



24 September 2020

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Manager,

**2020 NOTICE OF ANNUAL GENERAL MEETING**

Attached is the Coles Group Limited 2020 Notice of Annual General Meeting.

This announcement is authorised by the Board.

Yours faithfully,

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

Daniella Pereira  
Company Secretary

**For more information:**

**Investor Relations**

**Mark Howell**

Mobile: +61 400 332 640

E-mail:

[investor.relations@colesgroup.com.au](mailto:investor.relations@colesgroup.com.au)

**Media**

**Meg Rayner**

Mobile: +61 439 518 456

E-mail:

[media.relations@coles.com.au](mailto:media.relations@coles.com.au)

# colesgroup



## 2020 Notice of Annual General Meeting

Coles Group Limited  
ABN 11 004 089 936

## Letter from the Chairman

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Dear Shareholder

I am pleased to invite you to the 2020 Annual General Meeting (**AGM**) of Coles Group Limited (**Coles** or the **Company**), which has been scheduled as follows:

**Date:** Thursday 5 November 2020

**Time:** 10.30am Australian Eastern Daylight Time (**AEDT**)

The AGM is an important part of Coles' overall approach to governance. The AGM gives you the opportunity to comment, ask questions and to vote on the items of business which are explained in this Notice of Meeting.

In light of the evolving circumstances relating to the COVID-19 pandemic and in the interests of the health and safety of shareholders, team members and other stakeholders, in July we announced that we would hold Coles' 2020 AGM virtually. This means that you will not be able to physically attend the meeting but will be able to view and participate in the meeting online.

While we will not be able to meet in person, it is our intention to conduct the 2020 AGM in a manner that will provide a shareholder experience which is as close as possible to a physical AGM. To this end, the format of our virtual AGM will be similar to that of a physical AGM. Shareholders and proxyholders will be able to participate in real time, by submitting written questions and voting live using our online AGM platform. We will also invite questions and open the poll at the start of the meeting in order to give shareholders as much time as possible to submit questions and vote during the meeting.

We encourage all shareholders and proxyholders to participate in the AGM. This year, our virtual AGM will be conducted through a Lumi online platform provided by our share registry. The platform can be accessed by downloading the Lumi AGM app or entering the following URL in your browser, <https://web.lumiagm.com>. Please refer to the following pages for information on how to attend and participate in our AGM, including details on how to vote

and ask questions. If you would like additional information on how to attend the meeting, please visit our AGM webpage, [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm), for our AGM Frequently Asked Questions and an Online Meeting Guide which provides a step by step guide on how to access and use the online platform.

If you are unable to join us for the AGM, a recording of the AGM will be available to view at [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm) after the conclusion of the meeting. We also encourage you to lodge a direct vote prior to the meeting or, alternatively, to appoint a proxy to attend virtually and vote on your behalf. You can do this by using your smartphone, online or by returning a printed copy of the Voting Form. Where shareholders can, we endorse a sustainable voting approach via smartphone or online. Instructions on how to vote directly or appoint a proxy are included in this Notice of Meeting. Direct votes and proxy appointments must be received no later than 10.30am (AEDT) on Tuesday 3 November 2020 to be valid for the AGM.

We welcome shareholder questions in advance. These can be emailed to the Company's share registry at [colesagm@computershare.com.au](mailto:colesagm@computershare.com.au) or enclosed with your Voting Form if you elect to return a hard copy. Questions must be received by the share registry no later than 5.00pm (AEDT) on Monday 2 November 2020. We will endeavour to address the key themes raised during the meeting. However, there may not be sufficient time available at the meeting to address all of the questions raised. Please note that individual responses will not be sent to shareholders.

Thank you for your continued support of Coles. We look forward to your virtual attendance and the opportunity to engage with you at our 2020 AGM.

Yours sincerely

A handwritten signature in black ink that reads "James Graham". The signature is written in a cursive, flowing style.

**James Graham AM**  
Chairman

24 September 2020

## How to participate in the AGM

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Shareholders are invited to attend Coles' virtual AGM where you will be able to view a live webcast, ask questions in writing and live vote.

### **AGM commencement time and date**

Coles' AGM will commence at 10.30am (AEDT) on Thursday 5 November 2020.

### **Attending and participating in the AGM**

To attend the meeting, you will need to log into a Lumi online platform. To access the platform, please download the Lumi AGM app from the Apple App or Google Play Stores (if you are accessing via a smartphone or tablet) or enter the following URL in your browser – <https://web.lumiagm.com> (if you are accessing via a computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox).

We recommend you log in and register from 9.30am (AEDT) on Thursday 5 November 2020.

