



24 September 2020

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

2020 CORPORATE GOVERNANCE STATEMENT

Attached is the Coles Group Limited 2020 Corporate Governance Statement.

This announcement is authorised by the Board.

Yours faithfully,

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

Daniella Pereira
Company Secretary

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colesgroup



2020 Corporate Governance Statement

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Corporate Governance Statement

The Board and the management team of Coles Group Limited ('Coles', 'the Company' or 'the Group') are committed to the highest standards of corporate governance and believe that a robust and transparent corporate governance framework is central to the success of our business. We 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.

This Corporate Governance Statement sets out the corporate governance framework currently in place at the Group, including the key policies and practices. Coles complies with the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations).

Coles continues to review the Company's governance policies and practices to ensure that they remain appropriate in light of changes in corporate governance expectations and developments as reflected in the fourth edition of the ASX Recommendations, which apply to Coles from FY21. Many of the new recommendations contained in the fourth edition are already addressed in the Company's existing governance arrangements.

This Corporate Governance Statement is current as at 24 September 2020 and has been approved by the Board.

Further information about Coles' corporate governance framework and practices can be accessed on the Company's website www.colesgroup.com.au/corporategovernance, which includes links to each of the publicly available documents referenced in this Corporate Governance Statement.







Stan Yarramunua performs a Welcome to Country at the first Coles Annual General Meeting in November 2019.

FY20 corporate governance highlights

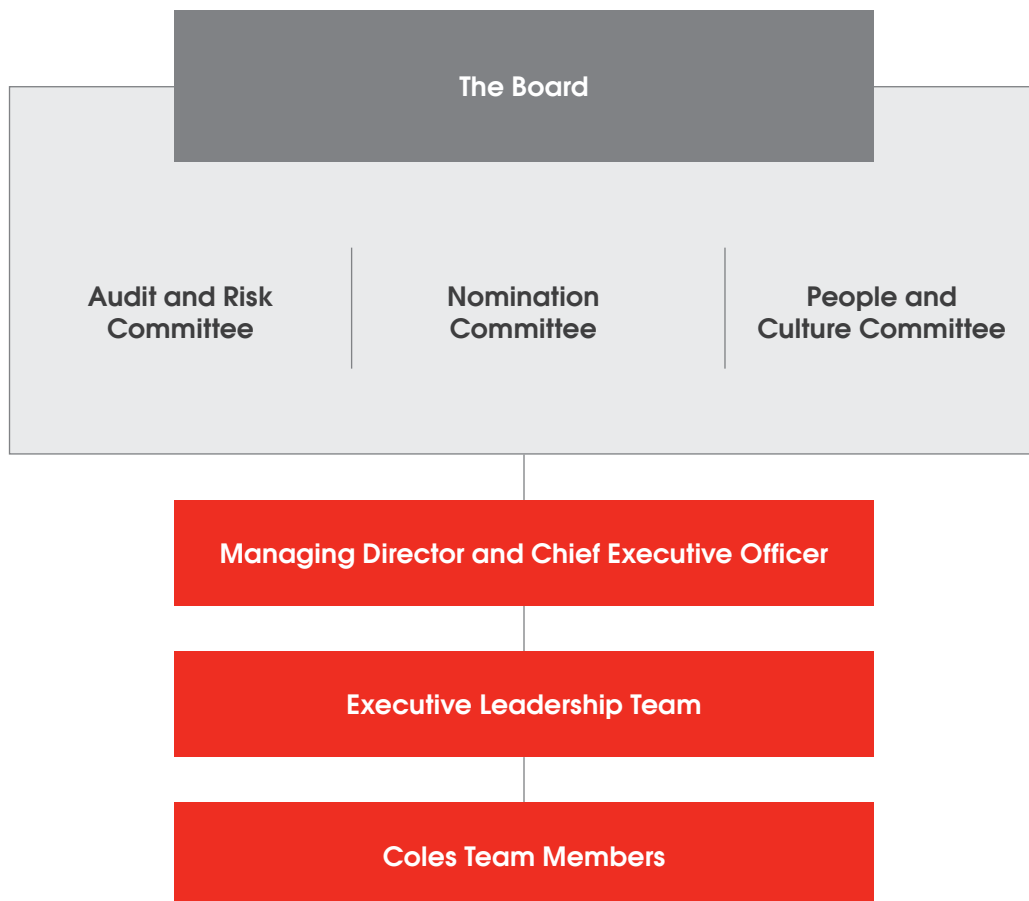
In our first full year as a listed entity, Coles' robust corporate governance framework has been integral to our response to the extraordinary events of FY20.

The Group's FY20 key corporate governance highlights and focus areas included:

<p>Board</p>		<p>Overseeing the Group's response to the unforeseen national and global challenges presented during FY20 including their impact on our team members, customers, suppliers and local communities.</p> <p>Hosting the Company's first Annual General Meeting in November 2019, conducting the first Board performance review and adopting the new Coles values which build on the existing LEaD framework and behaviours.</p>
<p>Strategy</p>		<p>Executing the first year of our strategy, with good progress made on delivering our vision to 'Become the most trusted retailer in Australia and grow long-term shareholder value' underpinned by our three strategic pillars: Inspire Customers, Smarter Selling and Win Together. This includes progress against our eight strategic KPIs, which were laid out to measure the success of our strategy.</p>
<p>Risk management</p>		<p>Implementing initiatives that continue to drive an uplift in our risk management maturity. This has entailed the establishment of our risk appetite framework, including definition, measurement, monitoring and reporting of risk appetite for our material risks. We also implemented a technology platform to facilitate the management of risks and major compliance programs.</p>
<p>Diversity and inclusion</p>		<p>Continuing our progress towards achieving our Better Together objectives, including in relation to gender diversity, with the proportion of men and women across the entire Coles workforce for FY20 being 49.3% men and 50.7% women. In addition, at the end of FY20 we employed more than 4,700 Aboriginal and Torres Strait Islander people across our stores, distribution centres and store support centres, representing 3.8% of team members.</p>

Corporate governance framework

Strong corporate governance is an important foundation for the performance of the Company and engenders the confidence of the investment market and Coles' stakeholders.



