



**ASX Release**

13 November 2019

**Address by Chairman James Graham**

**Coles Group Limited 2019 Annual General Meeting – 13 November 2019**

Please see the attached address to be delivered by the Chairman to shareholders at this afternoon's Annual General Meeting.

A handwritten signature in black ink, appearing to read "Daniella Pereira".

**Daniella Pereira**  
Company Secretary

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## **2019 Annual General Meeting – Chairman’s address to shareholders**

This last year has been a year of substantial progress in the history of Coles, with our beginnings dating back to 1914 when G.J. Coles opened the first Coles store in Smith Street, Collingwood.

Over the ensuing 105 years, Coles has grown to become an important part of the Australian landscape with its commitment to providing quality goods at attractive prices to Australian households; encompassing our retailing of food, liquor and fuel through 2,400 outlets, supported by the increasing significance of our on-line business.

Coles’ growth story not only reflects the strong foundations laid down by the founding family and successive management, but importantly the commitment and support of Wesfarmers Limited during its 11 year period of ownership prior to our demerger last year.

In that regard, I specifically pay tribute to Richard Goyder and Rob Scott, the two Wesfarmers executive leaders during this period, and to Ian McLeod and John Durkan, the two Coles CEOs who provided the critical stewardship and leadership over that period.

Since our demerger, Coles has been strongly led by our new CEO, Steven Cain and his Executive Leadership Team with the support of our 113,000 Team Members. Together, this team brings great breadth of experience, diversity and skill to underpin our business in what is a fast moving and competitive environment, where customer and community expectations are constantly rising.

During the year, a number of very important initiatives have been undertaken. These include two significant technology-based commitments to improve our product offering and competitiveness.

The first of these will see us build two automated ambient temperature distribution centres, one in Queensland and one in New South Wales, using the world leading Witron automation technology from Germany.

The second is our partnership with Ocado, the world’s pre-eminent online end-to-end supermarket operation based in the UK, with a global field of engagement. With Ocado, two new Customer Fulfillment Centres in Melbourne and Sydney will be built and we will establish a world leading customer website and home delivery system.

These are but two of many new technological steps which we are taking, all aimed at improving our offering and lowering our costs to better meet customer expectations.

I also note two other significant steps we have taken during the year to better align our business operations with our focus and expertise. Firstly, at Coles Express we re-structured our fuel arrangements with Viva Energy so as to transfer the retail fuel price setting responsibility to Viva, allowing us to focus on the Coles Express retail operations, to which we are well suited. Coles now earns a commission for the fuel sold and fully operates the more than 700 attached retail operations.

And secondly, in our Liquor business, we have restructured our previous engagement in hotel operations through the establishment of a joint venture with Australian Venue Co. Through this joint venture, Australian Venue Co now has operational responsibility and the economic interest in the 76 Queensland and 11 other hotels which we previously operated, and Coles’ focus and economic interest lies in the retail liquor operations where we have 100 per cent of the economic interest.

Whilst much is changing in how we seek to improve our operating effectiveness, one constant is our commitment to our customers and the communities in which we operate across Australia. Fortunately, Coles has a great legacy in these areas which we seek to build upon as we strive to become the most trusted retailer in Australia and to grow long term shareholder value.

Three points of particular note are firstly our work with SecondBite and Foodbank where in the last year we have donated the equivalent of 25 million meals from our Supermarkets and Distribution Centres to fellow Australians in need across the country.

In addition, through our long standing partnership with Redkite, together with the support of our customers, we have donated more than \$35 million to help families with children diagnosed with cancer in their time of need.

And thirdly, with such a major part of our business inextricably linked to Australian farmers, who provide us with such amazing quality fresh food products, we have worked to provide assistance through direct donations, again supported by our customers, to farming communities impacted by drought. In this endeavour we are working with the Country Women's Association and also supporting new farm practice initiatives using grants from the Coles Nurture Fund to improve productivity and reduce water usage. Together with our customers, since July last year we have committed some \$17 million to programmes in support of drought affected farmers and farming families.

In this context, I would also like to mention our commitment to achieving a more sustainable environment. Rightly, there is much focus upon the role which large companies can play in improving our national performance in lowering carbon emissions; eliminating waste; enhancing packaging to optimise recycling; ensuring ethical dealing with all counterparties and the proper treatment of all who work in our supply chain; and, improving the product healthiness across our food offerings.

At Coles, we are committed to continually improving our participation, transparency and accountability in these important areas.

The strength of our model is that together we can make a difference. In that regard I am pleased to note that during this last year the number of Aboriginal and Torres Strait Islander team members at Coles has risen to 4,100 representing 3.6% of our total workforce. This level of engagement reflects a very deep commitment to our working together in this way and we have now set a target of 5,500 Aboriginal and Torres Strait Islander team members by 2023, of whom we want to see at least 500 in trade and leadership positions across our Group.

Another important aspect of our Team is our commitment to safety. We track and monitor safety performance every day using as our measure, Total Recordable Injury Frequency Rate (TRIFR). TRIFR includes all injury types and pleasingly in our 2019 Financial Year we saw a decrease of 20.3 per cent in this measure. This continues to remain an important area of focus.

Turning now to our financial results. For the financial year ended 30 June 2019 we had total sales revenue of \$38.2 billion and net profit after tax of \$1.078 billion, from continuing operations. And at year's end, we had a strong balance sheet, a good credit rating and favourable net cash generation, all underpinning our future operations.

In relation to the financial period since our demerger, we were able to declare and pay a total fully franked dividend of 35.5 cents per share, being 24 cents per share by way of Final Dividend for the second half of the financial year, and 11.5 cents per share as a Special Dividend encompassing the additional time periods, since demerger, during the reporting period. This level of dividend was consistent with our commitment to pay a dividend equivalent to 80 to 90 per cent of after-tax profits.

Since the payment of this inaugural dividend we have introduced a Dividend Re-investment Plan for those shareholders wishing to re-invest part or all of their future dividends in additional Coles shares. Particulars of how to participate in this Plan were recently forwarded to shareholders.

I would now like to invite our CEO and Managing Director, Steven Cain, to comment upon our financial performance and refreshed strategy in more detail. Since his arrival at Coles in September last year, Steven and his leadership team have been working extremely purposefully to make a difference in how we operate and set our course for our Second Century.