**To log in, you must have the following information:**

**Step 1**

**Meeting ID** Coles' Meeting ID is **310816539**

**Step 2**

Shareholders, Attorneys, Corporate representatives		Proxyholders	Guests
Australian residents	Overseas residents		
<p><b>Shareholder Username:</b> (SRN or HIN); and <b>Shareholder Password:</b> (postcode of your registered address).</p>	<p><b>Shareholder Username:</b> (SRN or HIN); and <b>Shareholder Password:</b> (three-character country code of your registered address). Please refer to the Online Meeting Guide.</p>	<p>To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 from 8.30am (AEDT) on the morning of the meeting.</p>	<p>Select 'I am a guest' and enter your name and email details.</p> <p>Guests are welcome but will not be able to ask questions or vote at the AGM.</p>

**Your SRN/HIN**

Please note that to attend and participate in our AGM as a shareholder, you will need to provide your SRN/HIN.

If you are unable to locate your SRN/HIN, please contact Computershare on 1300 171 785 (within Australia) or +61 3 9415 4078 (outside Australia). As your SRN/HIN may only be provided by post for security reasons, please ensure you contact Computershare by no later than Thursday 22 October 2020. For security reasons it is important that you keep your SRN/HIN confidential.

## Voting options for the AGM

- Live voting online during the AGM
- Direct voting prior to the AGM
- Appointing a proxy, attorney, or a corporate representative (if you are a corporate shareholder)

Please note that for the purposes of the virtual AGM, a shareholder is deemed to have instructed the Company that any direct vote cast before the meeting will stand unless the shareholder live votes during the AGM.

## Questions

**During the meeting:** Only those attending who have registered as a shareholder or proxyholder will be able to ask written questions online during the meeting. Shareholders are requested to restrict themselves to two questions or comments initially. Further questions will be considered if time permits. Please refer to the Online Meeting Guide at [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm) for instructions on how to ask a question live during the meeting.

**Before the meeting:** Coles welcomes shareholder questions in advance of the AGM. These can be emailed prior to the meeting to the Company's share registry at [colesagm@computershare.com.au](mailto:colesagm@computershare.com.au). Shareholders who elect to return a hard copy Voting Form may also enclose their questions with their Voting Form. Questions must be received no later than 5.00pm (AEDT) on Monday 2 November 2020.

We will endeavour to address the key themes raised during the meeting. Please note that individual responses will not be sent to shareholders. Please refer to section 10 in our Notice of Meeting for more information on asking questions before and during the AGM.

## **Further arrangements**

If it becomes necessary to make further arrangements for holding Coles' AGM, we will ensure that shareholders are given as much notice as possible. We encourage shareholders to monitor the ASX website and Coles' website at [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm) for any updates.

## **Need assistance?**

If you require any assistance, please contact our share registry, Computershare Investor Services Pty Limited on:

(within Australia) 1300 171 785

(outside of Australia) +61 3 9415 4078

The meeting will be recorded and will be available on the Coles website at [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm) after the conclusion of the meeting.



# Notice of 2020 Annual General Meeting

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Notice is given that the 2020 Annual General Meeting of Coles Group Limited will be held virtually on Thursday 5 November 2020 at 10.30am (AEDT).

You can attend and participate in the AGM:

- Using a computer: enter the following URL in your browser – <https://web.lumiagm.com> (using the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox).
- Using a smartphone or tablet: use the Lumi AGM app, which can be downloaded from the Apple App or Google Play Stores by searching for 'Lumi AGM'.

The Meeting ID is 310816539.

Information on how to attend and participate virtually is set out in this Notice of Meeting and the Online Meeting Guide available at [www.colesgroup.com.au/agm](http://www.colesgroup.com.au/agm).

## Agenda Items

### 1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 28 June 2020.

### 2. Election and Re-election of Directors

To consider and, if thought fit, pass the following resolutions each as an ordinary resolution:

2.1 That Mr Paul O'Malley, being eligible, be elected as a Director of the Company.

2.2 That Mr David Cheesewright, being eligible, be re-elected as a Director of the Company.

2.3 That Ms Wendy Stops, being eligible, be re-elected as a Director of the Company.

### **3. Remuneration Report**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the Remuneration Report for the year ended 28 June 2020 be adopted.

*Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution (see section 2 of the Notes relating to voting).*

### **4. Approval of short-term incentive grant of STI Shares to the Managing Director and Chief Executive Officer**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of shares to Mr Steven Cain as the deferred component of his annual short-term incentive award for the year ended 28 June 2020 on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.

*Note: A voting exclusion statement applies to this resolution (see section 2 of the Notes relating to voting).*

### **5. Approval of long-term incentive grant of performance rights to the Managing Director and Chief Executive Officer**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of performance rights to Mr Steven Cain as his annual long-term

incentive grant for the year ending 27 June 2021 on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.