Our vision, purpose, strategy and values

Our vision is to become the most trusted retailer in Australia and grow long-term shareholder value. In FY20, we launched new values which build on our existing LEaD framework and behaviours.

Achieving our vision requires us to deliver on our purpose, which is to sustainably feed all Australians to help them lead healthier, happier lives. Our strategy, 'Winning in our Second Century', represents our plan to deliver on this purpose and is underpinned by three strategic pillars: **Inspire Customers, Smarter Selling, and Win Together.**

In FY20, Coles established a set of core values, which embody who we are as a company and what we stand for. Our Coles values work together with our vision, purpose and our existing LEaD behaviours to provide a strong foundation for our culture. They will guide the day-to-day decisions and actions of all team members, shaping the way we work together to get things done.



Our values.



Our behaviours.

LEaD



Developing our Coles values

Our Coles values are supported by our LEaD behaviours which were developed with input from our team members. These inputs ensured team members' views from all levels of the organisation and across all brands were incorporated to define what makes Coles special and how we look when we are at our best. The Board and key leaders across the business also provided input before deciding on the final values and supporting statements. The Board has approved the Coles values and the Executive Leadership Team is responsible for embedding the values across the business.

Our LEaD behaviours

LEaD reinforces our values by providing a framework for the behaviours and actions expected of all team members, including executives and Directors. The **LEaD** framework comprises three key pillars which drive the way we work to execute our strategy, deliver against our purpose and build long-term sustainable value for our shareholders.

Customer obsession

is all about putting the customer at the heart of our decisions, deeply understanding their needs and ensuring our solutions address them.



Look ahead

is all about being future focused: knowing the landscape, being less reactive and more planned, and communicating the vision well.



Passion and pace

acknowledges our source of competitive advantage lies in our ability to work and adapt at speed and reflects the passion our team have for the work they do and the role we play supporting the community.



Energise everyone

is all about bringing people on the journey: collaborating across the business and supporting and empowering everyone, while taking the time to celebrate the wins along the way.



Responsibility

is more than doing the right thing and taking accountability for our actions; it extends to our commitment to the broader community and the environment.



Deliver with pride

is all about executing; being accountable and holding each other to account, staying the course and having fun while we do it.



Health and happiness

recognises the importance of caring for our team members, creating the environment that ensures their ongoing health and happiness, and knowing that they in turn will care for our customers, suppliers and the community.



By upholding our Coles values and living the LEaD behaviours, we can build deeper long-term relationships with our suppliers, provide an outstanding customer experience and have engaged and passionate team members.



Our values and LEaD behaviours have been incorporated into Coles' Code of Conduct which can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Our 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



Wendy Stops

Member of the Nomination
Committee and the Audit
and Risk Committee



Zlatko Todorovski

Chairman of the Audit
and Risk Committee
and Member of the
Nomination Committee



Biographical details of the Board of Directors can be found on pages 66–67 of Coles' 2020 Annual Report which can be accessed [here](#).

Roles and responsibilities

Board role and responsibilities

The Board provides leadership and approves the strategic direction and objectives of the Group in the long-term interests of, and to maximise value to, shareholders. The Board is accountable to shareholders for the overall performance of the Company, having regard to the interests of other stakeholders, including team members, customers, suppliers and the broader community.

As at the date of this statement, the Board comprises eight Directors: James Graham AM (Chairman), David Cheesewright, Jacqueline Chow, Abi Cleland, Richard Freudenstein, Wendy Stops, Zlatko Todorcevski and Steven Cain (Managing Director and Chief Executive Officer (CEO)). Each of the Directors was appointed on 19 November 2018, save for Steven Cain who was appointed as Managing Director on 2 November 2018.

Zlatko Todorcevski will retire as a Non-executive Director of the Company on 30 September 2020. The Company has announced the appointment of Paul O'Malley as a Non-executive Director effective 1 October 2020. Mr O'Malley will stand for election at the 2020 Annual General Meeting.



Details of the Directors, including their qualifications and experience, can be found on pages 66–67 of Coles' 2020 Annual Report which can be accessed [here](#)

The Board has a charter that outlines its responsibilities, including powers that are expressly reserved to the Board, and powers that are specifically delegated to the CEO and management. In particular, the responsibilities of the Board include:

- approving and monitoring the progress of major capital expenditure, capital management, capital raising initiatives and major acquisitions and divestments;
 - overseeing the Group's accounting and corporate reporting systems;
 - monitoring and guiding the culture, reputation and standards of conduct of the Group to promote ethical and socially responsible behaviour, in accordance with the core values of the Group;
 - approving the overall remuneration policy and the remuneration of the non-executive directors, the CEO, the direct reports to the CEO and any incentive and/or equity plans;
 - overseeing, with recommendations from the People and Culture Committee, that the remuneration policy is aligned with the vision, values, strategic objectives and risk appetite of Coles;
 - receiving information regarding material breaches of the Code of Conduct and Anti-bribery and Corruption Policy and reports of material incidents under the Whistleblower Policy;
 - determining the size, composition and structure of the Board, and the process for evaluating its performance;
 - appointing and removing the CEO and the Company Secretary, and approving and reviewing succession plans for the non-executive directors, executive directors, CEO and the direct reports to CEO; and
 - satisfying itself that the Board reporting framework is appropriate and, where required, providing constructive feedback to challenge the CEO and the executive leadership team.
- approving and monitoring the implementation of the Group's core values, Code of Conduct, vision, strategic direction, business plans and policies, in order to uphold corporate reputation and maximise shareholder value;
 - setting the risk appetite within which the Board expects management to operate;
 - reviewing, approving and monitoring the Group's risk policy and risk management systems (for both financial and non-financial risks), including internal compliance and control mechanisms;

Management role and responsibilities

The CEO, with the support of the direct reports to the CEO, is responsible for the day-to-day management of Coles and its businesses. Under the Board Charter, the Board delegates all powers to manage the day-to-day business of the Group to the CEO, with the exception of the powers reserved specifically to the Board.

