



17 September 2021

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

2021 NOTICE OF ANNUAL GENERAL MEETING

Attached is the Coles Group Limited 2021 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:

Investors

Mark Howell
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colesgroup



2021 Notice of Annual
General Meeting

Coles Group Limited
ABN 11 004 089 936

How to participate in the AGM

GET READY FOR THE AGM



Vote or appoint a proxy

You can cast a direct vote or appoint a proxy online at www.investorvote.com.au or by returning your Voting Form.

Your direct vote or proxy appointment must be received by no later than 10.30am (AEDT) on Monday 8 November 2021 to be valid.



Ask a question

You can ask a question in advance of the AGM by sending an email to colesagm@computershare.com.au or enclosing your question with your Voting Form.

Questions must be received by the share registry no later than 5.00pm (AEDT) on Friday 5 November 2021.

ATTEND THE AGM ONLINE

We recommend you log in and register from 9.30am (AEDT) using the following instructions:

1. Enter **Meeting ID 398125821** at <https://web.lumiagm.com> in your web browser. You will need the latest version of Chrome, Safari, Edge or Firefox.
2. Select your registration type: 'Securityholder or Proxy' (including attorneys and corporate representatives) or 'Guest'.
3. To register as a securityholder, enter your SRN/HIN and your postcode (if you are an Australian resident) or country code (if you are an overseas resident).
4. To register as a proxyholder, enter your unique username and password obtained from Computershare Investor Services. These details can be obtained from Computershare Investor Services on +61 3 9415 4024 from 8.30am (AEDT) on the morning of the meeting.
5. To register as a guest, enter your name and email address.

The Coles 2021 AGM will be held virtually on Wednesday, 10 November 2021 at 10.30am (AEDT). You are invited to participate online.



Prepare to attend the AGM

You will need to have the following information ready in order to attend the AGM online:

- **Meeting ID: 398125821**
- Australian residents: SRN/HIN and postcode of your registered address
- Overseas residents: SRN/HIN and country code. Please refer to the Online Meeting Guide.
- Proxyholders: Unique username and password that must be obtained by calling Computershare Investor Services on +61 3 9415 4024 from 8.30am (AEDT) on the morning of the meeting.

Should it become necessary to make further arrangements for Coles' AGM, we will notify you on our website at www.colesgroup.com.au/agm. We encourage you to monitor this website for any updates.

Your SRN/HIN

You will need your SRN/HIN to participate in the AGM.

If you are unable to locate your SRN/HIN, please contact Computershare Investor Services by no later than Wednesday 27 October 2021, as your SRN/HIN may only be provided by post for security reasons.

Please keep your SRN/HIN confidential.

Need assistance?

If you need assistance, please contact our share registry, Computershare Investor Services on:

(within Australia) **1300 171 785**

(outside of Australia) **+61 3 9415 4078**

Letter from the Chairman

Dear Shareholder

I am pleased to invite you to the 2021 Annual General Meeting (**AGM**) of Coles Group Limited (**Coles** or the **Company**) which has been scheduled as follows:

Date: Wednesday 10 November 2021

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

Due to the ongoing uncertainty relating to the COVID-19 pandemic and in the interests of the health and safety of our shareholders, team members and other stakeholders, Coles will hold its 2021 AGM as a virtual meeting. 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 in real-time.

While we will not be able to meet in person, it is our intention to conduct the 2021 AGM in a manner that will provide a shareholder experience which is as close as possible to a physical AGM. This reflects the approach Coles followed for its 2020 AGM. We will open the poll at the start of the meeting in order to give shareholders as much time as possible to vote during the meeting.

Additionally, shareholders, proxyholders, attorneys and corporate representatives attending the virtual AGM will be able to:

- watch and listen to the presentations and discussions during the AGM;
- ask questions of the Company and our external auditor in writing or verbally; and
- vote on the resolutions to be considered at the AGM by live voting during the meeting.

Further details of how to attend the meeting via the online platform are set out in this Notice of Meeting and in the Online Meeting Guide and Frequently Asked Questions which can be found on our website at www.colesgroup.com.au/agm.

We encourage all shareholders, proxyholders, attorneys and corporate representatives to participate in the AGM. As in 2020, our virtual AGM will be conducted through a Lumi online platform provided by our share registry. The platform can be accessed by entering the URL <https://web.lumiagm.com> in your browser and entering the Meeting ID 398125821.

