.

Cost of doing business (CODB) as a percentage of sales increased by 50 bps to 21.4% due to COVID-19 costs (approximately $160 million compared to approximately $90 million incurred in the prior corresponding period), as well as higher costs related to the increase in sales, higher fuel costs and underlying cost inflation. Strategic investments continue to be made in eCommerce, IT and digital. This was partially offset by Smarter Selling benefits. For the full year, approximately $30 million of implementation operating costs were incurred in relation to the Witron and Ocado transformation projects.

EBIT of $1.7 billion increased by 0.8% with an EBIT margin of 5.0%.

The expanded range of local wines at Coles Liquor (top left); Local Brewing Co co-founder Sam Harris (top right) with White Peach Surplus Sour Product – an exclusive craft beer at Liquorland and First Choice Liquor Market stores which is brewed using unsold supermarket bread and excess white peaches; the range of exclusive gins at Coles Liquor (middle) and Mia Lloyd, General Manager Customer, Trade Planning & Loyalty for Coles Liquor, pours wine from the new eco-bottle. Photo credit: Simon Schluter/The Age (bottom).

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Liquor

Segment overview

$m	FY22	FY21	CHANGE
Sales revenue	3,613	3,525	2.5%
EBITDA	278	276	0.7%
EBIT	163	165	(1.2%)
Gross margin (%)	22.5	21.8	64bps
Cost of doing business (CODB) (%)	(17.9)	(17.1)	(79bps)
EBIT margin (%)	4.5	4.7	(16bps)

Operating metrics (non-IFRS)

	FY22 (52 WEEKS)	2H22 (25 WEEKS)	1H22 (27 WEEKS)	FY21 (52 WEEKS)
Gross retail sales[1] ($ billions)	3.6	1.6	2.0	3.5
Gross retail sales growth[1] (%)	2.4	2.1	2.6	6.8
Comparable sales growth (%)	2.1	2.4	1.8	6.3
eCommerce sales[2] ($m)	165	71	95	111
eCommerce penetration[2] (%)	4.6	4.4	4.8	3.1
Net Promoter Score[3] (point increase /(decrease))	(0.8)	(2.6)	1.2	4.9
Sales density per square metre[4] (MAT $/sqm)	16,354	16,354	16,315	16,287

1 Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.
2 eCommerce sales exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales. FY21 eCommerce sales and penetration has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).
3 Net Promoter Score is based on Liquorland NPS results.
4 Sales density per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Highlights

Liquor sales revenue was $3.6 billion for the year, an increase of 2.5% on the prior corresponding period.

Sales revenue growth was delivered as a result of solid trading across the year, particularly in the first half during the lockdowns in New South Wales, Victoria and the Australian Capital Territory when on-premise venues were closed. The Christmas and Easter trading periods were strong. Liquorland was the strongest performing banner with 191 Black and White Liquorland renewals completed, providing customers with an enhanced range of local wines, craft beers and boutique spirits. At a category level, Ready-To-Drink and Spirits were the key drivers of growth.

Customer satisfaction, as measured by NPS, was impacted by availability challenges early in the second half as a result of Omicron and flood impacts on supply chain. NPS began to recover during the fourth quarter as a result of a focus on team and availability metrics.

eCommerce sales grew by 49% with penetration of 4.6% in FY22, compared to 3.1% in the prior corresponding period. During the year, capacity was increased through the continued roll out of Click & Collect, the expansion of on-demand services which is available in more than 400 stores while 1,400 products were added to the online range.

Trusted value for customers was delivered through lowering prices for longer with more than 2,000 Price Drops across Liquorland and First Choice Liquor Market, reflected in improved value metrics during the year. Exclusive Liquor Brand (ELB) and local product contribution grew, delivered through improved range planning and market-leading sustainability innovations such as the 100% recyclable eco-bottle wine range launched during the year. The ELB portfolio continues to be recognised with more than 420 awards received during the year including ELB brand Smithy's winning the Australian Lager of the Year at the Melbourne International Beer Competition.

Liquor completed 208 renewals during the year including nine Vintage Cellar Evolution stores, in addition to the 191 Black & White Liquorland renewals. For the year, 16 new openings and 12 closures were completed. At the end of the period there were 933 Liquor stores.

Gross margin of 22.5% increased by 64 bps largely due to the strong performance in ELB and local ranges.

CODB as a percentage of sales increased by 79 bps to 17.9% largely due to investments in customer service and team capability, as well as transformation costs in relation to IT systems. COVID-19 costs in relation to team member absenteeism and recruitment also increased throughout the second half. Depreciation and amortisation increased by $4 million as a result of investments in renewals and new stores.

Liquor EBIT of $163 million decreased by 1.2% for the year driven by increased depreciation and amortisation, with an EBIT margin of 4.5%.

Express

Segment overview

$m	FY22	FY21	CHANGE
Sales revenue	1,132	1,192	(5.0%)
EBITDA	181	207	(12.6%)
EBIT	42	67	(37.3%)
Gross margin (%)	52.3	52.4	(12bps)
Cost of doing business (CODB) (%)	(48.5)	(46.7)	(184bps)
EBIT margin (%)	3.7	5.7	(196bps)

Operating metrics (non-IFRS)

	FY22 (52 WEEKS)	2H22 (25 WEEKS)	1H22 (27 WEEKS)	FY21 (52 WEEKS)
Convenience store (c-store) gross retail sales[1] ($)	1,201	586	615	1,262
C-store gross retail sales growth[1] (%)	(4.8)	(1.0)	(8.1)	7.4
Comparable c-store sales growth (%)	(3.9)	0.1	(7.4)	6.8
Weekly fuel volumes (mL)	54.4	56.4	52.6	57.1
Fuel volume growth (%)	(4.7)	(4.2)	(5.2)	(4.0)
Comparable fuel volume growth (%)	(3.8)	(3.1)	(4.4)	(5.4)

1 Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points. Fuel concession sales are excluded from Express gross retail sales on the basis Coles does not control retail pricing.

Highlights

C-store sales revenue was $1.1 billion for the year, a decrease of 5.0% on the prior corresponding period.

C-store sales growth was impacted by lower forecourt traffic due to lockdowns in New South Wales, Victoria and the Australian Capital Territory in the first half, while reduced mobility from the Omicron variant and flood events in New South Wales and Queensland impacted sales in the second half. The cycling of strong tobacco sales in the prior corresponding period also had an impact. Excluding tobacco, c-store sales grew by 0.9% in FY22 with strong growth in food-to-go, including coffee and hot fast food, as well as drinks following recent range review activity. During the year, Express completed the successful national roll-out of the Shell Coles Express App, providing customers with Pay at Pump and Store Locator functionality as well as monthly c-store offers.

Fuel volumes declined by 4.7% during the year with comparable fuel volumes declining by 3.8% driven by COVID-19 lockdowns, the flood events in New South Wales and Queensland as well as record-high fuel prices in the second half. Average weekly fuel volumes of 54.4mL per week were recorded during the year. For the fourth quarter, average weekly fuel volumes were 56.9mL per week.

For the year, one Express site was opened and seven closed, taking the total network to 711 sites.

Gross margin declined by 12 bps to 52.3% largely due to the declining fuel volumes. CODB as a percentage of sales of 48.5% increased by 184 bps largely due to lower sales, however overall CODB reduced relative to the prior corresponding period as a result of a strong focus on cost control. Express EBIT for the year was $42 million with an EBIT margin of 3.7%.

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Other

Coles reported other net costs of $51 million for the year. Other includes corporate costs, Coles' 50% share of Flybuys' net result and the net gain or loss generated by Coles' property portfolio.

Corporate costs of $82 million were incurred for the year, broadly flat on the prior corresponding period costs of $83 million. Coles' 50% share of Flybuys' net result was a $7 million loss, due to increasing investment in technology and data, while earnings from property operations were $38 million for the year compared to $27 million in the prior corresponding period.

Glossary of terms

Average basket size: A measure of how much each customer spends on average per transaction

bps: Basis points. One basis point is equivalent to 0.01%

Cash realisation: Calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding significant items)

CODB: Costs of doing business. These are expenses which relate to the operation of the business below gross profit and above EBIT

Comparable sales: A measure which excludes stores that have been opened or closed in the last 12 months and excludes demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings

EBIT: Earnings before interest and tax

EBITDA: Earnings before interest, tax, depreciation and amortisation

EPS: Earnings per share

Exclusive to Coles: Refers to the portfolio of product brands that are exclusively available at Coles, and includes Coles Own Brands and Exclusive Proprietary Brands. Coles Own Brands refers to the portfolio of product brands owned by Coles (e.g. Coles Finest, KOi, Coles Nature's Kitchen). Exclusive Proprietary Brands refers to the portfolio of product brands owned by suppliers but exclusive to Coles (e.g. La Espanola)

Gross margin: The residual income remaining after deducting cost of goods sold, total loss and logistics from sales, divided by sales revenue

Gross retail sales: Comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points. Fuel concession sales are excluded from Express gross retail sales on the basis Coles does not control retail pricing

IFRS: International Financial Reporting Standards

Leverage ratio: Gross debt less cash at bank and on deposit, divided by EBITDA

MAT: Moving Annual Total. Sales per square metre is calculated as sales divided by net selling area. Both sales and net selling area are based on a MAT, calculated on a rolling 12 months of data basis

Net Promotor Score: Metric used to measure customer advocacy, derived from an externally facilitated survey with a nationally representative sample. The point movement reported represents the NPS measured over the relevant period relative to the prior corresponding period. Liquor NPS is based on Liquorland NPS results

Perfect Order Rate: The percentage of total home delivery orders (excluding Click & Collect) that were fulfilled on time without any missing items or substitution

Retail calendar: A reporting calendar based on a defined number of weeks, with the annual reporting period ending on the last Sunday in June

Significant items: Large gains, losses, income, expenditure or events that are not in the ordinary course of business. They typically arise from events that are not considered part of the core operations of the business

TRIFR: Total Recordable Injury Frequency Rate. The number of lost time injuries, medically treated injuries and restricted duties injuries per million hours worked, calculated on a rolling 12-month basis. TRIFR includes all injury types including musculoskeletal injuries

Update on Witron and Ocado transformation projects

The Witron and Ocado transformation projects are the biggest automation projects in Coles' history.

Witron

Coles' commitment towards modernising its supply chain led to the partnership in October 2018 with Witron to develop two automated DCs located in Redbank Queensland (Qld) and Kemps Creek New South Wales (NSW).

Our investment in this exclusive partnership with Witron, the automated DC market leader delivering over 70 facilities globally, is a foundation of our sustainable strategic differentiation by delivering long-term structural cost advantage through automation, data and technology.

The benefits of the automated DCs include:

- Safer working environments with improved service at a lower cost
- Reduced lead time to deliver better availability, with both sites providing full case pick ambient range in each state
- Double the volume on half the footprint and approximately two-thirds operating costs of a standard site

Construction and installation of the automated DCs is progressing well despite the challenges, in particular of COVID-19 and disrupted global transport and supply chains. These factors, together with elevated commodity prices and higher labour costs, have increased the estimated capital investment over the four and a half year period, inclusive of contingency, to approximately $1,040 million from the previously advised $950 million.

The facilities are due to be commissioned within the previously communicated timeframes. The Redbank Qld facility in 3Q23 and Kemps Creek NSW in 3Q24.

Ocado

Our partnership with Ocado, the world's leading technology provider in automated single pick fulfilment technology and home delivery solutions, is a core foundation of Coles' strategic differentiator to 'win in food and drink with a unique omnichannel offering'.

The Ocado program is focused on NSW and Victoria and includes:

- Seamless digital customer experience with a unified App and website
- Improved product availability and freshness with delivered in full on time expected to be industry leading
- Greater product range. The CFCs will open with an expanded range compared to our current average home delivery store and growing to approximately 40,000 SKUs over time (approximately double our existing home delivery store)
- Increased network capacity with spokes to extend the CFC catchment areas for efficient last mile delivery

Coles' eCommerce sales are now 2.7 times the level at the time of entering our partnership with Ocado in March 2019. The rate of increase is higher than previously anticipated, largely driven by COVID-19. Our strategic plans have adapted to meet this significant uplift in demand and include significant investment in digital platforms and nationwide capacity.

As previously advised, as a result of Coles' significant investments in customer experience and the rapid acceleration in eCommerce revenue and penetration since the onset of COVID-19, Coles and Ocado agreed to update arrangements regarding how the Ocado Smart Platform (OSP) will integrate with these new initiatives. Coles will manage the online store and web presence for the intake of orders, and Ocado will provide OSP automated fulfilment functionality through the CFCs and store pick channels, as well as last-mile solutions.

At the time Coles announced the Ocado partnership in March 2019 it expected capital expenditure, inclusive of upfront Ocado fees, to be in the range of $130-150 million over the four-year development and construction period.

In order to maximise the potential of the CFCs, in addition to the significant eCommerce investments, Coles has enhanced the customer offer to include features such as onsite bakeries and fresh cut produce rooms (a world first) and expanded the catchment zones within the hub and spoke model.

These investments, together with COVID-19 schedule delays, expanded scope and integration costs have increased the estimated total capital expenditure of the program to approximately $330 million, inclusive of contingency and upfront fees.

The automated CFCs are due to open within the previously communicated timeframes. The NSW facility is due to open in 1Q24 and the Victorian facility in mid FY24.

Coles team members outside the Ocado customer fulfilment centre in Victoria.

Implementation capital and operational expenditure

In FY23 Coles expects to spend approximately $310 million in capital expenditure in relation to Witron and Ocado and this is included within Group capital expenditure guidance. The cumulative spend for both projects to the end of FY23 is estimated to account for approximately 75% of the total project capital expenditure.

FY23 and FY24 will be landmark years for Coles with the proposed commissioning of the four automated distribution and customer fulfilment centres. The estimated financial impact of the project implementation operating expenditure, including the ramp-up, dual running and transition costs partially offset by early benefits, is detailed below.

$m	FY23	FY24
Project implementation opex[1,2]	~(115)	~(135)
Depreciation	~(25)	~(85)
EBIT Impact	**~(140)**	**~(220)**

1 Previous guidance was up to $75m and $160m for FY22 and FY23 respectively. Actual spend in FY22 was $30m. FY23 and balance of FY22 now re-phased in line with project delivery.

2 Project implementation operating expenditure is inclusive of ramp-up, dual running and transition costs (net of early benefits).

As previously communicated, net EBIT benefits from Witron are expected to commence from FY25 and sales benefits from Ocado are expected from FY24 as the customer fulfilment centres build volumes.

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Looking to the future

Significant progress has been achieved in FY22, despite a highly disruptive operating environment.

To deliver the next phase of Coles' Winning Together in our Second Century strategy, we will focus on our strategic differentiators to Win in food and drink with a unique omnichannel offering; Be a great value exclusive brands powerhouse and destination for health and convenience; Achieve long-term structural cost advantage through Smarter Selling programs, including data, automation and technology partnerships; Be Australia's most sustainable supermarket group together with our partnerships and communities; and Deliver at pace through our engaged team.

To Win in food and drink with a unique omnichannel offering, we will unify and digitise the customer experience through a unified website and an enhanced shoppable Coles App. We will continue to roll out Click & Collect locations and expand the home delivery network, including a focus on our immediacy offer with Click & Collect Rapid (order to pick up in 90-minutes) and same day home delivery. In our physical store network, new stores and renewals of existing stores will continue, with a particular focus on the popular Coles Local format and, in Liquor, Black and White Liquorland and Vintage Cellar Evolution stores.

With inflation continuing to place pressure on households, Coles will continue to deliver trusted value through our Exclusive to Coles portfolio. This will be enhanced by focusing on value, new product development and innovation, and continuing to provide a superior range of ready meals, supporting our convenience strategy.

The ongoing headwind of rising inflation underscores the importance of our Smarter Selling cost reduction program, and the commissioning commencement of three of our four Witron automated distribution centres and Ocado customer fulfilment centres in FY24 will allow us to drive future efficiencies while delivering an enhanced offer to inspire customers. The focus will remain on the final year of our Smarter Selling program where we are on track to deliver under our four-year program approximately $1 billion of benefits by the end of FY23.

Consistent with our ambition to be Australia's most sustainable supermarket, we will continue to focus on delivering on our commitments under the Together to Zero and Better Together focus areas of our Sustainability Strategy. While we have already secured a path to 100% renewable electricity by the end of FY25 through signing the last of the agreements needed to meet our target in FY22, we will continue to invest in solar and energy efficiency across our network. We have set a target to divert 85% of solid waste from landfill by FY25 and are working towards 100% recyclable, reusable or compostable Coles Own Brand and Coles Liquor Own Brand packaging in Australia by FY25.

We know the importance of having an engaged and future-focused workforce that can deliver on our long-term strategic priorities. To enable this, we are continuing to invest in the learning, development and careers of our team members to continue to grow engagement across the workforce. Our programs to improve the team member experience through digitisation of store support centre processes and improved workforce planning within operational teams facilitates delivery at pace and productivity.

FY23 will be another year of significant investment for Coles as we continue to commit resources and capital to transformational projects which will underpin our customer experience and efficiency. Capital expenditure is expected to be between $1.2 and $1.4 billion, inclusive of Witron and Ocado projects.

We will prioritise capital investment, people and technology to accelerate our progress. We will monitor emerging trends, including macro-economic and consumer trends, to ensure we deliver the strategic differentiators in FY23.

Coles Group Limited 2022 Annual Report

Risk management

Our operating environment continues to rapidly evolve, resulting in changes to the risks and uncertainties that we face.

We regularly review risks and mitigations, so we can support the delivery of our purpose and strategy and respond to challenges faced by Australian businesses, the retail industry, our team members, and the communities we serve.

During the year, Coles has continued to identify and manage risks in accordance with the Coles Risk Management Framework. The design of this framework is based on ISO 31000:2018 Risk management – Guidelines ('ISO 31000'), which provides an internationally recognised set of principles and guidelines for managing risks in organisations. Further information about our Risk Management Framework will be available in Coles' Corporate Governance Statement.

Through application of the Coles Risk Management Framework, we have identified material strategic, operational, and financial risks that could adversely affect the achievement of our future financial prospects. Each of these material risks is described in the following table, along with key mitigation plans to manage them. Although the risks have been described individually, there is a high level of interdependency between them. This means an increased exposure for one material risk can drive elevated levels of exposure in other areas of our risk profile.

In addition to these material risks, our performance may be impacted by risks that apply generally to Australian businesses and the retail industry, as well as by the emergence of new material risks not reported in the following table.

We also anticipate that the evolving nature of the COVID-19 pandemic and its impact on business and communities, as well as the changing macro-economic and geopolitical environment, will drive continual changes to Coles' material and emerging risks during the next financial year and beyond. We will therefore continue to monitor and respond to further developments as required, including ongoing review and enhancement of our risk mitigation plans.

Coles graduates Santosh and Marz at the Kewdale Distribution Centre in Western Australia. Coles graduates receive risk management and safety training during the graduate program.

Strategic risks

Risk Description	Mitigations
Geopolitical and Macro-Economic	
Uncertainty in the global and domestic macro-economic and geopolitical environment, including as a result of changes in government (either state or federal) and global conflicts (such as in Russia and Ukraine), can expose Coles to supply chain disruptions and inflationary pressures. This includes price and cost pressures (e.g. commodities, labour, energy, fuel), the potential for interest rate rises, and changes in consumer spending and consumption choices. These can further result in an increased cost to operate, margin pressures, and reduction in sales.	We aim to mitigate exposures to the geopolitical and macro-economic environment through: our corporate planning and financial performance review processes which incorporate scenario planning and consideration of future market conditions, adaptation of our customer offer to respond to changes in customer spending and consumption, diversification of products and services, maintaining a strong balance sheet to fund our operations and maximise financial performance, and execution of our Smarter Selling program with the objective of offsetting inflation and reducing costs while investing in the business. We engage with suppliers to support management of issues such as supply chain disruptions, product availability constraints and changing input costs. We also engage with government stakeholders so we can monitor and respond to government decisions, and changes in policies and regulations, including as a result of transitions in state or federal governments.
Pandemic	
If Coles does not monitor and respond to the evolution of COVID-19 or future pandemics, there is a risk of exposure to material financial loss including as a result of higher input costs; additional operational costs; delays in the execution of our strategic programs; reduction of sales and margins; legal and regulatory action; people, health and safety issues; and/or reputational damage. Furthermore, the pandemic exposes us to the significant and/or prolonged disruptions in the supply chain, store and online operations which can impact on our ability to serve our customers and the community.	Coles continues to manage the evolution of the COVID-19 pandemic in accordance with government and health advice, as well as our Group Response Policy and Program which sets out the governance arrangements, accountabilities, and processes for crisis management and business continuity, and our Coles SafetyCARE System which is the safety management system that provides a framework for Coles to look after the health, safety and wellbeing of our team members, customers, contractors, suppliers and visitors. The Coles Group Response Program is managed by the Head of Response, with direct oversight and consultation of critical decisions by Group Executive. This includes for example, the decision taken during FY22, following a comprehensive risk assessment, to mandate vaccination against COVID-19 for all Coles team members in line with government health advice in relation to the provision of a safe working environment. Critical response decisions are elevated to the Board, when required. Business continuity plans are in place for critical functions and activities across our operations including merchandising, supply chain and store and online operations. These plans have been invoked on multiple occasions when required during our response to the COVID-19 pandemic, and continue to be refined given the evolving nature of the pandemic. This includes ongoing assessment of risks including resourcing challenges, long-term impacts, and the potential spread of new COVID-19 variants.

Changing consumer behaviour, competition and digital transformation	
Consumer behaviour and expectations are changing in diverse and complex ways, including as a result of the evolving COVID-19 pandemic and macro-economic environment. Changes include increased focus on safety measures, reliance and demand on online shopping and digital channels, increased personalisation, demand for convenience, and enhanced consciousness about value and consumption choices. The competitive environment is also changing, with an increased focus on digital, automation, and e-commerce to deliver efficiency and a personalised and seamless experience for customers across both our online and offline channels. If Coles fails to adequately respond to changing customer behaviours and expectations and competitive pressures, it could result in loss of market share and, ultimately, adverse margin impacts, reduced customer retention and impact to share price or value.	Coles regularly monitors customer sentiment, best practice global retailers, local and international retail trends, and customer insights and research, so we can quickly respond to changes in customer behaviours. Key programs to respond to changing consumer behaviours and expectations and the competitive environment, and to build on opportunities, are embedded in the implementation of our strategy including under the Inspire Customers pillar and through automation of the supply chain. To alleviate cost of living pressures, we deliver trusted value to our customers through everyday low pricing across a broad range of products, a program of weekly specials and loyalty offers. In addition, we aim to lower the cost of living for Australians and provide an innovative and unique offer through our Exclusive to Coles range. We continue to enhance our digital customer experience including through Coles Online, our digital catalogue, the coles.com.au platform including coles&co, Click & Collect Rapid and the Coles Plus subscription service. Our shoppable Coles App enables customers to order through the app, view the catalogue, and build their shopping list so they can map out their shopping experience. During FY22 we strengthened the Flybuys loyalty program with the addition of Bunnings and Officeworks, providing members with new opportunities to earn and redeem points, and implemented a new operating model that will enable personalised offers for customers. We continue to invest in programs which will further personalise the shopping experience for our customers while protecting their data security and privacy. We also continue to invest in new data analytics tools and platforms to give suppliers and category decision makers fast and detailed insights across products, stores, geographies and sales channels.
Strategic program execution	
Inability to deliver our strategic programs on time or within budget with the expected benefits, could result in loss of market share, variability in Coles' earnings, and inability to meet shareholders expectations. Changes in scope or delays within our strategic programs and projects, may occur due to disruptions to project inputs and services, including as a result of the ongoing COVID-19 pandemic and evolving geopolitical and macro-economic conditions, and to critical third parties that we rely on to deliver our strategic programs of work. Programs may also be impacted if critical skills and talent required to execute are not available.	Delivery of our strategic programs is determined by the effective implementation of each of the three pillars of our strategy: Inspire Customers, Smarter Selling and Win Together. Furthermore, the execution of elements of our strategy is supported by third-party strategic partnerships including Witron (automated distribution centres), and Ocado (enhanced online capability). We also have joint ventures with Wesfarmers (Flybuys) and Australian Venue Co. (Queensland Venue Co. Pty Ltd), and an alliance with Viva Energy (Coles Express). In addition, Coles may undertake future acquisitions and divestments, and enter into other third-party relationships, so we can more effectively execute our strategy. We have governance structures and processes in place to oversee, manage and execute strategic programs of work, including with Witron and Ocado. Projects and programs are regularly reviewed in detail to monitor progress of program delivery, costs and benefits, and the allocation of resources. We undertake post-implementation reviews to assess project outcomes relevant to the business case, and to identify lessons-learned to be applied for future projects. The Board reviews and provides oversight of key programs throughout the year.

People availability and talent	
With low unemployment rates and inflation placing pressure on wages, Coles faces competition to attract and retain skilled team members who are imperative to the execution and delivery of our strategic programs, digital transformation, and broader business operations and performance.	Coles is one of Australia's largest private-sector employers. Our Great place to work strategy sits under the Win Together pillar and focuses on strengthening team member engagement, which is measured through our mysay team member engagement survey. '*A team that is better together*' is also a key focus area of our Better Together pillar. Through this focus area we seek to be an employer of choice and make Coles a workplace in which everyone feels like they belong so that we can all live healthier and happier lives. We run targeted recruitment campaigns where competition for talent is high, including to identify key skills and experience needed to deliver our strategy (e.g. digital and technology segments). These recruitment campaigns complement our standard hiring practices, and existing graduate and industry-based learning programs. We have in place action plans targeted on retention, and development programs to support career growth of key talent. Regular discussions on talent and succession planning are held with Group Executive and the People and Culture Committee. Our approach to performance enables team members to set objectives related to our strategy. It also provides an opportunity to seek and give feedback, and celebrate progress and achievements. We have a number of recognition programs in place, including our Good Things Awards. The People and Culture Committee is responsible for reviewing and overseeing the Group's key people and organisational culture strategies, as well as reviewing talent management within the Group generally. It is also responsible for reviewing the appropriateness of our remuneration and incentive frameworks, and recommends to the Board any changes to the overall Group policy regarding remuneration including incentives. The Board maintains overall accountability for approving the Group's remuneration policies.
Climate change and the environment	
Climate change presents an evolving set of risks and opportunities for Coles, and has the potential to contribute to, and increase, the exposure of other material risks. These include increased frequency and intensity of extreme weather events and chronic climate changes that can disrupt our operations and compromise the safety of our team members, customers, supply chain and the food we sell. Climate change can also lead to changes to government policy, law and regulation, which can result in increased costs to operate and the potential for litigation. An inability to reduce our environmental impact and meet our external sustainability commitments could also result in reputational damage, diminished access to capital, loss in market share, and fines and penalties.	Coles had previously developed a roadmap to help us to align with the recommendations of the Task Force on Climate-related Financial Disclosures. During FY22, we continued to implement actions identified within our roadmap and make progress towards achieving our *Together to zero* emissions commitments. This included securing a path to achieving 100% renewable electricity for Group operations by the end of FY25 and continuing to upgrade to natural refrigerants which have close to no global warming potential compared to synthetic refrigerant gas. We also continued to analyse transition and physical climate change risks and opportunities, including through scenario analysis and a physical site assessment of a select portfolio of assets. Further climate change risk analysis will continue in FY23. Additional information on climate change risks and opportunities is set out in the Climate Change section. Building on work already undertaken, we have commenced an environmental impact review of Coles Own Brand products, mapping potential impact against three key areas: deforestation, water security and soil health. The results of this review will form a baseline assessment of these areas, and be the foundation of a future action plan to reduce our environmental impacts and help our customers make more informed choices. Our Sustainability Strategy highlights Coles' commitments across the Together to Zero and Better Together pillars of our strategy. The Together to Zero pillar of our Sustainability Strategy incorporates targets to reduce our impact on the environment, specifically emissions, waste and hunger. Our publicly available Climate Change Position Statement sets out our approach to climate change. The Board oversees the effectiveness of Coles' environment, sustainability and governance policies and retains ultimate oversight of material environmental and sustainability risks and opportunities, including those related to climate change. The Board has endorsed the Sustainability Steering Committee as the management group responsible for overseeing the Group-wide identification and response to sustainability issues, including climate change. It is chaired by the Chief Operations and Sustainability Officer, a member of the Executive Leadership Team, who reports to the Chief Executive Officer. The Chief Executive Officer has ultimate responsibility for sustainability at Coles.

Climate change and the environment (continued)	
	The Sustainability Steering Committee is supported by other steering committees, subcommittees and working groups. These include the Human Rights Steering Committee, the Better Together Council, the Climate Change Subcommittee and the Coles Express and Coles Liquor sustainability working groups. Progress against the Sustainability Strategy is reported annually in the Coles Group Sustainability Report.

