

## Some rocky waters this year

<b>Company/ASX Code</b>	Coles Group/COL
<b>AGM time and date</b>	9:30am AEDT Tuesday 12 November 2024
<b>Location</b>	CENTREPIECE at Melbourne Park, Olympic Boulevard, Melbourne
<b>Registry</b>	Computershare
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Stewart Burn assisted by Mike Muntisov
<b>Pre-AGM Meeting</b>	Yes, with Chair James Graham and NED Richard Freudenstein

Monitor Shareholding: The individuals involved in the preparation of this voting intention have no shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
2.1	Election of Mr Peter Allen as a Director	For
2.2	Election of Mr Andrew Penn AO as a Director	For
2.3	Re-election of Ms Abi Cleland as a Director	For
2.4	Re-election of Mr Richard Freudenstein as a Director	For
3	Adoption of the Remuneration Report for the year ended 30 June 2024	For
4	Approval of short-term incentive grant of STI Shares to the MD&CEO	For
5	Approval of long-term incentive grant of performance rights to the MD&CEO	For
6	Renewal of proportional takeover provisions in Constitution	For
7.1	Amendment to Constitution	Against
7.2	Contingent resolution – Nature-related disclosure	Against
7.3	Contingent resolution – Farmed salmon sourcing	Against

### 2. Summary of Issues and Voting Intentions for AGM

- A senate inquiry into higher prices and rising profits
- ACCC inquiry into misleading customers with discount pricing
- Shareholder dissatisfaction re the sourcing of salmon from Macquarie Harbour and its impact on the Maugean skate population.
- The targeting of the Group re shrinkflation (misleading use of package size reduction and same price).

Coles Group is a company which is well governed and has performed well during the latest period.

### 3. Matters Considered

#### Accounts and reports

Excellent financial performance considering the climate in the last year and the challenges being faced by Coles Group at a political level. 2024 was a 53-week year and on an adjusted 52-week basis this represented sales revenue up 5.7%, NPAT up 2.1%, EPS down 4.0% (+1.8% on a 53-week basis) and dividend up 3.0%. E-commerce was high with growth of 30.1%. Coles Liquor continues to underperform.

#### Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m) –continuing operations	1,128	1,042	1,045	1,005	978
UPAT (\$m) – continuing ops	1,210	1,101	n/a	n/a	n/a
Share price (\$)	17.03	18.40	17.81	16.83	16.79
Dividend (cents)	68.0	66.0	63.0	61.0	57.5
Simple TSR (%)	-3.8	7.0	9.6	3.9	30
EPS (cents)	83.8	82.3	78.8	75.3	73.3
CEO total remuneration, actual (\$m)	3.72	3.30	7.25	4.30	4.85

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

UPAT – underlying profit after tax which excludes infrequent and one-off items. The Company only disclosed UPAT from FY23.

#### Governance and culture

No issues were identified.

#### Key events

The business is investing in future technologies for long term automation to improve efficiency including: Three facilities were commissioned during the year, the Automated Distribution Centre in NSW and Customer Fulfilment Centres in NSW and Victoria.

#### Key board or senior management changes

During the year Paul O'Malley retired from the Board and two new board directors have been appointed, Mr Peter Allen and Mr Andrew Penn AO.

#### Sustainability/ESG

Coles continues to move towards a highly sustainable company. It continued to invest in renewable electricity, waste reduction and recycling. They reduced their emissions by 1.5%; diverted 86.7% of solid waste from landfill; and at the end of FY24, 87.4% of Coles Own Brand and

Coles Liquor Own Brand packaging was recyclable, up from 83.8% in FY23. Coles intends to reduce the proportion of its salmon sourced from Macquarie Harbour due to sustainability concerns and the potential extinction of the Maugean skate.

## **4. Rationale for Voting Intentions**

### **Resolution 2.1 That Mr Peter Allen, being eligible, be elected as a Director of the Company (For)**

Peter Allen holds a BAppSci. He is currently a director of Built Group Holdings Pty Ltd and the Victor Chang Cardiac Research Institute. Peter has significant experience in property development, acquisition and management, especially with large Australian retailers. Mr Allen is considered to be independent.