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 after the conclusion of the meeting. We also encourage you to lodge a direct vote prior to the meeting or alternatively, 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 encourage voting 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 Monday 8 November 2021 to be valid for the AGM.

We welcome shareholder questions in advance of the meeting. These can be emailed to the Company's share registry at 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 Friday 5 November 2021. 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 questions. Please note that individual responses will not be sent to shareholders.

Thank you for your continued support of Coles. We look forward to your attendance and the opportunity to engage with you at our virtual 2021 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

17 September 2021

Notice of 2021 Annual General Meeting

Notice is given that the 2021 Annual General Meeting of Coles Group Limited will be held virtually:

Date: Wednesday 10 November 2021

Time: 10.30am (AEDT)

Attending online: Login via <https://web.lumiagm.com> with Meeting ID **398125821**. You will need the latest version of Chrome, Safari, Edge or Firefox.

For shareholders, attorneys, corporate representatives:

- Your username is your SRN/HIN.
- Your password is your postcode if you are an Australian resident or your country code if you are an overseas resident.

If you are a proxyholder, you will need to contact Computershare Investor Services on +61 3 9415 4024 from 8.30am (AEDT) on the morning of the meeting for your unique username and password.

If you are a guest, select 'I am a guest' and enter your name and email details.

More information on how to access and attend the virtual AGM, including how to ask questions orally or in writing, is available at 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 27 June 2021.

2. Re-election of Directors

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

2.1. That Ms Abi Cleland, being eligible, be re-elected as a Director of the Company.

2.2. That Mr Richard Freudenstein, 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 27 June 2021 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 7 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 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 7 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 26 June 2022 on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.

Note: A voting exclusion statement applies to this resolution (see section 7 of the Notes relating to voting).

6. Renewal of proportional takeover provisions in Constitution

To consider and, if thought fit, pass the following resolution as a special resolution:

That the proportional takeover provisions contained in Rule 6 of the Company's Constitution (as adopted by shareholders in 2018) be renewed for a period of three years with effect from the conclusion of the AGM.

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

By Order of the Board.



Daniella Pereira
Company Secretary

17 September 2021

Notes relating to voting

1. Am I entitled to vote at the AGM?

Registered holders of shares in the Company as at 7.00pm (AEDT) on Monday 8 November 2021 will be entitled to attend and vote at the AGM as a shareholder.

2. How can I vote?

All items of business at the AGM will be decided by poll.

If you are entitled to vote at the AGM, you can vote in the following ways:

Option	Instructions
Cast a direct vote before the AGM	<p>You can cast a direct vote prior to the meeting either online or by submitting a Voting Form. Instructions on how to submit a direct vote prior to the meeting are in section 3 below.</p> <p>To be effective, your direct vote must be received no later than 10.30am (AEDT) on Monday 8 November 2021.</p> <p>If you are casting a direct vote online, follow the instructions at www.investorvote.com.au.</p> <p>If you are casting a direct vote by submitting a Voting Form, please 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.</p> <p>Then, select 'FOR', 'AGAINST' or 'ABSTAIN' for each item in Step 2 of the Voting Form.</p> <p>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.</p> <p>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.</p> <p>Where you appoint a proxy before the AGM but then subsequently lodge a direct vote following the instructions above, your direct vote will take precedence and your proxy appointment will be invalidated.</p>

Option	Instructions
Appoint a proxy before the AGM	<p data-bbox="280 220 935 358">You can appoint a proxy to attend and cast a live vote during the meeting on your behalf. Instructions on how to submit a proxy appointment online or by returning your Voting Form are in section 3 below.</p> <p data-bbox="280 386 935 489">To be effective, your proxy appointment must be received no later than 10.30am (AEDT) on Monday 8 November 2021.</p> <p data-bbox="280 517 935 657">Your proxy need not be a shareholder and can be either an individual or a body corporate. If you submit your proxy appointment without specifying a proxy, the Chairman of the meeting will act as your proxy.</p> <p data-bbox="280 685 935 860">If you are entitled to cast two or more votes, you may appoint two proxies and 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 your votes.</p> <p data-bbox="280 888 935 956">If you appoint a body corporate as your proxy, that body corporate will need to ensure that it:</p> <ul data-bbox="280 984 935 1279" style="list-style-type: none"><li data-bbox="280 984 935 1159">• appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the <i>Corporations Act 2001</i> (Cth) (Corporations Act); and<li data-bbox="280 1188 935 1279">• provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting. <p data-bbox="280 1308 935 1520">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.</p> <p data-bbox="280 1548 935 1688">Where you lodge a direct vote before the AGM but then subsequently appoint a proxy following the instructions above, your proxy appointment will take precedence and your direct vote will be invalidated.</p> <p data-bbox="280 1716 935 1926">If you have specified how your proxy is to vote on an item of business, but your proxy does not attend the meeting or does not vote on the item, then the Chairman of the meeting will be taken to have been appointed as your proxy and will vote on your behalf as you have directed.</p>