Operational risks

Risk Description	Mitigations
Industrial relations	
As we execute our strategy, workforce changes may lead to industrial action and/or disruptions to our operations, which can result in increased costs, litigation and financial impacts from reputational damage. The impact of COVID-19, along with planned changes in our supply chain operations, has heightened our exposure to this risk.	Coles has in place dedicated Employee Relations resources that are responsible for monitoring and responding to industrial relations risks and issues. Key activities include implementation of appropriate enterprise agreements and employee relations strategies; maintaining and building strong working relationships with unions and industry organisations; and constructively liaising with our team members, third-party suppliers and transport and logistic service providers. The renegotiation of enterprise agreements is managed and business continuity plans are in place to mitigate disruption to operations if industrial action occurs.
Supply chain resilience	
Supply chain disruptions can result in an inability to supply to customers, loss of market share, price volatility and increased costs. Potential disruptions can occur due to extreme weather events and changes in climate, and in domestic and international government and policy and regulation, as well as geopolitical factors. This includes the Russia-Ukraine conflict, the evolving COVID-19 pandemic, inflation and increasing cost of inputs, and disruptions to staffing in our stores, distribution centres, and sites (Coles and suppliers).	Our response includes business continuity plans to manage the supply chain and delivery of goods to stores during extreme weather and business disruptive events. Our plans include consideration of people, resources, physical sites, information technology and digital requirements, and critical third parties required to continue to operate and serve our customers and community. We also monitor the external environment for changing circumstances and disruptive events, and undertake supplier diversification and sourcing of alternative supply arrangements, and strategic category planning to provide a category-by-category approach to business continuity. In response to challenges such as COVID-19 and floods, we scale up production and distribution of substitute goods, undertake rapid onboarding of new suppliers, manage the business' promotional plans to support availability and simplify operations, and introduce purchase limits where required. Medium and longer term international and domestic supply security risks and mitigations are assessed on an ongoing basis as part of our strategic category planning program. We also continue to analyse Coles' supply chain resilience in key food categories, including meat, dairy and seafood. We have expanded our milk supply chain to purchase milk directly from dairy farms in Tasmania, joining Victoria, Southern and Central New South Wales, South Australia and Western Australia. Coles continued to offer farmers the option of longer term agreements, providing them with greater confidence over their future income and securing ongoing supply of fresh milk for customers. Through the Coles Sustainable Dairy Development Group (CSDDG), we invest directly in farm-related sustainability projects in consultation with dairy farmers. During FY22, support through CSDDG also included investment in all of our contracted farms in Southern and Central New South Wales which had been impacted repeatedly by floods and heavy rains.

Health and safety

The safety of our team, customers, third parties and contractors is paramount to Coles. We employ and engage an extensive and diverse work-force, including third parties, with high volumes of people interactions daily. This may result in risk of fatality, life-threatening injuries or transmission of disease to team members, customers, suppliers, contractors or visitors, due to potentially unsafe work practices, accidents or incidents.

Furthermore, the ongoing COVID-19 pandemic can have adverse impacts to team member health and wellbeing (including mental health) and introduces the potential for loss of key personnel due to infection.

Our detailed Health, Safety and Injury Management system (SafetyCARE) is supported by a team of experienced safety professionals throughout our network. SafetyCARE's performance is measured through a range of indicators and the effectiveness of the system is assessed through a verification program.

A rolling five-year safety and wellbeing plan focuses on Safe Sustainable Leadership, Smarter Safety, Healthy Teams and Mind Your Health. Performance is reported to, and monitored by, the Board at every meeting, in addition to reporting of critical safety incidents if and when they occur.

The health and safety of our customers and team members underpins our response to the COVID-19 pandemic. Coles adopts enhanced hygiene practices based on recommendations from the Australian Government through Safe Work Australia and on information from the federal Department of Health, and state and territory governments and departments of health, as well as other applicable regulatory bodies. A large number of measures have been implemented during FY22, and are adapted to comply with changing regulations.

These measures include programs to keep our customers and team members safe. They incorporate: social distancing measures, sanitisation stations, masks, additional cleaning and security, contact tracing and reporting process for team member infections, rapid antigen testing of team members in distribution centres and production facilities, modified work practices (stores, distribution centres and support centres) to reduce the risk of COVID-19 infection onsite, and the implementation of large-scale mental health and wellbeing programs for our team members.

During FY22, following a comprehensive risk assessment and consultation process, Coles implemented a COVID-19 vaccination policy requiring all team members to be vaccinated by 31 March 2022 unless medically exempt.

Product and food safety

Product and food safety and quality is critical for Coles. Serious illness, injury or death are the most severe potential risks from compromised product or food safety.

Loss in customer trust, reputational damage, loss in sales and market share, regulatory exposure, and potential litigation could also occur.

Coles has a food safety governance program in place that is overseen by an experienced technical team. The program is composed of targeted policies and procedures, including well-established food recall and withdrawal processes, specific supplier requirements for different food categories (e.g. chilled versus ambient) and a supporting assurance program which aims to ensure key controls are operating and effective.

We also have a Product Safety Program, which covers non-food products and works closely with our suppliers to support them to comply with relevant mandatory product safety and labelling standards, and to meet consumer guarantees under the Australian Consumer Law. Our Product and Food Safety Committee oversees continuous improvement of food and product safety risks and issues across Coles.

Third-party management

An inability to successfully manage and leverage our critical and strategic third-party relationships, or a critical failure of a key supplier or service provider, may expose Coles to risks related to compromised safety and quality, misalignment with ethical and sustainability objectives, disruptions to supply or operations, unrealised benefits, and legal and regulatory exposure.

Coles has due diligence processes in place to assess the adequacy and suitability of key suppliers, service providers and strategic partners in accordance with our requirements.

We monitor and manage the quality and performance of key suppliers and strategic third parties throughout their engagement with Coles. Defined service level and key performance indicators are in place for key supply contracts. Risks are managed through contractual protections. Our business continuity plans include consideration of critical third parties required to continue operating and serving our customers and community in the event of a business disruption.

Third-party management (procurement: non trade) is governed by the Third Party Management Policy. It includes requirements for sourcing and contract management and the application of our SAP Ariba technology platform for sourcing, contracting, buying and invoicing. During FY22, enhancements were made to the third-party risk management process. Coles continues to strengthen our third-party risk management including contract management and supplier management requirements for procurement: non trade engagements.

Legal and regulatory

The diversity of our operations necessitates compliance with extensive legislative requirements at all levels of government. This includes corporations law, competition and consumer law, health and safety, industrial relations, employment, product and food safety, environment, council by-laws, privacy, measurements and bio-security.

Non-compliance with laws and regulations, could expose Coles to loss of license to operate, substantial financial penalties, reputational damage, a deterioration in relationships with regulators, class action or other litigation and additional regulatory changes that may adversely impact the execution of our strategy and result in increased cost to operate. Furthermore, where Coles is a party to litigation, it can involve reputational damage, financial costs, and high investment of Company resources and time.

Coles has in place a Compliance Framework, which is based on AS ISO 37301:2021 Compliance management systems – Guidelines, and which sets out the standards, requirements and accountability for managing regulatory compliance obligations across the Group.

The Compliance Framework is subject to continual review and assurance, including through Coles' internal audit process.

We also maintain relationships with regulators and industry bodies and actively monitor new and impending legislative and policy changes so we can respond accordingly.

Our legal teams work in partnership with our compliance teams to monitor and manage legal issues, matters, claims and disputes. We are supported by pre-agreed panel arrangements with external legal firms and assess potential litigation claims to understand loss potential.

Coles is currently implementing action plans, including the update of existing policies and procedures, to comply with newly introduced obligations for cyber incident reporting and registration of our critical assets, in line with the Security of Critical Infrastructure Act 2018 (Cth) (SOCI Act). Some of these obligations took effect from July 2022, and have been introduced by Australia's Department of Home Affairs to uplift the security and resilience of Australia's critical assets.

Ethical sourcing

Failure to source product or conduct our business in a manner that complies with our Coles Ethical Sourcing Policy and relevant legal requirements across Australia and the countries we source from, can impact worker safety, wellbeing or living conditions. It can also result in material reputational damage, loss in consumer confidence and market share, regulator fines and penalties, and adverse financial performance.

Our Ethical Sourcing Policy and supplier requirements are based on internationally recognised standards and establish the minimum standards for our suppliers. These include the Ethical Trade Initiative (ETI) Base Code, International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, United Nations Guiding Principles, Children's Rights and Business Principles (UNICEF, UN Global Compact and Save the Children) and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Coles' Ethical Sourcing Program takes a risk-based approach which defines the level of due diligence and monitoring that applies to suppliers based on risk exposure. It also includes a requirement for ethical audits of selected suppliers. The program includes Coles Own Brand and fresh produce suppliers, Coles Own Liquor Brands, and procurement: non trade suppliers.

During the financial year, following a third-party review, we updated our Ethical Sourcing Key Risk Indicators to focus on timely management action in response to ethical audit non-conformances arising throughout our supply chain rather than a focus on the number of non-conformances arising from audits. This change recognised that our increasing audit volume will result in more non-conformances and that our responsiveness to these findings should be the focus of measurement.

We also developed and implemented a framework designed to work with supplier sites to understand the root causes of excessive working hours non-conformances and drive continuous improvement through the development of action plans. This framework has also been subject to independent third -party review. We had a strong focus on risk review activities in areas including tobacco, seafood, third-party labour hire, meat processing and the gig economy. We continued to focus on meaningful collaborations including our partnership with the Ethical Retail Supply Chain Accord, re-signing the Accord for an additional three-year term, and hosting a worker education event for farm workers in the Mareeba region. In addition, we entered a new relationship with the Indirect Supply Alliance which incorporates businesses from across the globe, sharing knowledge and creating best practice initiatives for protecting human rights in the procurement supply chain.

Coles' whistle-blower hotline and dedicated supply chain wages and conditions hotline enable reporting of unethical, illegal, fraudulent or undesirable conduct. The Board receives reports on material incidents reported under the Whistleblower Policy and metrics on disclosures made under the Policy.

Additional information on Coles' Ethical Sourcing Program can be found in our 2022 Modern Slavery Statement.

Information technology, resilience, data and cyber security	
A failure or disruption to our information technology applications and infrastructure, including a cyber-security event, could impede the processing of customer transactions, or limit our ability to procure or distribute stock for our stores or otherwise impact the operations of our business. Cyber-security threats include ransomware, product vulnerabilities, business email compromise, and phishing scams, resulting in system compromise. Many factors including increased flexible working arrangements, our growing external digital footprint, increased reliance on technology, volume of third-party providers, geopolitical unrest and growing sophistication of cyber criminals, have resulted in Coles operating in an ever-increasing cyber-security threat environment. Furthermore, our technology and data-rich environment exposes us to the risk of unauthorised disclosure of confidential, financial, or personal information. This may result in loss of consumer confidence, loss in market share, regulatory fines and penalties, and reputational damage.	We have a rolling five-year technology strategy and continuously monitor our technology for operational and cyber incidents. Our cyber-security roadmap is updated regularly and is independently assessed to help us make investment decisions that are commensurate with risks to the business, in line with similar businesses, and supports Coles' business direction. We also have a cyber-security framework in place that we use to assess the maturity of our cyber-security capabilities and identify priority areas for improvement and further investment. Our cyber-security framework is aligned to the internationally recognised National Institute of Standards and Technology (NIST) Cybersecurity Framework. Additionally, our security policies and standards are aligned to ISO 27002:2013 Information technology — Security techniques ('ISO 27002'), which provides an international code of practice for information security controls. Cyber security posture and mitigations are regularly reported to, and monitored by, the Board and Audit and Risk Committee. Our privacy and digital security policies, procedures, governance forums, education and awareness programs, and active membership with the federal government Joint Cyber Security Centre, help to strengthen our ongoing management of evolving data, privacy and cyber-security threats. We also regularly test and review our information technology infrastructure, systems, and processes to assess security threats and the adequacy of controls. Coles technology systems utilise dual data centres and cloud services to make sure critical business systems have high levels of redundancy with resiliency embedded across our ecosystem. We actively manage technology changes to reduce the risk of system instability, especially during peak trading periods. Our service management function is responsible for responding to incidents and coordinating recovery activities, should a disruption occur. In the event of a disruption, we have information technology recovery plans in place for critical systems, and dedicated plans to respond to data loss. We have also retained industry experts to be on call in the event of a cyber-security incident. Additional information on cyber incident reporting under the Critical Infrastructure legislation can be found in the Legal and Regulatory risk section.

Financial risks

Risk Description	Mitigations
Financial, treasury and insurance	
The availability of funding and management of capital and liquidity are important requirements to fund our business operations and growth. In addition, we are exposed to material adverse fluctuations in interest rates, foreign exchange rates and commodity movements that could impact business profitability. We may also be exposed to financial loss from accidents, natural disasters and other events.	Our Group Treasury function is responsible for managing our cash funding position and supporting the management of interest rate and foreign currency risks. Our Treasury Policy and related policies are approved by the Board, and govern the management of our financial risks, including liquidity, interest rates, foreign currency, commodity risks and the use of other derivatives. Further information is included in Note 4.2 Financial Risk Management of the Financial Report. Insurance is a tool to protect our customers, team members and the Group against financial loss, where applicable. In some cases, we choose to self-insure a significant proportion of the risk. This means that, in the event of an incident, the cost is covered from internal premiums charged to the business or the losses are absorbed. Our insurance function is responsible for managing both self-insurance and the purchase of external insurance where we determine this is prudent. We monitor our self-insured risks and have active programs to help us pre-empt and mitigate losses. We engage an external actuary to determine the self-insurance liabilities recognised in the Statement of Financial Position. In the Operating and Financial Review we have documented the trading and financial reporting impacts of the pandemic.

Climate change

As outlined in our Climate Change Position Statement (available at www.colesgroup.com.au) Coles supports the goals of the Paris Agreement to keep global average temperatures to well below 2°C above pre-industrial levels. We will also pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

We understand that we have a responsibility to minimise our environmental footprint, as well as to mitigate the environmental and social impacts of climate change. We will do this by:

- building the resilience of our business, our community and our value chain against climate-related impacts, both physical and transitional **(manage climate risks and opportunities)**;
- taking action to reduce and negate our climate impacts **(decarbonisation)**; and
- using our position and voice to play a constructive role in building a roadmap aligned with the Paris Agreement **(influence climate action)**.

We are committed to engaging with our stakeholders, and disclosing how we identify, assess and manage climate-related financial risks and opportunities using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This is the third year we have reported using the TCFD recommendations.

We have continued work commenced in FY21 to develop a climate action plan aligned with the recommendations of the TCFD (outlined below). The purpose of this plan is to help us to respond effectively to the strategic implications of climate change (informed by scenario analysis) and strengthen our disclosures to meet stakeholder needs for relevant climate-related information.

Summary of our progress in aligning with the TCFD

TCFD theme	Our progress
Governance	
Disclose the organisation's governance around climate-related risks and opportunities	• The Board oversees sustainability issues (including climate change) with the support of the Audit and Risk Committee. • Accountability for overseeing the Group's response to current and emerging environmental and social obligations, including in relation to risks and opportunities associated with climate change, sits with the management Sustainability Steering Committee.
Strategy	
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	• Climate-related risks and opportunities have been identified over the short term (0-2 years) to long term (5-10 years). • Scenario analysis has been further developed considering four plausible climate change scenarios, including a 2°C or lower scenario. • This analysis has informed the development of a climate action plan focused on managing Coles' material climate-related risks and opportunities.
Risk management	
Disclose how the organisation identifies, assesses, and manages climate-related risks	• Climate change is considered a material risk for the Coles Group. • Risk management processes for identifying, assessing and managing climate-related risks and opportunities are in place.
Metrics and targets[1]	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	• Scope 1 and Scope 2 greenhouse gas emissions are disclosed, and Scope 3 emissions have been calculated. • A Scope 3 target has been approved by the Board and submitted to the Science Based Targets Initiative for validation. • Renewable electricity and waste diversion targets have been established.

1 Data and target performance will be available in our 2022 Sustainability Report.

Governance

The Board oversees and approves the strategic direction of the Group and oversees the effectiveness of Coles' sustainability and governance policies and practices, including exposure to climate change and other environmental and social risks and opportunities.

The Audit and Risk Committee supports the Board in fulfilling its responsibilities including evaluating the adequacy and effectiveness of the Group's identification and management of environmental and social sustainability risks and its disclosure of any material exposures to those risks including financial and non-financial risks.

The Sustainability Steering Committee is a management committee and is responsible for overseeing Group-wide identification and response to sustainability risks and opportunities, including climate change. The committee reviews progress of Coles' Sustainability Strategy (which supports delivery of the corporate strategy) and our Environment Policy against agreed performance measures, including targets relating to emissions reductions. It is chaired by the Chief Operations and Sustainability Officer, a member of the Executive Leadership Team reporting to the Chief Executive Officer. Its standing members are leaders from functions with key sustainability responsibilities including Risk and Compliance, Sustainability, Coles Own Brand, People and Culture, Marketing, Company Secretariat and Corporate Affairs.

The Chair of the Sustainability Steering Committee provides regular updates to the Board and the Audit and Risk Committee on sustainability risks, issues, and progress against commitments. Standardised quarterly reporting, with performance monitoring against our sustainability commitments, including those relating to climate change, is also provided to the Board.

As climate change is recognised as having wide-ranging implications for our business, our goals for managing and mitigating climate-related risks are Group-wide. The Sustainability Steering Committee coordinates this response through a specific Climate Change Subcommittee that oversees Coles' climate change response and reports to the Sustainability Steering Committee and its Chair.

The Subcommittee is chaired by the General Manager Sustainability and Property Services and includes senior leaders from key functions within Coles, such as Finance, Strategy, Risk and Compliance, and Sustainability.

During FY22 the Board was presented with the scenario analysis work described below, informing its review of the corporate strategy. The Board reviews Coles' corporate strategy annually which includes considering whether it is responsive to the future risks and opportunities arising from the low carbon transition.

Strategy

Managing climate risks and opportunities

This year we built on the initial scenario analysis work undertaken in FY21 and continued to analyse transition and physical climate-related risks and opportunities relevant to our business. A physical climate risk assessment was undertaken incorporating a high-level assessment of Coles' national portfolio and a 'deep-dive' assessment of six sites.

Scenario analysis

To enhance our management of climate-related risks and opportunities, we have further developed our scenario analysis work. The purpose of this analysis was to provide information on future climate scenarios, as well as climate-related commodity risks and opportunities. While scenario analysis is an important planning tool for Coles, there are inherent limitations with scenario analysis and scenarios do not constitute definitive outcomes or probabilities. It is difficult to predict which, if any, of the scenarios might eventuate and scenario analysis relies on assumptions that may or may not prove to be correct.

With the assistance of external experts, four plausible and divergent scenarios relevant to the Australian grocery and liquor industry were selected. These were aligned with the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway scenarios.

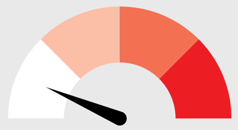
The future scenario narratives were developed around the two key themes identified as being likely to have the most impact and create the most uncertainty for our industry – high or low levels of 'government policy and intervention' (domestically and globally) and 'sustainable technology innovation and adoption'.

Fifty-five core commodities covering around 60% of Coles' revenue were assessed against both physical and transitional climate vulnerabilities. We subsequently undertook a 'deep dive' into 10 commodities with red meat and dairy, as well as international commodities (such as cocoa and coffee), assessed as being highly vulnerable to both physical and transition climate risks. This analysis informed the identification of actions to help mitigate risks in these categories of commodities, including forming long-term relationships with smaller suppliers and continuing to monitor supply availability, global commodity markets and emerging consumer trends.

Impacts and actions were considered for the short (0-2 years), medium (2-5 years) and long-term (5-10 years).

Coles Group Limited 2022 Annual Report

Climate change scenarios

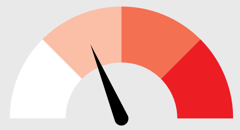


+1.8°C world (SSP1–2.6)

High government policy and high technological innovation

Key assumptions:

- International institutions, national governments and private sector collaborate to deliver sustainable change and democratise technologies
- Consumer preferences shift – increasing adoption of sustainable products, support for new technologies and rejection of businesses seen as laggards



+2.7°C world (SSP2–4.5)

High government policy and low technological innovation

Key assumptions:

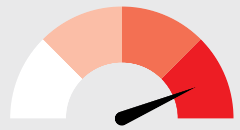
- Climate outlook is mixed
- Governments are largely committed to sustainability, but required technology remains either undeveloped or prohibitively expensive

+3.7°C world (SSP3–7.0)

Low government policy and high technological innovation

Key assumptions:

- Government direction and intervention minimal, with action falling to private sector
- Technology advances in silos and only marginal improvement in rate of environmental degradation



+4.4°C world (SSP5–8.5)

Low government policy and low technological innovation

Key assumptions:

- Nations are de-sensitised to global warming and post-pandemic economic recovery is key focus
- Public and private funding for sustainable innovation dries up and technological innovations remain unaffordable

Next steps – climate action plan

Under each of the assessed scenarios (depicted above), climate change would impact areas of our business and our corporate strategy to varying levels. In response, we have identified three strategic objectives on which to focus our efforts to manage the material climate risks and opportunities identified across all four scenarios:

- reinforce a mindset and culture that actively considers the impact of climate change in key business decisions;
- over time establish a more resilient and traceable supply chain (in material areas) that can anticipate and respond to climate-related supply chain disruptions; and
- appropriately build awareness and promote sustainable environmental choices to increase customer trust and loyalty.

Climate-related risks

We recognise within the next five to 10 years Coles is likely to be exposed to increasing climate-related risks and we must respond by developing, refining and implementing adaptation and mitigation actions.

Our assessment of climate-related risks includes transition risks and physical risks. Transition risks are risks associated with the transition to a net zero carbon economy and include heightened stakeholder expectations, policy, regulatory and legal changes, technological developments and increased insurance requirements. Physical risks include acute event driven weather impacts, for example increasing severity of extreme weather events and chronic long-term shifts in climate patterns. A description of Coles' transition and physical risks is presented below, together with our management response. Many of these risks are also considered to be material business risks to Coles Group.

Analysis of the risk exposures considered financial, reputational, health and safety, legal and regulatory, and operational consequences in the short-term (0-2 years) to long-term (5-10 years).

As set out below, consideration has been given to the potential for these transition risks and physical risks to create financial impacts to the Group.

During FY22 the Group faced significant climate-related operational challenges, including floods in South Australia which significantly disrupted road and rail transport to Western Australia and the Northern Territory; and multiple major flood events in New South Wales and Queensland which also affected transport and resulted in some store closures. These events were managed through the Group Response Policy and Program, and contingency plans were executed to minimise the supply chain and retail operational impacts of these events. While these climate-related events are resulting in some operational disruptions in the short term, we currently do not anticipate any material short to medium term financial impacts.

Consideration has also been given to the potential financial impacts of climate-related risks on the carrying value of goodwill through a qualitative review of the Group's climate change risk assessment. This review did not identify any material financial reporting impacts.

Transition risks

Changing stakeholder expectations of acceptable climate performance

Coles seeks to minimise the impact of its operations on the environment. We also recognise the expectations and preferences of our team members, customers, community, investors, and NGOs are shifting in relation to climate change and the environment. This includes enhanced expectations around minimising the impact of climate-related disruptions to our customers, improving energy efficiency, and reducing greenhouse gas emissions.

Potential financial impacts of not achieving acceptable climate performance include: decreased revenue due to reduced demand for goods and services, increased costs due to loss of team members or third parties with whom we do business, and loss in market share if we fail to respond to stakeholder expectations appropriately.

Our response: one of the key focus areas of our Sustainability Strategy is Together to Zero to drive generational sustainability. This incorporates our ambition to deliver on Scope 1 and 2 emission reduction targets. During FY22 Coles signed the last of the power purchase agreements needed to meet our target of having 100% renewable electricity by the end of FY25.

We have teams and processes in place to understand, monitor and respond to the concerns and expectations of key stakeholders and the community more broadly. We also have detailed governance arrangements to manage and monitor the development and the progress against sustainability goals and initiatives, including those related to climate change.

Changing policy, regulatory and legal requirements to decarbonise and manage climate risk

New and evolving climate-related regulations need ongoing assessment to determine the requirements for compliance, including whether additional implementation or operational costs are incurred, the risk of breaches or litigation, and process steps that need to be implemented to manage compliance.

Changing regulations in existing and future markets may also negatively impact our business, including but not limited to, the introduction and/or expansion of trading taxes and barriers on high emissions such as carbon pricing.

Potential financial impacts include: increased cost to comply with changing requirements, and costs associated with offsetting carbon-intensive operations or products.

Our response: regulatory non-compliance is one of our material business risks and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. The Coles Compliance Framework, based on AS ISO 37301:2021 Compliance management systems – Guidelines, sets out the standards, requirements and accountability for managing regulatory compliance obligations across the Coles Group. We also monitor new and impending legislative and policy changes.

Pace of low emissions technology development and adoption

Decarbonising, or becoming more resilient to climate impacts, can be aided by technology. Risks occur when technology changes are slower than industry demand for those improvements; when technologies become rapidly outdated resulting in financial loss; or when there is a lack of people trained in the installation, operation, and maintenance of the technology, thereby restricting its adoption.

Potential financial impacts include: write-offs or early retirement of existing assets, and increased costs associated with investments in technology research and development, and implementing and adapting to new technology.

Our response: we regularly assess new technologies with the potential to advance how we mitigate or adapt to climate change. We do this through literature reviews, attending conferences, and assessing inbound requests from potential suppliers to review their products. Technologies are reviewed for their suitability for use within our operations and supply chain, prior to implementation.

Coles is currently trialing a soil organic carbon monitoring technology with two meat producers. Through this trial the producers receive actionable insights into soil organic carbon levels, which has the potential to build climate resilience and support decarbonisation across our supply chain.

Decreased access to capital and insurance

Banks and insurers may become increasingly reluctant to support businesses and operations with significant exposure to climate risk.

Potential financial impacts include: increasing cost of finance and higher insurance premiums, or the unavailability of insurance for certain activities in specific high-risk areas.

Our response: Coles' Sustainability Strategy (and associated metrics and targets) has facilitated access to the sustainable finance markets. Coles has established a total of $1.425 billion bilateral bank facilities in sustainability linked loan formats (SLLs). The SLLs draw a direct line between our sustainability performance and our cost of capital. Coles is incentivised through margin adjustments to achieve sustainability targets linked to Scope 1 and 2 emission reductions, waste and women in leadership.

Coles transfers risk through the insurance market where it is competitive to do so and based on exposure to the balance sheet. Coles Captive Insurance is used as a mechanism to fund additional exposures that cannot be risk transferred to a certain extent.

Physical risks

People safety and wellbeing (Coles team members and broader supply chain)

Increases in the frequency and intensity of extreme weather events, and changes in weather patterns, can lead to increasing health and safety risks to Coles team members, customers, and third-party suppliers and providers. This includes exposure to the risk of physical harm in the event of acute weather events; and adverse health and wellbeing impacts due to chronic changes to climate patterns.

Potential financial impacts include: increased operational costs associated with implementing plans to reduce and mitigate the associated health and wellbeing impacts to our team members, customers, and third-party suppliers and providers; and disruptions

to our operations and higher costs associated with employee leave, including disaster leave, absenteeism and/or turnover.

Our response: health and safety is a material business risk and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. The Coles Health, Safety and Injury Management system (SafetyCARE) and the safety plans for each of our segments factor in the acute impacts (eg. bushfires) and chronic impacts (eg. heat fatigue) of climate change. These systems are supplemented by emergency management and Group Response Policy and Program, which sets out the governance arrangements, accountabilities and processes for crisis management and business continuity. This program was initiated on multiple occasions in FY22 as a result of East Coast floods to ensure the safety of our team, customers and supplier partners. Learnings from incidents and events, and opportunities for improvement, are identified and incorporated into our safety, emergency management and response plans and processes.

Food safety and quality

An increase in the frequency and severity of extreme weather events and long-term shifts in climate patterns, can lead to food safety and quality risks throughout the supply chain, including changing persistence and occurrence of pests and diseases, and lower than expected shelf-life for fresh produce.

Potential financial impacts include: reduced revenue and increased operating costs, along with potential harm to customers' health and wellbeing, customer dissatisfaction and reputational damage.

Our response: product and food safety is a material business risk and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. Coles has a food safety governance program and a Product Safety Program in place which are overseen by an experienced technical team. Further information is available in the Risk Management section. Major food safety and quality issues are also managed through the Group Response Program.

Supply chain resilience

Our ability to procure, move and sell products domestically and internationally, can be adversely impacted by the occurrence of extreme weather events, and longer-term changes in weather patterns.

Potential financial impacts include: disruptions to transportation and logistics routes; and to the continuity of site, store, and distribution centre operations, and third-party operations, due to acute weather events. Chronic changes to weather patterns can adversely impact supplier productivity and result in increasing costs to operate (eg. due to changing production regions for fresh produce) and reduced revenues.