The key responsibilities of the CEO are set out in the Board Charter and include:

- managing and administering the day-to-day operations of the Group and its businesses in accordance with the core values, strategy, business plans and policies approved by the Board;
- developing strategies for the Group, its businesses and management, and making recommendations to the Board on such strategies, having regard to the Group's core values, reputation and key stakeholders;
- supporting a culture within the Group that promotes ethical and socially responsible behaviour in accordance with the Group's core values;
- developing the Group's annual budget and conducting the Group's activities within the approved annual budget;
- developing and maintaining the Group's Risk Management Framework and systems, including internal compliance and control mechanisms; and
- reporting regularly to the Board with accurate, timely and clear information, such that the Board is fully informed to discharge its responsibilities effectively.

While management is responsible for providing the Board with accurate, timely and clear information, the Board is responsible for satisfying itself that the framework for management reporting to the Board is sufficient. Where appropriate, the Board will provide constructive feedback to challenge the CEO and the Executive Leadership Team.

Members of the Executive Leadership Team have written employment contracts setting out the key terms of their employment. These executives receive a mix of annual remuneration and 'at-risk' remuneration, which is comprised of short-term incentives and long-term incentives. Further information about Coles' remuneration framework and the review of performance outcomes can be found in the Company's Remuneration Report.



Coles' Remuneration Report can be found on pages 73-94 of Coles' 2020 Annual Report which can be accessed [here](#)

Role of the Chairman

The Chairman of the Board is James Graham, who is an independent, Non-executive Director. The Board Charter sets out the role of the Chairman, which includes to:

- maintain effective communication and promote constructive and respectful relationships between the Board and management;
- lead the Board;
- ensure the efficient organisation and conduct of the Board's function;
- brief all directors in relation to issues arising at Board meetings;
- chair general meetings of the Company;
- exercise such specific and express powers as are delegated to the Chairman by the Board from time to time; and
- represent the Board in communications with shareholders and other stakeholders.

Company Secretary

The Company Secretary is Daniella Pereira. The Company Secretary reports directly to the Board through the Chairman, and all Directors have access to the Company Secretary.

The Company Secretary's role is outlined in the Board Charter and includes coordinating the timely completion and dispatch of Board and committee papers, ensuring that the business at Board and committee meetings is accurately recorded in the minutes and assisting the Board and its committees on governance matters.

Director independence

The Board Charter states that the Board shall consist of a majority of non-executive directors who are considered by the Board to be independent.

The Board annually assesses the independence of each Director, having regard to:

- any disclosures made by directors regarding their independence;
- the definition of independence set out in the ASX Recommendations;
- the relationships affecting the independent status of a director as described in the ASX Recommendations; and
- any other matters the Board considers relevant.

In addition, under the Charter, directors must immediately disclose to the Company Secretary and the Chairman any information, facts or circumstances of which they become aware, which may affect their independence.

The Board has reviewed the position and relationships relevant to each of the Directors in office as at the date of this Corporate Governance Statement and with the exception of the CEO, considers that all Non-executive Directors are independent.

Some of the Directors hold, or have previously held, positions in companies with which Coles has commercial relationships. The Board has assessed the relationships between Coles and the companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interests of Coles.

David Cheesewright was initially nominated as a Director by Wesfarmers Limited (Wesfarmers), which was a substantial shareholder in Coles. Wesfarmers ceased to be a substantial shareholder of Coles on 2 April 2020 and no longer has a right to nominate a director to the Coles Board. Mr Cheesewright has continued as a Director of Coles and the Board has concluded that Mr Cheesewright is independent.

Mr Cheesewright retains a general retail consultancy with Wesfarmers. The consultancy spans a wide range of retail businesses and the Board is satisfied that Mr Cheesewright's consultancy does not interfere with or compromise his ability to exercise objective or independent judgment or act in the best interests of the Group. The Board considers that his contribution to the Board is significant due to his expertise and knowledge of the business and the industries in which Coles operates.

James Graham is Chairman and founder of Gresham Partners Limited, which was engaged by Wesfarmers as a financial advisor to Wesfarmers on the demerger of Coles. Prior to the demerger, Gresham Partners provided certain advisory services to Coles (in which Mr Graham was not involved) and which have not continued since the demerger. The Board is satisfied that Mr Graham's relationship with Gresham Partners does not interfere with or compromise his ability to exercise objective or independent judgement or act in the best interests of the Group.

Mr Graham's extensive experience as a director enables him to bring a deep understanding of Coles' operations and the industry, and the Board considers that his knowledge is invaluable to the Coles Board.

Conflicts of interest

Coles has a Director Conflicts of Interest Policy, which states that directors:

- have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board;
- have an ongoing obligation to disclose to the Board immediately any real or substantial possibility of conflict of interest or duty;
- are required to declare material personal interests or other conflicts requiring disclosure by formal standing notices; and
- follow the obligations and procedures set out in the policy in the event of a conflict or potential conflict of interest or duty.

Independent advice

The Board Charter states that the Board collectively, and each director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.

Board composition and succession

Board composition

The Constitution states that the number of directors shall be not less than three directors and not more than 10 directors. Other than the Managing Director, directors may not retain office without re-election for more than three years or past the third annual general meeting following their last election or re-election. Any newly appointed directors are required to seek election at the first annual general meeting after their appointment.

The Board will review periodically its composition and the duration of terms served by directors, upon recommendation from the Nomination Committee.

Director nomination and succession

The Nomination Committee is responsible under its charter for developing and reviewing Board succession plans, with an aim of maintaining an appropriate mix of skills, experience, expertise and diversity over time.

The Committee also oversees the process for recruiting new directors. Potential candidates for the Board as well as directors standing for re-election are assessed considering a number of factors, including but not limited to:

- skills, experience, expertise, personal qualities and attributes that will best complement the skill set and characteristics of existing directors and enhance Board effectiveness;
- diversity (in its broadest sense) of Board composition;
- the capacity to devote the necessary time and commitment to the role; and
- potential conflicts of interest and independence.

Appropriate background checks are performed before any potential candidate is appointed by the Board or recommended to shareholders as a candidate for election. This includes checks of the person's character, experience, education, criminal record and bankruptcy history.