Option	Instructions
Appoint an attorney or corporate representative before the AGM	<p>You may appoint an attorney or, if you are a corporate shareholder, a corporate representative to attend and cast a live vote during the meeting on your behalf.</p> <p>Attorneys</p> <p>If you would like to appoint an attorney, the power of attorney (or a certified copy) must be received by the Company's share registry by 10.30am (AEDT) on Monday 8 November 2021 to be effective for the AGM, unless the power of attorney has previously been lodged with the Company's share registry.</p> <p>Corporate Representatives</p> <p>A body corporate that is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative. The appointment must comply with the requirements in section 250D of the Corporations Act.</p> <p>Evidence of the appointment of a representative, including any authority under which it has been signed, must be lodged with the Company before the meeting (unless it has previously been given to the Company). Evidence of appointment can be provided to the Company's share registry, Computershare Investor Services, ahead of the AGM through the contact details contained in this Notice of Meeting.</p>
Vote live online during the AGM	<p>If you (or your proxy, attorney or corporate representative) attend the meeting, you will be able to vote live during the meeting via the online platform when invited by the Chairman of the meeting. You will be able to vote 'FOR', 'AGAINST' or 'ABSTAIN' on each item.</p>

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. If you cast a direct vote or appoint a proxy, you may withdraw your direct vote or proxy and attend and vote live at the meeting if you choose.

Please note that for the purposes of the meeting, a shareholder is deemed to have instructed the Company that any direct vote cast before the meeting will stand unless the shareholder subsequently appoints a proxy, or the shareholder (or their proxy, attorney or corporate representative) live votes during the meeting.

3. How do I submit my direct vote or proxy appointment?

Online: Log in to:
(Computer or smartphone) www.investorvote.com.au

You will need the control number, SRN/HIN and postcode/country code shown on the right-hand side of 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 www.investorvote.com.au from your smartphone.

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

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

Facsimile: Fax your Voting Form to:
(Voting Form) (within Australia) 1800 783 447
(overseas) +61 3 9473 2555

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

Participating intermediaries can submit their voting instructions online through www.intermediaryonline.com.

4. Can I appoint the Chairman as my proxy?

You can 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.

5. Can I appoint another member of the Company's KMP as my proxy?

Yes. However, if you appoint a member of the Company's KMP (which includes each of the Directors) other than the Chairman of the meeting as your proxy, they will not be able to vote as your 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.

6. What are the Chairman's voting intentions?

The Chairman intends to vote all available proxies in favour of each resolution.

If you appoint the Chairman of the meeting as your proxy, or the Chairman of the meeting becomes your proxy by default, and you have not directed the Chairman of the meeting on how to vote on an item of business, the Chairman of the meeting will exercise your votes in favour of each resolution.

7. Do any voting exclusions apply?

Yes, voting exclusions apply to Items 3, 4 and 5 as follows:

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 27 June 2021 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.

8. How can I ask questions?

Coles welcomes your questions and comments.

Questions in advance of the meeting

You may submit written questions ahead of the AGM relating to the business of the meeting, including questions for the Company's Auditor, Ernst & Young (**EY**). Questions for the Company's Auditor must relate to the content of the Auditor's Report or the conduct of the audit of the Financial Report.

Written questions must be received by the Company no later than 5.00pm (AEDT), on Friday 5 November 2021.

Please send written questions to:

Coles AGM
C/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne, Victoria 3001

Email: 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.

Questions during the meeting

If you (or your proxy, attorney or corporate representative) attend the virtual meeting, you 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 Lumi platform, including an opportunity to ask questions of the Company's Auditor, EY.

The Lumi platform will allow you to submit written questions or ask questions verbally using an audio facility. If you wish to use the audio facility to ask oral questions, you will need a computer with a working microphone or a smartphone.

More information on how to ask questions is available at www.colesgroup.com.au/agm.

Please restrict yourself 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 questions and comments raised.

9. 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 virtual meeting.

10. 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.

In line with this approach and 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.