Our response: supply chain resilience is a material business risk and is managed with regards to the risk appetite statements and key risk indicators agreed by the Board. Our Group Response Program includes established processes to manage interruptions to our supply chain and delivery of goods to stores during extreme weather and business disruptive events. The operation of our program during FY22 flooding incidents saw sophisticated solutions being developed to overcome transport outages, including container shipping being used to transport ambient grocery products to Perth due to a protracted outage of the continental east-west rail link. Medium and longer-term supply security risks and mitigations are assessed on an ongoing basis as part of category planning. We also continue to analyse Coles' supply chain resilience in key food categories including meat, dairy and seafood – this was informed in FY22 by the scenario analysis discussed above.

Asset integrity and continuity of operations

Acute and chronic weather events, such as the FY22 floods, can result in physical damage to assets and equipment as well as closure of stores and/or inability to access assets and equipment. There may also be more frequent and prolonged instances of power outages; and decreases in the efficiency, and increases in the disruption of, assets and equipment that are sensitive to climate (e.g. refrigeration units, heating and cooling).

Potential financial impacts include: increased operating and capital costs, loss of sales, increased insurance premiums, and write-offs or impairment of assets.

Our response: crisis management, business continuity and emergency response plans are in place to mitigate potential disruptions. These plans are updated on a regular basis to take account of changing internal and external risks and conditions. Store design specifications consider their resilience in extreme conditions. We have an ongoing maintenance and asset replacement program aimed at progressively maintaining and replacing assets when required.

Insurance arrangements are in place for property and business interruption (subject to policy terms, conditions and exclusions).

In FY22, we completed a physical climate change risk assessment that identified adaptation actions for Coles at both a strategic and asset level. The risk assessment was undertaken in two stages:

1) Stage one – a high-level assessment of the physical climate risks which identified the highest risk geographic regions for Coles under different climate change scenarios. The assessment took into consideration climate hazards based on the regional geography and historic context. The results informed the site selection for the second stage.
2) Stage two – six specific sites in high-risk exposure regions were further assessed through a 'deep-dive'. The sites included a distribution centre and a store / area connected to the distribution centre, in three priority regions. The site level assessments were used to identify priority risks, and site-specific adaption plans to address them. The priority risks included extreme heat, flooding, cyclones and storms, bushfires and humidity.

In FY23, we will continue to review the viability of adaptation actions identified in the FY22 assessment and will further develop our analysis of the physical climate risk exposure for Coles' portfolio of stores and distribution centres. This further review will help inform the work necessary to reduce exposure to climate risk across the portfolio.

Climate-related opportunities

We have identified a number of opportunities for the Group associated with the transition to a net zero economy, including improved resource efficiency across our operations, supporting our suppliers to strengthen their climate resilience, and partnering with community organisations to reduce emissions and deliver positive environmental outcomes.

Resource efficiency and greenhouse gas reduction

We are continuing to increase our resource efficiency and reduce greenhouse gas emissions in areas over which we have control and influence. See discussion below in Metrics and Targets section.

Potential financial benefits include: reduced operating costs (e.g. through efficiency gains and cost reductions), increased production capacity, and benefits to the health and wellbeing of our team members, community and supply chain partners.

Increased operational resilience, supply chain resilience and business continuity planning

We are seeking to build the resilience of our business, our community and our value chain against climate-related impacts, both physical and transitional.

In FY23, we will continue to review the physical climate risks exposure for our stores and distribution centres. This will build on the physical site assessment undertaken in FY22 and will help inform the work necessary to reduce exposure to climate risk across the portfolio.

We will also continue to support suppliers through grants for climate change adaptation and mitigation initiatives through the Coles Nurture Fund (further information about this grants program will be available in our 2022 Sustainability Report).

Potential financial benefits include: enhanced resilience of the supply chain and ability to operate in various conditions, and increased sales and revenue.

Risk management

We apply an integrated Group-wide approach to the management of risk through the application of the Coles Risk Management Framework.

Climate change has been identified and disclosed as a material risk to the Coles Group under our Risk Management Framework since FY19. Refer to the Risk Management section for further information on Coles' material risks.

Climate change risk exposure, together with associated management plans, risk appetites and metrics, is reported to Group Executive, the Audit and Risk Committee, and the Board regularly during the year, along with the broader suite of material risks to the Coles Group.

Climate change risk is supported by an underlying climate change risk and opportunity profile. This profile was developed in FY20 and identifies transition and physical climate change risks and opportunities impacting the Coles Group, together with associated actions and management plans. These risks and opportunities are presented in the Strategy section above.

In FY23, we will further integrate climate-related risks and opportunities as part of our risk management process to identify and assess the risks to business units and functional business plans and objectives.

Further information about Coles' Risk Management Framework will be available in our 2022 Corporate Governance Statement.

Metrics and targets

Decarbonisation

In FY21, we announced targets to reduce greenhouse gas emissions including the following commitments:

- to deliver net zero greenhouse gas emissions by 2050[2];
- for the entire Coles Group to be powered by 100% renewable electricity by the end of FY25; and
- to reduce combined Scope 1 and 2 greenhouse gas emissions by more than 75% by the end of FY30 (from a FY20 baseline).

Our main sources of Scope 1 (direct) emissions include emissions from refrigerant gases, natural gas and transport fuel, with a minimal contribution from stationary LPG and diesel for onsite back-up generators.

Scope 2 (indirect) emissions are those associated with our electricity use and make up the bulk of our combined Scope 1 and 2 emissions.

Scope 3 emissions are indirect emissions (not included in Scope 2) that occur in our value chain and make up the bulk of Coles' overall emissions profile.

Emissions data will be available in our 2022 Sustainability Report.

Scope 1 and 2 emissions

We are continuing to increase our resource efficiency and reduce greenhouse gas emissions in areas over which we have control and influence.

With respect to refrigeration management, we are increasing the use of natural refrigerant gases which have close to no global warming potential (GWP) compared with older synthetic refrigerant gases with high GWP. To reduce gas loss we have continued to invest in leak detection technology and our refrigeration pipe replacement program. We also have a number of energy efficiency initiatives in place across our stores and distribution centres, including doors on fridges and optimised lighting.

During the year we signed the last of the power purchase agreements needed to meet our renewable electricity target. The new renewable electricity agreements for large-scale generation certificate (LGC) agreements are with Lal Wind Farms, Neoen, Origin Energy, ACCIONA Energía, and ENGIE and will be sourced from renewable electricity generated at wind and solar farms across Victoria, New South Wales, South Australia and Queensland. The portfolio of generation assets includes several wind and solar farms which are under construction as well as existing sites such as Willogoleche Wind Farm in South Australia and Mt Gellibrand Wind Farm in Victoria.

Coles became the first Australian retailer to announce a renewable power purchase agreement in 2019 with global renewable power generation company MYTILINEOS, previously known as METKA EGN. In June 2021, Corowa Solar Farm in New South Wales became the first of three solar plants included in the agreement to be fully operational, with Junee and Wagga North following in December 2021.

2 At this point in time our commitment refers only to Coles' Scope 1 and Scope 2 emissions.

Scope 3 emissions

As an organisation with an extensive supply chain there are a range of challenges related to measuring and reducing Scope 3 emissions – namely, our reliance on supplier partners for relevant information, gaps in data, issues with data quality and our ability to influence suppliers' operational and commercial practices. These are not challenges we can solve on our own and we recognise we will need to work together with our partners to reduce Scope 3 emissions.

During FY22 we calculated a FY20 and FY21 inventory for Scope 3 emissions covering the following Greenhouse Gas Protocol (GHG Protocol) categories[3]:

1. Purchased goods & services

2. Capital goods

3. Fuel & energy-related activities

4. Upstream transportation & distribution

5. Waste generated in operations

6. Business travel

7. Employee commuting

12. End-of-life treatment of sold products

15. Investments & Joint Ventures

We subsequently proposed a Scope 3 target, which was approved by our Board in May 2022. We have submitted our target to the Science Based Targets Initiative (SBTi)[4] for validation and at the time of publishing are awaiting the outcome. We will disclose the proposed Scope 3 target after it is validated.

When calculating our Scope 3 emissions, we gained deeper insights into our high emitting supply chain categories. During FY22 we continued to partner with Integrity Ag and Environment to complete a lifecycle assessment on fresh beef to improve our understanding of its emissions profile. We are also currently participating in two feed additive trials to reduce methane emissions associated with beef farming. In addition, we partnered with farmers in Victoria and New South Wales to produce our certified carbon neutral beef range[5]. The Coles Finest Carbon Neutral Beef was launched in Victoria in April 2022 with the aim of launching nationally over time.

We understand food waste and packaging also contribute to emissions and will continue to focus on reducing food waste and packaging in our supply chain. We have set a target to divert 85% of solid waste from landfill by FY25 and are working towards a suite of packaging-related targets. In addition to waste and packaging, in coming years we will consider other 'cross category levers' (i.e. initiatives to target activities that occur across most supply chain categories) including transport, soil health and biodiversity and nature related impacts.

Disclosure on performance against our Together to Zero emissions and waste targets will be available in our 2022 Sustainability Report.

Influencing climate action

We are collaborating with industry and other stakeholders, as well as investing in knowledge and research, to identify decarbonisation pathways in support of the Paris Agreement's goals. Our Chief Executive Officer is a founding member of the Australian Climate Leaders Coalition[6] and Coles is a corporate member of the Carbon Market Institute[7], with representatives participating in working groups and other forums.

During FY22 we have:

- participated in a 'deep dive' working group, as part of the Australian Climate Leaders Coalition, focusing on mapping and reducing Scope 3 emissions with value chain partners;
- participated in the Australian Beef Sustainability Framework, an initiative of the Red Meat Advisory Council managed by Meat and Livestock Australia. We consider the framework the most appropriate way to address climate and environmental issues facing the beef industry (such as emissions reduction and deforestation) from a national and industry-wide perspective;
- partnered with the Great Barrier Reef Foundation. Through the 10-year, $10 million partnership, Coles will dedicate funds towards a number of innovative projects developing 'blue carbon' – the process of capturing and storing carbon in oceanic or coastal ecosystems such as mangroves, tidal marshes and seagrasses; and
- continued to partner with food rescue organisations SecondBite and Foodbank to divert edible, unsold food from landfill.

3 Consistent with guidance in the GHG Protocol, Category 8 - Upstream leased assets, Category 9 – Downstream transportation & distribution and Category 11 – Use of sold products are excluded from our Scope 3 emissions inventory. Category 10 - Processing of sold products, 13 – Downstream leased assets and 14 - Franchises are not relevant to Coles Group.

4 The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. It provides an independent assessment and validation of net-zero science-based targets in line with a 1.5°C future.

5 Product is certified carbon neutral from paddock to shelf under Climate Active's Carbon Neutral Standard and ranged in selected Victorian stores.

6 An independent industry association helping business manage risks and capitalise on opportunities in the transition to a net-zero emissions economy – see https://carbonmarketinstitute.org/.

7 A group of cross-sectoral corporate CEOs supporting the Paris Agreement commitments and setting public decarbonisation targets – see https://www.climateleaders.org.au/.

Maria from Coles' livestock team and Dane from Endhill Pty Ltd with state-of-the-art machinery which can harvest lucerne in the paddock and convert it to pellets for cattle. The pelletising machine was purchased with a $400,000 grant from the Coles Nurture Fund.

Board of Directors: Biographical Details

James Graham AM

BE(Chem)(Hons), MBA, FIEAust EngExec, FTSE, FAICD, SF FIN

Chairman and Non-executive Director, Chairman of the Nomination Committee and Member of the People and Culture Committee

Age: 74

James Graham has extensive business, investment, corporate and governance experience, including as a Non-executive Director of Wesfarmers Limited for 20 years, prior to his retirement in July 2018. James is Chairman of Gresham Partners Limited, having founded the Gresham Partners Group in 1985.

From 2001 to 2009, James was a Director of Rabobank Australia Limited, initially as Deputy Chairman and then Chairman, and was responsible for the Bank's operations in Australia and New Zealand. He was also Chairman of the Darling Harbour Authority between 1989 and 1995, and was previously Managing Director of Rothschild Australia Limited. In 2008, James was made a member of the Order of Australia.

Steven Cain

MEng (1st)

Managing Director and CEO

Age: 57

Steven Cain has over 20 years of experience in Australian and international retail. Steven was previously Chief Executive Officer of Supermarkets and Convenience at Metcash Limited. He was Chief Executive of Carlton Communications plc, a FTSE 100 media group company, and Operating Director and Portfolio Company Chairman at Pacific Equity Partners, a private equity firm.

Steven was also the Group Marketing Director, Store Development Director and Grocery Trading Director of Asda Stores Ltd (UK) during its turnaround and has held roles at UK retail group Kingfisher plc, and Bain & Company.

Steven was previously the Managing Director of Food, Liquor and Fuel at Coles Myer and was an advisor to Wesfarmers Limited on its takeover of the Coles Group in 2007.

David Cheesewright

BSc Mathematics and Sports Science (1st)

Non-executive Director, Member of the Nomination Committee and the People and Culture Committee

Age: 60

David Cheesewright retired in early 2018 as President and Chief Executive Officer of Walmart International, which comprises Walmart's operations outside the United States. It includes more than 6,200 stores and over a million associates in 27 countries. David was also responsible for Walmart's global sourcing operations and offices around the world. He was previously President and CEO of Walmart EMEA (Europe, Middle East and Africa), CEO Walmart Canada, and COO Asda.

David's other former roles include a range of key positions with Mars Confectionery in the UK across manufacturing, marketing, sales and logistics. David was a board member of Walmex (Walmart Mexico); the Chinese online grocery business Yihaodian; South African retailer and distributor, Massmart; The Retail Council of Canada and ECR Europe, as well as Chair of Walmart Canada Bank and Gazeley Holdings (UK).

David is a Non-executive Director of Rapha Racing Ltd and DFI Retail Group Holdings Limited.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of DFI Retail Group Holdings Limited (since November 2021).

Jacqueline Chow

MBA, BSc (Hons), GAICD

Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee

Age: 50

Jacqueline Chow is a Non-executive Director of Boral Limited, nib Holdings Limited and Charter Hall Group. She is also a Director of the Australia-Israel Chamber of Commerce of New South Wales.

From 2016 to 2019, Jacqueline was a Director of Fisher & Paykel Appliances. Jacqueline previously held senior management positions, including Chief Operating Officer: Global Consumer and Food Service, with Fonterra Co-operative Group, one of the world's largest dairy product producers and exporters. Prior to that, she was in senior management with Campbell Arnott's and Kellogg Company. She was also Programme Steering Group Director, Ministry for Primary Industries, New Zealand and Deputy Chair of the Global Dairy Platform Inc. She was previously a Senior Advisor at McKinsey Consulting RTS.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of Boral Limited (since March 2022), nib Holdings Limited (since April 2018), Charter Hall Group (since February 2021).

Abi Cleland
MBA, BCom/BA

Non-executive Director, Member of the Nomination Committee and the People and Culture Committee

Age: 48

Abi Cleland is currently a Non-executive Director of Computershare Limited and Orora Limited. She was previously a Non-executive Director of Sydney Airport Corporation Limited, Chair of Planwise AU, a Director of Swimming Australia and on the Lazard PE Fund advisory committee. From 2012 to 2017, Abi established and ran an advisory and management business, Absolute Partners, focusing on strategy, mergers and acquisitions and disruption. Before that, she held senior management roles at KordaMentha's 333, where she was Managing Director, and at ANZ Banking Group Limited, Incitec Pivot Limited and Amcor Limited.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of Computershare Limited (since February 2018), Orora Limited (since February 2014), Sydney Airport Corporation Limited (April 2018 to March 2022).

Richard Freudenstein
LLB (Hons), BEc

Non-executive Director, Chairman of the People and Culture Committee and Member of the Nomination Committee

Age: 57

Richard Freudenstein is the Chairman and a Non-executive Director of Appen Limited as well as a Non-executive Director of REA Group Limited (where he was Chairman from 2007 to 2012). He is a board member of Cricket Australia and Deputy Chancellor of the University of Sydney.

Richard was previously Chief Executive Officer of Foxtel (2011 to 2016), Chief Executive Officer of The Australian and News Digital Media at News Ltd (2006 to 2010), and Chief Operating Officer at British Sky Broadcasting plc (2000 to 2006). His previous board positions include Ten Network Holdings (2015 to 2016), Foxtel (2009 to 2011) and Astro Malaysia Holdings Berhad (2016 to 2019). Richard was also a member of the Advisory Board of artificial intelligence software company, Afiniti Ltd (2017 to 2022).

Directorships of listed entities, current and recent (last three years):

Chairman of Appen Limited (since October 2021) and Non-executive Director (since August 2021), Non-executive Director of REA Group Limited (since November 2006), Astro Malaysia Holdings Berhad (September 2016 to August 2019).

Paul O'Malley
BCom, M.AppFinance, ACA

Non-executive Director, Chairman of the Audit and Risk Committee and Member of the Nomination Committee

Age: 58

Paul O'Malley is the Chairman and a Non-executive Director of Commonwealth Bank of Australia Limited. He was Managing Director and Chief Executive Officer of BlueScope Steel Limited from 2007 to 2017, after joining the company as Chief Financial Officer. Previously, Paul was the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas. He held other senior financial management roles within TXU and previously worked in the investment banking and consulting sectors. A former Director of the Worldsteel Association, Paul was Chair of their Nominating Committee and Trustee of the Melbourne Cricket Ground Trust. He has also served as Chairman for Australian Catholic Redress Ltd.

Directorships of listed entities, current and recent (last three years):

Chairman of Commonwealth Bank of Australia Limited (since August 2022) and Non-executive Director (since January 2019).

Wendy Stops
BAppSc (Information Technology), GAICD

Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee

Age: 61

Wendy Stops is a Non-executive Director of Blackmores Limited, Director of Fitted for Work, a Council member at the University of Melbourne, Chair of the Advisory Board for the Melbourne Business School's Centre for Business Analytics, a member of the AICD's Governance of Innovation and Technology Panel and a member of the Advisory Committee to the Digital Technology Taskforce of the Department of Industry, Science and Resources.

Previously, Wendy was a senior management executive in the information technology and consulting sectors. This includes her last 16 years with Accenture in various senior management positions in Australia, Asia Pacific and globally. Her board experience includes Commonwealth Bank of Australia Limited, Altium Limited, Accenture Software Solutions Australia and Diversiti. Currently, Wendy is a member of Chief Executive Women, serving on their Leaders Program Committee, and a graduate of the AICD.

Directorships of listed entities, current and recent (last three years):

Non-executive Director of Blackmores Limited (since April 2021), Commonwealth Bank of Australia Limited (March 2015 to October 2020), Altium Limited (February 2018 to November 2019).

Coles Group Limited 2022 Annual Report

Directors' Report

The Directors present their report on the consolidated entity consisting of Coles Group Limited ('the Company') and its controlled entities at the end of, or during, the financial year ended 26 June 2022 (collectively, 'Coles' or 'the Group').

The information referred to below forms part of and is to be read in conjunction with this Directors' Report:

- the Operating and Financial Review
- the Remuneration Report
- Board of Directors: Biographical Details
- Note 7.3 Auditor's remuneration to the financial statements accompanying this report
- Note 7.5 Events after the reporting period to the financial statements accompanying this report
- the Auditor's Independence Declaration required under section 307C of the *Corporations Act 2001* (Cth).

Directors

The Directors in office as at the date of this report are:

NAME	POSITION HELD	PERIOD AS A DIRECTOR
James Graham AM	Chairman and Independent, Non-executive Director	Appointed 19 November 2018
Steven Cain	Managing Director and Chief Executive Officer	Appointed Chief Executive Officer 17 September 2018 Appointed Managing Director 2 November 2018
David Cheesewright	Independent, Non-executive Director	Appointed 19 November 2018
Jacqueline Chow	Independent, Non-executive Director	Appointed 19 November 2018
Abi Cleland	Independent, Non-executive Director	Appointed 19 November 2018
Richard Freudenstein	Independent, Non-executive Director	Appointed 19 November 2018
Paul O'Malley	Independent, Non-executive Director	Appointed effective 1 October 2020
Wendy Stops	Independent, Non-executive Director	Appointed 19 November 2018

The biographical details of the current Directors set out information about the Directors' qualifications, experience, special responsibilities and other directorships.

Company Secretary

Daniella Pereira LLB (Hons), BA

Daniella Pereira was appointed the Company Secretary of Coles Group Limited on 19 November 2018. Daniella has an extensive career in legal, governance and company secretariat, including a 14-year career with ASX-listed industrial chemicals company Incitec Pivot Limited. Daniella began her career as a lawyer with Ashurst (formerly Blake Dawson).

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are listed below:

	BOARD		AUDIT AND RISK COMMITTEE		PEOPLE AND CULTURE COMMITTEE		NOMINATION COMMITTEE	
DIRECTOR – CURRENT[1,2]	Held	Attended	Held	Attended	Held	Attended	Held	Attended
James Graham	12	12			5	5	4	4
Steven Cain	12	12						
David Cheesewright	12	10			5	3	4	3
Jacqueline Chow	12	12	5	5			4	4
Abi Cleland	12	12			5	5	4	4
Richard Freudenstein	12	12			5	5	4	4
Paul O'Malley	12	12	5	5			4	4
Wendy Stops	12	12	5	5			4	4

1 'Held' indicates the number of meetings held during the period that the Director was a member of the Board or Committee.
2 'Attended' indicates the number of meetings attended during the period that the Director was a member of the Board or Committee.

Directors' shareholdings in the Company

Details of Directors' shareholdings in the Company as at the date of this Directors' Report are shown in the table below. All Directors have met the minimum shareholding requirement under the Board Charter.

DIRECTOR	NUMBER OF SHARES HELD[1]
James Graham	500,188
Steven Cain[2]	218,115
David Cheesewright	20,000
Jacqueline Chow	20,000
Abi Cleland	19,816
Richard Freudenstein	19,000
Paul O'Malley	3,809
Wendy Stops	25,000

1 The number of shares held refers to shares held either directly or indirectly by Directors as at 24 August 2022. Refer to the Remuneration Report tables for total shares held by Directors and their related parties directly, indirectly or beneficially as at 26 June 2022.
2 As at 24 August 2022, Steven Cain also holds 140,380 STI Shares and 725,010 Performance Rights.

Principal activities

The principal activities of Coles during the financial year were providing customers with everyday products, including fresh food, groceries, general merchandise, liquor, fuel and financial services through its store network and online platforms. No significant changes have occurred in the nature of these activities during the financial year.

State of affairs

There have been no significant changes in Coles' state of affairs during the financial year.

Review and results of operations

A review of the operations of the Group during the financial year, the results of those operations and the Group's financial position are contained in the Operating and Financial Review (OFR).

Business strategies and prospects for future financial years

The OFR sets out information on the business strategies and prospects for future financial years and refers to likely developments in Coles' operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group.

Information that could give rise to any likely material detriment to the Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included. Other than the information set out in the OFR, information about other likely developments in the Group's operations and the expected results of these operations in future financial years has not been included.

Events after the reporting date

On 24 August 2022, the Directors determined a final dividend of 30.0 cents per fully paid ordinary share to be paid on 28 September 2022, fully franked at the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid out of profits, but not recognised as a liability at 26 June 2022, is expected to be $401 million.

Dividends

Dividends since Coles' last Annual Report:

TYPE	CENTS PER SHARE	TOTAL AMOUNT $m	FRANKED PERCENTAGE	DATE OF PAYMENT
PAID DURING THE YEAR				
2021 final dividend	28.0	373	100%	28 September 2021
2022 interim dividend	33.0	441	100%	31 March 2022
TO BE PAID AFTER END OF YEAR				
2022 final dividend	30.0	401*	100%	28 September 2022

DEALT WITH IN THE FINANCIAL REPORT AS	NOTE	$m
Dividends paid	3.3	814

* Estimated final dividend payable, subject to variations in the number of shares up to the record date.

Environmental regulations

The activities of the Company are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group is also subject to various state and local government food licensing requirements, and may be subject to environmental and town-planning regulations. The Group has not incurred any significant liabilities under any environmental legislation during the financial year.

Indemnification and insurance of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, the Company Secretary and other executive officers, against the liabilities incurred while acting as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors, Company Secretary, Chief Financial Officer and certain executives. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

The Company has paid a premium in respect of a contract insuring current and former directors, company secretaries and executives of the Company and its subsidiaries against liability that they may incur as an officer of the Company or any of its subsidiaries, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with certain exceptions. It is a condition of the insurance contract that no details of the premiums payable or the nature of the liabilities insured are disclosed.

Indemnification of auditors

Pursuant to the terms of engagement the Company has with its auditors, Ernst & Young (EY), the Company has agreed to indemnify EY to the extent permitted by law and professional regulations, against any losses, liabilities, costs or expenses incurred by EY where they arise out of or occur in relation to any negligent, wrongful or wilful act or omission by the Company. No payment has been made to EY by the Company pursuant to this indemnity, either during or since the end of the financial year.

Non-audit services and auditor's independence

Details of the non-audit services undertaken by, and amounts paid to, EY are detailed in Note 7.3 Auditor's remuneration to the financial statements.

The Board is satisfied that the provision of non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services provided by EY were reviewed and approved to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

A copy of the Auditor's Independence Declaration forms part of this report.

Proceedings on behalf of the Company

No application has been made under section 237 of the *Corporations Act 2001* (Cth) in respect of the Company, and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one million dollars, with the Company being in a class specified in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Signed on behalf of the Board in accordance with a resolution of the Directors of the Company.

James Graham AM
Chairman

24 August 2022

Steven Cain
Managing Director and Chief Executive Officer

24 August 2022

Remuneration Report

Letter to shareholders from the Chair of the People and Culture Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the FY22 Remuneration Report for Coles Group Limited ('the Company') and its controlled entities (together, 'Coles', 'Coles Group' or 'the Group'). The Remuneration Report provides information on the remuneration arrangements for our Key Management Personnel ('KMP') which include the Managing Director and Chief Executive Officer ('Managing Director and CEO'), Other Executive KMP and Non-executive Directors of the Company.

Coles has continued to pursue its vision to be the most trusted retailer in Australia and grow long-term shareholder value

Coles has continued to deliver on its transformation strategy in FY22, while maintaining stable earnings before interest and tax (EBIT). This is despite significant COVID-19 costs, transformation project costs, flood events and lower Express earnings as a result of reduced mobility from COVID-19 lockdowns.

Notwithstanding the highly disrupted operating environment, the Coles management team led by Managing Director and CEO, Steven Cain maintained focus on our vision to 'become the most trusted retailer in Australia and grow long-term shareholder value' across FY22, and delivered a solid set of financial results and strategic achievements to progress the 'Winning Together in our Second Century' strategy including:

Inspire Customers

- Delivered trusted value with an extensive Exclusive to Coles range of almost 6,000 products, with more than 1,300 Coles Own Brand products launched during the year, while successful value campaigns focused on lowering the cost of living for customers
- Supermarkets eCommerce sales growth of 41% with progress made in the unified customer experience through the launch of a new shoppable Coles App enabling customers to shop anytime, anywhere, anyhow
- Liquor eCommerce sales growth of 49% through an expanded range, continued roll out of Click & Collect and on demand (immediacy delivery) now available in more than 400 stores

Smarter Selling

- Benefits of over $230 million were delivered through our Smarter Selling program in FY22 and we are on track to deliver $1billion in benefits by FY23
- Refreshed Coles career website and recruitment processes using technology to deliver a more streamlined and efficient process
- Renewed 50 supermarkets as part of Coles' store format strategy including six new Coles Local stores. In Liquor, 191 Liquorland stores were renewed in the new Black and White format, eight First Choice Liquor Market and nine Vintage Cellar stores were renewed

Win Together

- A significant improvement in safety performance was achieved, with a 14.7% reduction in Total Recordable Injury Frequency Rate (TRIFR)
- Team member engagement strengthened across the year with a three percentage point improvement
- A number of accolades were received for achievements in diversity and inclusion, including recognition by the Australian Network on Disability as a top employer for people with a disability and, for the second year in a row, recognition as a Gold tiered employer at the 2022 Australian LGBTQ Inclusion Awards
- A $10 million commitment over 10 years to our 'Blue Carbon Partnership' with the Great Barrier Reef Foundation
- Ranked the number two food retailer globally for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark[1]

1 Based on 2021 Food and Agriculture Benchmark of 350 food and agriculture companies globally by the World Benchmarking Alliance. Benchmark across four key measurement areas of social inclusion, nutrition, governance & strategy, and environment. Coles ranked #12/350 companies overall and #2/62 of food retailers globally.

Outcomes for FY22

Given the significant disruption caused by COVID-19 across FY21, the Board made the decision to defer the setting of FY22 financial targets for both the short-term incentive (STI) and long-term incentive (LTI) plans until the end of the first quarter. With the information available at that time, including actualised first quarter performance, full year forecasts and budgets, and market sentiment, the Board approved targets for each plan which were either flat to, or exceeded, the original FY22 budget.

Notwithstanding the challenges presented to management across the year, the Group's performance was solid against all financial metrics included in the Executive KMP STI balanced scorecard for FY22, delivering above target performance against each of the targets set by the Board. Specifically, Group sales revenue increased by 2% to $39.4 billion and EBIT decreased marginally by 0.2% to $1,869 million. However, EBIT includes COVID-19 costs of approximately $240 million, compared to approximately $130 million of COVID-19 costs incurred in FY21.