Left to right: David Cheesewright, Jacqueline Chow, Wendy Stops, James Graham (Chairman), Steven Cain (Managing Director and CEO), Zlatko Todorovski, Abi Cleland and Richard Freudenstein.

Prior to directors seeking election or re-election at an annual general meeting of the Company, Coles provides shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect that director in the notice of annual general meeting. Each director is provided a letter setting out the terms of their appointment.

The Nomination Committee is also responsible for ensuring that appropriate background checks are conducted before a senior executive is appointed.

Induction and professional development

All newly appointed directors will participate in an induction program, which includes information relevant to their new role, attendances at key sites and introductions to key staff. This induction includes briefings on the Company's business, strategy, financial, operational and risk management matters, and factors relevant to the sectors and environments in which the Company operates.

Where appropriate, the Company also provides training as part of the induction program on the following matters:

- the key duties and responsibilities of directors under the *Corporations Act 2001* (Cth) (Corporations Act) and the ASX Listing Rules (including the ASX's continuous disclosure and periodic reporting requirements); and
- accounting and financial matters.

The induction program is coordinated by the CEO, the Chief Financial Officer (CFO) and the Company Secretary.

Ongoing education programs are provided to Directors throughout the year. The Board (in consultation with the Nomination Committee) regularly assesses, including by reference to the Board skills matrix, whether there are areas in which Board members would benefit from further education. Based on this assessment, the Board organises updates and information to be provided to the Board from both management and external experts on various topics relevant to the Company's circumstances, including new and emerging business and governance issues relevant to the Company and material developments in laws and regulations.

Performance reviews and evaluation

The Board undertakes a performance evaluation to review its performance and that of its committees and each Director at least once every two years (including the performance of the Chairman as Chairman of the Board). The Chairman reports to the Board regarding the performance evaluation process and the findings of these reviews.

An external Board effectiveness review was conducted during FY20 to assess the performance of the Board as a whole, the Board committees and individual Directors. The process included development of a comprehensive questionnaire, as well as individual interviews with each Director, the Executive Leadership Team and senior members of the management team. A report was presented to the Chairman and discussed with the Board. The review found the Board and its Committees operate with a focus on continuous improvement and active engagement with management. The Chairman also met with each Non-executive Director to discuss the review findings.

Executives are also subject to an annual performance review in which performance is measured against agreed outcomes and performance indicators and having regard to the LEaD behaviours outlined on page 5. The performance of the CEO is assessed by the Board against objectives relating to the Company's strategy, business plans and the financial and other performance of the business, as well as the CEO's own performance.

For FY20, the performance of the CEO was reviewed by the Chairman, in consultation with the Board. The performance of other members of the Company's Executive Leadership Team during FY20 was reviewed by the CEO, in consultation with the Board.

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 will regularly review 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 24 September 2020 is set out in the below skills matrix:



SKILL/EXPERIENCE	EXPLANATION
	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.
	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.
	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.
	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.
	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.
	Understanding of and experience in identifying and monitoring key risks to an organisation and implementing appropriate risk management frameworks and procedures and controls.
	Senior management 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.
	Advanced understanding of customer service delivery models, benchmarking and oversight.
	Senior executive experience in managing or overseeing the operation of supply chains and distribution models in large, complex entities, including retail suppliers.
	Senior manager or equivalent experience in national or international business, providing exposure to a range of interstate or international political, regulatory and business environments.
	Experience in property development and asset management.
	Senior executive experience in consumer and brand marketing and in e-commerce and digital media, including in the retail industry.
	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.
	Identification of key health and safety issues, including management of workplace safety, and mental and physical health. Experience in managing and driving environmental management and social responsibility initiatives, including in relation to sustainability and climate change.
	Senior management 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.

Board committees

The Board has established three standing committees and has delegated to each committee a number of duties to assist the Board in exercising its responsibilities and discharging its duties. Together, they play an important role in assisting the Board’s oversight and governance of the Group’s operations.

comprise a majority of independent non-executive directors. Each committee keeps the Board informed of its activities through the provision of the minutes of each meeting, and the Chair of each committee formally advises the Chairman of the Board of any matters or recommendations requiring the Board’s attention.

Each committee has a separate charter that sets out the roles and responsibilities of that committee, as well as the membership and any other requirements for the running of the committee. All committees are chaired by and

The members, composition and responsibilities of each committee are set out below.



Directors’ attendance at Board and committee meetings can be found on page 70 of Coles’ 2020 Annual Report which can be accessed [here](#)

Audit and Risk Committee

Members

Zlatko Todorcevski (Chairman), Jacqueline Chow, Wendy Stops

Composition

- At least three members
- Only non-executive directors, a majority of whom must be independent
- An independent non-executive director as chair, who is not chair of the Board
- Members of the Committee between them should have the accounting and financial expertise, and sufficient understanding of the industry in which the Group operates, to be able to effectively discharge the Committee’s responsibilities
- The chair should have significant and relevant accounting experience

Responsibilities include

- Meeting at least four times annually and holding additional meetings as necessary
- Overseeing the effectiveness of the systems of internal controls and the enterprise risk management framework, including monitoring risk parameters of the Group (for both financial and non-financial risks) having regard to the Group’s core values
- Reviewing and assessing the Group’s processes to verify the integrity of financial statements and reporting and compliance with legal and regulatory requirements (including accounting standards), including periodic corporate reports that are not audited or reviewed by the external auditor
- Receiving reports from management on new and emerging sources of risks and the risk controls and mitigation measures that management has put in place to deal with those risks
- 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 (financial and non-financial)
- Reviewing the Group’s Risk Policy and Risk Management Framework at least annually for recommendation to the Board, including satisfying itself that the Risk Management Framework continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board
- Reviewing any material incident involving fraud or a break-down of the risk controls and ‘lessons learned’

Nomination Committee

Members

James Graham (Chairman), David Cheesewright, Jacqueline Chow, Abi Cleland, Richard Freudenstein, Wendy Stops, Zlatko Todorcevski