11. How do I contact the Company's share registry?

The Company's share registry can be contacted at:

Computershare Investor Services Pty Limited

Address: Yarra Falls, 452 Johnston Street,
Abbotsford VIC 3067

Mailing address: GPO Box 242, Melbourne VIC 3001

Telephone: (within Australia) 1300 171 785
(overseas) + 61 3 9415 4078

Facsimile: (within Australia) 1800 783 447
(overseas) +61 3 9473 2555

Explanatory Memorandum

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 27 June 2021 (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 comment 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 2021 Annual Report on the Company's website at www.colesgroup.com.au.

2. Re-election of Directors

The ASX Listing Rules require a company to hold an election of directors at each AGM. In accordance with rules 8.1(d) and 8.1(j) of the Company's Constitution, Ms Abi Cleland and Mr Richard Freudenstein will retire from office at the conclusion of the AGM and, being eligible, offer themselves for re-election at the meeting.

2.1. Re-election of Ms Abi Cleland



Abi Cleland MBA, BCom/BA

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

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

The Board considers Ms Cleland to be independent.

Recommendation

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

2.2. Re-election of Mr Richard Freudenstein



Richard Freudenstein LLB (Hons), BEc

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

Richard Freudenstein is a Non-executive Director and Chairman-elect of Appen Limited as well as a Non-Executive Director of REA Group Limited, (where he was Chairman from 2007 to 2012). He is also a board member of Cricket Australia, Deputy Chancellor of the University of Sydney and a member of the Advisory Board of artificial intelligence software company, Afiniti. Mr Freudenstein was previously Chief Executive Officer of Foxtel (2011 to 2016), Chief Executive Officer of The Australian and News Digital Media at News Ltd (2006 to 2010), and Chief Operating Officer at British Sky Broadcasting plc (2000 to 2006). His previous board positions include Ten Network Holdings (2015 to 2016), Foxtel (2009 to 2011) and Astro Malaysia Holdings Berhad (2016 to 2019).

The Board considers Mr Freudenstein to be independent.

Recommendation

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

3. Remuneration Report

The Remuneration Report on pages 57 to 74 of the Company's 2021 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 27 June 2021.

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 policy 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 64,514 fully paid ordinary shares to Mr Cain, MD and CEO, as the deferred equity component of his short-term incentive (**STI**) award for FY21 (**STI Shares**).

Subject to shareholder approval, the STI Shares will be allocated to Mr Cain shortly after the 2021 AGM and, in any event, no later than 12 months from the date of the 2021 AGM.

Key terms of the FY21 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 FY21, the MD and CEO was entitled to receive an STI award of up to 120% of his total fixed compensation 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 FY21 STI award was subject to achievement of performance conditions in a Balanced Scorecard comprising 60% financial metrics and 40% strategic and non-financial metrics. These included EBIT, Group Sales, Coles Online Sales, Safety, Team Member Engagement, Customer Net Promoter Score 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 FY21 Remuneration Report for full details of the performance conditions of Mr Cain's FY21 STI award.

FY21 STI award

At the end of FY21, the Board assessed the achievement of the performance conditions and determined Mr Cain's total STI award to be \$2,148,300.

Subject to shareholder approval, Mr Cain will be allocated 64,514 STI Shares which represents 50% of his total STI award, being \$1,074,150. 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 FY21 STI award outcome by 50%, and then dividing by \$16.65 (the volume weighted average price of Coles shares traded on the ASX over the 10 trading days up to and including 27 June 2021), 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 2023 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, genuine retirement as determined by the Board, 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 or distributions 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 225,976 performance rights to Mr Cain, MD and CEO, as his long-term incentive (**LTI**) for FY22, 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 Plan shortly after the 2021 AGM and, in any event, no later than 12 months from the date of the 2021 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 FY22 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 225,976 performance rights, which have been determined by dividing Mr Cain's LTI opportunity (i.e. 175% of Mr Cain's total fixed compensation of \$2,150,000 equalling to \$3,762,500) by the volume weighted average price of Coles shares traded on the ASX over the ten trading days up to and including 27 June 2021 (being \$16.65), 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 28 June 2021 to 30 June 2024 (**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 FY22 LTI, RTSR performance will be assessed against a comparator group of companies comprising the S&P ASX100 Index as at 27 June 2021. 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 audited financial information of the Company and its controlled entities. 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)

Achievement against RTSR condition	Portion of performance rights that vest
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)