Performance was also strong against our safety and team member engagement non-financial metrics with significant improvements in both areas, and ongoing focus on A team that is better together. Following strong performance at the beginning of the year, in the second half of FY22, our main customer metric - net promoter score (NPS) - was negatively impacted as a result of supply chain challenges, which affected availability for customers.

Coles has made significant eCommerce investments in its digital platforms to provide a seamless unified customer experience. The Ocado program is a key enabler of our eCommerce strategy delivering an enhanced experience for our customers to shop Anytime, Anywhere, Anyhow.

The Ocado program will be delivered within the timeframes previously advised however will require further investment to complete. The additional investment will address the significant increase in the size of our eCommerce business compared to the size at the time the original program was approved, including an expanded scope, an enhanced customer experience and offer, COVID-19 impacts and program delays, efficiency and sustainability initiatives and contingency. In consideration of the additional investment required to complete, the Board has decided not to reward Executive KMP for in year achievements against the Ocado program metric in the FY22 STI balanced scorecard.

Section 4.4 covers the STI outcomes in more detail and includes a summary of the Board's approach in determining the final STI payable to Executive KMP. The resulting impact was STI outcomes for the Executive KMP that ranged between 69.0% to 75.7% of the maximum STI opportunity. The Board is of the opinion these outcomes reflect the solid achievements delivered by management against the commitments made to shareholders for FY22. Under the remuneration framework, 50% of the Managing Director and CEO's STI award will be deferred into equity for two years, and 25% of the Other Executive KMP STI awards will be deferred into equity for one year.

With respect to the FY20 LTI that covered performance between FY20-FY22, 100% of the performance rights allocated to Executive KMP will vest on 1 September 2022 based on performance against set targets. This award had two performance metrics. The first metric was cumulative Return On Capital (ROC) achieving a result of 110.9% of target. The second metric was relative Total Shareholder Return (TSR) with performance assessed at the 84.3 percentile against the comparator group.

The Board is satisfied this outcome reflects management performance based on an absolute and market relative basis. Further information of performance against set targets and vesting outcomes is covered in Section 4.5.

Executive KMP Transition

As announced to shareholders in November 2021, Greg Davis ceased being an Executive KMP during April 2022 and will cease employment with Coles on 14 October 2022. Leah Weckert moved from the role of Chief Financial Officer into the role of Chief Executive, Commercial & Express on 15 April 2022. Leah brings a wealth of experience to this role having held a number of leadership roles across Coles since she joined in 2011.

Following an internal and external search SR (Charlie) Elias joined Coles on 1 December 2021 and was appointed to the role of Chief Financial Officer on 28 February 2022. Charlie has extensive finance and executive leadership experience. Prior to joining Coles, Charlie was the CEO of BlueScope Building Products Asia and North America. His previous roles have included CFO of BlueScope Limited, CFO and Executive Director of Linfox Group and CFO, Director and General Manager Strategy & Business Development for TXU Australia.

After a review of portfolios across Coles leadership, Matthew Swindells assumed the role of Chief Sustainability Officer in addition to his role of Chief Operations Officer from 17 June 2022. Elevating the sustainability role to a member of the Executive KMP further supports our commitment to 'sustainably help all Australians to lead healthier, happier lives'.

Coles Group Limited 2022 Annual Report

Looking ahead

The Board regularly reviews our remuneration and incentive frameworks so that it continues to strongly align to our remuneration strategy, principles and our long-term strategy. For the FY23 STI, the Board has chosen to expand the Safety metric to include a broader safety index, beyond TRIFR which has a greater focus on lead indicators. Aside from this important amendment to STI, the Board has determined the current remuneration framework for the Executive KMP continues to reflect Coles' strategy and market positioning.

The Board is appreciative of the efforts of all Coles team members across what was another challenging year. Our teams managed the ongoing impacts of COVID-19 along with unprecedented weather events, including the devastating floods in NSW, Queensland and WA, which impacted our customers, suppliers and communities.

We could not be prouder of the performance and resilience of our Team Members and their capacity to face into these challenges to ensure we deliver on our promise of trusted value to our customers.

Richard Freudenstein
Chair of the People and Culture Committee

Introduction

The Directors of Coles Group Limited ('the Company') present the Remuneration Report for the Company and its controlled entities (together, 'Coles', 'Coles Group' or 'the Group') for the financial year ended 26 June 2022 ('FY22'). This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) and is audited.

This Remuneration Report covers the period from 28 June 2021 to 26 June 2022.

Structure of this report

The remuneration report is divided into the following sections;

SECTION
(1) Key Management Personnel
(2) Remuneration governance
(3) Remuneration policy and structure overview
(4) FY22 Executive KMP remuneration outcomes
(5) FY22 Non-executive Director remuneration
(6) Ordinary Shareholdings

Section 1: Key Management Personnel

We have prepared this Remuneration Report in respect of the Group's Key Management Personnel ('KMP'), being the people who have the authority and responsibility for planning, directing, and controlling the Group's activities, either directly or indirectly. This includes the Board of Directors and Executive KMP.

The 'Executive KMP' includes the Managing Director and CEO, and all other executives considered to be KMP. References to 'Other Executive KMP' means the Executive KMP excluding the Managing Director and CEO.

Table 1 shows the people who were considered KMP of the Group during FY22.

Table 1:

Non-executive Directors

NAME	POSITION HELD	TERM
James Graham AM	Chairman and Non-executive Director	Full Year
David Cheesewright	Non-executive Director	Full Year
Jacqueline Chow	Non-executive Director	Full Year
Abi Cleland	Non-executive Director	Full Year
Richard Freudenstein	Non-executive Director	Full Year
Paul O'Malley	Non-executive Director	Full Year
Wendy Stops	Non-executive Director	Full Year

Executive KMP

NAME	POSITION HELD	TERM
Current		
Steven Cain	Managing Director and Chief Executive Officer	Full Year
SR (Charlie) Elias[1]	Chief Financial Officer	From 28 February 2022
Leah Weckert[2]	Chief Executive, Commercial & Express from 15 April 2022 Chief Financial Officer to 27 February 2022	Full Year
Matthew Swindells[3]	Chief Operations and Sustainability Officer	Full Year
Former		
Greg Davis	Chief Executive, Commercial & Express	To 14 April 2022

1 Charlie Elias commenced employment on 1 December 2021.
2 Between 28 February 2022 and 14 April 2022, Leah Weckert took a period of long service leave and completed a handover from Greg Davis. Leah is considered a KMP for the full year.
3 Matthew Swindells commenced in the role of Sustainability Officer on 17 June 2022.

Coles Group Limited 2022 Annual Report

Section 2: Remuneration Governance

2.1 Governance framework

The diagram below provides an overview of the remuneration governance framework that has been established by the Group.

Further information regarding the membership and meetings of the People and Culture Committee is provided in the Directors' Report.

The Board

The Board maintains overall accountability for oversight of the Group's remuneration policies to ensure that they are aligned with the Group's vision, values, strategic objectives, and risk appetite. The Board approves all remuneration and benefit arrangements as they relate to the Managing Director and CEO; and executive-level direct reports to the Managing Director and CEO ('Executive Direct Reports'), having regard to the recommendations made by the People and Culture Committee and the remuneration arrangements for Non-executive Directors. The Board maintains absolute discretion to either positively or negatively adjust the remuneration outcomes for the Managing Director and CEO and Executive Direct Reports. The Board will use its discretion based on the provision of supporting data and their assessment of performance aligned to the Group's values and LEaD behaviours, risk, compliance, reputational, safety and sustainability considerations as well as the quality of earnings delivered.

Audit and Risk Committee

The Audit and Risk Committee advise the Board and People and Culture Committee on any risk, conduct and compliance matters that may relate to executive remuneration outcomes and/or financial targets and results.

People and Culture Committee

The role of the Committee is to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to the Group's remuneration policies. The Committee does this by reviewing and making recommendations to the Board on matters including (but not limited to):

- setting remuneration arrangements of Non-executive Directors, the Managing Director and CEO, and Executive Direct Reports;
- the annual performance review of the Managing Director and CEO and Executive Direct Reports; and
- assessing remuneration outcomes for the Managing Director and CEO and Executive Direct Reports.

The Committee delegate authority for the operation and administration of all Group incentive and equity plans to management.

External advisers

The People and Culture Committee may seek advice from independent remuneration consultants in determining appropriate remuneration policies for the Group, and specifically remuneration arrangements for the Managing Director and CEO, and Executive Direct Reports.

Shareholders and other stakeholders

The People and Culture Committee may consult with shareholders, proxy advisors and other relevant stakeholders, in determining appropriate remuneration policies for the Group, including remuneration arrangements for the Managing Director and CEO, and Executive Direct Reports.

Management

Management makes recommendations to the People and Culture Committee on matters including (but not limited to):

- remuneration arrangements of Executive Direct Reports, including the establishment of any new incentive and equity plans, or amendments to the terms of existing arrangements;
- annual performance review of Executive Direct Reports; and
- changes to the Group's remuneration policies.

External advisors may be engaged either directly by the People and Culture Committee or through management, to provide information on remuneration related issues, including benchmarking information and market data.

During FY22 Mercer provided independent benchmarking in relation to executive remuneration to management and the People and Culture Committee. No remuneration recommendations were made by external consultants. The People and Culture Committee is satisfied that the information provided was free from undue influence by any executive.

2.2 Corporate governance policies related to remuneration

Our robust remuneration framework is supported by several corporate governance polices related to remuneration including those following.

2.2.1 Securities Dealing Policy

Coles has adopted a Securities Dealing Policy that applies to all Group team members including Non-executive Directors and Executive KMP and their connected persons, as defined within the policy. This policy sets out the insider trading laws all Group team members must comply with, including specific restrictions with which KMP must comply. This includes obtaining approval prior to trading in the Group's securities and not trading within blackout periods, other than with approval in exceptional circumstances as detailed within the policy. The policy aims to protect the reputation of the Group and maintain confidence in trading in the Group's securities. It prohibits specific types of transactions being made which are not in accordance with market expectations or may otherwise give rise to reputational risk.

2.2.2 Minimum Shareholding Policy

The Group's Minimum Shareholding Policy is a key means by which the interests of the KMP are aligned with those of the shareholders. The policy requires both Non-executive Directors and Executive KMP to build and maintain a significant shareholding in the Group.

Non-executive Directors

Non-executive Directors are required to hold at least 1,000 ordinary shares in the Company within six months of their appointment. The shares may be held by a Non-executive Director either in their own name, or indirectly in the name of an entity controlled by the Non-executive Director or a closely related party. As at the date of this Remuneration Report, each Non-executive Director satisfies this requirement.

Within five years of appointment, each Non-executive Director is expected to increase their shareholding to an amount equivalent to 100% of their annual base fee at that time. The details of each Non-executive Director's shareholding are summarised in Table 10.

Executive KMP

Executive KMP are required to achieve a minimum shareholding equivalent to 100% of total fixed compensation ('TFC') by the later of five years from the date they commence, or five years from the introduction of the policy on 1 July 2019. The details of each Executive KMP shareholding are summarised in Table 11.

In addition to Executive KMP, this policy also applies to all other Executive Direct Reports.

Section 3: Executive remuneration policy and structure overview

3.1 Executive remuneration policy for FY22

Our remuneration framework is aligned with our 'Winning Together in our Second Century' strategy and is guided by our remuneration principles. The People and Culture Committee determined the framework is appropriately aligned with our strategy and the interests of our shareholders.

Market competitive

Retail is a globally competitive industry. We need to be able to attract, motivate and retain high-calibre executives in both the local and global talent market.

Performance-based

A strong link to performance-based pay to support the achievement of strategy aligned with short, medium- and long-term financial targets.

Creates long-term value for shareholders

Ensuring there is a common interest between executives and shareholders by aligning reward with the achievement of sustainable shareholder returns.

Fit for purpose

Designed to be relevant to how the Group operates. It needs to be simple to articulate, drive the right behaviours and ensure we deliver on our strategy.

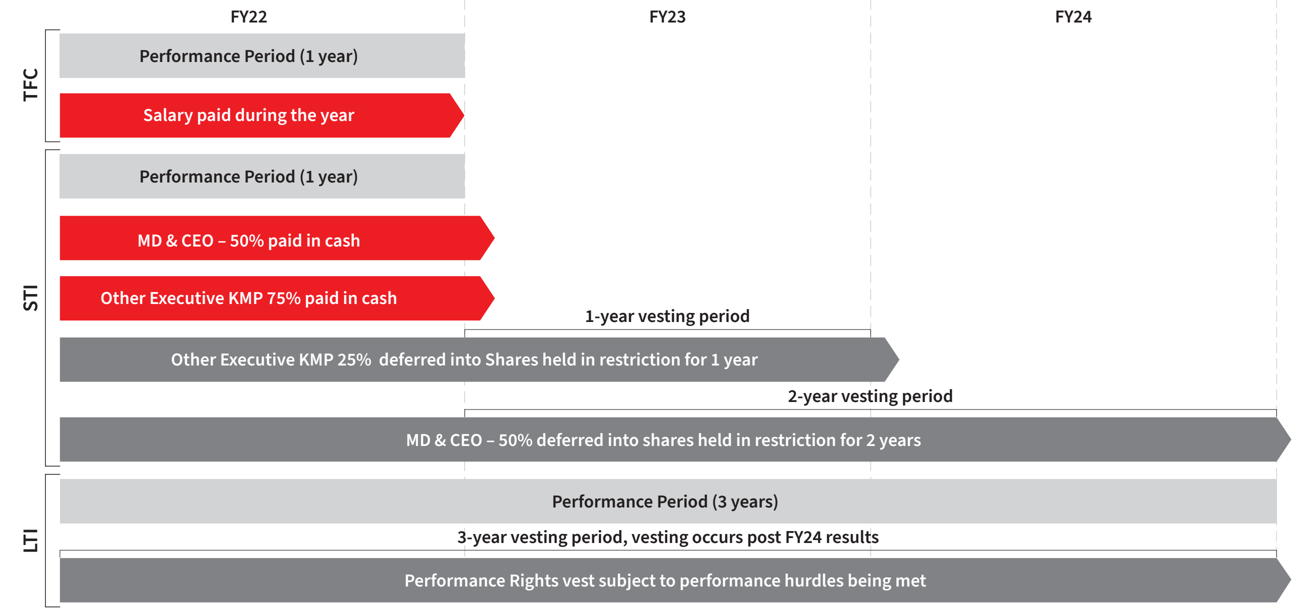
Specific performance measures and outcomes for FY22 are included in section 4. Details of prior years' remuneration, including performance measures and outcomes, are set out in the Remuneration Reports of prior Annual Reports, which are available on the Coles website.

Executive KMP remuneration is delivered using both fixed and variable (at-risk) components as outlined in the following graphic.

Our Executive KMP remuneration is delivered through a simple, three element structure using both fixed and variable (at-risk) components.

Fixed elements	Variable elements	
1. Total Fixed Compensation (TFC)	**2. Short-term incentive (STI)**	**3. Long-term incentive (LTI)**
How it is delivered		
Cash	Cash; Equity (Shares)	Equity (Performance Rights)
How it works:		
• consists of base salary and superannuation • target position is the 50th percentile of the ASX 10-40 comparator group (plus reference to local and international retailers, as required)	• paid as part cash, part deferred equity: = Managing Director and CEO 50% deferred into shares and restricted for 2 years = Other Executive KMP 25% deferred into shares and restricted for 1 year • opportunity levels (all Executive KMP): = 80% of TFC at Target = 120% of TFC at Maximum • measured against an individual balanced scorecard consisting of: = 60% financial measures = 40% strategic and non-financial measures • includes a mixture of group and functional strategic measures	• delivered in Performance Rights, subject to a 3-year Performance Period • opportunity levels: = Managing Director and CEO 175% of TFC = Other Executive KMP 150% of TFC • measured against: = 50% Relative TSR (RTSR) (ASX 100 comparator group) = 50% cumulative Return on Capital (ROC) • dividend equivalent payment made in shares upon vesting
What it does		
Allows us to attract and retain key talent through competitive and fair fixed remuneration	Incentivises strong individual and Company performance, based on strategically aligned deliverables, through variable, at-risk payments	Aligns reward with creation of sustainable, long-term shareholder value

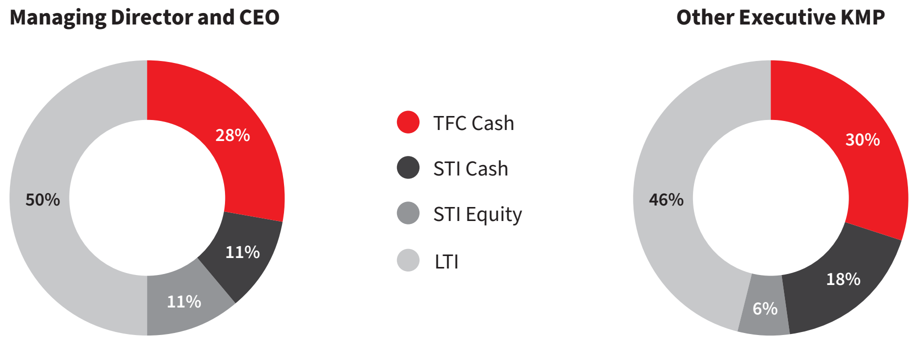
What are the time horizons of the awards?



3.2 FY22 target remuneration mix for Executive KMP

The FY22 total target remuneration mix for the Executive KMP in Chart 1.

Chart 1 – Total target remuneration mix



3.3 Executive KMP employment agreements

Executive KMP employment terms are formalised in employment contracts that have no fixed term. Specific information relating to the terms of the Executive KMP's employment contracts is in Table 2.

Table 2: Executive KMP employment contracts

NAME	NOTICE PERIOD[1]	RESTRAINT OF TRADE
Current		
Steven Cain	12 months	12 months
SR (Charlie) Elias	12 months	12 months
Leah Weckert	12 months	12 months
Matthew Swindells	6 months	6 months
Former		
Greg Davis[2]	6 months	6 months

1 Executive KMP can be terminated without notice if they are found to have engaged in serious or willful misconduct, are seriously negligent in the performance of their duties, commit a serious or persistent breach of their employment contract, or commit an act, whether at work or otherwise, that would bring the Group into disrepute. The Group may also make a payment in lieu of notice.

2 Greg Davis' entitlements on ceasing employment are aligned to his employment contract, and the terms of the STI and LTI plans that Greg participated in as Executive KMP.

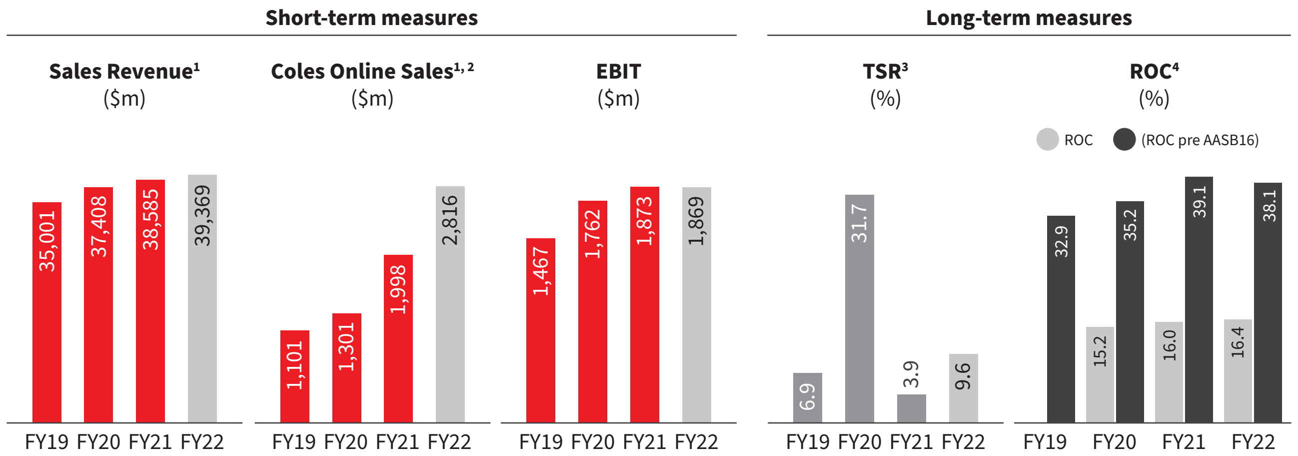
Section 4: FY22 Executive KMP remuneration outcomes

4.1 Company performance

The remuneration framework has been designed to reward Executive KMP for their contribution to the collective performance of the Company and to support the alignment between the remuneration of Executive KMP and shareholder returns.

As the Group listed on the ASX on 21 November 2018, it is not possible to address the statutory requirement that the Group provides a five- year discussion of the link between performance and remuneration. This data will continue to be expanded each year to provide the required comparative metrics for the financial years in which the Group was listed.

The following graphs and table represent the relationship between remuneration of Executive KMP and the Group's financial performance over the last four financial years (including FY22).



	FY19	FY20	FY21	FY22
STI outcomes (AVG Executive KMP % of maximum)	39.0%	97.4%	88.2%	73.1%
LTI outcomes (% of maximum)	n/a	n/a	97.6%	100%
Dividends determined in respect of the financial year (cents)[5]	35.5	57.5	61.0	63.0
Closing share price (at end of financial year)[6]	$13.35	$16.79	$16.83	$17.81

1 FY21 sales revenue and online sales have been restated to reflect a reclassification of fulfilment income to sales revenue (previously reported within Other Income).
2 Coles Online Sales comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.
3 TSR is calculated as the change in share price during the financial measurement period plus dividends reinvested on the respective ex-dividend dates.
4 ROC is Group EBIT divided by capital employed. Capital employed is calculated on a rolling average basis (seven months in FY19).
5 The dividends determined in respect of the financial year reflect the dividends determined for the financial year irrespective of the dividend payment date.
6 The opening share price on listing on the ASX on 21 November 2018 was $12.49.

4.2 Board oversight of remuneration outcomes

The Board maintains absolute discretion to ensure remuneration outcomes are appropriate in the context of the Company's performance, our customer experience and shareholder expectations. The Board has discretion in evaluating the achievement against performance measures, including to adjust for unusual factors. The steps undertaken by the Board to inform their decisions with respect to remuneration outcomes for FY22 is further outlined in sections 4.3 to 4.5.

4.3 Total fixed compensation (TFC)

TFC is designed to be competitive to attract, motivate and retain the right talent. The TFC for Executive KMP is compared to the ASX 10-40 (based on market capitalisation) benchmark group, as well as local and international retailers. We target TFC at the 50th percentile of this peer group for comparable roles. This approach to benchmarking has remained unchanged since FY19.

The Board reviewed Executive KMP TFC and total remuneration packages against the comparator group during FY22. This was informed by a detailed benchmarking exercise conducted by Mercer. The Board determined that it was appropriate to award TFC increases ranging between 2% and 5% to each of the Executive KMP effective 1 October 2021. These increases were reflective of the sustained high performance of the Executive KMP and designed to support the market competitiveness of their total remuneration.

A review of fixed remuneration will be conducted in FY23 in line with our remuneration principles. Any approved changes will be disclosed in our FY23 Remuneration Report.

4.4 Short-term incentive (STI)

The Group's STI rewards Executive KMP for the achievement of key short-term performance measures.

The FY22 STI payable for the Executive KMP was assessed against individual balanced scorecards consisting of Financial, Strategic and Non- financial metrics. The scorecards include a mix of group and functional strategic metrics. The balanced scorecard approach for Executive KMP provides a simple and transparent approach to highlighting performance priorities, measuring performance outcomes against each weighted metric, and gives clarity regarding the connection between the performance assessment and reward outcomes.

The scorecards include a 'Quality and Behaviour' overlay that considers:

- how the Executive KMP achieved performance aligned with the Group's values and LEaD behaviours;
- risk, compliance, and reputational matters; and
- the quality of earnings delivered.

The Executive KMP have a target STI opportunity of 80% of TFC. The maximum STI opportunity for Executive KMP is 120% of TFC which is equivalent to 150% of the target STI opportunity. The FY22 Group Financial performance measures contribute up to 110% of the target STI opportunity for all Executive KMP (60% at target). The strategic and non-financial measures contribute up to 40% of the target STI opportunity for all Executive KMP.

Details of the performance measures for the Managing Director and CEO's calculated balanced scorecard for FY22 are set out in Table 3.

Table 3: FY22 Performance measures for the Managing Director and CEO

	Performance Measure	Target Weighting	Max Weighting	Target	FY22 Performance Outcome	Actual STI Outcome	Commentary
Financial	Group EBIT	35%	70%	$1,823m	**$1,869m** Above Target	52.7%	Group EBIT: delivered through sales growth and Smarter Selling cost reduction benefits, offsetting COVID-19 costs, which were elevated as the Delta variant spread in the first half of the year followed by Omicron in the early part of the second half of the year. This was delivered despite trading volatility driven by external events, including COVID-19, flooding and disruption to global supply chains.
Financial	Group Sales	15%	30%	$39,217m	**$39,369m** Above Target	20.8%	Group Sales: Sales revenue growth supported by eCommerce performance in Supermarkets and Liquor, successful execution of trade plans delivering trusted value, tailored ranges, and customer continuity programs.
Financial	Coles Online Sales	10%	10%	$2,667m	**$2,816m** Above Target	10%	Coles Online Sales: growth supported by ongoing expansion of the customer offer across home delivery, Click & Collect and increased investment into immediacy offers through Click & Collect Rapid and same day home delivery.
Strategic	Transformation – Ocado program	10%	10%	Program meeting approved on time, on budget and on strategy FY22 deliverables	**Not achieved** Below threshold	0%	In consideration of the additional investment required to complete, the Board has decided not to reward Executive KMP for in year achievements
Strategic	Safety – TRIFR	10%	10%	10% improvement	**14.7% improvement** Above Target	10%	Team member safety significantly improved across FY22 with TRIFR improving by 14.7%.
Strategic	People – mysay	10%	10%	2pp improvement	**3pp improvement** Above Target	10%	Team member engagement increased by three percentage points and we achieved a four percentage point increase in 'our company values the mental health of its team members' score.
Strategic	Customer – NPS	10%	10%	1.9 point improvement	**3.6pp decrease** Below threshold	0%	NPS was negatively impacted as a result of supply chain challenges which affected availability for customers.
Overall Performance		100% (80% of TFC)	150% (120% of TFC)			103.5% (82.8% of TFC)	

Other Executive KMP share the same financial measures as the Managing Director and CEO, except the Chief Financial Officer who has a Group cash realisation metric instead of an Online Sales metric. The Group cash realisation metric was achieved in full for FY22. Strategic and non-financial measures for Other Executive KMP are also aligned to the Managing Director and CEO with variations relevant to their portfolio. For FY22, achievement against strategic and non-financial measures for Other Executive KMP ranged from not achieved to fully achieved.

4.4.1 FY22 STI award

The Board assessed performance against the calculated balanced scorecards of the Managing Director and CEO and the Other Executive KMP, to determine any STI award payable. The Board also considered the appropriate application of the 'Quality and Behaviour' overlay to determine the final Executive KMP STI outcomes for FY22 as detailed in Table 4.

Table 4: FY22 Executive KMP STI outcomes

	STI OPPORTUNITY[1]		STI AWARDED				STI FORFEITED[4]
NAME	TARGET 80%	MAXIMUM 120%	$	% OF TFC	CASH[2]	EQUITY[3]	(%)
Current							
Steven Cain	$1,720,000	$2,580,000	$1,780,364	82.8%	$890,182	$890,182	31.0%
SR (Charlie) Elias[5]	$429,808	$644,712	$487,874	52.7%	$365,906	$121,968	24.3%
Leah Weckert[6]	$796,000	$1,194,000	$893,461	89.8%	$670,096	$223,365	25.2%
Matthew Swindells	$714,000	$1,071,000	$796,178	89.2%	$597,134	$199,044	25.7%
Former							
Greg Davis[7]	$714,000	$1,071,000	$767,618	86.0%	$767,618	-	28.3%

1 The minimum STI opportunity was nil.
2 The FY22 cash component of the STI will be paid on or about 15 September 2022.
3 The FY22 equity component of the STI will be granted in STI Shares following the Coles 2022 AGM, using a 10-day Volume Weighted Average Price (VWAP) for the period up to and including 26 June 2022 of $17.19. Shareholder approval will be sought for the grant of equity to the Managing Director and CEO at the Coles 2022 AGM.
4 As a percentage of STI maximum opportunity.
5 The STI opportunity and STI awarded to Charlie Elias is reflective of his pro-rata opportunity and payment aligned with his 1 December 2021 commencement date. The full time equivalent of STI awarded to Charlie is 90.8% of TFC.
6 The STI awarded to Leah Weckert considers achievements in both her prior role of Chief Financial Officer and her current role of Chief Executive, Commercial & Express.
7 Greg Davis ceased as KMP on 14 April 2022 and remains employed until 14 October 2022 during which time he remains subject to obligations under his employment contract. Therefore, Greg's STI is reflective of his full year entitlement. The amount shown as cash includes $191,904 that would normally be granted in STI Shares, however due to Greg's impending cessation date this amount will be deferred into cash and payment aligned to the normal vesting date of STI Shares for all other Executive KMP.