*Note: A voting exclusion statement applies to this resolution (see section 2 of the Notes relating to voting).*

**The Notes relating to voting and the Explanatory Memorandum form part of this Notice of Meeting.**

By Order of the Board.

A handwritten signature in black ink, appearing to read 'Daniella Pereira', written in a cursive style.

**Daniella Pereira**  
Company Secretary

24 September 2020

# Notes relating to voting

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## 1. Entitlement to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares in the Company as at 7.00pm (AEDT) on Tuesday 3 November 2020 will be entitled to attend and vote at the AGM as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

If more than one joint holder of shares attends the AGM (whether personally, by proxy, by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below). All resolutions will be decided by poll.

## 2. Voting exclusions

### Item 3 – Remuneration Report:

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the Company's key management personnel (**KMP**) whose remuneration details are included in the Company's Remuneration Report for the year ended 28 June 2020 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on Item 3:

- in accordance with a direction on the Voting Form or received online (as applicable); or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though Item 3 is connected with the remuneration of the KMP.

**Items 4 and 5 – Approval of short-term and long-term incentive grants to the MD and CEO:**

The Company will disregard any votes cast on Items 4 and 5:

- in favour of either Item, by or on behalf of Mr Cain or any of his associates, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast on Items 4 and 5:

- as proxy or attorney for a person entitled to vote on the relevant Item in accordance with a direction given to the proxy or attorney to vote on the Item in that way; or
- as proxy for a person entitled to vote on the relevant Item by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as the Chairman decides; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting on the relevant Item; and
  - the holder votes on the relevant Item in accordance with directions given by the beneficiary to the holder to vote in that way.

### 3. Voting procedures

As a shareholder, you can vote on the items of business by:

- (a) casting a live vote during the meeting (using the online platform);
- (b) casting a direct vote prior to the meeting (online or using the Voting Form); or
- (c) appointing:
  - an attorney or, in the case of corporate shareholders, a corporate representative (please refer to sections 8 and 9 below for more information), or
  - a proxy (online or using the Voting Form),

to cast a live vote during the meeting (using the online platform) on your behalf.

Shareholders who do not plan to attend the AGM are encouraged to lodge a direct vote prior to the meeting or to appoint a proxy.

To cast your direct vote or appoint a proxy online:

- (a) if you receive the Notice of Meeting electronically, click on the link provided in your email; or
- (b) visit [www.investorvote.com.au](http://www.investorvote.com.au). To log in you will need your control number, SRN/HIN and postcode/country code. These can be found on the right-hand side of your Voting Form.

To be effective, your direct vote or proxy appointment must be received no later than 10.30am (AEDT) on Tuesday 3 November 2020.

Shareholders may withdraw their direct vote or proxy and attend and cast a live vote at the meeting using the online platform if they choose.

## 4. Direct voting – Prior to the AGM

A shareholder can cast a direct vote prior to the meeting either online or by completing and submitting a Voting Form. Please note that, for the purposes of the virtual AGM, a shareholder is deemed to have instructed the Company that any direct vote cast before the meeting will stand unless the shareholder live votes during the AGM.

To be effective, your direct vote must be received no later than 10.30am (AEDT) on Tuesday 3 November 2020.

If you use the Voting Form to cast your direct vote, you must mark box A in Step 1 of the Voting Form. By marking box A in Step 1, you are voting your shares directly and are not appointing a third party, such as a proxy, to act on your behalf.

Shareholders should complete their voting directions by selecting 'FOR' or 'AGAINST' for each item in Step 2 of the Voting Form. Do not complete the 'ABSTAIN' box if you are voting directly as it will be treated as if no vote has been cast.

If you mark box A in Step 1 and do not provide a voting direction on any item in Step 2, your Voting Form will operate as a proxy appointment and your vote will be passed to the Chairman of the meeting as your proxy.

If box A and box B are both completed on the Voting Form and you provide a voting direction on an item in Step 2, your direct vote will take priority over the proxy appointment. See paragraph 7 of this section of these notes for details of how to submit your Voting Form.

## 5. Live voting online – During the AGM

Shareholders, proxyholders, attorneys and corporate representatives who attend the virtual AGM will be able to vote live during the meeting when invited by the Chairman. Shareholders, proxyholders, attorneys and corporate representatives voting live will be able to vote 'FOR', 'AGAINST' or 'ABSTAIN' on each item through the online platform.

## 6. Proxies

To receive their unique username and password to participate in the virtual AGM, appointed proxies should contact Computershare Investor Services on +61 3 9415 4024 from 8.30am (AEDT) on the morning of the meeting.