Composition

- All non-executive directors
- Independent chair

Responsibilities include

- Meeting at least annually and holding additional meetings as necessary
- Reviewing and making recommendations to the Board on Board composition, competencies and diversity, including assisting the Board to develop and review the Board skills matrix
- Developing and reviewing Board succession plans, director induction and continuing development programs and making recommendations to the Board
- Ensuring there is a robust and effective process for evaluating the performance of the Board, committees and individual directors
- Overseeing and making recommendations to the Board on the annual assessment of each director's independence and overseeing the disclosures made in relation to director independence

People and Culture Committee

Members

Richard Freudenstein (Chairman), David Cheesewright, Abi Cleland, James Graham

Composition

- At least three members
- Only non-executive directors, a majority of whom must be independent
- An independent non-executive director as chair

Responsibilities include

- Meeting at least four times annually and holding additional meetings as necessary
- Reviewing and overseeing the key people and organisational culture strategies and their alignment with the Group's overall strategy and vision
- Approving the appointment of direct reports to the CEO and the general terms of their employment contracts, including termination payments
- Overseeing the succession planning process for the CEO, direct reports to the CEO and other key leadership roles, and reviewing talent management within the Group generally
- Assisting the Chairman of the Board in the annual performance review of the CEO and overseeing the annual performance review of the CEO's direct reports
- Reviewing the Company's policies in respect of diversity, reviewing the measurable objectives for achieving gender diversity set by the Board on an annual basis, and recommending any changes to the Board
- Overseeing the establishment and implementation of the remuneration framework, and making recommendations to the Board on whether the Group's remuneration policies support Coles' strategic objectives, encourage and sustain a culture aligned with Coles' values, and are aligned with the Group's Risk Management Framework and risk appetite
- Reviewing and making recommendations to the Board on non-executive director remuneration
- Reviewing and making recommendations to the Board on the CEO's remuneration arrangements and performance and, in consultation with the CEO, the CEO's direct reports
- Overseeing management's preparation of the annual Remuneration Report and making recommendations to the Board as appropriate



Coles' Board and Committee Charters can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Shareholders and reporting

Market disclosure

Coles is committed to complying with its obligations relating to the disclosure of market sensitive information in a timely manner and providing shareholders and the market with up-to-date information about the Company's activities. The Board has adopted a Market Disclosure Policy, which establishes procedures aimed at ensuring that Coles complies with the legal and regulatory requirements under the Corporations Act and the ASX Listing Rules. These procedures include the establishment of a Continuous Disclosure Committee, which monitors the continuous disclosure framework and is responsible for ensuring that the Company complies with its obligations.



Coles' Market Disclosure Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)

Communication with shareholders

Coles aims to communicate all important information relating to Coles to its shareholders and implements processes to facilitate effective two-way communication with shareholders and other stakeholders. Coles recognises that potential investors and other interested stakeholders may wish to obtain information about Coles from time to time.

To achieve this, Coles communicates information to its shareholders and other stakeholders regularly, through a range of different forums and publications, including:

- Coles encourages its shareholders to participate in its Annual General Meeting (AGM), by attending, exercising their voting rights and asking questions of the Board. Coles will conduct all voting at the AGM on a poll, ensuring that voting outcomes reflect the proportionate holdings of all shareholders who vote (whether in person or by proxy or other representative).
- The Company's external auditor will attend the AGM and will be available to answer questions from shareholders on the conduct of the audit.
- The Board will seek approval of shareholders as required by the Company's Constitution, the Corporations Act and the ASX Listing Rules, or where otherwise considered appropriate by Directors.
- Coles has an investor relations program in place, which includes scheduled and ad hoc briefings with analysts, investors and other stakeholders, including some briefings on a one-on-one basis.
- Regular releases of information are made through the ASX market announcements platform, including the release of the Annual Report and full and half-year results.
- The Company's website provides up-to-date information about the Company and its operations, the corporate governance framework, the Board and management, ASX announcements, the share price, dividend distributions and other relevant information.
- Coles gives shareholders the option to receive communications from, and to send communications to, Coles and its share registry electronically.



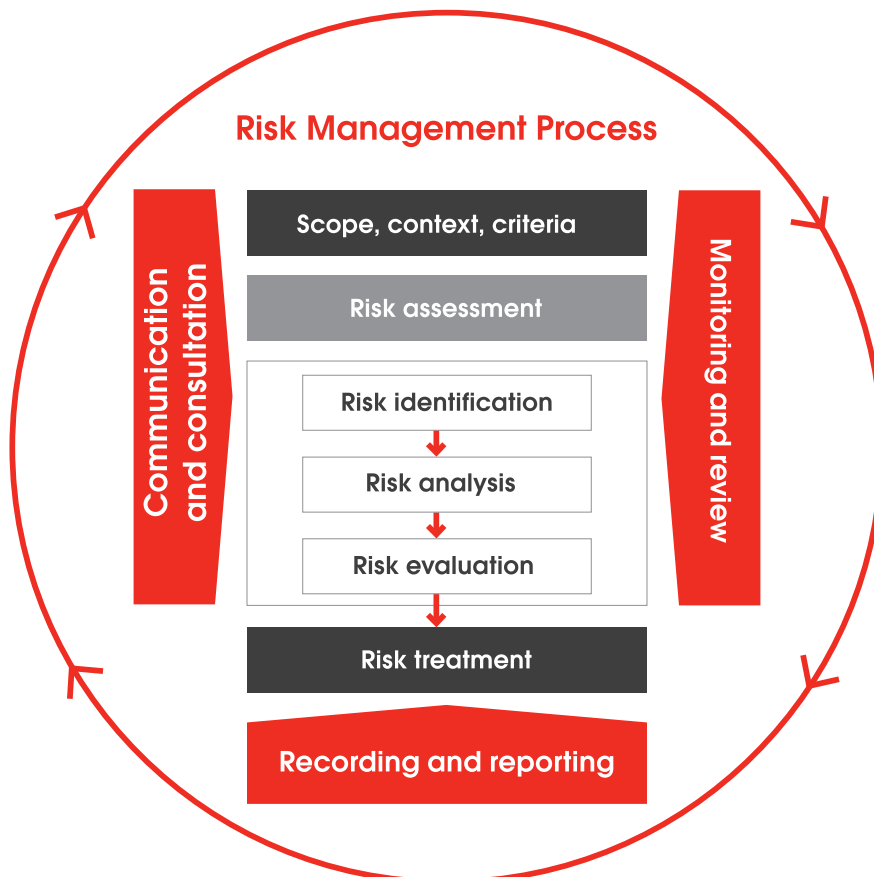
Chairman James Graham AM addresses shareholders at the first Coles Annual General Meeting in November 2019.