4.4.2 Other terms of the FY22 Short term incentive (STI)

What was the Performance Period?

28 June 2021 to 26 June 2022

Why were the performance conditions chosen?

The Financial measures align with the Company's strategy and the commitments made to shareholders. In particular, Group EBIT focuses on delivering strong earnings through the business cycle and ensuring strong returns for shareholders. Including sales metrics as well as Group EBIT ensures a strong focus upon our capability to deliver sustainable returns for shareholders in the long-term.

Strategic and non-financial metrics align to all three pillars of the Coles strategy: 'Inspire Customers', 'Win Together' and streamline our business through 'Smarter Selling'.

The Board replaced the 'Smarter Selling' strategic performance metric for the Managing Director and CEO in FY22 in favour of a new strategic metric focused on the FY22 key deliverables critical to the successful delivery of the Ocado transformation program, given the significance of this transformation program for all Coles stakeholders. 'Smarter Selling' remains a priority for Coles and features in the balanced scorecards for all Other Executive KMP.

How were the performance conditions assessed?

Performance against the balanced scorecard metrics was assessed by the Board based on the Company's annual audited results, financial statements and other data provided to the Board.

The Board determined this method is the most appropriate way to assess the true performance of the Company's and the Executive KMP's contributions to determine remuneration outcomes.

What portion of the STI component was deferred into equity?

The equity deferred amount is determined once the individual balanced scorecard calculation has been completed and the total STI award is determined (refer Table 4). Fifty per cent of the total STI award for the Managing Director and CEO, is deferred into equity and 25% of the total STI award for the Other Executive KMP is deferred into equity.

The number of STI Shares that will be granted and subject to deferral is calculated by using the 10-day VWAP up to and including the final day in the Performance Period (ie, 26 June 2022). STI Shares are unable to be traded during the restricted period, being one year for the Other Executive KMP and two years for the Managing Director and CEO. Once the restricted period ends, the restriction is lifted and the Executive KMP may trade these shares in accordance with Coles' Securities Dealing Policy.

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When will the FY22 STI award be paid?

The cash component of the STI award will be paid in September 2022.

The STI equity component will be allocated following the Coles 2022 AGM, where shareholder approval will be sought for the grant to the Managing Director and CEO.

What happens if an Executive KMP leaves the organisation prior to payment?

In the event of resignation or dismissal for cause or significant underperformance prior to payment of the STI, an Executive KMP will not be eligible for any STI award.

What happens if an Executive KMP leaves the organisation before STI equity vests?

During the restricted period, if an Executive KMP leaves the organisation in the event of resignation or dismissal for cause or significant underperformance, all shares will be forfeited, unless the Board determines otherwise.

In any other circumstances (including by reason of redundancy, permanent disability, death, or ill health) the shares will continue on foot until the usual vesting date, unless the Board determines otherwise.

Can the Board amend the STI program?

The Board retains discretion to suspend or terminate the program at any time or amend all or any elements of the program up until the date of payment.

4.5 Long-term incentive (LTI)

The LTI rewards Executive KMP for the achievement of long-term sustainable returns for shareholders.

For FY22 the LTI component of Executive KMP remuneration was delivered in Performance Rights. The Performance Period for the FY22 LTI runs from 28 June 2021 to 30 June 2024 (FY22 - FY24).

Performance Rights will vest subject to the satisfaction of the following performance conditions measured over the Performance Period:

- 50% of Performance Rights are subject to a cumulative return on capital ('ROC') hurdle ('ROC component'); and
- 50% of Performance Rights are subject to a relative total shareholder return ('RTSR') performance hurdle. Coles' RTSR will be compared to companies in the S&P ASX100 ('Comparator Group') at 28 June 2021.

The Board chose these performance conditions because they provide a direct link between Executive KMP reward and sustained shareholder returns, to promote further alignment with shareholders.

4.5.1 ROC component

Vesting of the Performance Rights in the ROC component is subject to achievement of at least 95% of the Cumulative ROC target over the Performance Period.

Cumulative ROC measures the Company's average annual return on capital over the Performance Period against targets set by the Board. Cumulative ROC is calculated based on the Company's audited financial information. The Board will assess Cumulative ROC after the end of the Performance Period.

In assessing achievement against the Cumulative ROC performance condition, the Board may have regard to any matters that it considers relevant and retains discretion to review outcomes to ensure the results are appropriate.

The number of Performance Rights in the ROC component that vest, if any, will then be based on the Group's Cumulative ROC performance determined over the Performance Period by reference to the following vesting schedule:

GROUP CUMULATIVE ROC OVER THE PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS THAT VEST
Equal to or below 95% of the Cumulative ROC target is achieved	0%
Between 95% and 105% of the Cumulative ROC target is achieved	Straight-line pro rata vesting between 0% – 100%
Equal to 105% or above of the Cumulative ROC target is achieved	100%

The ROC targets are considered by Coles to be commercially sensitive. However, the Board will disclose the relevant vesting outcomes following the end of the Performance Period.

4.5.2 RTSR component

The number of Performance Rights in the RTSR component that vest, if any, will be based on Coles' RTSR ranking within the Comparator Group over the Performance Period, as set out in the following vesting schedule:

COLES RTSR RANK IN THE COMPARATOR GROUP	% OF PERFORMANCE RIGHTS THAT VEST
Below the 50th percentile	0%
Equal to the 50th percentile	50%
Between 50th percentile and 75th percentile	Straight-line pro rata vesting between 50% – 100%
Equal to the 75th percentile or above	100%

Following testing, any Performance Rights that do not vest will lapse. There is no re-testing of awards. The Board has discretion to adjust the comparator group to take account of events such as takeovers, mergers and demergers.

4.5.3 FY22 LTI outcomes

Performance Rights granted under the FY22 LTI will be tested following the end of FY24 (the end of the Performance Period). Details of the number of Performance Rights granted under the FY22 LTI are included in section 4.7. Details of equity awards granted to Executive KMP in prior years (including applicable performance conditions and vesting dates) have been disclosed in previous Remuneration Reports.

4.5.4 Other terms of the FY22 LTI

How was the LTI award delivered?

The LTI award was delivered in Performance Rights. Each Performance Right entitles the Executive KMP to one ordinary share in the Company on vesting. The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares.

Performance Rights vest subject to achievement of relevant performance conditions and were allocated at no cost to the Executive KMP, and no amount is payable on vesting.

When were Performance Rights allocated?

The Performance Rights for all Executive KMP under the FY22 LTI plan were granted on 9 December 2021 following the Coles 2021 AGM (at which the grant made to the Managing Director and CEO was approved for the purposes of ASX Listing Rule 10.14 and details of which are published in this FY22 Remuneration Report).

How were Performance Rights allocated?

The number of Performance Rights allocated to the Executive KMP was determined by dividing each Executive KMP's LTI opportunity by the VWAP of Coles shares trading on the ASX over the 10 trading days up to and including 27 June 2021, rounded up to the nearest whole number.

How are the performance conditions assessed?

RTSR performance is independently assessed over the Performance Period against the constituents of the Comparator Group. ROC is calculated using Coles' audited financial results.

These assessment methods are designed to safeguard the integrity of the performance assessment process and ensure the accuracy of underlying information.

When does vesting occur?

Following testing, the Board will determine the number of Performance Rights to vest, which is expected to occur in late August 2024. Details regarding the vesting of the Performance Rights will be included in the FY24 Remuneration Report.

If the anticipated vesting date falls within a Blackout Period (as defined within the Company's Securities Dealing Policy), vesting will be delayed until the end of that period.

Following testing, any Performance Rights that do not vest will lapse. No retesting of the performance conditions is permitted.

What happens if an Executive KMP ceases employment?

In the event of resignation or dismissal for cause or significant underperformance, all unvested Performance Rights will lapse, unless the Board determines otherwise.

In any other circumstances (including by reason of redundancy, permanent disability, death, or ill health), a pro rata number of Performance Rights (based on the proportion of the Performance Period that has been served) will remain on foot and subject to the original terms of offer, as though the Executive KMP had not ceased employment, unless the Board determines otherwise.

Do Performance Rights have voting rights?

No. Prior to vesting, Performance Rights do not entitle Executive KMP to voting rights.

Are dividends paid on Performance Rights?

Executive KMP do not have an entitlement to dividends prior to vesting.

After testing against the performance conditions, Executive KMP will receive a dividend equivalent amount related to the vested Performance Rights only. The dividend equivalent amount will be delivered in additional shares, equal in value to that of dividends that would have been paid on the vested Performance Rights had the Executive KMP been the owner of Coles shares during the period from the Performance Rights grant date to the vesting date. There is no dividend payable on any Performance Rights that do not vest. The Board retains a discretion to settle the dividend equivalent amount in cash.

How can the Board apply discretion to claw back outcomes?

The Board has broad claw back powers to determine that any Performance Rights may lapse, any shares allocated on vesting are forfeited, or that the Executive KMP is required to pay as a debt the net proceeds of the sale of shares or dividends in certain circumstances (For example the Executive KMP has acted fraudulently or dishonestly, has engaged in gross misconduct, brought the Group into disrepute, or breached their obligations to the Group).

This protects Coles against the payment of benefits where participants have acted inappropriately.

What happens if there is a change of control?

Under the Offer terms, the Board may determine in its absolute discretion that some or all the Executive KMP's Performance Rights will vest or cease to be subject to restrictions on a likely change of control.

Where there is an actual change in control of the Company then, unless the Board determines otherwise, unvested Performance Rights will vest on a pro rata basis (based on the proportion of the Performance Period that has elapsed).

What restrictions are there on dealing in the Performance Rights?

Executive KMP must not sell, transfer, encumber, hedge, or otherwise deal with Performance Rights. Executive KMP will be free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of Coles' Securities Dealing Policy.

4.5.5 FY20 LTI vesting outcome

On 29 November 2019, Executive KMP were granted Performance Rights relating to their FY20 LTI award. The Performance Period for the award was 1 July 2019 to 26 June 2022.

The Performance Rights were subject to two vesting conditions (as well as a service condition):

- 50% of the Performance Rights were subject to the Group's cumulative ROC (pre-AASB16) performance over the Performance Period; and
- 50% of the Performance Rights were subject to the RTSR condition, measured over the Performance Period. The Company's TSR was compared to a comparator group of the companies in the ASX100 (Comparator Group) at 30 June 2019.

Table 5: Testing of performance hurdles

Based on testing of each performance hurdle, the following vesting will occur on 1 September 2022 in relation to the FY20 LTI award.

	WEIGHTING	THRESHOLD 0% vest	TARGET 50% vest	MAX 100% vest	RESULT	% VEST
Cumulative ROC	50%	95% of target	100% of target	105% of target	110.9%	100%
RTSR	50%	n/a	50th percentile	75th percentile	84.3 percentile	100%
OVERALL VESTING	**100%**					**100%**

As a result of the overall vesting outcome, the below number of shares will vest to each of the Exectuive KMP on 1 September 2022. The total number of shares includes both the conversion of performance rights to shares, and shares allocated in consideration of the dividend equivalent amount.

NAME	NUMBER OF SHARES
Current [1]	
Steven Cain	300,217
Leah Weckert	116,411
Matthew Swindells	98,031
Former	
Greg Davis	107,222

1 Charlie Elias was not eligible for the FY20 LTI plan.

Further details regarding each performance hurdle in Table 5 is provided as follows:

Cumulative ROC (pre-AASB16): The ROC exceeded the stretch targets set by the Board on a cumulative basis over the three-year Performance Period and resulted in 100% of this component of the LTI vesting as detailed below:

ROC	FY20	FY21	FY22	CUMULATIVE PERFORMANCE
% of target achieved	108.3%	114.8%	109.5%	110.9%

Group EBIT was delivered in excess of target in each of the three years, supported by strong trade performance and Smarter Selling savings. Supermarkets and Liquor outperformance offset Coles Express performance, which was adversely impacted by COVID-19 lockdowns resulting in subdued fuel volumes. Through this period the capital expenditure program has expanded, including the increasing transformational spend on Witron and Ocado in FY22.

RTSR: The Company performed at 84.3 percentile against the Comparator Group which resulted in 100% of this component of the LTI vesting.

Based on the calculated performance, overall vesting outcomes of 100% was achieved. The Board reviewed the vesting outcomes for each metric and considered the Company's strong performance over the period and returns to shareholders. The Board determined that the vesting outcomes are appropriate.

4.6 Summary of remuneration received by Executive KMP (statutory remuneration)

Table 6 details the nature and amount of each element of remuneration of the Executive KMP. There were no transactions or loans between Executive KMP and the Company or any of its subsidiaries during FY22.

Table 6: Executive KMP remuneration

		SHORT-TERM			LONG-TERM	POST-EMPLOYMENT	VALUE OF SHARE-BASED PAYMENTS[2]		
NAME	YEAR	BASE SALARY $	OTHER BENEFITS[1] $	CASH STI $	ACCRUED LEAVE BENEFITS $	SUPERANNUATION BENEFITS $	PERFORMANCE RIGHTS $	SHARES $	TOTAL COMPENSATION $
Current									
Steven Cain	2022	2,113,932	3,424	890,182	50,576	23,568	2,947,786	1,224,463	7,253,931
	2021	2,078,306	2,597	1,074,150	157,917	21,694	2,047,926	1,313,004	6,695,594
SR (Charlie) Elias[3]	2022	302,441	122	365,906	46,282	5,892	395,155	38,808	1,154,606
Leah Weckert[4]	2022	960,182	1,366	670,096	(29,442)	23,568	1,139,998	326,642	3,092,410
	2021	928,306	1,499	785,888	65,904	21,694	770,050	576,758	3,150,099
Matthew Swindells	2022	858,307	1,904	597,134	28,319	23,568	998,475	271,192	2,778,900
	2021	815,806	1,549	662,363	73,642	21,694	667,645	469,052	2,711,751
Former									
Greg Davis[5]	2022	681,566	552,705	767,618	22,917	17,676	1,279,806	232,932	3,555,219
	2021	853,306	1,779	702,844	28,030	21,694	710,018	516,304	2,833,975
TOTAL 2022		**4,916,428**	**559,521**	**3,290,936**	**118,652**	**94,272**	**6,761,220**	**2,094,037**	**17,835,066**
TOTAL 2021		**4,675,724**	**7,424**	**3,225,245**	**325,493**	**86,776**	**4,195,639**	**2,875,118**	**15,391,419**

1 Other benefits include costs associated with employment (including any applicable fringe benefits tax).
2 The amounts represent the accounting fair value of the grants of Restricted Shares, Performance Shares, and STI Shares. If the performance conditions are not met, the Executive KMP will not be entitled to the shares. Refer to section 4.5 for further details for the grants, their performance conditions and Performance Periods. The amounts for FY21 include legacy Wesfarmers share awards allocated to Leah Weckert, Matthew Swindells and Greg Davis prior to the demerger pursuant to Wesfarmers share plans, that Leah Weckert, Matthew Swindells and Greg Davis received as Wesfarmers employees and are being expensed over the relevant performance period. In accordance with the Accounting Standards the accounting fair value of the grants is recognised proportionally over the grant's Performance Period.
3 Charlie Elias' remuneration for FY22 is reflective of the period he was Executive KMP, from 28 February 2022, with cash STI reflecting the full award. Total base salary from commencement was $521,907.
4 Leah Weckert retired as Chief Financial Officer effective 27 February 2022. She then commenced as Chief Executive, Commercial & Express on 15 April 2022. However, Leah's remuneration for FY22 is reflective of remuneration received for the full financial year.
5 Short term other benefits for Greg Davis includes fixed remuneration, superannuation, executive development and supporting program benefits provided to Greg from 14 April 2022 until his cessation of employment on 14 October 2022, subject to his ongoing employment obligations being met. The expensing of Greg's performance rights has been fully accelerated in FY22 in accordance with the Accounting Standards.

4.7 Summary of Executive KMP shareholding and Performance Rights

Table 7.1 and 7.2 show the movements of Coles Performance Rights, Restricted Shares, Performance Shares and STI Shares, held beneficially, by each Executive KMP during FY22. No other shares were acquired as remuneration during the year. Details of Executive KMP's holdings of ordinary shares are provided in Table 11.

Table 7.1: Restricted, Performance and STI Shares

			MOVEMENTS DURING THE FINANCIAL PERIOD				ADDITIONAL INFORMATION
NAME	SHARE TYPE	BALANCE OF SHARES HELD AT 27 JUNE 2021	GRANTED DURING THE YEAR	VESTED/ RELEASED DURING THE YEAR	LAPSED DURING THE YEAR	CLOSING BALANCE AT 26 JUNE 2022[5]	ACCOUNTING FAIR VALUE OF GRANT YET TO VEST ($)[1]
Current							
Steven Cain	Restricted Shares[2]	85,057	-	(85,057)	-	-	-
	Performance Shares[3]	85,057	-	(83,058)	(1,999)	-	-
	STI Shares[4]	75,866	64,514	-	-	140,380	2,522,695
SR (Charlie) Elias	STI Shares	-	-	-	-	-	-
Leah Weckert	Restricted Shares[2]	36,453	-	(36,453)	-	-	-
	Performance Shares[3]	36,453	-	(35,596)	(857)	-	-
	STI Shares[4]	17,305	15,734	(17,305)	-	15,734	280,852
Matthew Swindells	Restricted Shares[2]	26,327	-	(26,327)	-	-	-
	Performance Shares[3]	26,327	-	(25,708)	(619)	-	-
	STI Shares[4]	14,354	13,261	(14,354)	-	13,261	236,709
Former							
Greg Davis	Restricted Shares[2]	32,402	-	(32,402)	-	-	-
	Performance Shares[3]	32,402	-	(31,640)	(762)	-	-
	STI Shares[4]	14,610	14,071	(14,610)	-	14,071	251,167

1 The fair value of STI Shares for Steven Cain was $17.63 at the grant date of 10 November 2021. The fair value of STI Shares at the grant date of 9 December 2021 was $17.85 for Other Executive KMP. The fair value of Restricted Shares, Performance Shares and STI Shares is an estimate of the total maximum value of grants in future financial years. Restricted Shares, Performance Shares and STI Shares are subject to the satisfaction of conditions and therefore the minimum total value of the awards for future financial years is nil.
2 Restricted Shares noted relate to the FY19 Executive Restricted Share (ERS) offer which vested during FY22. Restricted Shares are time based only and full details of this award are detailed in the FY19 Remuneration Report.
3 Performance Shares vest based on the achievement of performance conditions aligned with RTSR and cumulative EBIT with a ROC gateway. This award vested on 25 August 2021 as per the vesting details set out in Table 7 of the FY21 Remuneration Report, Table 7. Full details regarding this award are detailed in the FY19 Remuneration Report.
4 STI Shares are time-based only. Greg Davis' closing balance is reflective of balance at date of cessation as KMP.
5 No Restricted, Performance or STI Shares were held nominally by the Executive KMP or their related parties as at 26 June 2022.

Table 7.2: Performance Rights

		MOVEMENTS DURING THE FINANCIAL PERIOD				ADDITIONAL INFORMATION
NAME	BALANCE OF RIGHTS HELD AT 27 JUNE 2021	RIGHTS ALLOCATED AS REMUNERATION	RIGHTS VESTED DURING THE YEAR	RIGHTS FORFEITED / LAPSED DURING THE YEAR	CLOSING BALANCE AT 26 JUNE 2022	ACCOUNTING FAIR VALUE OF GRANT YET TO VEST ($)[1]
Current						
Steven Cain[2]	499,034	225,976	-	-	725,010	9,334,657
SR (Charlie) Elias	-	83,334	-	-	83,334	1,086,675
Leah Weckert	193,503	89,640	-	-	283,143	3,609,993
Matthew Swindells	167,505	80,406	-	-	247,911	3,161,839
Former						
Greg Davis[3]	178,228	80,406	-	(71,273)	187,361	2,376,552

1 The fair value of Performance Rights is an estimate of the total maximum value of grants in future financial years. The fair value of Steven Cain's FY22 Performance Rights at the grant date of 10 November 2021 was $9.27 for the RTSR component and $15.95 for the ROC component. The fair value of the Other Executive KMP's FY22 Performance Rights at the grant date of 9 December 2021 was $9.87 for RTSR component and $16.21 for ROC component. The Performance Rights are subject to the satisfaction of conditions and therefore the minimum total value of the awards for future financial years is nil.
2 Approval from shareholders for the issue of these Performance Rights to Steven Cain was obtained for the purpose of ASX Listing Rule 10.14 at the Coles 2021 AGM.
3 Greg Davis' closing balance is reflective of the balance at the date of cessation as KMP.

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Section 5: FY22 Non-executive Director remuneration

5.1 Non-executive Director remuneration framework

Non-executive Director remuneration is designed to ensure the Company can attract and retain suitably qualified and experienced Non- executive Directors.

Non-executive Directors receive a base fee for their service as a Director of the Company, and other than the Chairman, an additional fee for membership of, or for chairing a Board committee. Non-executive Directors do not receive shares or any performance-related incentives as part of their remuneration from the Company. A minimum shareholding policy applies to Non- executive Directors (see section 2.1.2).

Non-executive Directors are reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or conducting the business of the Company.

The People and Culture Committee reviews and makes recommendations to the Board with respect to Non-executive Directors' fees and Board committee fees.

5.2 Current Non-executive Director remuneration policy

The Non-executive Director remuneration policy enables the Company to attract and retain high-quality directors with relevant experience. The remuneration policy is reviewed annually by the People and Culture Committee. Non-executive Director fees are set after consideration of fees paid by companies of comparable size, complexity, industry, and geography. They reflect the qualifications and experience necessary to discharge the Board's responsibilities.

The maximum aggregate fee limit is $3.6 million. This was approved by the shareholders of the Company at the 2018 AGM prior to listing. There were no increases to Board and Committee fees in FY22. Table 8 sets out the Board and committee fees (inclusive of superannuation) for FY22.

Table 8: Board and committee fees (inclusive of superannuation) for FY22

BOARD AND COMMITTEE FEES	CHAIR	MEMBER
Board	$695,000[1]	$220,000
Audit and Risk Committee	$55,000	$27,000
People and Culture Committee	$55,000	$27,000
Nomination Committee	No fee	No fee

1 The Chairman of the Board does not receive Committee fees in addition to his Board fee.

5.3 FY22 Non-executive Director remuneration

Table 9 outlines the remuneration for the Non-executive Directors of Coles during FY22. There were no transactions or loans between Non-executive Directors and the Company or any of its subsidiaries during FY22.

Table 9: FY22 Non-executive Director remuneration

NAME	FINANCIAL YEAR	BASE AND COMMITTEE FEES (EXCLUDING SUPERANNUATION) $	OTHER BENEFITS[4] $	SUPER-ANNUATION BENEFITS $	TOTAL COMPENSATION $
James Graham	2022	671,432	215	23,568	695,215
	2021	673,306	628	21,694	695,628
David Cheesewright[1]	2022	246,655	-	345	247,000
	2021	247,000	-	-	247,000
Jacqueline Chow	2022	224,267	434	22,733	247,434
	2021	225,306	807	21,694	247,807
Abigail Cleland[2]	2022	247,000	497	-	247,497
	2021	241,576	396	5,424	247,396
Richard Freudenstein[2]	2022	269,108	-	5,892	275,000
	2021	264,153	-	10,847	275,000
Paul O'Malley[3]	2022	251,432	-	23,568	275,000
	2021	189,979	-	16,271	206,250
Wendy Stops	2022	224,267	1,498	22,733	248,498
	2021	226,818	1,595	20,182	248,595
TOTAL 2022		**2,134,161**	**2,644**	**98,839**	**2,235,644**
TOTAL 2021[5]		**2,068,138**	**3,426**	**96,112**	**2,167,676**

1 Due to David Cheesewright residing outside of Australia, superannuation obligations are only payable for any time worked in Australia.
2 Approval was obtained from the ATO by individual Non-executive Directors to be exempt from making superannuation contributions due to superannuation obligations being met by other employers.
3 Paul O'Malley was appointed to the Board on 1 October 2020, his remuneration for FY21 is disclosed from this date to 27 June 2021.
4 Other benefits include costs associated with directorships (including any applicable fringe benefits tax).
5 Zlatko Todorcevski retired from the Board effective 30 September 2020. His total compensation for FY21 was $68,810.

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5.4 Other transactions and balances

During FY22, Mr Freudenstein sold livestock to Coles via a livestock agent for an aggregate amount of $81,335. The transaction occurred on an arm's length basis with normal commercial terms.

Section 6: Ordinary shareholdings

6.1 Non-executive Director Ordinary Shareholdings

Table 10 shows the shareholdings and movements in shares held directly, or indirectly, by each Non-executive Director, including their related parties during FY22. No shares held by Executive KMP were held nominally.

Table 10: Non-executive Director Ordinary Shareholdings

NAME	BALANCE OF SHARES HELD AT 27 JUNE 2021	SHARES ACQUIRED	SHARES DISPOSED	CLOSING BALANCE AS AT 26 JUNE 2022	MINIMUM SHAREHOLDING REQUIREMENT ACHIEVED
James Graham	500,188	-	-	500,188	✓
David Cheesewright	20,000	-	-	20,000	✓
Jacqueline Chow	20,000	-	-	20,000	✓
Abigail Cleland	19,816	-	-	19,816	✓
Richard Freudenstein	19,000	-	-	19,000	✓
Paul O'Malley	3,809	-	-	3,809	✓
Wendy Stops	25,000	-	-	25,000	✓
TOTAL	**607,813**	**-**	**-**	**607,813**	

6.2 Executive KMP Ordinary Shareholdings

Table 11 shows the shareholdings and movements in shares held directly, or indirectly, by each KMP, including their related parties during FY22.

Table 11: Executive KMP Ordinary Shareholdings

NAME	BALANCE OF SHARES HELD AT 27 JUNE 2021	SHARES ACQUIRED	SHARES DISPOSED	CLOSING BALANCE AS AT 26 JUNE 2022	MINIMUM SHAREHOLDING REQUIREMENT ACHIEVED
Current					
Steven Cain	50,000	168,115	-	218,115	✓
SR (Charlie) Elias[1]	-	-	-	-	Not Yet Achieved
Leah Weckert	36,330	89,354	-	125,684	✓
Matthew Swindells	14,529	66,389	-	80,918	✓
Former					
Greg Davis[2]	69,244	78,652	-	147,896	✓
TOTAL	**170,103**	**402,510**	**-**	**572,613**	

1 Opening balance reflects shareholding at 1 December 2021 for Charlie Elias.
2 Greg Davis' closing balance is reflective of the balance at the date of cessation as KMP on 14 April 2022.

Building a better working world

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Auditor's Independence Declaration to the Directors of Coles Group Limited

As lead auditor for the audit of the financial report of Coles Group Limited for the financial year ended 26 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Coles Group Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
24 August 2022

Financial Report

Income Statement
for the 52 weeks ended 26 June 2022

	NOTES	2022 $m	2021 $m
Sales revenue	1.3	**39,369**	**38,585**
Other operating revenue		377	370
Total operating revenue		**39,746**	**38,955**
Cost of sales		(29,210)	(28,773)
Gross profit		**10,536**	**10,182**
Other income		96	88
Administration expenses	1.4	(8,756)	(8,392)
Share of net loss from equity accounted investments	5.1	(7)	(5)
Earnings before interest and tax (EBIT)		**1,869**	**1,873**
Financing costs	1.5	(396)	(427)
Profit before income tax		**1,473**	**1,446**
Income tax expense	1.6	(425)	(441)
Profit for the period		**1,048**	**1,005**
Profit attributable to:			
Equity holders of the parent entity		**1,048**	**1,005**
Earnings per share (EPS) attributable to equity holders of the parent:			
Basic EPS (cents)	1.2	78.8	75.3
Diluted EPS (cents)	1.2	78.7	75.3
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net movement in the fair value of cash flow hedges		31	(9)
Income tax effect	1.6	(9)	3
Other comprehensive income/(loss) which may be reclassified to profit or loss in subsequent periods		**22**	**(6)**
Total comprehensive income attributable to:			
Equity holders of the parent entity		1,070	999

The accompanying notes form part of the consolidated financial statements.

Balance sheet
as at 26 June 2022

	NOTES	2022 $m	2021 $m
Assets			
Current assets			
Cash and cash equivalents	2.1	589	787
Trade and other receivables	2.2	470	368
Inventories	2.4	2,448	2,107
Income tax receivable		42	-
Assets held for sale	5.2	82	85
Other assets	2.3	120	87
Total current assets		**3,751**	**3,434**
Non-current assets			
Property, plant and equipment	2.5	4,807	4,463
Right-of-use assets	2.7	7,199	7,288
Intangible assets	2.6	1,864	1,698
Deferred tax assets	1.6	822	873
Equity accounted investments	5.1	219	220
Other assets	2.3	174	147
Total non-current assets		**15,085**	**14,689**
Total assets		**18,836**	**18,123**
Liabilities			
Current liabilities			
Trade and other payables	2.8	4,335	3,660
Provisions	2.9	854	950
Income tax payable		-	60
Lease liabilities	2.7	914	897
Other		312	252
Total current liabilities		**6,415**	**5,819**
Non-current liabilities			
Interest-bearing liabilities	3.1	1,095	1,142
Provisions	2.9	424	458
Lease liabilities	2.7	7,767	7,859
Other		11	32
Total non-current liabilities		**9,297**	**9,491**
Total liabilities		**15,712**	**15,310**
Net assets		**3,124**	**2,813**
Equity			
Contributed equity	3.2	1,636	1,585
Reserves		95	69
Retained earnings		1,393	1,159
Total equity		**3,124**	**2,813**

The accompanying notes form part of the consolidated financial statements.