- (a) A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. A shareholder can appoint a proxy, either online or by completing and submitting a signed Voting Form (see paragraph 7 of this section of these Notes relating to voting).
- (b) A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.
- (c) If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:
- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth) (**Corporations Act**); and
  - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.
- (d) If you wish to indicate how your proxy should vote, please mark the appropriate boxes online or on the Voting Form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as your proxy decides, subject to any applicable voting exclusions.



- (e) Unless the Chairman of the meeting is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on Items 3, 4 and 5 unless you direct them how to vote. Additionally, Mr Cain and his associates will not be able to vote your proxy in favour of Items 4 or 5 unless you direct them how to vote. If you intend to appoint any of those persons as your proxy, you should ensure that you direct that person how to vote on Items 3, 4 and 5.
- (f) If you intend to appoint the Chairman of the meeting as your proxy, you can direct the Chairman how to vote by marking the boxes for the relevant resolution (for example, if you wish to vote 'FOR', 'AGAINST' or to 'ABSTAIN' from voting). However, if you do not mark a box next to Items 3, 4 and 5, then by completing and submitting the proxy appointment, you will be expressly authorising the Chairman to vote as he or she sees fit in respect of Items 3, 4 and 5 even though the items are connected with the remuneration of the Company's KMP.
- (g) Please note that for proxies without voting instructions that are exercisable by the Chairman of the meeting, the Chairman intends to vote all available proxies in favour of each resolution.
- (h) All resolutions will be decided by poll. On a poll, if:
- a shareholder has appointed a proxy (other than the Chairman of the meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
  - that shareholder's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.

## 7. Submitting your direct vote or proxy appointment

To be effective, your direct vote or proxy appointment must be received no later than 10.30am (AEDT) on Tuesday 3 November 2020 in one of the following ways:

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Online: [www.investorvote.com.au](http://www.investorvote.com.au)

(Computer or smartphone) You will need the control number, SRN/HIN and postcode/country code shown on your Voting Form to submit your form online.

To use the smartphone voting service, scan the QR code which appears at the top of your Voting Form and follow the instructions provided to access [www.investorvote.com.au](http://www.investorvote.com.au) from your smartphone.

To scan the QR code, you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site.

If you received a personalised email link with your Notice of Meeting electronically, you can submit the direct vote or proxy appointment by following the instructions set out in the email.

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Mail: Computershare Investor Services  
(Voting Form) Pty Limited  
GPO Box 242, Melbourne, Victoria 3001  
Australia

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Facsimile: (within Australia) 1800 783 447  
(Voting Form) (outside Australia) +61 3 9473 2555

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In Person: Computershare Investor Services  
(Voting Form) Pty Limited  
Yarra Falls, 452 Johnston Street,  
Abbotsford, Victoria 3067 Australia

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Participating intermediaries can submit their voting instructions online through [www.intermediaryonline.com](http://www.intermediaryonline.com).

## 8. Corporate representatives

A body corporate that is a shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the AGM. The appointment must comply with the requirements of section 250D of the Corporations Act. Evidence of the appointment of a representative, including any authority under which it has been signed, must be lodged with the Company before the AGM (unless it has previously been given to the Company). Evidence of appointment can be provided to the Company's share registry, Computershare, ahead of the online AGM through the contact details contained in this Notice of Meeting.

## 9. Voting by attorney

A shareholder entitled to attend and vote may appoint an attorney to act on the shareholder's behalf at the AGM. An attorney may but need not be a shareholder of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for Voting Forms.

## 10. Questions from shareholders

Coles welcomes your feedback. During the meeting, shareholders and proxyholders will have a reasonable opportunity to ask questions and make comments on all the items of business set out in this Notice of Meeting via the online platform, including an opportunity to ask questions of the Company's Auditor, Ernst & Young (EY).

Shareholders are requested to restrict themselves to two questions or comments initially. Further questions will be considered if time permits. Questions and comments may be grouped or amalgamated if there are multiple questions or comments on the same topic. There may not be sufficient time available to address all of the questions and comments raised.

Shareholders may also submit written questions in advance of the meeting relating to the business of the meeting, including questions for the Company's Auditor, EY. These questions must relate to the content of the Auditor's Report or the conduct of the audit of the Financial Report. Questions submitted in advance of the meeting should be received by our share registry no later than 5.00pm (AEDT) on Monday 2 November 2020.

Please send any written questions to:

Coles AGM

C/- Computershare Investor Services Pty Limited

GPO Box 242

Melbourne, Victoria 3001

Email: [colesagm@computershare.com.au](mailto:colesagm@computershare.com.au)

The Chairman will endeavour to address the key themes raised during the meeting. Please note that individual responses will not be sent to shareholders.