Achievement against Cumulative ROC condition	Portion of performance rights that vest
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% of target or above	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, genuine retirement as determined by the Board, 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 or distributions 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 for FY22 comprises \$2,150,000 (inclusive of superannuation) as total fixed compensation (**TFC**), an STI opportunity up to a maximum of \$2,580,000 (being 120% of TFC) and an LTI opportunity up to a maximum of \$3,762,500 (being 175% of TFC). Shareholders are referred to the FY21 Remuneration Report for full details of Mr Cain's remuneration arrangements.
- Mr Cain has previously been awarded the following securities at no cost under the Plan:
 - 223,133 performance rights pursuant to the FY21 Long Term Incentive Offer;
 - 75,866 STI Shares pursuant to the FY20 STI award;
 - 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.

6. Renewal of proportional takeover provisions in Constitution

The provisions relating to proportional takeover bids in Rule 6 of the Company's Constitution are designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the Company.

Under the Corporations Act, these provisions must be renewed every three years or they will cease to have effect. The provisions set out in Rule 6 of the Constitution were adopted with effect from 21 November 2018. It is proposed that the provisions are renewed for a period of three years from the date of this meeting on exactly the same terms as the existing provisions.

A copy of the Company's Constitution is available on the Company's website at www.colesgroup.com.au/corporategovernance.

Statement under the Corporations Act

The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid?

A proportional takeover bid is where an offer is made to each shareholder to buy a proportion of that shareholder's shares, and not the shareholder's entire shareholding.

Effect of the proportional takeover provisions

The effect of these provisions in the Company's Constitution is that, if a proportional takeover bid is made for the Company, the Company must refuse to register a transfer of the Company's

shares giving effect to any acceptance of the bid unless the bid is approved by shareholders in general meeting.

In the event a proportional takeover bid is made, the Directors must hold a meeting of shareholders at least 14 days before the last day of the proportional takeover bid period (**Resolution Deadline**) to vote on a resolution to approve the bid. For the resolution to be approved, it must be passed by a simple majority of votes, excluding the votes of the bidders and their associates.

If the resolution is not voted on before the Resolution Deadline, the resolution will be taken to have been passed on the Resolution Deadline.

If the resolution is approved or taken to have been approved, a transfer of the Company's shares under the proportional takeover bid may be registered if it complies with the other provisions of the Corporations Act and the Constitution.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid is prohibited and the proportional takeover bid is deemed by the Corporations Act to have been withdrawn.

The Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for three years from approval, unless renewed for a further period by shareholders passing a special resolution.

Reasons for renewing the provisions

If the provisions do not apply under the Constitution, a proportional takeover bid may enable control of the Company to pass without shareholders having the opportunity to sell all of their shares to the bidder. Shareholders may therefore be exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares. The proposed proportional takeover provisions decrease this risk because they allow shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

No knowledge of any acquisition proposals

At the date of this Notice of Meeting, no Director is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Review of proportional takeover provisions

While proportional takeover approval provisions have been in force under the Company's Constitution, there have been no full or proportional takeover bids for the Company. Therefore, there is no example against which to review the advantages or disadvantages of the provisions for the Directors and the shareholders. The Directors are not aware of any potential takeover that has been discouraged by Rule 6 of the Company's Constitution.

Potential advantages and disadvantages

The Directors consider that the renewal of the proportional takeover approval provisions has no potential advantages or disadvantages for Directors. They remain free to make a recommendation as to whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover approval provisions for shareholders are:

- shareholders will have an opportunity to consider a proportional takeover bid and the right to decide by majority vote whether the bid should proceed;
- the provisions may help shareholders avoid being locked in as a minority;
- the bargaining power of shareholders is increased (this may help ensure that any proportional takeover offer is adequately priced); and
- knowing the view of other shareholders may help each individual shareholder assess the likely outcome of the proportional takeover bid and whether to accept or reject that offer.

Some potential disadvantages for shareholders of the Company include:

- the provisions may impose restrictions on the ability of shareholders to deal freely with their shares;
- proportional takeover bids for shares in the Company may be discouraged;

- shareholders may lose an opportunity of selling some of their shares at a premium; and
- the chance of a proportional takeover bid being successful may be reduced.

On balance, the Board considers that the potential advantages for shareholders of the proportional takeover approval provisions outweigh the potential disadvantages.

Recommendation

The Board recommends that shareholders vote in favour of the renewal of the proportional takeover provisions in the Company's Constitution.



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