Statement of Changes in Equity
for the 52 weeks ended 26 June 2022

	SHARE CAPITAL $m	SHARES HELD IN TRUST $m	SHARE-BASED PAYMENTS RESERVE $m	CASH FLOW HEDGE RESERVE $m	RETAINED EARNINGS $m	TOTAL $m
2022						
Balance at beginning of period	1,655	(70)	88	(19)	1,159	**2,813**
Profit for the period	-	-	-	-	1,048	**1,048**
Other comprehensive income	-	-	-	22	-	**22**
Total comprehensive income for the period	**-**	**-**	**-**	**22**	**1,048**	**1,070**
Dividends paid	-	-	-	-	(814)	**(814)**
Issue of shares to satisfy the dividend reinvestment plan	16	-	-	-	-	**16**
Issue of shares to Trust	24	(24)	-	-	-	**-**
Transfer of shares to employees under the employee equity incentive plan	-	21	(21)	-	-	**-**
Share-based payments expense	-	-	25	-	-	**25**
Transfers	-	14	-	-	-	**14**
Balance at end of period	**1,695**	**(59)**	**92**	**3**	**1,393**	**3,124**
2021						
Balance at beginning of period	1,655	(44)	56	(13)	961	**2,615**
Profit for the period	-	-	-	-	1,005	**1,005**
Other comprehensive income	-	-	-	(6)	-	**(6)**
Total comprehensive income for the period	**-**	**-**	**-**	**(6)**	**1,005**	**999**
Dividends paid	-	-	-	-	(807)	**(807)**
Share-based payments expense	-	-	32	-	-	**32**
Transfer of shares to employees under employee equity incentive plan	-	-	-	-	-	**-**
Purchase of shares to satisfy employee equity incentive plan	-	(26)	-	-	-	**(26)**
Balance at end of period	**1,655**	**(70)**	**88**	**(19)**	**1,159**	**2,813**

The accompanying notes form part of the consolidated financial statements.

Cash Flow Statement
for the 52 weeks ended 26 June 2022

	NOTES	2022 $m	2021 $m
Cash flows from operating activities			
Receipts from customers		41,887	41,138
Payments to suppliers and employees		(38,309)	(37,510)
Interest paid		(41)	(47)
Interest component of lease payments		(363)	(390)
Interest received		1	4
Income tax paid		(485)	(358)
Net cash flows from operating activities	2.1	**2,690**	**2,837**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangibles		(1,272)	(1,279)
Proceeds from sale of property, plant and equipment		136	181
Net investments in joint venture and associate	5.1	(6)	(8)
Net cash flows used in investing activities		**(1,142)**	**(1,106)**
Cash flows used in financing activities			
Proceeds from borrowings		5,082	7,232
Repayment of borrowings		(5,129)	(7,444)
Payment of principal component of lease payments		(901)	(891)
Dividends paid		(798)	(807)
Purchase of shares under Equity Incentive Plan		-	(26)
Net cash flows used in financing activities		**(1,746)**	**(1,936)**
Net decrease in cash and cash equivalents		**(198)**	**(205)**
Cash at beginning of period		787	992
Cash at end of the period		**589**	**787**

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

The Financial Report of Coles Group Limited ('the Company') in respect of the Company and the entities it controlled at the reporting date or during the 52-week period ended 26 June 2022 (collectively, 'Coles' or 'the Group') was authorised for issue in accordance with a resolution of the Directors on 24 August 2022. The comparative period is for the 52-week period ended 27 June 2021.

Reporting entity

The Company is a for-profit company limited by shares which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX).

The nature of the operations and principal activities of the Group are described in Note 1.1 Segment Reporting.

Basis of preparation and accounting policies

The Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as explained in the notes to the consolidated financial statements ('the Notes').

The accounting policies adopted are consistent with those of the previous period. Refer to Note 7.4 New accounting standards and interpretations.

This Financial Report presents reclassified comparative information where required for consistency with the current period's presentation.

Key judgements, estimates and assumptions

The preparation of the financial statements requires judgement and the use of estimates and assumptions in applying the Group's accounting policies, which affect amounts reported for assets, liabilities, income and expenses.

Judgements, estimates and assumptions are continuously evaluated and are based on the following:

- historical experience
- current market conditions
- reasonable expectations of future events

Actual results may differ from these judgements, estimates and assumptions. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

The Group has incorporated specific judgements, estimates and assumptions relating to the ongoing impacts of COVID-19 in determining the amounts recognised in the financial statements based on conditions existing at the reporting date, recognising uncertainty still exists in relation to its timeframe, the measures to control it and its economic impact.

The key areas involving judgement or significant estimates and assumptions are set out below:

NOTE		JUDGEMENTS
Note 2.7	Leases	Determining the lease term
Note 5.1	Equity accounted investments	Control and significant influence
NOTE		**ESTIMATES AND ASSUMPTIONS**
Note 2.4	Inventories	Net realisable value, Commercial income
Note 2.7	Leases	Incremental borrowing rate
Note 2.9	Provisions	Employee benefits, Self-insurance, Restructuring
Note 4.1	Impairment of non-financial assets	Assessment of recoverable amount
Note 6.2	Contingencies	Contingent liabilities
Note 7.2	Employee share plans	Valuation of share-based payments

Detailed information about each of these judgements, estimates and assumptions is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

Basis of preparation and accounting policies (continued)

The notes

The Notes include information which is required to understand the consolidated financial statements and is material and relevant to the operations, financial performance and position of the Group.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of the Group
- it helps to explain the impact of significant changes in the Group's business
- it relates to an aspect of the Group's operations that is important to its future performance

The Notes are organised into the following sections:

1. PERFORMANCE: this section provides information on the performance of the Group, including segment results, earnings per share and income tax.

2. ASSETS AND LIABILITIES: this section details the assets used in the Group's operations and the liabilities incurred as a result.

3. CAPITAL: this section provides information relating to the Group's capital structure and financing.

4. FINANCIAL RISK: this section details the Group's exposure to various financial risks, explains how these risks may impact the Group's financial performance or position, and details the Group's approach to managing these risks.

5. GROUP STRUCTURE: this section provides information relating to subsidiaries and other material investments of the Group.

6. UNRECOGNISED ITEMS: this section provides information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.

7. OTHER DISCLOSURES: this section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

Basis of consolidation

In preparing these consolidated financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of its equity accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Foreign currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Accounting policies

Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the Notes.

Rounding of amounts

The amounts contained in the Financial Report have been rounded to the nearest million dollars (unless specifically stated to be otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

1. Performance

This section provides information on the performance of the Group, including segment results, earnings per share and income tax.

1. Segment reporting

The Group has identified its operating segments based on internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision-maker). The Managing Director and Chief Executive Officer regularly reviews the Group's internal reporting to assess performance and allocate resources across the operating segments. The segments identified offer different products and services and are managed separately.

The Group's reportable segments are set out below:

REPORTABLE SEGMENT	DESCRIPTION
Supermarkets	Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
Liquor	Liquor retailing, including online delivery services
Express	Convenience store operations and commission agent for retail fuel sales

Other business operations that are not separately reportable (such as Property), as well as costs associated with enterprise functions (such as Insurance and Treasury) are included in 'Other'.

There are varying levels of integration between operating segments. This includes the common usage of property, services and administration functions. Financing costs and income tax are managed on a Group basis and are not allocated to operating segments.

EBIT is the key measure by which management monitors the performance of the segments.

The Group does not have operations in other geographic areas or economic exposure to any individual customer that is in excess of 10% of sales revenue.

	SUPERMARKETS $m	LIQUOR $m	EXPRESS $m	OTHER $m	CONSOLIDATED $m
2022					
Sales revenue	34,624	3,613	1,132	-	39,369
Segment EBIT	**1,715**	**163**	**42**	**(51)**	**1,869**
Financing costs					(396)
Profit before income tax					**1,473**
Income tax expense					(425)
Profit for the period					**1,048**
Share of net loss from equity accounted investments included in EBIT					(7)
2021					
Sales revenue	33,868	3,525	1,192	-	38,585
Segment EBIT	**1,702**	**165**	**67**	**(61)**	**1,873**
Financing costs					(427)
Profit before income tax					**1,446**
Income tax expense					(441)
Profit for the period					**1,005**
Share of net loss from equity accounted investments included in EBIT					(5)

1.2 Earnings per share (EPS)

	2022	2021
EPS attributable to equity holders of the Company		
Basic EPS (cents)	78.8	75.3
Diluted EPS (cents)	78.7	75.3
Profit for the period ($m)	1,048	1,005
Weighted average number of ordinary shares for basic EPS (shares, million)	1,330	1,334
Weighted average number of ordinary shares for diluted EPS (shares, million)	1,331	1,335

Calculation methodology

EPS is profit for the period attributable to ordinary equity holders of the Company, divided by the weighted average number of ordinary shares on issue, adjusted in FY22 to exclude shares held in trust during the period.

Diluted EPS is calculated on the same basis except it includes the impact of any potential commitments the Group has to issue shares in the future.

Between the reporting date and the issue date of the Financial Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

1.3 Sales revenue

Sale of goods

The Group operates a network of supermarkets, retail liquor stores and convenience stores, as well as online platforms. Revenue is recognised by the Group when it is the principal in the sales transaction. Revenue from the sale of goods is recognised when control of the goods has transferred to the customer. For goods purchased in-store, control of the goods transfers to the customer at the point of sale. For goods purchased online, control of the goods transfers to the customer upon delivery, or when collected by the customer.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and is recorded net of discounts and goods and services tax (GST).

1.4 Administration expenses

	2022 $m	2021 $m
Employee benefits expense	5,085	4,898
Occupancy and overheads	734	707
Depreciation and amortisation[1]	1,524	1,513
Marketing expenses	241	242
Net impairment reversal	(10)	(3)
Other store expenses	610	623
Other administration expenses	572	412
Total administration expenses	**8,756**	**8,392**

1 Total depreciation and amortisation for FY22 is $1,571 million (FY21: $1,559 million), the remaining depreciation and amortisation is included within cost of sales.

Employee benefits expense is comprised of:

	2022 $m	2021 $m
Remuneration, bonuses and on-costs	4,652	4,493
Superannuation expense	408	369
Share-based payments expense	25	36
Total employee benefits expense	**5,085**	**4,898**

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in Note 2.9 Provisions. The policy relating to share-based payments is set out in Note 7.2 Employee share plans.

1.4 Administration expenses (continued)

Share-based payments expense includes both awards granted by the Company that will be settled in equity of the Company and in the prior period awards granted by Wesfarmers (pre demerger) to employees of the Group that were settled in equity of Wesfarmers.

Retirement benefit obligations

The Group contributes to a number of superannuation funds on behalf of its employees, and the Group's legal or constructive obligation is limited to these contributions. Contributions payable by the Group are recognised as an expense in the Income Statement when incurred.

1.5 Financing costs

	2022 $m	2021 $m
Interest on debt and borrowings	16	23
Interest on lease liabilities	363	390
Other finance related costs	17	14
Total financing costs	**396**	**427**

Financing costs

Financing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes more than 12 months to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they are incurred.

1.6 Income tax

The major components of income tax expense in the Income Statement are set out below:

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

The components of income tax expense recognised in Other Comprehensive Income (OCI) are set out below:

	2022 $m	2021 $m
Deferred tax related to items recognised in OCI during the period:		
Net (profit)/loss on revaluation of cash flow hedges	(9)	3
Deferred income tax charged to OCI	**(9)**	**3**

The tax expense included in the Income Statement consists of current and deferred income tax.

CURRENT INCOME TAX IS:

- the expected tax payable on taxable income for the period
- calculated using tax rates enacted or substantively enacted at the reporting date
- inclusive of any adjustment to income tax payable or recoverable in respect of previous periods

DEFERRED INCOME TAX IS:

- recognised using the liability method
- based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes
- calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the reporting date

Both current and deferred income tax are charged or credited to the Income Statement. However, when it relates to items charged or credited directly to the Statement of Changes in Equity or Other Comprehensive Income, the tax is recognised in equity, or OCI, respectively.

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1.6 Income tax (continued)

Reconciliation of the Group's applicable tax rate to the effective tax rate

	2022 $m	2021 $m
Profit before income tax	**1,473**	**1,446**
At Australia's corporate tax rate of 30.0% (2021: 30.0%)	442	434
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 an effective income tax rate of 28.9% (2021: 30.5%).

Tax consolidation

The Company and its 100% owned Australian resident subsidiaries formed an income tax consolidated group with effect from 31 December 2018.

The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement which operates to manage joint and several liability for group tax liabilities amongst group members as well as enable group members to leave the group clear of future group tax liabilities. Members of the group have also entered into a taxation funding agreement which provides that each member of the tax consolidated group pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated tax return and payment of the tax liability.

Deferred income tax balances recognised in the Balance Sheet

2022	OPENING BALANCE $m	CHARGED TO PROFIT OR LOSS $m	CREDITED TO OCI $m	OTHER $m	CLOSING BALANCE $m
Provisions	61	6	-	-	67
Employee benefits	257	(27)	-	-	230
Trade and other payables	50	(22)	-	-	28
Inventories	45	8	-	-	53
Property, plant and equipment	153	18	-	-	171
Intangible assets	18	(18)	-	-	-
Lease Liabilities	2,627	(268)	-	245	2,604
Cash flow hedges	9	(1)	(9)	-	(1)
Other individually insignificant balances	12	(6)	-	-	6
Deferred tax assets	**3,232**	**(310)**	**(9)**	**245**	**3,158**
Accelerated depreciation for tax purposes	116	9	-	-	125
Right-of-use assets	2,186	(271)	-	245	2,160
Other assets	9	(1)	-	-	8
Other individually insignificant balances	48	(5)	-	-	43
Deferred tax liabilities	**2,359**	**(268)**	**-**	**245**	**2,336**
Net deferred tax assets	**873**	**(42)**	**(9)**	**-**	**822**

1.6 Income tax (continued)

2021	OPENING BALANCE $m	CHARGED TO PROFIT OR LOSS $m	CREDITED TO OCI $m	OTHER $m	CLOSING BALANCE $m
Provisions	56	5	-	-	61
Employee benefits	249	8	-	-	257
Trade and other payables	34	16	-	-	50
Inventories	45	-	-	-	45
Property, plant and equipment	139	14	-	-	153
Intangible assets	17	1	-	-	18
Lease Liabilities	2,725	(268)	-	170	2,627
Cash flow hedges	6	-	3	-	9
Other individually insignificant balances	19	(7)	-	-	12
Deferred tax assets	**3,290**	**(231)**	**3**	**170**	**3,232**
Accelerated depreciation for tax purposes	96	20	-	-	116
Right-of-use assets	2,297	(272)	-	161	2,186
Other assets	-	-	-	9	9
Other individually insignificant balances	48	-	-	-	48
Deferred tax liabilities	**2,441**	**(252)**	**-**	**170**	**2,359**
Net deferred tax assets	**849**	**21**	**3**	**-**	**873**

Tax assets and liabilities

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

The Group has unrecognised deferred tax assets relating to temporary differences arising from its investments in Loyalty Pacific Pty Ltd (operator of the Flybuys loyalty program) and Queensland Venue Co. Pty Ltd (QVC), and capital losses from disposal of capital gains tax assets. Deferred tax assets have not been recognised in relation to these amounts as the Group has determined that at the reporting date, it is not probable that capital gains will be available against which the Group can utilise these benefits. The unrecognised deferred tax asset is $107 million (2021: $109 million).

An uncertain tax treatment is any tax treatment applied by the Group where there is uncertainty over whether it will be accepted by the relevant tax authority. If it is not probable that the treatment will be accepted, the effect of the uncertainty is reflected in the period in which that determination is made (for example, by recognising an additional tax liability). The Group measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty: either the most likely amount method or the expected value method. The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements.

The Group determined, based on its tax compliance, that it is probable that its tax treatments applied at 26 June 2022 will be accepted by the taxation authorities.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of GST, except:

- when the GST incurred on the sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset; or
- when receivables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities where recoverable or payable to the taxation authority is classified as part of operating cash flows.

2. Assets and liabilities

This section details the assets used in the Group's operations and the liabilities incurred as a result.

2.1 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2022 $m	2021 $m
Cash on hand and in transit	559	576
Cash at bank and on deposit	30	211
Total cash and cash equivalents	**589**	**787**

All receivables from EFT, credit card and debit card point of sale transactions during the period are classified as cash and cash equivalents.

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in transit, at bank and on deposit, net of outstanding bank overdrafts which are repayable on demand.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits earn interest at the respective short-term deposit rates.

Reconciliation of profit for the period to net cash flows from operating activities

	2022 $m	2021 $m
Profit for the period	**1,048**	**1,005**
Adjustments for:		
Depreciation and amortisation	1,571	1,559
Net impairment reversal	(10)	(3)
Net loss on disposal of non-current assets	14	12
Share of net loss of equity accounted investments	7	5
Share-based payments expense	25	32
Other	5	13
Changes in assets and liabilities net of the effects of acquisitions and disposals of businesses:		
(Increase) / decrease in inventories	(341)	59
(Increase) / decrease in trade and other receivables	(102)	66
Decrease / (increase) in prepayments	4	(12)
Increase in other assets	(64)	(32)
Decrease / (increase) in deferred tax assets	51	(24)
(Increase) / decrease in income tax receivable	(102)	102
Increase / (decrease) in trade and other payables	675	(77)
(Decrease) / increase in provisions	(130)	75
Increase in other liabilities	39	57
Net cash flows from operating activities	**2,690**	**2,837**

2.2 Trade and other receivables

Trade and other receivables are comprised of the following:

	2022 $m	2021 $m
Trade receivables[1]	386	315
Other receivables	95	63
	481	**378**
Allowance for expected credit losses	(11)	(10)
Total trade and other receivables	**470**	**368**

1 Includes commercial income due from suppliers of $117 million (2021: $119 million).

Trade receivables and other receivables are classified as financial assets held at amortised cost.

Trade receivables

Trade receivables are initially recognised at the amount due and subsequently at amortised cost using the effective interest method, less an allowance for expected credit losses (impairment provision). The carrying value of trade and other receivables, less impairment provisions, is considered to approximate fair value, due to the short-term nature of the receivables.

Impairment of trade receivables

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified.

The Group recognises an impairment provision based upon anticipated lifetime losses of trade receivables. The anticipated lifetime losses are determined with reference to historical experience and are regularly reviewed and updated.

The amount of the impairment loss is recognised in the Income Statement within 'administration expenses'.

2.3 Other assets

Other assets are comprised of the following:

	2022 $m	2021 $m
Prepayments	83	85
Other assets	37	2
Total other current assets	**120**	**87**
Prepayments	15	17
Other assets	159	130
Total other non-current assets	**174**	**147**

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2.4 Inventories

Inventories comprise goods held for resale and are valued at the lower of cost and net realisable value, which is the estimated selling price less estimated costs to sell.

The cost of inventory is based on purchase cost, after deducting certain types of commercial income and including logistics and store remuneration incurred in bringing inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the Income Statement when the inventory is sold.

Key estimate: Net realisable value

An inventory provision is recognised where the realisable value from sale of inventory is estimated to be lower than the inventory's carrying value. Inventory provisions for different product categories are estimated based on various factors, including expected sales profile, prevailing sales prices, seasonality and expected losses associated with slow-moving inventory items.

Commercial income

Commercial income represents various discounts or rebates provided by suppliers. These include:

- settlement discounts for the purchase of inventory
- discounts based on purchase or sales volumes
- contributions towards promotional activity for a supplier's product

Depending on the type of arrangement with the supplier, commercial income will either be deducted from the cost of inventory (where it relates to the purchase of inventory) or recognised as a reduction in related expenses (where it relates to the sale of goods).

Amounts due from suppliers are recognised within trade receivables, except in cases where the Group has the legal right and the intention to offset, in which case only the net amount receivable or payable is presented. Refer to Note 4.3 Financial instruments for details of amounts offset in the Balance Sheet.

Key estimate: Commercial income

The recognition of certain types of commercial income requires the following estimates:

- the volume of inventory purchases that will be made during a specific period
- the amount of the related product that will be sold
- the balance remaining in inventory at the reporting date.

Estimates are based on historical and forecast sales and inventory turnover levels

2.5 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost comprises expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred that are eligible for capitalisation. Repairs and maintenance costs are charged to the Income Statement during the period in which they are incurred. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its expected useful life.

	LAND $m	BUILDINGS $m	PLANT & EQUIPMENT $m	LEASEHOLD IMPROVEMENTS $m	TOTAL $m
Useful life (range)	*Not applicable*	*20 – 40 years*	*3 – 20 years*	*Term of lease*	
2022					
Cost	419	268	7,944	1,236	9,867
Accumulated depreciation and impairment	-	(10)	(4,368)	(682)	(5,060)
Carrying amount at end of period	**419**	**258**	**3,576**	**554**	**4,807**
Carrying amount at beginning of period	349	301	3,313	500	4,463
Additions	103	10	790	135	1,038
Transfer to assets held for sale	(39)	(27)	(16)	-	(82)
Depreciation	-	(4)	(489)	(75)	(568)
(Impairment)/Reversal	20	-	(6)	-	14
Disposals and write-offs[1]	(14)	(22)	(16)	(6)	(58)
Carrying amount at end of period	**419**	**258**	**3,576**	**554**	**4,807**
Construction work in progress included above	-	51	991	170	1,212
2021					
Cost	349	310	7,300	1,139	9,098
Accumulated depreciation and impairment	-	(9)	(3,987)	(639)	(4,635)
Carrying amount at end of period	**349**	**301**	**3,313**	**500**	**4,463**
Carrying amount at beginning of period	413	231	3,009	474	4,127
Additions	19	126	816	108	1,069
Transfer to assets held for sale	(43)	(32)	(9)	(1)	(85)
Depreciation	-	(6)	(480)	(76)	(562)
(Impairment)/Reversal	9	-	(1)	-	8
Disposals and write-offs[1]	(49)	(18)	(22)	(5)	(94)
Carrying amount at end of period	**349**	**301**	**3,313**	**500**	**4,463**
Construction work in progress included above	-	148	661	108	917

1 Net loss on disposal of property, plant and equipment during the period was $14 million (2021: $12 million net loss).

2.6 Intangible assets

The Group's intangible assets comprise licences, software and goodwill.

Licences and software

Licences and software are measured initially at acquisition cost or costs incurred to develop the asset. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. They are amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortised. Instead, they are tested for impairment annually or more frequently if events or changes in circumstances indicate they may be impaired.

Licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements.

For internally generated software, research costs are expensed as incurred. Development expenditure is capitalised when management has the intention to develop the asset, it is probable that future economic benefits will flow to the Group and the cost can be reliably measured.

In respect to cloud computing arrangements, the Group assesses whether the arrangement contains a lease and if not, whether the arrangement provides the Group with a resource that it can control. Costs associated with implementation are then assessed as to whether they can be capitalised in accordance with relevant accounting standards.

Goodwill

Goodwill recognised by the Group has arisen as a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Goodwill is initially measured as the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. Goodwill is considered to have an indefinite useful economic life. It is therefore not amortised but is instead tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses and, for the purpose of impairment testing, is allocated to cash generating units.

Refer to Note 4.1 Impairment of non-financial assets for further details on impairment testing.

2.6 Intangible assets (continued)

	GOODWILL $m	SOFTWARE $m	LICENCES $m	TOTAL $m
Useful life (range)	*Indefinite*	*5 years*	*Indefinite*	
2022				
Cost	1,160	1,775	29	2,964
Accumulated amortisation and impairment	-	(1,100)	-	(1,100)
Carrying amount at end of period	**1,160**	**675**	**29**	**1,864**
Carrying amount at beginning of period	1,156	515	27	1,698
Additions	4	272	2	278
Disposals and write-offs	-	(1)	-	(1)
Impairment	-	(3)	-	(3)
Amortisation	-	(108)	-	(108)
Carrying amount at end of period	**1,160**	**675**	**29**	**1,864**
Development work in progress included above	-	361	-	361
2021				
Cost	1,156	1,524	28	2,708
Accumulated amortisation and impairment	-	(1,009)	(1)	(1,010)
Carrying amount at end of period	**1,156**	**515**	**27**	**1,698**
Carrying amount at beginning of period	1,156	414	27	1,597
Additions	-	203	-	203
Disposals and write-offs	-	-	-	-
Impairment	-	(5)	-	(5)
Amortisation	-	(97)	-	(97)
Carrying amount at end of period	**1,156**	**515**	**27**	**1,698**
Development work in progress included above	-	220	-	220

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2.7 Leases

The Group has lease agreements for properties and various items of machinery, vehicles and other equipment used in its operations.

Set out below are the carrying amounts of recognised right-of-use assets and movements during the period:

	2022			2021		
	PROPERTY LEASES $m	NON-PROPERTY LEASES $m	TOTAL $m	PROPERTY LEASES $m	NON-PROPERTY LEASES $m	TOTAL $m
At beginning of period	**7,176**	**112**	**7,288**	**7,541**	**119**	**7,660**
Additions	183	25	208	298	31	329
Other remeasurements[1]	598	-	598	199	-	199
Depreciation expense	(861)	(34)	(895)	(862)	(38)	(900)
At end of period	**7,096**	**103**	**7,199**	**7,176**	**112**	**7,288**

1 Includes reasonably certain options and remeasurements, net of leases terminated.

Set out below are the carrying amounts of recognised lease liabilities and movements during the period:

	2022 $m	2021 $m
At beginning of period	**8,756**	**9,083**
Additions	208	329
Other remeasurements[1]	618	235
Accretion of interest	363	390
Payments	(1,264)	(1,281)
At end of period	**8,681**	**8,756**
Current	914	897
Non-current	7,767	7,859

1 Includes reasonably certain options and remeasurements, net of leases terminated.

The maturity analysis of lease liabilities is disclosed in Note 4.2 Financial risk management.

Variable lease payments based on sales

A number of the Group's retail property lease agreements contain variable payment terms that are linked to sales. These lease payments are based on a percentage of sales recorded by a particular store. The specific percentage rent adjustment mechanism varies by individual lease agreement. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs and are generally payable for future periods in the lease term.

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2022			2021		
	FIXED PAYMENTS $m	VARIABLE PAYMENTS $m	TOTAL $m	FIXED PAYMENTS $m	VARIABLE PAYMENTS $m	TOTAL $m
Leases with lease payments based on sales	587	47	**634**	567	42	**609**

Extension options

Extension options are included in the majority of property leases across the Group. Where practicable, the Group seeks to include extension options when negotiating leases to provide flexibility and align with business needs. Leases may contain multiple extension options and are exercisable only by the Group and not by the lessors.

Extension options are only reflected in the lease liability when it is reasonably certain they will be exercised. When assessing if an option is reasonably certain to be exercised, a number of factors are considered including the option expiry date, whether formal approval to extend the lease has been obtained, store trading performance and the strategic importance of the site. Where a lease contains multiple extension options, only the next option is considered in the assessment. Option periods range from 1 to 15 years.

2.7 Leases (continued)

Of the Group's lease portfolio, 70% of leases have extension options (2021: 72%). Of those leases, 30%[1] have an extension option included in the calculation of the lease liability at 26 June 2022 (2021: 30%).

The following amounts have been recognised in the Income Statement:

	2022 $m	2021 $m
Depreciation of right-of-use assets	895	900
Interest expense on lease liabilities	363	390
Expenses relating to short-term leases (included in administration expenses)	2	6
Variable lease payments based on sales (included in administration expenses)	47	42
Other variable lease payments (included in administration expenses)	3	7
Total amount recognised in the Income Statement	**1,310**	**1,345**

The Group recognised a total gain of $17 million relating to four sale and leaseback transactions during the period (2021: gain of $25 million).

Group as lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Group recognises lease liabilities to make future lease payments and right-of-use assets representing the right to use the underlying assets from the date the leased asset is available for use by the Group.

Each lease payment is apportioned between the liability and financing costs. Financing costs are recognised in the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining liability.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term (which includes options that are considered 'reasonably certain'). Payments associated with short-term leases and leases of low-value assets are expensed when incurred in the Income Statement.

Cash payments for the principal portion of the lease liability are presented within financing activities in the Cash Flow Statement, while payments relating to short-term leases, low-value assets and variable lease components not included in the measurement of the lease liability are presented within cash flows from operating activities.