## **11. Technical difficulties**

Technical difficulties may arise during the course of the meeting. This may include local technical difficulties experienced by shareholders, such as poor internet connection. The Chairman of the meeting has discretion as to whether and how the AGM should proceed if a technical difficulty arises. In exercising this discretion, the Chairman of the meeting will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the Chairman of the meeting considers it appropriate, he or she may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to vote in advance of the meeting even if they plan to attend the meeting online.

## 12. Communication with shareholders

At Coles, we want shareholders to take advantage of electronic communications. By signing up to receive e-communications you will be helping to reduce print, paper and postage costs and the associated environmental impact. To sign up for e-communications visit [www.computershare.com.au/easyupdate/COL](http://www.computershare.com.au/easyupdate/COL).

In line with our commitment to the environment and sustainability, unless you elect otherwise we will provide our Annual Reports to you by making them available on our website, [www.colesgroup.com.au](http://www.colesgroup.com.au).

# Explanatory Memorandum

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This Explanatory Memorandum has been prepared to help shareholders understand the items of business at the forthcoming Annual General Meeting.

## **1. Financial Report, Directors' Report and Auditor's Report**

The Corporations Act requires the annual Financial Report of the Company and its controlled entities for the year ended 28 June 2020 (which includes the financial statements, notes to the financial statements and Directors' declaration), the Directors' Report and the Auditor's Report to be laid before the AGM.

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports. However, shareholders will be given a reasonable opportunity to raise questions or comments on the management of the Company.

A reasonable opportunity will also be given to shareholders as a whole at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

Shareholders can access a copy of the 2020 Annual Report on the Company's website at [www.colesgroup.com.au](http://www.colesgroup.com.au).

## 2. Election and Re-election of Directors

The ASX Listing Rules require a company to hold an election of directors at each AGM. Mr Paul O'Malley will be appointed as a Director of the Company, with effect from 1 October 2020. In accordance with rule 8.1(c) of the Company's Constitution, Mr O'Malley will retire from office at the conclusion of the AGM and, being eligible, offers himself for election at the meeting.

For orderly director rotation, it has been decided that, in accordance with rules 8.1(f) and 8.1(j) of the Company's Constitution, Mr David Cheesewright and Ms Wendy Stops will also retire from office at the conclusion of the AGM and, being eligible, offer themselves for re-election at the meeting.

### 2.1 Election of Mr Paul O'Malley



#### **Paul O'Malley BCom, M.AppFinance, ACA**

Paul O'Malley will become a Non-executive Director of Coles on 1 October 2020 and will be Chairman of the Audit and Risk Committee and a Member of the Nomination Committee. Appropriate checks into Mr O'Malley's background and experience were completed before Mr O'Malley was appointed to the Board.

Mr O'Malley is a Director of Commonwealth Bank of Australia Limited (since 2019). Mr O'Malley was Managing Director and Chief Executive Officer of BlueScope Steel Limited from 2007 to 2017, after joining the company as

Chief Financial Officer. Mr O'Malley was previously the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas. Mr O'Malley has held other senior financial management roles within TXU and previously worked in the investment banking and consulting sectors. Mr O'Malley is a former Director of the Worldsteel Association, Chair of their Nominating Committee and Trustee of the Melbourne Cricket Ground Trust. Mr O'Malley currently serves as the Chairman for Australian Catholic Redress Ltd.

The Board considers Mr O'Malley to be independent.

### **Recommendation**

On the basis of Mr O'Malley's skills, qualifications and experience, the Board (other than Mr O'Malley, who will join the Board on 1 October 2020) recommends that shareholders vote in favour of the election of Mr O'Malley as a Director.

### **2.2 Re-election of Mr David Cheesewright**



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#### **David Cheesewright BSc Mathematics and Sports Science (1st)**

Non-executive Director since November 2018, Member of the Nomination Committee and the People and Culture Committee.

David Cheesewright retired in early 2018 as President and Chief Executive Officer of Walmart International,



which comprises Walmart's operations outside the United States, including more than 6,200 stores and over a million associates in 27 countries. Mr Cheesewright 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 of Walmart Canada, and COO of Asda. Mr Cheesewright's other prior roles include a range of key positions with Mars Confectionery in the UK across manufacturing, marketing, sales and logistics. Mr Cheesewright is also a previous board member of Walmex (Walmart Mexico), Chinese online grocery business Yihaodian, South African retailer and distributor Massmart, The Retail Council of Canada and ECR Europe and is a prior Chair of Walmart Canada Bank and Gazeley Holdings (UK). Mr Cheesewright currently sits on the Advisory Board of the Smith Business School (Canada) and is a Non-executive Director of Rapha Racing (UK).