Risk management

Coles has in place a Risk Management Framework which articulates Coles' Risk Policy and sets out Coles' organisational arrangements and requirements for managing risk. The design of the Risk Management Framework is based on ISO 31000:2018 Risk management – Guidelines ('ISO 31000'), which provides a consistent and internationally recognised set of principles and guidelines for managing risks in organisations. The main components of the Risk Management Framework are:

- Risk Policy – articulates Coles' commitment and expectations for risk management.
- Risk Accountability – defined roles, accountabilities and activities for managing, communicating and reporting risks.
- Risk Management Process – the standard risk management process to be applied to all the Group's business, supported by common definitions and tools.
- Risk Culture – defines the required behaviours for managing risk.

Coles Risk Management Framework (as defined by ISO 31000)




The objective of the Risk Management Framework is to embed risk management within our business operations and accountabilities so that it supports the pursuit of our strategic and operational objectives while managing risks within a pre-defined level of appetite, informs decision-making, and establishes appropriate risk management responses. It also provides the Board and Executive Leadership Team with transparent and timely information to enable appropriate oversight of Coles' risks and mitigations.


Our Risk Management Framework is supported by our 'three lines of defence' accountability model, comprising:

- First Line – Team members within brands, business units and functions who are responsible for identifying, assessing, and managing their risks.
- Second Line – The Group Risk and Compliance team and other second line functions (for example, Health, Safety & Wellbeing) who are responsible for risk and compliance frameworks, oversight and monitoring.
- Third Line – The Group Internal Audit team, who are responsible for independent assurance of governance, risk management and internal control frameworks and processes.

The CEO and Executive Leadership Team are responsible for maintaining and implementing the Risk Management Framework. This includes the identification, measurement and mitigation of risks across the Group in accordance with the risk appetite set by the Board, and leading and supporting the development of a risk-aware culture.

One of the core components of our Risk Management Framework is the risk management process, which sets out the requirements and criteria for assessing and reporting risks to which Coles has a material exposure (i.e. 'material risks') including environmental and sustainability risks. A summary of these risks and their mitigations is set out at pages 52 to 64 of the 2020 Annual Report. Further information about our economic, environmental and sustainability risks, our approach to managing them, and performance is available in our 2020 Sustainability Report.

 A summary of material risks and their mitigations can be found at pages 52–64 of Coles' 2020 Annual Report which can be accessed [here](#)

 A copy of Coles' 2020 Sustainability Report can be found at www.colesgroup.com.au or by clicking [here](#)

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the effectiveness of the Risk Management Framework, including monitoring risk parameters of the Group and overseeing the Group's systems of internal control (for both financial and non-financial risks).

Material risks, along with their controls and treatment plans, are monitored for adherence to risk appetite and changes in their exposure, and are reported to each Audit and Risk Committee meeting during the course of the year, along with information on emerging risks.

Members of the Executive Leadership Team are assigned as Risk Owners to relevant material risks, and are responsible for presenting any additional 'deep dive' risk reports to the Board and committees. Deep dives on key risks involve a comprehensive discussion of the management of risk in areas that are key to the success of the business including adherence to risk appetite.

In FY20, we implemented initiatives which have continued to drive an uplift in our risk management maturity. This includes establishment of our risk appetite framework, including definition, measurement, monitoring and reporting of risk appetite for our material risks, and implementation of a technology platform to facilitate the management of risks, major compliance programs, and tracking of internal audit actions.

We also completed our annual review of the Risk Management Framework with the purpose of enhancing its design and identifying opportunities to further embed risk management within our operations. These opportunities inform our Risk Management Strategy and Plan for future years.

In respect of FY20, the Audit and Risk Committee has undertaken a review of the Risk Management Framework in relation to the reporting period and is satisfied that it continues to be sound and is operating with regard to the risk appetite set by the Board.

Internal audit

Coles has an Internal Audit function, which is responsible for independent assurance over Coles' governance, risk management and internal control processes. Under the Coles Risk Management Framework, Internal Audit is responsible for:

- providing independent assessment and assurance to the Board and Executive Leadership Team regarding the effectiveness of the Coles Risk Management Framework and regarding the effectiveness of controls in place to manage particular risks; and
- providing feedback to enhance the Risk Management Framework and supporting processes and activities, with the aim of strengthening the control environment.

The Audit and Risk Committee is responsible under its charter for overseeing the performance and function of Internal Audit. This includes:

- reviewing with management the terms, including the scope, of the internal auditor's engagement, in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of internal auditors;
- reviewing, assessing and approving the appointment, replacement or termination of the Head of Internal Audit and Assurance;
- approving the Internal Audit Charter and annual Internal Audit Plan and ensuring its alignment with the risk profile of the Group;
- receiving reports from Internal Audit and reviewing the scope and adequacy of the internal audit work plan; and
- reviewing, assessing and monitoring management's responsiveness to Internal Audit findings.

External audit

Coles' external auditor is Ernst & Young (EY). The Audit and Risk Committee is responsible for reviewing and approving the terms and scope of the external auditor's engagement and making recommendations to the Board regarding the appointment, re-appointment, rotation and removal of the external auditor.

The Committee provides an annual report to the Board with respect to whether the non-audit services provided by the external auditor during the year were compatible with the general standards of independence for auditors in accordance with the Corporations Act.

Management assurances / certification

Prior to approval of the financial statements for each full year and half year relevant reporting period, the Board receives written certifications from the CEO and the CFO in relation to the Company's financial reporting processes.

In respect of the financial statements for the half year ending 5 January 2020 and the full year ended 28 June 2020, the CEO and the CFO declared that:

- in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Group's financial position and performance; and
- their opinion has been formed based on a sound system of risk management and internal control which is operating effectively.