Lease liabilities are initially measured at net present value and comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives
- variable lease payments based on an index or rate, using the index or rate at the commencement date
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payment of termination penalties if the lessee is reasonably certain to terminate the lease and incur penalties.

If the interest rate implicit in the lease cannot be readily determined, the lease payments are discounted using the lessee's incremental borrowing rate at the lease commencement date

Right-of-use assets are measured at cost and comprise the following:

- the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- any restoration costs

Right-of-use assets are also subject to impairment testing. Refer to the accounting policies in Note 4.1 Impairment of non-financial assets.

1 54% of these leases contain one or more future extension options not included in the lease liability (2021: 51%).

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2.7 Leases (continued)

Key estimate: Incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR requires estimation when no observable rates are available or when adjustments need to be made to reflect the terms and conditions of the lease. The Group estimates the IBR using observable market inputs when available and is required to make certain estimates specific to the Group (such as credit risk).

Key judgement: Determining the lease term

Extension options are included in the majority of property leases across the Group. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option are considered. Extension options are only included in the lease term if the lease is reasonably certain to be exercised. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and is within the control of the Group.

Changes in the assessment of the lease term are accounted for as a reassessment of the lease liability at the date of the change.

Group as lessor

The Group leases out some of its freehold properties and sub-leases some of its right-of-use assets. The Group has classified these leases as operating leases because they do not transfer all of the risks and rewards incidental to ownership of the assets.

The undiscounted lease payments to be received are set out below:

	2022 $m	2021 $m
Within one year	29	23
Between one and five years	59	49
More than five years	37	22
Total	**125**	**94**

Rental income is accounted for on a straight-line basis over the lease term and is included in 'other operating revenue' in the Income Statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease income not dependent on an index or rate is recognised as revenue in the period in which it is earned. The Group recognised income of $31 million for the period with respect to subleasing of its right-of-use assets (2021: $21 million).

2.8 Trade and other payables

Trade and other payables are comprised of the following:

	2022 $m	2021 $m
Trade payables	3,211	2,794
Other payables	1,124	866
Total trade and other payables	**4,335**	**3,660**

Trade payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Provisions

	2022 $m	2021 $m
Current		
Employee benefits	716	778
Restructuring provision	6	51
Self-insurance liabilities	114	110
Other	18	11
Total current provisions	**854**	**950**
Non-current		
Employee benefits	72	91
Restructuring provision	96	104
Self-insurance liabilities	256	263
Total non-current provisions	**424**	**458**

Movements in restructuring, self-insurance and other provisions

	RESTRUCTURING $m	SELF-INSURANCE $m	OTHER $m	TOTAL $m
At beginning of period	**155**	**373**	**11**	**539**
Arising during the period	1	168	7	176
Utilised	(37)	(134)	(1)	(172)
Unused amounts reversed	(15)	(14)	1	(28)
Unwind / changes in discount rate	(2)	(23)	-	(25)
At end of period	**102**	**370**	**18**	**490**
Current	6	114	18	138
Non-current	96	256	-	352

2.9 Provisions (continued)

Provisions are:

- recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that cash will be required to settle the obligation and the amount can be reliably estimated;
- measured at the present value of the estimated cash outflow required to settle the obligation.

Where a provision is non-current, and the effect is material, the nominal amount is discounted. The discount is recognised as a financing cost in the Income Statement.

PROVISION	KEY ESTIMATES
Employee benefits Provisions for employee entitlements to annual leave, long service leave and employee incentives (where the Group does not have an unconditional right to defer payment for at least twelve months after the reporting date) are recognised within the current provision for employee benefits and represent the amount which the Group has a present obligation to pay, resulting from employees' services up to the reporting date. All other short-term employee benefit obligations are presented as payables. Liabilities for long service leave where the Group has an unconditional right to defer payment for at least twelve months after the reporting date are recognised within the non-current provision for employee benefits.	Employee benefits provisions are based on a number of estimates including, but not limited to: • expected future wages and salaries • attrition (applicable to long service leave provisions only) • discount rates • expected salary related payments, interest and on-costs following a review of the pay arrangements for award-covered salaried team members
Self-insurance The Group is self-insured for workers compensation and certain general liability risks. The Group seeks external actuarial advice in determining self-insurance provisions. Provisions are discounted and are based on claims reported and an estimate of claims incurred but not reported. These estimates are reviewed bi-annually, and any reassessment of these estimates will impact self-insurance expense.	Self-insurance provisions are based on a number of estimates including, but not limited to: • discount rates • future inflation • average claim size • claims development • risk margin
Restructuring Restructuring provisions are recognised when restructuring has either commenced or has raised a valid expectation in those affected, and the Group has a detailed formal plan identifying: • the business or part of the business impacted • the location and approximate number of employees impacted • an estimate of the associated costs • the timeframe for restructuring activities	Restructuring provisions are based on a number of estimates including, but not limited to: • number of employees impacted • employee tenure and costs • restructure timeframes • discount rates

3. Capital

This section provides information relating to the Group's capital structure and financing.

The Group's capital management strategy aims to ensure the Group has continued access to funding for current and future business activities by maintaining a mix of equity and debt financing, while maximising returns to shareholders.

The Group's objective is to maintain investment grade credit metrics to optimise the weighted average cost of capital over the long term, enable access to long term debt capital markets and build investor confidence.

The Directors consider the capital structure at least twice a year and provide oversight of the Group's capital management. Capital is managed through the following:

- repaying or raising debt in line with ongoing business requirements and growth opportunities aligned with the Group's strategic objectives
- amount of ordinary dividends paid to shareholders
- raising and returning capital.

3.1 Interest-bearing liabilities

	2022 $m	2021 $m
Non-current		
Bank debt	50	98
Capital market debt	1,045	1,044
Total non-current interest-bearing liabilities	**1,095**	**1,142**

During the year the Group refinanced its bilateral debt facilities and replaced $1.4 billion of existing facilities with Sustainability Linked Loans (SLL). The SLL draws a direct line between Coles' sustainability performance and cost of capital through margin adjustment incentives by achieving sustainability targets linked to specific metrics. The SLL was undrawn at 26 June 2022.

Interest-bearing loans and borrowings are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised.

3.2 Contributed equity and reserves

Contributed equity

Contributed equity represents the number of ordinary shares on issue less shares held in trust by the Group. Ordinary shares on issue are fully paid and carry one vote per share and the right to dividends. Shares held in trust are ordinary shares that have been repurchased by the Group and are being held to satisfy employee equity incentive plans.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

3.2 Contributed equity and reserves (continued)

The following reconciliation shows the total number of ordinary shares on issue less the shares held in trust:

	2022		2021	
	m	$m	m	$m
Share Capital				
At beginning of period	**1,333.9**	**1,655**	**1,333.9**	**1,655**
Issue of shares to satisfy the dividend reinvestment plan	0.9	16	-	-
Issue of shares to Trust	1.3	24	-	-
At end of period	**1,336.1**	**1,695**	**1,333.9**	**1,655**
Shares held in trust				
At beginning of period	**(5.4)**	**(70)**	**(3.9)**	**(44)**
Purchase of shares to satisfy the employee equity incentive plans	-	-	(1.5)	(26)
Issue of shares to Trust	(1.3)	(24)	-	-
Transfer of shares to employees under the employee equity incentive plan	1.5	21	-	-
Transfers	-	14	-	-
At end of period	**(5.2)**	**(59)**	**(5.4)**	**(70)**
Total contributed equity	**1,330.9**	**1,636**	**1,328.5**	**1,585**

Cash flow hedge reserve

The hedging reserve records the portion of the gain or loss on a cash flow hedging instrument that is determined to be in an effective hedge relationship. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income within the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement.

Share-based payments reserve

The share-based payments reserve reflects the fair value of awards recognised as an expense in the Income Statement.

3.3 Dividends paid and proposed

The Company considers current earnings, future cash flow requirements, targeted credit metrics and availability of franking credits in determining the amount of dividends to be paid.

Dividends are recognised as a liability in the Balance Sheet in the period in which they are determined by the Board.

	CENTS PER SHARE		TOTAL $m	
	2022	2021	2022	2021
Fully franked dividends determined and paid during the period				
Paid final dividend	28.0	27.5	373	367
Paid interim dividend	33.0	33.0	441	440
	61.0	**60.5**	**814**	**807**
Fully franked dividends proposed and unrecognised at reporting date[1]				
Final dividend proposed	30.0	28.0	401[1]	374
	30.0	**28.0**	**401[1]**	**374**

1 Estimated final dividend payable, subject to variations in the number of shares up to the record date.

The Company operates a Dividend Reinvestment Plan (DRP) under which eligible holders of ordinary shares are able to reinvest all or part of their dividend payments into additional fully paid Coles Group Limited shares.

Franking account

	2022 $m	2021 $m
Total franking credits available for subsequent periods based on a tax rate of 30% (2021: 30%)	558	420

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4. Financial risk

This section details the Group's exposure to various financial risks, explains how these risks may impact the Group's financial performance or position, and details the Group's approach to managing these risks.

4.1 Impairment of non-financial assets

The Group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried above their recoverable amounts:

- at least annually for goodwill
- where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows. The recoverable amount, measured at the asset or CGU level, is the higher of fair value less costs of disposal (FVLCOD), or value in use (VIU). A discounted cash flow model is used to determine the recoverable amount under both FVLCOD and VIU. FVLCOD is based on a market participant approach and is estimated using assumptions that a market participant would use when pricing the asset or CGU. VIU is determined by discounting the future cash flows expected to be generated from the continuing use of an asset or CGU.

Key estimate: Assessment of recoverable amount

FVLCOD valuations are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs in the calculation. The assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources. VIU calculation represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset or CGU in its current condition.

Both FVLCOD and VIU calculations use judgements and estimates. In particular, significant judgements and estimates are made in relation to the following:

Forecast future cash flows

Forecast future cash flows are based on the Group's latest Board approved internal five-year forecasts and reflect management's best estimate of income, expenses, capital expenditure and cash flows for each asset or CGU. Internal forecasts have considered the ongoing impacts of the COVID-19 pandemic on income and expenses. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets in which the Group operates.

In addition, consideration has been given to the potential financial impacts of climate change related risks on the carrying value of goodwill through a qualitative review of the Group's climate change risk assessment. This review did not identify any material financial reporting impacts.

When calculating the FVLCOD of an asset or CGU, future forecast cash flows also incorporate reasonably available market participant assumptions such as enhancement capital expenditure.

Discount rates

Estimated future cash flows are discounted to their present value using discount rates that reflect the Group's weighted average cost of capital, adjusted for risks specific to the asset or CGU. The rates have been calculated in conjunction with independent valuation experts.

Expected long-term growth rates

Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. The growth rates are based on historical performance as well as expected long-term market operating conditions specific to each asset or CGU and with reference to long-term average industry growth rates. Growth rates have been calculated with the assistance of independent valuation experts.

The judgements and estimates used in assessing impairment are best estimates based on current and forecast market conditions and are subject to change in the event of shifting economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes to impairment recognised in future periods.

4.1 Impairment of non-financial assets (continued)

Net impairment reversal for the current and prior period is included in 'administration expenses' in the Income Statement as it relates to the day-to-day management of the Group's freehold property portfolio and other non-financial assets.

	2022			2021		
	PROPERTY $m	OTHER NON-FINANCIAL ASSETS $m	TOTAL $m	PROPERTY $m	OTHER NON-FINANCIAL ASSETS $m	TOTAL $m
Impairment	(4)	(11)	(15)	(15)	(6)	(21)
Reversal	24	1	25	24	-	24
Net impairment reversal/ (impairment)	20	(10)	10	9	(6)	3

Recognised impairment

An impairment loss is recognised in the Income Statement if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU.

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or may have decreased, the asset is re-tested for impairment. The impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment been recognised. Impairments recognised for goodwill are not reversed.

Goodwill impairment testing

For the purpose of impairment testing, goodwill is allocated to CGUs or groups of CGUs according to the level at which management monitors goodwill. The FVLCOD valuation methodology was applied to determine the recoverable amount of CGUs.

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount of each CGU:

	2022			2021		
	SUPERMARKETS	LIQUOR	EXPRESS	SUPERMARKETS	LIQUOR	EXPRESS
Goodwill allocation ($m)	986	129	45	986	125	45
Indefinite life intangible assets ($m)	-	29	-	-	27	-
Post-tax discount rate (%)	7.6%	7.6%	7.9%	7.5%	7.5%	7.8%
Terminal growth rate (%)	2.8%	2.8%	nil	2.7%	2.7%	nil

Sensitivity analysis is performed to determine the point at which the recoverable amount is equal to the carrying amount for each CGU. For the Group's CGUs, based on current economic conditions and CGU performance, no reasonably possible change in a key assumption used in the determination of the recoverable value is expected to result in a material impairment.

4.2 Financial risk management

The following note outlines the Group's exposure to and management of financial risks. These arise from the Group's requirement to access financing (bank debt, capital market debt and overdrafts), from the Group's operational activities (cash, trade receivables and payables) and from instruments held as part of the Group's risk management activities (derivative financial instruments).

The Group's financial risk management is carried out by the Group Treasury function and governed by the Board-approved Treasury Policy (the 'Policy'). The Policy strictly prohibits speculative positions to be taken.

Management of financial risks is undertaken by the Group in line with its risk management principles and includes the following key steps: risk identification, risk measurement, setting risk tolerances and hedging objectives, strategy design and strategy implementation.

The Policy requires periodic reporting of financial risks to the Board, and its application is subject to oversight from the Chief Financial Officer and the Chair of the Audit and Risk Committee.

The Policy allows the use of various derivatives to hedge financial risks and provides guidance in relation to volume and tenor of these instruments.

In the normal course of business, the Group is exposed to various risks as set out below:

RISK	EXPOSURE	MANAGEMENT
Market risks		
Interest rate risk	The Group's exposure to interest rate risk relates primarily to interest-bearing liabilities where interest is charged at variable rates.	The Group manages interest rate risk by having access to both fixed and variable debt facilities. In line with the Policy, this risk is further managed by hedging a portion of the variable rate debt exposures with derivative financial instruments to convert floating rate debt obligations to fixed rate obligations.
Foreign exchange risk	The Group has exposure to foreign exchange risk principally arising from purchases of inventory and capital equipment denominated in foreign currencies.	To manage foreign currency transaction risk, the Group hedges material foreign currency denominated expenditure at the time of the commitment and hedges a proportion of foreign currency denominated forecast exposures (mainly relating to the purchase of inventory) through the use of forward foreign exchange contracts.
Commodity price risk	The Group is exposed to changes in commodity prices in respect to the price of electricity.	To mitigate the variability of wholesale electricity prices, the Group utilises Power Purchase Arrangements (PPAs) and electricity swaps.
Liquidity risk	The Group is exposed to liquidity and funding risk from operations and external borrowings. Liquidity risk is the risk that unforeseen events cause pressure on, or curtail, the Group's cash flows. Funding risk is the risk that sufficient funds will not be available to meet the Group's financial commitments in a timely manner.	Liquidity risk is measured under both normal market operating conditions and under a crisis situation which curtails cash flows for an extended period. This approach is designed to ensure that the Group's funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The Group regularly reviews its short, medium and long-term funding requirements. The Policy requires that sufficient committed funds are available to meet medium term requirements, with flexibility and headroom in the event a strategic opportunity should arise. The Group maintains a liquidity reserve in the form of undrawn facilities of at least $1 billion.

4.2 Financial risk management (continued)

RISK	EXPOSURE	MANAGEMENT
Credit risk	The Group is exposed to credit risk from its financing activities, including deposits with financial institutions and other financial instruments. With respect to credit risk arising from cash and cash equivalents, trade and other receivables and certain derivative instruments, the Group's exposure arises from default of the counterparty. Credit risk for the Group also arises from various financial guarantees in which members of the Group act as guarantor.	The majority of the Group's sales are on a cash basis, and the Group's exposure to credit risk from customer sales is minimal. The Group's trade and other receivables relate largely to commercial income due from suppliers and other receivables from creditworthy third parties. Counterparty limits, credit ratings and exposures are actively managed in accordance with the Policy. The Group's exposure to bad debts is not significant, and default rates have historically been very low. The credit quality of trade and other receivables neither past due nor impaired has been assessed as high on the basis of credit ratings (where available) or historical information about counterparty default. Since the Group trades only with recognised creditworthy third parties, there is no requirement for collateral by either party. The carrying amount of trade and other receivables and other financial assets in the Balance Sheet represents the Group's maximum exposure to credit risk. There is also exposure to credit risk where members of the Group have entered into guarantees, however the probability of being required to make payments under these guarantees is considered remote. Refer to Note 6.2 Contingent liabilities for further details.

Foreign exchange risk

The Group is primarily exposed to foreign exchange risk in relation to the United States dollar (USD), the Euro (EUR) and the British Pound (GBP). The Group considers its exposure to USD, EUR and GBP arising from purchases to be a long-term and ongoing exposure that is highly probable.

The table below sets out the total forward exchange contracts at the reporting date and the carrying value of the derivative asset / (liability) positions:

	NOTIONAL VALUE		CARRYING VALUE		WEIGHTED AVERAGE HEDGE RATE	
BUY / SELL	**2022 $m**	**2021 $m**	**2022 $m**	**2021 $m**	**2022 $m**	**2021 $m**
USD / AUD	82	56	3	1	0.72	0.77
EUR / AUD	208	291	(10)	(26)	0.61	0.58
GBP / AUD	37	36	(1)	1	0.54	0.55
AUD / USD	(3)	(3)	-	-	0.71	0.76

4.2 Financial risk management (continued)

At the reporting date, the Group has the following exposures to USD, EUR and GBP:

	USD $m		EUR €m		GBP £m	
	2022	2021	2022	2021	2022	2021
Financial assets						
Cash and cash equivalents	3	4	-	-	-	-
Trade receivables	13	6	-	-	-	-
Forward exchange contracts	59	44	127[1]	168	20	20
Financial liabilities						
Trade and other payables	(65)	(31)	(33)	(13)	(6)	(4)
Forward exchange contracts	(2)	(3)	-	-	-	-
Net exposure	**8**	**20**	**94**	**155**	**14**	**16**

1 EUR forward exchange contracts of $86 million (2021: $137 million) relate to capital commitments. The remaining contracts hedge current and future trade payables denominated in EUR.

Foreign exchange rate sensitivity

At the reporting date, had the Australian dollar moved against the USD, EUR and GBP (with all other variables held constant), the Group's post-tax profit and OCI would have been affected by the change in value of its financial assets and financial liabilities.

The following sensitivities are based on the foreign exchange risk exposures in existence at the reporting date and the determination of reasonably possible movements based on management's assessment of reasonable fluctuations:

		POST-TAX PROFIT INCREASE/(DECREASE):		POST-TAX OCI INCREASE/(DECREASE):	
RATE	CHANGE	2022 $m	2021 $m	2022 $m	2021 $m
AUD / USD	+10%	2	-	(2)	(2)
	-10%	(2)	-	3	2
AUD / EUR	+10%	1	-	(10)	(15)
	-10%	(1)	-	13	18
AUD / GBP	+10%	-	-	(2)	(2)
	-10%	-	-	2	2

Interest rate risk

At the reporting date, the Group has the following financial assets and liabilities exposed to variable interest rate risk that, with the exception of interest rate swaps, are not designated as cash flow hedges:

	2022		2021	
	EXPOSURE $m	WEIGHTED AVERAGE INTEREST RATE %	EXPOSURE $m	WEIGHTED AVERAGE INTEREST RATE %
Financial assets				
Cash at bank and on deposit	30	0.5	211	0.3
Financial liabilities				
Bank debt	(50)	(2.1)	(100)	(1.4)
Capital market debt	(150)	(2.1)	(150)	(1.0)
Less: interest rate swaps (notional principal amount)	150	1.3	150	1.8
Net exposure to cash flow interest rate risk	**(20)**		**111**	

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4.2 Financial risk management (continued)

Interest rate sensitivity

A 100 basis point increase represents management's assessment of the reasonably possible change in interest rates. Based on the variable interest rate exposures in existence at the reporting date, if interest rates increased by 100 basis points, with all other variables held constant, the impact would be:

	POST-TAX PROFIT INCREASE/(DECREASE):		POST-TAX OCI INCREASE/(DECREASE):	
	2022 $m	2021 $m	2022 $m	2021 $m
Impacts of reasonably possible movements:				
+1.0% (100 basis points)	-	1	3	4

Liquidity risk

The Group aims to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank debt with a variety of counterparties.

The committed facilities of the Group are set out below:

	2022 $m	2021 $m
Financing facilities available:		
Bank overdrafts	13	13
Revolving multi-option facilities	2,715	2,715
Term loan facilities	-	100
	2,728	**2,828**
Financing facilities utilised:		
Revolving multi-option facilities	50	-
Guarantees issued[1]	333	322
Term loan facilities	-	100
	383	**422**
Financing not utilised:		
Bank overdrafts	13	13
Revolving multi-option facilities[1]	2,332	2,393
	2,345	**2,406**

1 As at 26 June 2022, bank guarantees totalling $333 million (2021: $322 million) have been issued on behalf of the Group through the revolving multi-option facilities. While the Company has entered into these guarantees, the probability of having to make payments under these guarantees is considered remote.

The Group holds $589 million cash and cash equivalents at the reporting date (2021: $787 million).

Assets pledged as security

A controlled entity has issued a floating charge over assets, capped at $80 million (2021: $80 million), as security for payment obligations for fuel sales collected on behalf of Viva in accordance with the New Alliance Agreement. The assets are, therefore, excluded from financial covenants in all debt documentation.

Maturity analysis

The table below sets out the Group's financial liabilities across the relevant maturity periods based on their contractual maturity date. At the reporting date, the remaining undiscounted contractual maturities of the Group's financial liabilities and their carrying amounts are as follows:

4.2 Financial risk management (continued)

	< 12 MONTHS $m	1-2 YEARS $m	2-5 YEARS $m	> 5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m	CARRYING AMOUNT $m
2022						
Trade and other payables (less accrued interest)	4,330	-	-	-	4,330	4,330
Bank debt (principal and interest)	12	11	59	-	82	52
Capital market debt (principal and interest)	24	24	512	642	1,202	1,049
Lease liabilities	1,288	1,285	3,653	5,599	11,825	8,681
Interest rate swaps	2	2	1	-	5	(7)
Forward exchange contracts	7	1	-	-	8	8
Electricity swaps	13	-	-	-	13	13
Power Purchase Arrangement	18	12	8	-	38	38
Total	**5,694**	**1,335**	**4,233**	**6,241**	**17,503**	**14,164**
2021						
Trade and other payables (less accrued interest)	3,652	-	-	-	3,652	3,652
Bank debt (principal and interest)	14	10	106	-	130	100
Capital market debt (principal and interest)	22	22	216	960	1,220	1,048
Lease liabilities	1,244	1,210	3,334	4,987	10,775	8,756
Interest rate swaps	3	3	4	-	10	7
Forward exchange contracts	11	13	-	-	24	24
Power Purchase Arrangement	(1)	(1)	1	3	2	9
Total	**4,945**	**1,257**	**3,661**	**5,950**	**15,813**	**13,596**

For variable rate instruments, the amount disclosed is determined by reference to the interest rate at the last re-pricing date. Contractual cash flows are undiscounted and as such will not necessarily agree with their carrying amounts.

Changes in liabilities arising from financing activities

	NOTE	AT BEGINNING OF PERIOD $m	CASH FLOWS $m	CHANGES IN FAIR VALUE $m	LEASES RECOGNISED $m	OTHER $m	AT END OF PERIOD $m
2022							
Bank debt	3.1	98	(50)	-	-	2	50
Capital market debt	3.1	1,044	-	-	-	1	1,045
Lease liabilities	2.7	8,756	(1,264)	-	826	363	8,681
Derivatives	4.3	42	(22)	42	-	-	62
Total liabilities from financing activities		**9,940**	**(1,336)**	**42**	**826**	**366**	**9,838**
2021							
Bank debt	3.1	758	(660)	-	-	-	98
Capital market debt	3.1	596	448	-	-	-	1,044
Lease liabilities	2.7	9,083	(1,281)	-	564	390	8,756
Derivatives	4.3	32	-	10	-	-	42
Total liabilities from financing activities		**10,469**	**(1,493)**	**10**	**564**	**390**	**9,940**

4.3 Financial instruments

Financial assets and liabilities measured at fair value

The following table sets out the fair value measurement hierarchy of the Group's derivative financial instruments:

	FAIR VALUE HIERARCHY	2022 ASSET $m	2022 LIABILITY $m	2021 ASSET $m	2021 LIABILITY $m
Cash flow hedges					
Forward exchange contracts	Level 2	4	(11)	2	(26)
Interest rates swaps	Level 2	7	-	-	(7)
Electricity swaps	Level 2	15	(13)	-	-
Power Purchase Arrangement	Level 3	48	(38)	-	(9)
Total		**74**	**(62)**	**2**	**(42)**

The Group measures certain financial instruments, such as derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

LEVEL 1	Fair value is calculated using quoted prices in active markets for identical assets or liabilities
LEVEL 2	Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
LEVEL 3	Fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, electricity swap contracts and power purchase agreements are valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and electricity futures. In addition, the valuation of the power purchase arrangement includes an unobservable input relating to forward electricity price assumptions.

Carrying amounts versus fair values

The carrying amount and fair value of financial assets and liabilities recognised in the financial statements are materially the same unless stated below:

	CARRYING AMOUNT 2022 $m	CARRYING AMOUNT 2021 $m	FAIR VALUE 2022 $m	FAIR VALUE 2021 $m
Financial liabilities				
Capital market debt	1,045	1,044	892	1,054

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4.3 Financial instruments (continued)

Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a gross basis except where there is an enforceable legal right to offset and there is an intention to settle on a net basis.

Commercial income due from suppliers is recognised within trade receivables, except in cases where the Group has a legally enforceable right of set-off and the intention to settle on a net basis, in which case only the net amount receivable or payable is recognised.

The following table sets out the Group's financial assets and financial liabilities which have been offset in the Balance Sheet at the reporting date:

	GROSS FINANCIAL ASSETS / (LIABILITIES) $m	GROSS FINANCIAL (LIABILITIES) / ASSETS SET-OFF $m	NET FINANCIAL ASSETS / (LIABILITIES) PRESENTED IN THE BALANCE SHEET $m
2022			
Trade and other receivables	605	(135)	470
Trade and other payables	(4,470)	135	(4,335)
2021			
Trade and other receivables	490	(122)	368
Trade and other payables	(3,782)	122	(3,660)

Hedge accounting

Where the Group undertakes a hedge transaction it documents at the inception of the transaction the type of hedge, the relationship between hedging instruments and hedged items and its risk management objective and strategy for undertaking the hedge. The documentation also demonstrates, both at hedge inception and on an ongoing basis, that the hedge has been, and is expected to continue to be, highly effective.

The Group uses derivative financial instruments for cash flow hedging purposes and designates them as such.

Cash flow hedge	Derivatives or other financial instruments that hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction. The Group uses cash flows hedges to mitigate the risk of variability of: • future cash flows attributable to foreign currency fluctuations over the hedging period where the Group has highly probable purchase or settlement commitments denominated in foreign currencies; • interest rate fluctuations over the hedging period where the Group has variable rate debt obligations; and • energy commodity price fluctuations over the hedging period.
Recognition date	The date the hedging instrument is entered into.
Measurement	Fair value.
Changes in fair value	Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in OCI and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the Income Statement.

5. Group structure

This section provides information relating to subsidiaries and other material investments of the Group.

5.1 Equity accounted investments

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	TYPE	OWNERSHIP INTEREST 2022	OWNERSHIP INTEREST 2021
Loyalty Pacific Pty Ltd	Operator of the Flybuys loyalty program	Australia	Joint Venture	50%	50%
Queensland Venue Co. Pty Ltd (QVC)	Operator of Spirit Hotels and Queensland retail liquor business	Australia	Associate	50%	50%

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An associate is an entity that is not controlled or jointly controlled by the Group, but over which the Group has significant influence.

The Group accounts for its investments in joint ventures and associates using the equity method of accounting. Under the equity method, the investment in a joint venture or associate is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise the Group's share of profit after tax of the joint venture or associate, which is recognised in profit or loss. The Group's share of OCI is recognised within Other Comprehensive Income. Dividends received from a joint venture or associate reduce the carrying amount of the investment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investment in a joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value. Any impairment loss will be recognised within 'share of net profit of equity accounted investments' in the Income Statement.

Key judgement: Control and significant influence

The Group has a number of management agreements relating to its joint venture and associate investments which it considers when determining whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision-making rights and scope of powers specified in the agreements.

Loyalty Pacific Pty Ltd

A reconciliation of the carrying amount of the Group's investment in Loyalty Pacific Pty Ltd is set out below:

	2022 $m	2021 $m
At beginning of period	**19**	**16**
Additions	6	8
Loss for the period	(7)	(5)
At end of period	**18**	**19**

5.1 Equity accounted investments (continued)

Queensland Venue Co. Pty Ltd

In FY19, the Company entered into an incorporated joint venture with Australian Venue Co. (AVC) for the operation of Spirit Hotels (the 'Hotel business') and the retail liquor stores linked to Spirit Hotels venues (collectively the 'Retail Liquor business'). An incorporated joint venture company, QVC was established. Under the joint venture documents, the Company holds all R-shares in QVC and operates the Retail Liquor business through its wholly-owned subsidiary, Liquorland (Australia) Pty. Ltd. (LLA).