Pursuant to the 2018 demerger arrangements, Mr Cheesewright was initially appointed to the Board of Coles by Wesfarmers Limited (**Wesfarmers**) as its nominee director. During FY20, Wesfarmers ceased to be a substantial shareholder in the Company and Mr Cheesewright ceased to be a nominee director of Wesfarmers on the Coles Board. Mr Cheesewright has continued to serve as a Director with the full support of the Coles Board. The Board considers Mr Cheesewright to be independent.

### **Recommendation**

On the basis of Mr Cheesewright's skills, qualifications and experience, and his contribution to the Board's activities, the Board (with Mr Cheesewright abstaining) recommends that shareholders vote in favour of the re-election of Mr Cheesewright as a Director.

## 2.3 Re-election of Ms Wendy Stops



### **Wendy Stops BAppSc (Information Technology), GAICD**

Non-executive Director since November 2018, Member of the Nomination Committee and the Audit and Risk Committee.

Wendy Stops has been a Director of Commonwealth Bank of Australia Limited (CBA) since 2015 and will be retiring at the conclusion of CBA's 2020 AGM to be held on 13 October 2020. Ms Stops is also a 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 and a member of the Advisory Committee to the Digital Technology Taskforce of the Department of Prime Minister and Cabinet. Ms Stops was previously a senior management executive in the information technology and consulting sectors, including 16 years with Accenture in various senior management positions in Australia, Asia Pacific and globally. Her previous board experience includes Altium Limited, Accenture Software Solutions Australia and Diversiti. She is currently a member of Chief Executive Women.

The Board considers Ms Stops to be independent.

### **Recommendation**

On the basis of Ms Stops' skills, qualifications and experience, and her contribution to the Board's activities, the Board (with Ms Stops abstaining) recommends that shareholders vote in favour of the re-election of Ms Stops as a Director.

### 3. Remuneration Report

The Remuneration Report on pages 73 to 94 of the Company's 2020 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for the Company's KMP during the year ended 28 June 2020.

Shareholders will have a reasonable opportunity at the meeting to ask questions about or make comments on the Remuneration Report.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the meeting into account in setting remuneration policies for future years.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

#### Recommendation

The Board recommends that shareholders vote in favour of the adoption of the Remuneration Report.

### 4. Approval of short-term incentive grant of STI Shares to the MD and CEO

ASX Listing Rule 10.14 requires that shareholder approval be obtained for the acquisition of securities by a director under an employee incentive scheme.

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of 75,866 fully paid ordinary shares to Mr Cain, MD and CEO, as the deferred equity component of his short-term incentive (**STI**) award for FY20 (**STI Shares**).

Subject to shareholder approval, the STI Shares will be allocated to Mr Cain shortly after the 2020 AGM and, in any event, no later than 12 months from the date of the 2020 AGM.

### Key terms of the STI award

The STI is designed to provide increased focus on, and reward for, performance against those areas that most significantly drive the delivery of the Company's strategic initiatives. Providing a portion of Mr Cain's STI award in the form of equity also aligns the interests of the MD and CEO with the interests of shareholders.

For FY20, the MD and CEO was entitled to receive an STI award of up to 120% of his total fixed compensation (i.e. 120% of Mr Cain's total fixed compensation of \$2,100,000 equalling to \$2,520,000) as his maximum STI opportunity with:

- 50% of any STI award payable in cash; and
- 50% of any STI award deferred into equity in the form of STI Shares, subject to shareholder approval.

The STI Shares will be granted under the Coles Group Limited Equity Incentive Plan (**Plan**).

### Performance conditions

Mr Cain's FY20 STI award was subject to achievement of performance conditions in a Balanced Scorecard comprising 60% financial metrics and 40% strategic and non-financial metrics. This included EBIT, Sales, Cash Realisation, Safety, People, Customer and Smarter Selling metrics.

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

Shareholders are referred to the FY20 Remuneration Report for full details of the performance conditions of Mr Cain's FY20 STI award.

### FY20 STI Award

At the end of FY20, the Board assessed the achievement of the performance conditions and determined Mr Cain's total STI award to be \$2,499,000.

Subject to shareholder approval, Mr Cain will be allocated 75,866 STI Shares which represents 50% of his total STI award, being \$1,249,500. If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate the CEO including payment in cash.

The number of STI Shares to be allocated to Mr Cain was determined by multiplying the FY20 STI award by 50%, and then dividing by \$16.47 (the volume weighted average price (**VWAP**) of Coles shares traded on the ASX over the 10 trading days up to and including 28 June 2020), with the number of shares then rounded up to the nearest whole number.