Integrity in financial reporting

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the Group's processes which ensure the integrity of financial statements and reporting, compliance with legal and regulatory requirements, review of material changes in accounting or reporting requirements and assessment of subsequent effects on the Group's policies and practices.

The Audit and Risk Committee is also responsible for reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the external auditor.

Diversity and inclusion

Diversity and Inclusion Policy and framework

In FY20, the Board reviewed and approved amendments to Coles' policy on diversity to add guiding principles, a definition for gender identity and improvements to our commitments to promoting diversity and inclusion. In recognition of these changes, the policy was re-named the Coles Diversity and Inclusion Policy. The policy outlines our 'Better Together' program, which comprises five key diversity and inclusion pillars: Accessibility, Gender Balance, Flexibility, Pride and Indigenous.

The Board is responsible for the review and oversight of the policy. The policy also requires the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Group's progress in achieving them.

Periodically, management reviews:

- the effectiveness of the policy, its objectives and the strategies to achieve the objectives; and
- the division of responsibilities and accountability for developing and implementing diversity initiatives across the organisation.

Management will then report to the Board on the outcome of its review, including any recommendations for changes to the strategies under the Diversity and Inclusion Policy or the way in which they are implemented.



Coles' Diversity and Inclusion Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Accessibility

Improving the accessibility (physical or otherwise) of our stores, site workplaces and digital platforms for team members, contractors and customers with a disability.

Gender Balance

Empowering our people to access and enjoy the same opportunities to build great careers at Coles, regardless of gender or gender identity.

Pride

Enabling our LGBTI community to be their authentic selves and grow at Coles.

Flexibility

Supporting and empowering our people to balance their work and life commitments through a flexible working culture.

Indigenous

Provide more opportunities for Aboriginal and/or Torres Strait Islander peoples, organisations, communities and customers to engage with our business.

Better Together

During FY20, Coles continued to make progress against each of the five Better Together pillars. Progress against our Gender Balance objectives is set out below. Details of progress against the Accessibility, Flexibility, Pride and Indigenous pillars are can be found in our 2020 Sustainability Report.

Gender Balance

In FY20, the Board established the following new measurable objective:

1. Board composition to be not less than 30% of each gender

In FY20, the percentage of female Board members was 37.5% which is consistent with FY19.

Coles has also continued its progress against its existing measurable objectives, details of which are set out below:

2. Be recognised as an Employer of Choice for Gender Equality

In FY20, Coles has continued to work towards becoming an Employer of Choice for Gender Equality. Coles has continued to build female representation in management roles as part of the focus on gender balance across the organisation. In FY20, the focus was on functions with traditionally less gender balance including the technology team and operations. To support increased gender balance in these areas, we:

- reviewed recruitment, talent and promotion processes;
- conducted unconscious bias training for teams in operations, technology and talent acquisition;
- analysed opportunities and barriers for career progression in operations roles; and
- profiled role models who champion the value of gender balance at Coles.

Coles also became a signatory to the United Nations Women’s Empowerment Principles, a set of principles promoting gender equality and women’s empowerment in the workplace, marketplace and wider community. The Principles will support Coles’ work towards our gender balance goals.

Coles continues to offer flexible leave including paid parental leave for permanent full time and part time team members.

3. Make year-on-year progress towards achieving 40% representation of women in leadership positions at an organisational level and at least 30% representation of any gender at an overall functional level:

Coles continues to strive towards achieving these targets as set out in the table below:

Population*	Executive Leadership Team ¹	Senior Executives ²	All leadership roles ³
Target	40% women in leadership positions		
FY19 female representation	38.5%	40.0%	33.3%
FY20 female representation	33.3%	39.4%	34.2%

* All population categories are reported on the same basis as Coles’ 2019 Corporate Governance Statement

1. Includes CEO
2. Senior Executives comprises Executive Leadership Team and General Managers
3. All leadership roles comprise team members pay grade eight (being middle managers and specialist roles) and above, and Supermarket store managers

The percentage of women in all leadership roles increased from 33.3% in FY19 to 34.2% in FY20. In the context of an expansion of the Executive Leadership Team, the female proportion in this group reduced from 38.5% in FY19 to 33.3% in FY20. The percentage of women Senior Executives (which comprises the Executive Leadership Team and General Managers) decreased from 40% in FY19 to 39.4% in FY20. The increase in the overall percentage of women in all leadership roles was due to increases in women in pay grade eight and above, and Supermarket store managers.

Looking more broadly at women in management – a category which includes leadership as well as other key leader roles including Liquor store managers, Coles Express site managers, Supermarket department managers, and people leaders in the distribution centres – the percentage increased from 42.6% in FY19 to 43.3% in FY20. This latter measure reflects our annual reporting to the Federal Government’s Workplace Gender Equality Agency (WGEA).

Across all roles, women represent 50.7% of team members.

During FY20, diversity specialist Cognicity was engaged to review recruitment, promotion and talent processes to identify barriers to women in leadership especially in the technology and operations areas. Four inclusive leadership workshops were held for executives and operations leadership teams, and unconscious bias training is being rolled out to team members responsible for recruitment and selection decisions.

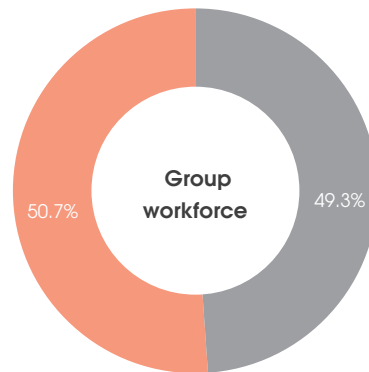
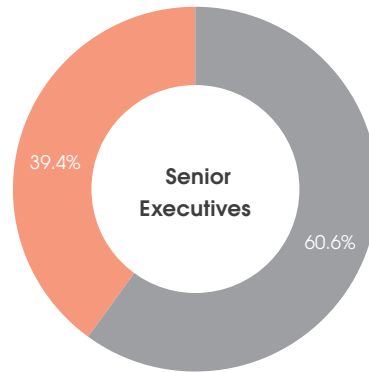
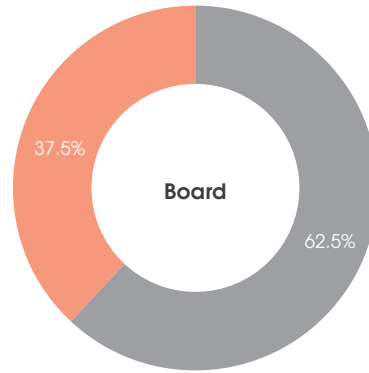
4. Achieve pay parity by having the right policies, practices and governance in place to reach balance and offer the same opportunities to all team members to build great careers at Coles.