For accounting purposes, LLA is considered the principal in relation to retail liquor sales due to its exposure to the economic risks and benefits associated with the Retail Liquor business. Accordingly, LLA recognises revenue from retail liquor sales by QVC directly in its Income Statement. Revenue recognised by QVC relates solely to Spirit Hotels.

Furthermore, due to the application of service fees and cost recoveries between the Company and QVC, net profit relating to the Retail Liquor business as recognised by QVC is nominal.

A reconciliation of the carrying amount of the Group's investment in QVC is set out below:

	2022 $m	2021 $m
At beginning of period	**201**	**201**
Additions	-	-
Profit for the period	-	-
At end of period	**201**	**201**

5.2 Assets held for sale

At 26 June 2022, four of the Group's properties with a total carrying value of $82 million have been classified as held for sale (2021: six of the Group's properties with a total carrying value of $85 million).

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. A sale is considered highly probable when actions required to complete the sale indicate that it is unlikely significant changes to the sale will be made or that the decision to sell will be withdrawn, and where management is committed to a plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Coles Group Limited 2022 Annual Report

5.3 Subsidiaries

The ultimate parent of the Group is Coles Group Limited, a company incorporated in Australia. Subsidiaries are consolidated from the date of acquisition, being the date Coles Group Limited obtains control, and continue to be consolidated until the date control ceases. Control exists where the Group has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities.

Set out below are the subsidiaries of the Group. All entities were incorporated in Australia and wholly-owned unless stated otherwise.

Andearp Pty Ltd	Coles Group Supply Chain Pty Ltd *
Australian Liquor Group Ltd *	Coles Group Treasury Pty Ltd (formerly Coles Group Payments Pty Ltd) *
BetaElementCo Pty Ltd (formally CSA Retail (Finance) Pty Ltd)	Coles Online Pty Ltd *
Bi-Lo Pty. Limited *	Coles Property Management Pty Ltd
Charlie Carter (Norwest) Pty Ltd	Coles Supermarkets Australia Pty Ltd *
Chef Fresh Pty Ltd *	Coles Trading (Shanghai) Co. Limited (incorporated in China)
CMPQ (CML) Pty Ltd	Coles WFS Pty Ltd (formerly Wesfarmers Finance Pty Ltd)
CNSCE Pty Ltd	Eureka Operations Pty Ltd *
Coles Ansett Travel Pty Ltd (97.5%)	GBPL Pty Ltd
Coles Captive Insurance Pte. Ltd. (incorporated in Singapore)	Grocery Holdings Pty Ltd *
Coles Export Asia Limited (incorporated in Hong Kong)	Katies Fashions (Aust) Pty Limited
Coles Export Australia Pty Ltd (formerly Tooronga Holdings Pty Ltd) *	Liquorland (Australia) Pty. Ltd *
Coles Financial Services Pty Ltd	Newmart Pty Ltd
Coles FS Holding Company Pty Ltd (formerly Wesfarmers Finance Holding Company Pty Ltd)	Procurement Online Pty Ltd
Coles Group Deposit Services Pty Ltd	Retail Ready Operations Australia Pty. Ltd *
Coles Group Finance Limited *	Richmond Plaza Shopping Centre Pty Ltd
Coles Group Properties Holdings Ltd *	Tickoth Pty Ltd
Coles Group Property Developments Ltd *	WFPL Funding Co Pty Ltd
Coles Group Superannuation Fund Pty Ltd	WFPL SPV Pty Ltd
Entities formed/incorporated or acquired during the financial year	
CNSCV Pty Ltd	
Entities deregistered during the financial year	
Coles Retail Services Pty Ltd **	WFPL No 2 Pty Ltd **
e.colesgroup Pty Ltd ***	WFPL Security SPV Pty Ltd **

* These entities are parties to the Deed of Cross Guarantee as at 26 June 2022. Chef Fresh became party to the Deed on 23 June 2022.
** Deregistered on 4 July 2021
*** Deregistered on 7 July 2021

5.3 Subsidiaries (continued)

Deed of cross guarantee

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* ('ASIC Instrument') the wholly-owned subsidiaries listed on the previous page (*) are relieved from the *Corporations Act 2001*(Cth) requirements for preparation, audit and lodgement of financial reports, and Directors' Reports. Together with Coles Group Limited, the entities represent a 'Closed Group' for the purposes of the ASIC Instrument.

As a condition of the ASIC Instrument, the Company and the subsidiaries listed on the previous page (*) have entered into a Deed of Cross Guarantee (the Deed). The effect of the Deed is that the Company guarantees to pay any deficiency in the event of winding up any controlled entity in the Closed Group, or if they do not meet their obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities in the Closed Group have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee.

An Income Statement and retained earnings and a Balance Sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between the parties to the Deed, for the period are set out below:

Income Statement and retained earnings

	CLOSED GROUP	
	2022 $m	2021 $m
Sales revenue	39,369	38,585
Other operating revenue	377	370
Total operating revenue	**39,746**	**38,955**
Cost of sales	(29,210)	(28,764)
Gross profit	**10,536**	**10,191**
Other income	96	87
Administration expenses	(8,755)	(8,391)
Share of net loss from equity accounted investments	(7)	(5)
Earnings before interest and tax	**1,870**	**1,882**
Financing costs	(396)	(427)
Profit before income tax	**1,474**	**1,455**
Income tax expense	(425)	(443)
Profit for the period	**1,049**	**1,012**
Items that may be reclassified to profit or loss:		
Net movement in the fair value of cash flow hedges	31	(9)
Income tax effect	(9)	3
Other comprehensive income/ (loss) which may be reclassified to profit or loss in subsequent periods	**22**	**(6)**
Total comprehensive income for the period	**1,071**	**1,006**
Retained earnings		
Retained earnings at beginning of period	1,245	1,040
Chef Fresh retained earnings in opening balance now in Closed Group	(12)	-
Profit for the period	1,049	1,012
Dividends paid	(814)	(807)
Retained earnings at end of period	**1,468**	**1,245**

5.3 Subsidiaries (continued)

Deed of cross guarantee

Balance Sheet

	CLOSED GROUP	
	2022 $m	2021 $m
Assets		
Current assets		
Cash and cash equivalents	580	778
Trade and other receivables	459	357
Inventories	2,448	2,102
Income tax receivable	42	-
Assets held for sale	82	85
Other assets	121	87
Total current assets	**3,732**	**3,409**
Non-current assets		
Property, plant and equipment	4,799	4,423
Right-of-use assets	7,194	7,283
Intangible assets	1,864	1,695
Deferred tax assets	820	869
Investment in subsidiaries	190	249
Investment in joint venture	219	220
Other assets	174	147
Total non-current assets	**15,260**	**14,886**
Total assets	**18,992**	**18,295**
Liabilities		
Current liabilities		
Trade and other payables	4,425	3,756
Income tax payable	-	62
Provisions	851	947
Lease liabilities	913	897
Other	312	252
Total current liabilities	**6,501**	**5,914**
Non-current liabilities		
Interest-bearing liabilities	1,095	1,142
Provisions	424	457
Lease liabilities	7,762	7,854
Other	11	29
Total non-current liabilities	**9,292**	**9,482**
Total liabilities	**15,793**	**15,396**
Net assets	**3,199**	**2,899**
Equity		
Contributed equity	1,636	1,585
Reserves	95	69
Retained earnings	1,468	1,245
Total equity	**3,199**	**2,899**

5.4 Parent entity information

Summary financial information for the Company is set out below:

	2022 $m	2021 $m
Profit for the period	327	284
Dividends received	-	-
Profit for the period (after dividends)	**327**	**284**
Other comprehensive income	-	-
Total comprehensive income for the period	**327**	**284**

	2022 $m	2021 $m
Assets		
Current assets	3,045	3,390
Non-current assets	5,088	5,102
Total assets	**8,133**	**8,492**
Liabilities		
Current liabilities	1,080	1,020
Non-current liabilities	2,778	2,775
Total liabilities	**3,858**	**3,795**
Equity		
Contributed equity	1,630	1,585
Reserves	100	80
Retained earnings	2,545	3,032
Total equity	**4,275**	**4,697**

As at 26 June 2022, the Company has no guarantees in relation to the debts of its subsidiaries (2021: $nil).

As at 26 June 2022, the Company has no contingent liabilities (2021: $nil). As at 26 June 2022, the Company has bank guarantees totalling $328 million (2021: $290 million).

As at 26 June 2022, the Company has contractual commitments for the acquisition of property, plant and equipment totalling $235 million (2021: $349 million).

6. Unrecognised items

This section provides information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.

6.1 Commitments

A commitment represents a contractual obligation to make a payment in the future. The Group's commitments relate to capital expenditure and certain operating leases not recognised. Commitments are not recognised in the Balance Sheet but are disclosed.

Capital expenditure commitments of the Group at the reporting date are set out below:

	2022 $m	2021 $m
Within one year	233	244
Between one and five years	121	177
Total capital commitments for expenditure	**354**	**421**

The commitment amounts disclosed above represent the maximum amounts that the Group is obliged to pay.

At 26 June 2022, the Group also has commitments relating to lease agreements that have not yet commenced. The commitments relate to lease agreements associated with new stores, the Supply Chain Modernisation program and online fulfilment centres. The future lease payments (undiscounted) for non-cancellable periods are set out below:

	2022 $m	2021 $m
Within one year	41	8
Between one and five years	491	428
More than five years	1,613	1,748
Total commitments for lease agreements not yet commenced (undiscounted)	**2,145**	**2,184**

6.2 Contingencies

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 (GRIA). The review assessed the remuneration paid to 15,011 team members against GRIA. Coles conducted a remediation program, and to date Coles has incurred $13 million of remediation costs with a further $12 million provisioned at the date of this report.

Following the announcement in February 2020, the Fair Work Ombudsman (FWO) commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA. FWO alleges that Coles is obligated to pay a further $108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in the Coles' remediation.

Coles has lodged its defence in this proceeding, and the matter has been listed for trial in mid 2023. The trial will include consideration of threshold issues, including interpretation of the GRIA provisions. As such, the potential outcome, extent to which further remediation may be necessary, and costs associated with this matter remain uncertain as at the date of this report.

In May 2020, Coles was notified that a class action proceeding had been filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets. Coles is defending the proceeding. This matter will be heard in conjunction with the FWO proceedings at trial in mid June 2023. The potential outcome and total costs associated with this matter remain uncertain as at the date of this report.

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it is expected that the resolution of these contingencies will not have a material impact on the financial position of the Group, or are not at a stage to support a reasonable evaluation of the likely outcome.

Key estimate: Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated.

7. Other disclosures

This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

7.1 Related party disclosures

	2022 $m	2021 $m
Joint ventures and associates		
Loyalty Pacific Pty Ltd		
Sale of goods to members of Flybuys	199	140
Payments for loyalty program to Loyalty Pacific Pty Ltd	359	299
Amounts owing to Loyalty Pacific Pty Ltd	251	212
Queensland Venue Co. Pty Ltd		
Service fees paid to QVC	56	55
Amounts receivable from QVC	21	25

Transactions with Key Management Personnel (KMP)

Compensation of KMP of the Group:

	2022 $	2021 $
Short-term employee benefits	10,903,690	9,979,957
Post-employment benefits	193,111	182,888
Other long-term benefits	118,652	325,493
Share-based payments	8,855,257	7,070,757
Total compensation paid to key management personnel	**20,070,710**	**17,559,095**

Other transactions with KMP

Mr Freudenstein, a Non-executive Director, sold livestock to Coles via a livestock agent for an aggregate amount of $81,335.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the reporting date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The Group has not recognised a provision for expected credit losses relating to amounts owed by related parties (2021: $nil).

7.2 Employee share plans

The Group operates an Equity Incentive Plan (the 'Plan') which provide equity instruments to employees as a component of their remuneration.

Long Term Incentive (LTI) Program

Refer to the Remuneration Report for the terms and conditions of the LTI program.

The fair value of Performance Rights under each performance measure is determined at grant date by an independent valuation expert and takes into account the terms and conditions upon which they were granted. The fair value is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

For the relative total shareholder return (TSR) measure, the fair value is recognised as an expense irrespective of whether the Performance Rights vest to the holder, and a reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period. For the return on capital (ROC) measure, the amount expensed is based on the expected number of Performance Rights vesting, with the ultimate expense reflecting the actual Performance Rights that vest.

7.2 Employee share plans (continued)

Short Term Incentive (STI) Program

For Executives, 25% of their STI is deferred into Restricted Shares (50% for the Managing Director and Chief Executive Officer) and are subject to a one-year service condition (two years for the Managing Director and Chief Executive Officer). The cost of the deferred STI is based on the market price at grant date and is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

Further explanation of the deferred STI is disclosed in the Remuneration Report.

Restricted share offer

Restricted Shares are subject to a continued service condition, a three-year trading restriction period and cessation of employment provisions. During the trading restriction period, Restricted Shares are held in trust by the Trustee on behalf of the employee. The number of Restricted Shares to be granted is determined based on the currency value of the achieved Restricted Share offer divided by the volume weighted average price (VWAP) at which the Company's shares are traded on the Australian Stock Exchange over the period outlined in the offer letter. The value of Restricted Shares granted is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

Restricted Shares carry the same dividend and voting rights as other fully paid Ordinary Shares in the Company.

Performance Rights (number)

Movements in Performance Rights granted under the LTI program that existed during the current or prior period are:

GRANT DATE	BALANCE AT 28 JUNE 2021	GRANTED	FORFEITED	VESTED	BALANCE AT 26 JUNE 2022	EXERCISABLE AT 26 JUNE 2022
2022						
Nov 2019	962,246	-	(6,380)	-	955,866	-
May 2020	89,528	-	-	-	89,528	-
Nov 2020	223,133	-	-	-	223,133	-
Nov 2020	772,930	-	(56,651)	-	716,279	-
Nov 2021	-	225,976	-	-	225,976	-
Dec 2021	-	877,925	(80,229)	-	797,696	-
	2,047,837	**1,103,901**	**(143,260)**	**-**	**3,008,478**	**-**

GRANT DATE	BALANCE AT 29 JUNE 2020	GRANTED	FORFEITED	VESTED	BALANCE AT 27 JUNE 2021	EXERCISABLE AT 27 JUNE 2021
2021						
Nov 2019	962,246	-	-	-	962,246	-
May 2020	89,528	-	-	-	89,528	-
Nov 2020	-	223,133	-	-	223,133	-
Nov 2020	-	772,930	-	-	772,930	-
	1,051,774	**996,063**	**-**	**-**	**2,047,837**	**-**

Fair value of equity instruments

The assumptions underlying the fair value measurement of the performance rights are:

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE $	EXPECTED VOLATILITY IN SHARE PRICE[1] %	EXPECTED DIVIDEND YIELD %	RISK FREE INTEREST RATE[2] %	FAIR VALUE PER INSTRUMENT $
Nov 2019	Aug 2022	16.26	25.0	3.90	0.65	12.58
May 2020	Aug 2022	15.02	25.0	4.20	0.25	12.92
Nov 2020	Aug 2023	18.26	25.0	3.68	0.10	13.52
Nov 2020	Aug 2023	17.95	25.0	3.68	0.11	12.67
Nov 2021	Aug 2024	17.63	20.0	3.56	0.89	12.61
Dec 2021	Aug 2024	17.85	20.0	3.53	0.95	13.04

1 Reflects the assumption that the historical volatility is indicative of future trends.
2 Represents the zero coupon interest rate derived from government bond market interest rates on the valuation date and vary according to each maturity date.

7.2 Employee share plans (continued)

Additional information on award schemes

Details of grants made under the Plan during the period are set out in the Remuneration Report.

Key estimate: Share-based payments

The fair value of share-based payment transactions has been determined by an independent valuation expert.

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. Assumptions regarding the most appropriate inputs to the valuation model must be made. This includes, but is not limited to, share price volatility, discount rate and dividend yield.

In measuring the fair value of awards issued under the Long-Term Incentive (LTI) plan subject to the relative total shareholder return (TSR) vesting condition, an adjusted form of the Black-Scholes Model that includes a Monte Carlo Simulation Model has been utilised. The Monte Carlo Simulation Model has been modified to incorporate an estimate of the probability of achieving the TSR hurdle. In measuring the fair value of awards subject to non-market based vesting conditions, the Black-Scholes Model has been utilised.

7.3 Auditor's remuneration

	2022 $000	2021 $000
Fees to Ernst & Young (Australia):		
Audit services:		
Audit or review of the Financial Report of the Group	2,825	2,738
Assurance related	822	699[1]
Non-audit services:		
Tax compliance services	133	164[1]
Total fees to Ernst & Young (Australia)	**3,780**	**3,601**
Fees to overseas member firms of Ernst & Young:		
Audit services:		
Audit or review of the Financial Report of any controlled entities	49	57
Total fees to overseas member firms of Ernst & Young	**49**	**57**
Total auditor's remuneration	**3,829**	**3,658**

1 Certain FY21 services were in progress at the time of disclosure. These amounts have now been updated following completion of these services in FY22.

The auditor of the Group is Ernst & Young (EY). Fees charged by EY for 'Assurance related services' are for services that are reasonably related to the performance of the audit or review of financial reports, for other assurance engagements (such as assurance over the Group's Sustainability Report) and for other assurance related engagements which are appropriate for our external auditor to perform.

The total fees for non-audit services was 3.5% (2021: 4.5%) of the total fees paid or payable to EY and related practices for the period.

7.4 New accounting standards and interpretations

There are amendments and interpretations that apply for the first time in this period. These did not have a material impact on the consolidated financial statements of the Group.

New and revised australian accounting standards and interpretations on issue but not yet effective

There are no standards issued but are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

7.5 Events after the reporting period

Other than events disclosed elsewhere in this report, the Group is not aware of any matter or circumstance that has occurred since the reporting date that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in subsequent reporting periods.

Directors' Declaration

1. The directors of Coles Group Limited (the Company) declare that, in the directors' opinion:
   (a) the financial statements and the Notes are in accordance with the *Corporations Act 2001* (Cth), including:
      (i) complying with the accounting standards and *Corporations Regulations 2001*; and
      (ii) giving a true and fair view of the financial position and performance of the Company and its consolidated entities;
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. A statement of compliance with the International Financial Reporting Standards is included in the Basis of Preparation and Accounting Policies in the Notes to the consolidated financial statements.
3. The directors have been given the declaration required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 26 June 2022.
4. As at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 5.3 Subsidiaries to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 5.3 Subsidiaries.

Signed in accordance with a resolution of the directors.

James Graham AM
Chairman

24 August 2022

Steven Cain
Managing Director and Chief Executive Officer

24 August 2022

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Independent Auditor's Report to the Members of Coles Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the Financial Report of Coles Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the Consolidated Balance Sheet as at 26 June 2022, the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 26 June 2022 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current year. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

Building a better working world

1. Commercial income

Why significant	How our audit addressed the key audit matter
Commercial income (also referred to in the retail industry as "supplier rebates") comprises discounts and rebates received by the Group from its suppliers. Determining the value and timing of when commercial income is recognised through the Consolidated Income Statement requires judgement and the consideration of a number of factors including: ► The commercial terms of each individual rebate agreement; ► The nature and substance of the rebate arrangement to determine whether the amount reflects a reduction in the purchase price of inventory, requiring the rebate to be applied against the carrying value of inventory, or can be otherwise recognised in the Consolidated Income Statement; and ► The accurate recognition and measurement of rebates in accordance with Australian Accounting Standards and the Group's related processes and controls to these arrangements. Disclosures relating to the measurement and recognition of commercial income can be found in *Note 2.4 Inventories*.	Our audit procedures in respect of commercial income included the following: ► We gained an understanding of the nature of each significant type of commercial income and assessed a sample of agreements in place to determine whether the terms of each agreement were reflected in the accounting treatment; ► We assessed the design and operating effectiveness of relevant controls in place relating to the recognition and measurement of amounts related to these arrangements; ► We performed comparisons of the various arrangements against the prior year, including analysis of ageing profiles and where material variances were identified, obtained supporting evidence; ► We selected a sample of supplier agreements and assessed whether the agreements or other documentation appropriately supported the recognition and measurement of the rebates recorded in the 26 June 2022 Financial Report, including an assessment of amounts recorded before and after the balance date; ► We inquired of the Group including business category managers, supply chain managers, legal counsel and procurement management as to the existence of any non-standard agreements or side arrangements; and ► We considered the adequacy of the financial report disclosures.

Building a better working world

2. Impairment of non-current assets including intangible assets

Why significant	How our audit addressed the key audit matter
The determination of the recoverable amounts of non-current assets including property, plant and equipment, right of use assets, goodwill and other intangible assets requires significant judgement by the Group. Impairment assessments are complex and involve significant management judgement. The assessment completed by the Group includes numerous assumptions and estimates that will be impacted by future performance and market conditions. This includes the ongoing impacts of the COVID-19 pandemic on income and expenses. Key assumptions, judgements and estimates applied in the Group's impairment assessment are set out in *Note 4.1*. Based upon the disclosed sensitivity analysis, changes to the key assumptions applied in the impairment test are not expected to give rise to an impairment of the carrying value of the Group's cash generating units.	Our audit procedures included an evaluation of the following assumptions utilised in the Group's impairment assessment: ► Determination of cash generating units; ► Forecast cash flows, which were based on the Group's Board approved five-year forecasts; ► Long term inflation and growth rates; ► Discount rates; and ► Other market evidence. In performing our procedures, we considered whether the Group's forecasts considered the ongoing impacts of the COVID-19 pandemic on income and expenses. We assessed whether the Group's impairment models were in accordance with Australian Accounting Standards, and tested the mathematical accuracy of the calculations. We considered the adequacy of the Financial Report disclosures regarding the impairment testing approach, key assumptions, results and sensitivity analysis.

3. IT environment

Why significant	How our audit addressed the key audit matter
A significant part of the Group's financial processes are heavily reliant on IT systems with automated processes and controls over the capture, valuation and recording of transactions. This was a key audit matter because of the: ► Complex IT environment supporting diverse business processes, with varying levels of integration between them; ► Mix of manual and automated controls; ► Multiple internal and outsourced support arrangements; and ► Continuing enhancements to the Group's IT systems, including new IT systems implemented, which are significant to our audit.	We performed procedures to understand the IT environment, including procedures to identify the Group's manual and automated controls relevant to Financial Reporting. We tested the effectiveness of the key IT controls relevant to the financial reporting systems of the Group. This included assessing the key IT controls over changes made to the material financial reporting systems and controls over appropriate access to these systems and related data.

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Building a better working world

4. Inventory existence

Why significant	How our audit addressed the key audit matter
At 26 June 2022, the Group held inventories of $2,448 million. Being one of the Group's most significant assets, its inventory existence verification process is extensive and occurs routinely throughout the financial year. This inventory is held at geographically diverse locations around Australia at various retail stores and distribution centres, some of which are managed by third parties. The Group's accounting policy in respect of inventories is disclosed in *Note 2.4* of the Financial Report.	Our audit procedures included the following: ► Selected a sample of stores and observed and assessed the Group's stocktake processes and controls throughout the year; ► For the stocktakes we observed, we assessed whether the required adjustment to inventory determined by the stocktake was accurate and processed correctly; ► Observed a sample of cycle counts at distribution centres and assessed whether daily counts occurred at distribution centres during the year; ► Performed roll forward procedures for a sample of stocktakes and cycle counts observed during the year, through to 26 June 2022; and ► For a select number of distribution centres and production facilities managed by third parties, we obtained confirmation of inventories held by third parties at year end.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the Financial Report and our auditor's report thereon. We obtained the Operating and Financial Review, Board of Directors section and Directors' Report that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual report after the date of this auditor's report.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Building a better working world

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 26 June 2022.

In our opinion, the Remuneration Report of Coles Group Limited for the year ended 26 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David Shewring
Partner
Melbourne
24 August 2022

Shareholder Information

Listing information

Coles Group Limited is listed, and our issued shares are quoted on the Australian Securities Exchange (ASX) under the code: COL.

Substantial shareholdings in Coles Group Limited as at 26 August 2022

The number of shares to which each substantial holder and the substantial holders' associates have a relevant interest, as disclosed in substantial holding notices given to Coles, are as follows:

Holder	Number of fully paid shares
Vanguard Group	66,814,399
Blackrock Group	83,226,846
State Street Corporation	67,541,898

Twenty largest ordinary fully paid shareholders as at 26 August 2022

Coles Group Limited	Number of fully paid shares	% of issued capital
1 HSBC Custody Nominees (Australia) Limited	376,392,484	28.17
2 J P Morgan Nominees Australia Pty Limited	183,301,800	13.72
3 Citicorp Nominees Pty Limited	111,717,035	8.36
4 Wesfarmers Retail Holdings Pty Ltd	37,193,541	2.78
5 National Nominees Limited	34,125,021	2.55
6 BNP Paribas Noms Pty Ltd <DRP>	33,550,722	2.51
7 BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	30,498,304	2.28
8 Australian Foundation Investment Company Limited	8,677,500	0.65
9 HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	8,396,349	0.63
10 Argo Investments Limited	5,290,027	0.40
11 Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	4,573,058	0.34
12 Netwealth Investments Limited <Wrap Services A/C>	4,018,644	0.30
13 Washington H Soul Pattinson and Company Limited	3,177,375	0.24
14 Mutual Trust Pty Ltd	2,708,045	0.20
15 BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	2,438,907	0.18
16 Australian Executor Trustees Limited <IPS IOOF Employer Super A/C>	2,298,532	0.17
17 Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,639,422	0.12
18 Mr Peter Alexander Brown	1,552,825	0.12
19 Djerriwarrh Investments Limited	1,535,505	0.11
20 The Senior Master of The Supreme Court <Common Fund No 3 A/C>	1,481,985	0.11

Distribution of shareholders and shareholdings as at 26 August 2022

Size of holding	Number of shareholders	Number of shares	% of issued capital
1 - 1,000	351,230	106,685,034	7.98
1,001 - 5,000	81,316	173,608,169	12.99
5,001 - 10,000	10,091	70,409,714	5.27
10,001 - 100,000	4,942	98,149,053	7.34
100,001 and over	127	887,435,986	66.41
Total	447,706	1,336,287,956	

There were 27,471 shareholders holding less than a marketable parcel ($500).

Voting rights

Votes of shareholders are governed by the Company's Constitution. In broad summary, but without prejudice to the provisions of these rules, the Constitution provides for votes to be cast:

(a) on a show of hands, one vote for each shareholder; and

(b) on a poll, one vote for each fully paid share.

Unquoted equity securities

As at 26 August 2022, 3,119,560 performance rights with 14 holders were on issue pursuant to Coles' equity incentive plan.

On-market share acquisitions

During FY22, 123,793 Coles ordinary shares were purchased on market at an average price of $17.14 per share for the purposes of various Coles employee incentive schemes.

There is no current on-market buy-back of the Company's shares.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website at www.colesgroup.com.au/corporategovernance.

Corporate Directory

Registered office

800-838 Toorak Road
Hawthorn East
VIC 3123 Australia

Telephone
+61 3 9829 5111

Website
www.colesgroup.com.au

Chairman

Mr James Graham AM

Managing Director and Chief Executive Officer

Mr Steven Cain

Non-executive Directors

Mr James Graham AM
Mr David Cheesewright
Ms Jacqueline Chow
Ms Abi Cleland
Mr Richard Freudenstein
Mr Paul O'Malley
Ms Wendy Stops

Company Secretary

Ms Daniella Pereira

Auditor

Ernst & Young
8 Exhibition Street
Melbourne
VIC 3000 Australia

Coles Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
VIC 3067 Australia

Postal address
GPO Box 2975
Melbourne
VIC 3001 Australia

Telephone
1300 171 785 (within Australia)
+61 3 9415 4078 (outside Australia)

Online
www.investorcentre.com/contact

Website
www.computershare.com

Shareholder Calendar*

Event	Date
Record date for final dividend	5 September 2022
Final dividend payment date	28 September 2022
Coles Group Limited Annual General Meeting	9 November 2022
Half-year end	1 January 2023
Year-end	25 June 2023

*Timing of events is subject to change.

Annual General Meeting

The 2022 Annual General Meeting of Coles Group Limited will be held as a hybrid meeting on Wednesday 9 November 2022, commencing at 10:30am (AEDT) at Melbourne Convention and Exhibition Centre, Melbourne Room, 1 Convention Centre Place, South Wharf, Melbourne, Victoria, Australia. Information on how shareholders and proxyholders can view and participate in the meeting can be found on the Company's website and in the Notice of Annual General Meeting.

Coles' Notice of Annual General Meeting has been released on the ASX Market Announcements Platform.

Coles Group Limited
ABN 11 004 089 936
800–838 Toorak Road
Hawthorn East
VIC 3123 Australia