As the STI Shares form part of Mr Cain's remuneration, they will be granted at no cost and there will be no amount payable on vesting. The Company may issue new shares or acquire shares on market to satisfy awards under the Plan. The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares.

### **Restrictions applying to STI Shares – Deferral Period**

The STI Shares will be subject to a two year deferral period, ending in September 2022 or such other date separately notified by the Board (**Deferral Period**). During the Deferral Period, the STI Shares will be held in trust on Mr Cain's behalf and are not transferable.

At the end of the Deferral Period, the STI Shares will cease to be subject to any dealing restrictions (other than the requirements of the Company's Securities Dealing Policy).

### **Dividend and voting rights**

STI Shares will carry the same voting rights as other fully paid ordinary shares in the Company. STI Shares are also entitled to receive any dividends or distributions that accrue in respect of the STI Shares from the grant date.

## **Other key terms of the STI Shares**

### **Cessation of employment**

Where employment is terminated for cause or ceases due to resignation (other than due to redundancy, death, permanent disability, or ill health) or significant underperformance, all STI Shares will be forfeited, unless the Board determines otherwise.

In all other circumstances, all STI Shares will remain on foot and be subject to the original terms of offer, as if the MD and CEO had not ceased employment, unless the Board determines otherwise.

Pursuant to the Plan Rules and offer terms, the Board retains discretion to release, leave on foot or forfeit some or all STI Shares in all circumstances.

### **Change of control**

Where there is likely to be a change of control, the Board has the discretion to determine that all or a specified number of STI Shares cease to be subject to restrictions. Where only some of the STI Shares cease to be subject to restrictions on a change of control, the remainder of the STI Shares will immediately be forfeited.

If a change of control occurs before the Board exercises its discretion, all STI Shares will cease to be subject to restrictions.

### **Clawback**

The Board has broad 'clawback' powers to determine that unvested STI Shares or vested STI Shares are forfeited, or that amounts are to be repaid, in certain circumstances (for example, in the case of fraud or serious misconduct, proceeds of any sale of shares or the value of dividends provided for shares might be repaid as a debt to Coles).

### **Restrictions on dealing**

During the Deferral Period, Mr Cain must not sell, transfer, encumber, hedge or otherwise deal with the STI Shares. Once the STI Shares cease to be subject to restrictions,

Mr Cain will be free to deal with the shares, subject to the requirements of the Company's Securities Dealing Policy.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

### Recommendation

**The Board (with Mr Cain abstaining) recommends that shareholders vote in favour of the grant of STI Shares to Mr Cain.**

## 5. Approval of long-term incentive grant of performance rights to the MD and CEO

ASX Listing Rule 10.14 requires that shareholder approval be obtained for the acquisition of securities by a director under an employee incentive scheme.

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of 223,133 performance rights to Mr Cain, MD and CEO, as his long-term incentive (**LTI**) for FY21, as well as for the issue of any shares on vesting of the performance rights.

Subject to shareholder approval, the performance rights will be granted under the Coles Group Limited Equity Incentive Plan (**Plan**) shortly after the 2020 AGM and, in any event, no later than 12 months from the date of the 2020 AGM. If shareholder approval is not provided, the Board intends to provide Mr Cain with an LTI in the form of cash, subject to the terms outlined below.

### Key terms of the FY21 LTI

The LTI is designed to align the interests of the MD and CEO with the interests of shareholders by providing him with the opportunity to receive an equity interest in Coles through the granting of performance rights.

It is proposed that Mr Cain be granted 223,133 performance rights, which have been determined by dividing Mr Cain's LTI opportunity (i.e. 175% of Mr Cain's total fixed compensation of \$2,100,000 equaling to \$3,675,000) by the VWAP of Coles shares traded on the

ASX over the 10 trading days up to and including 28 June 2020 (being \$16.47), rounded up to the nearest whole number.

As the performance rights will form part of Mr Cain's remuneration, they will be granted at no cost and there will be no amount payable on vesting. The Company may issue new shares or acquire shares on market to satisfy performance rights which vest under the Plan. Each performance right entitles Mr Cain 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.

Prior to vesting, performance rights do not entitle Mr Cain to any dividends or voting rights. Upon vesting of performance rights, Mr Cain will receive a dividend equivalent amount in relation to the performance rights that vest delivered in additional shares which are equal in value to the amount of dividends that would have been paid had Mr Cain been the owner of Coles shares during the period from the performance rights grant date to the vesting date. The Board retains a discretion to settle the dividend equivalent amount in cash.

### Performance conditions

The performance period will run from 29 June 2020 to 25 June 2023 (**Performance Period**).