Coles is committed to achieving pay parity by December 2023 by having the right policies, practices, and governance in place to reach balance and offer the same opportunities to all team members to build great careers at Coles.

In FY20, we completed our detailed pay parity review and have an overall pay parity gap of 1.5%. Plans and investment have been put in place to close the gap by December 2023. In addition, activities required to sustain pay parity have been identified and implementation is underway.

Workforce profile

For FY20, the proportion of men and women on the Board, in senior executive positions (being members of the Executive Leadership Team and employees who are in the position of General Manager) and across the workforce generally are set out below:




● Male
● Female

A culture of acting lawfully, ethically and responsibly

Coles has a number of company policies that promote a culture of acting lawfully, ethically and responsibly and outline expected standards of behaviour. These policies include the following:

Code of Conduct

Coles has a Code of Conduct which sets out the standards of behaviour which are expected of its directors and team members in their interactions with customers, suppliers, the community and each other. The Code of Conduct was reviewed in FY20 and was updated to reflect the Company's vision, purpose and strategy as well as the values and LEaD behaviours. Our values of Customer obsession, Passion and pace, Responsibility and Health and happiness define what's important to us, and our LEaD behaviours of Look ahead, Energise everyone and Deliver with pride guide how we work as a team and continue to build on the strong relationships with our suppliers and customers.

 Coles' Code of Conduct can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)

Whistleblower Policy


As part of Coles' commitment to the highest standards of conduct and ethical behaviour in all its business activities, the Company has a Whistleblower Policy to encourage anyone to come forward with concerns. The policy, which was reviewed and updated in FY20, requires Coles team members, directors and officers who have reasonable grounds to suspect that 'Potential Misconduct' has occurred or is occurring within or against Coles to make a report. The policy also encourages anyone else who has reasonable grounds to suspect that 'Potential Misconduct' has occurred or is occurring within or against Coles to make a report. Potential Misconduct is any suspected or actual misconduct or an improper state of affairs or circumstances in relation to Coles. It includes any unethical, illegal, corrupt, fraudulent or undesirable conduct or any breach of Coles policies such as its Code of Conduct by a Coles director, team member, contractor, supplier, tenderer or any other person who has business dealings with Coles.

Coles team members may raise any concerns internally. Additionally, anyone (including Coles team members, suppliers and contractors) may make anonymous reports to the Stopline Hotline, an independent and confidential reporting line. The policy emphasises that Coles will not tolerate anyone being discouraged from speaking up or being adversely affected because they have reported misconduct in accordance with the policy.

 Coles' Whistleblower Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)


Anti-bribery and Corruption Policy

Coles has an Anti-bribery and Corruption Policy. In FY20, the Board approved updates to the policy in response to regulatory changes. The policy stipulates that Coles has zero tolerance for bribery and corruption in any form. It prohibits directors and team members from engaging in activity that constitutes bribery or corruption and sets out a number of guidelines to assist team members to determine what constitutes bribery or corruption. It covers any activity or behaviour undertaken in connection with Coles, regardless of the geographical location in which that activity or behaviour occurs.

 Coles' Anti-bribery and Corruption Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)

Sustainability, Health, Safety and Wellbeing

Coles is committed to providing a safe and healthy environment for team members, customers, suppliers, contractors, visitors and supply chain partners. The Health, Safety and Wellbeing Policy describes the systems and processes in place to manage the risks and hazards that come with operating Coles' business and ensure that Coles' actions are appropriate to our risk profile.

 Coles' Health, Safety and Wellbeing Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)

The Audit and Risk Committee is responsible for overseeing the effectiveness of systems of internal controls and the Risk Management Framework, including Coles' exposure to environmental risks.

Details of Coles' material economic, environmental and social sustainability risks, as well as details of how Coles manages these risks, are referred to in the Risk Management section of our 2020 Annual Report. Additional information in relation to these risks is also available in Coles' 2020 Sustainability Report.



The Risk Management section of Coles' 2020 Annual Report can be found at page 52–64 of Coles' 2020 Annual Report which can be accessed [here](#)

Securities Dealing Policy

Coles has a Securities Dealing Policy to ensure compliance with insider trading laws, protect the reputation of the Group, its directors and team members, maintain confidence in the trading of the Company's securities and prohibit specific types of transactions. In general, directors, members of the Executive Leadership Team and other executives at the General Manager level and above (Restricted Persons) may not deal in Coles' securities during specified periods (known as 'blackout periods') that cover the period leading up to and immediately following the release of the quarterly retail sales results, half-yearly results and full-year results. Outside of those blackout periods, Restricted Persons must seek prior approval to deal in Coles' securities from the Company Secretary (or their delegate).

In all cases, Restricted Persons and team members more broadly (and their Connected Persons) are prohibited from dealing in securities when they are in possession of 'inside information'.

The Securities Dealing Policy also covers the Company's policy on Restricted Persons hedging (or otherwise locking in a profit over) unvested securities issued under the Company's share plans.



Coles' Securities Dealing Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking [here](#)

Other Policies

Coles has a number of other Company policies which outline expected standards of behaviour of directors and team members, including:

- Appropriate Workplace Behaviour
- Confidentiality Policy
- Conflicts of Interest Policy
- Delegation of Authority Policy
- Environment Policy
- Ethical Sourcing Policy
- Gifts, Events and Entertainment Policy
- Political Donations Policy
- Privacy Policy

These policies can be accessed by team members on the Company's intranet.

The Company continually assesses and upgrades its policies and procedures to ensure compliance with corporate governance requirements.

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