Vesting of the LTI will be subject to the achievement of two performance conditions:

- 50% of the performance rights will be subject to a relative total shareholder return (**RTSR**) condition; and
- 50% of the performance rights will be subject to a cumulative return on capital (**Cumulative ROC**) condition.

RTSR measures the performance of an ordinary Coles share over the Performance Period (including the value of any cash dividend and any other shareholder benefits paid during the period) against the total shareholder return performance of a comparator group



of companies over a similar period. For the FY21 LTI, RTSR performance will be assessed against a comparator group of companies comprising the S&P ASX 100 Index as at 28 June 2020. The Board has discretion to adjust the comparator group to take account of events such as takeovers, mergers and demergers.

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 that the results are appropriate.

### Testing of the performance conditions

The percentage of performance rights subject to each performance condition that vests will be determined by reference to the following vesting schedules:

#### RTSR condition (50% Weighting)

<b>Achievement against RTSR condition</b>	<b>Portion of performance rights that vest</b>
Below the 50th percentile	0% vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%
Equal to the 75th percentile or above	100% vesting

**Cumulative ROC condition (50% Weighting)**

<b>Achievement against Cumulative ROC condition</b>	<b>Portion of performance rights that vest</b>
Equal to or below 95% of target	0% vesting
Between 95% and 105% of target	Straight-line pro rata vesting between 0% and 100%
Equal to 105% or above of target	100% vesting

No retesting of the performance conditions is permitted.

**Other key terms of the LTI performance rights**

**Cessation of employment**

Where employment is terminated for cause or ceases due to resignation (other than due to redundancy, death, permanent disability, or ill health) or significant underperformance, all unvested performance rights will lapse, unless the Board determines otherwise.

In all other circumstances, a pro rata number of performance rights will remain on foot and be subject to the original terms of offer, as if the MD and CEO had not ceased employment, unless the Board determines otherwise.

Pursuant to the Plan Rules and offer terms, the Board retains discretion to vest, leave on foot or lapse some or all performance rights in all circumstances.

**Change of control**

Where there is a change of control event, the Board may in its absolute discretion determine that all or a specified number of performance rights vest. Where there is an actual change in the control of the Company then, unless the Board determines otherwise, unvested performance rights will vest on a pro rata basis (based on the portion of the Performance Period that has elapsed). Where only some of the performance rights vest, the remainder will immediately lapse. In determining whether

to exercise its discretion, the Board may have regard to any circumstances it considers appropriate.

### **Clawback**

The Board has broad 'clawback' powers to determine that performance rights lapse, any shares allocated on vesting are forfeited, or that amounts are to be repaid, in certain circumstances (for example, in the case of fraud or serious misconduct, proceeds of any sale of shares or the value of dividends provided for vested shares might be repaid as a debt to Coles).

### **Restrictions on dealing**

Mr Cain must not sell, transfer, encumber, hedge or otherwise deal with performance rights. Mr Cain will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of Coles' Securities Dealing Policy.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

### **Recommendation**

The Board (with Mr Cain abstaining) recommends that shareholders vote in favour of the grant of performance rights to Mr Cain.

### **Items 4 and 5 – Additional information provided in accordance with ASX Listing Rule 10.15**

- Mr Cain's current total remuneration package comprises \$2,100,000 (inclusive of superannuation) as total fixed compensation (**TFC**), an STI opportunity up to a maximum of \$2,520,000 (being 120% of TFC) and an LTI opportunity up to a maximum of \$3,675,000 (being 175% of TFC). Shareholders are referred to the FY20 Remuneration Report for full details of Mr Cain's remuneration arrangements.
- This is the first time the Company is seeking shareholder approval for the grant of STI Shares under ASX Listing Rule 10.14 (see Item 4).

- Mr Cain has previously been awarded the following securities at no cost under the Plan:
  - 275,901 Performance Rights pursuant to the FY20 Long Term Incentive Offer;
  - 85,057 Restricted Shares pursuant to the FY19 Executive Restricted Share Offer; and
  - 85,057 Performance Shares pursuant to the FY19 Long Term Incentive Offer.
- Mr Cain is the only Director entitled to participate in and receive STI Shares and LTI performance rights under the Plan.
- No loan will be made by the Company in relation to the acquisition of:
  - STI Shares or allocation to Mr Cain of any shares on release of those STI Shares; or
  - performance rights or allocation to Mr Cain of any shares on vesting of those rights.
- Details of any STI Shares and performance rights issued under the Plan will be published in Coles' Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.
- Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of STI Shares or performance rights under the Plan after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under that rule.



**Coles Group Limited**

ABN 11 004 089 936

Registered Office  
800-838 Toorak Road  
Hawthorn East VIC 3123