**The ASA proposes to support his election.**

### **Resolution 2.2 That Mr Andrew Penn AO, being eligible, be elected as a Director of the Company (For)**

Andy Penn holds an MBA and is a Senior Advisor with McKinsey & Company and TPG Capital Asia and a Special Adviser to Quintessence Labs. He is a member of the Advisory Board of REDSPICE, of the Australian Signals Directorate and of the Advisory Board of Glow Financial Services, a Member of the Quad Investors Network of the American Frontier Fund and the Council of Trustees of the National Gallery of Victoria. Andy also is a Life Governor of Very Special Kids and a member of the Advisory boards of The Big Issue Home for Homes and JDRF.

Andy has had an extensive career across telecommunications and technology and financial services and brings deep understanding of the risks and opportunities arising from technology, digital disruption and cyber security. Mr Penn is considered to be independent.

Andy Penn would be a major asset to the board and the ASA considers his workload at Coles may grow significantly with increasing government and regulator attention on the price gouging claims. After discussions with the chairman the ASA has been assured that he will have sufficient time to adequately represent COL shareholders. We will ask directly at the AGM about Mr Penn's workload.

**The ASA proposes to support his election.**

### **Resolution 2.3 That Ms Abi Cleland, being eligible, be re-elected as a Director of the Company (For)**

Abi Cleland holds an MBA and joined the board in November 2018. She has a background in strategy, mergers and acquisitions, digital and business growth, having had roles in retail, agriculture and financial services. She is currently serving as a non-executive director on two other listed companies, Bendigo and Adelaide Bank (BEN) and Computershare Limited (CPU). Her level of equity in the company is appropriate, as is her workload. Ms Cleland is considered to be independent.

**The ASA proposes to support her election.**

**Resolution 2.4 That Mr Richard Freudenstein, being eligible, be re-elected as a Director of the Company. (For)**

Richard Freudenstein has an LLB(Hon) and a BEc and was appointed to the board in November 2018. His level of equity in the company is suitable. He is considered to be independent. He is Chairman of Appen (APX) (a company that has had major problems), a director of REA Group (REA), a board member of Cricket Australia, and Deputy Chancellor of the University of Sydney.

The ASA believes that Mr Freudenstein's workload is high but after discussions with the chairman we are assured that he has adequate time to adequately represent COL shareholders. We will also ask for confirmation at the AGM.

**The ASA proposes to support his election.**

**Resolution 3. That the Remuneration Report for the year ended 30 June 2024 be adopted. (For)**

The CEO remuneration framework for the CEO was unchanged in FY24. The CEO scored 87% against target on STI performance and was awarded 50,467 shares and \$866,000. The company proposes to grant 203,963 performance rights to the CEO.

None of the CEO's deferred STI shares vested in FY24 because the CEO has only been recently appointed and vesting conditions for the deferred STI for the CEO is two years.

The deferred STI for FY23 is due to vest in FY25. Note: CEO appointed in May 2023 (FY23)

**Coles Group remuneration structure meets the key ASA's guidelines. Therefore, the ASA proposes to support the Remuneration Report.**

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

See resolution 3

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

See resolution 3

**Resolution 6. Renewal of proportional takeover provisions in Constitution (for)**

This is non-controversial issue and is to stop a predator to only bid for a proportion of a shareholder's interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder.

**The ASA supports this resolution.**

**Resolution 7.1 The shareholders in general meeting may by ordinary resolution express an opinion, ask for information, or make a request, about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material relevance to the company or the company's business as identified by the company and cannot either advocate action which**

**would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company**

A group of shareholders has requested a change to the constitution, whereby members in a general meeting may make a non-binding request the company to exercise its power in a certain fashion. Whilst permitting the raising of advisory resolutions by ordinary resolution at a company's AGM is possible in other jurisdictions, it is not embedded in individual companies' constitutions. The ASA considers it would not be an appropriate addition to a company's constitution.

**The ASA does not support this resolution**

**Resolution 7.2 Shareholders request that Coles identify and report on the impacts of farmed seafood it procures for its Own Brand products on endangered species under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) List of Threatened Fauna. The report should be published on the company's website, at reasonable cost and omitting confidential information, by no later than 30 April 2025.**

There does seem to be some merit to the environmental concerns regarding the growth of the industry in Tasmania. There is growing community support for these issues which will in turn impact COL reputation. The ASA considers that at the moment this is a government issue rather than one for COL to take the lead on, so we will vote against this resolution.

**ASA does not support this resolution.**

**Resolution 7.3 Shareholders request that Coles cease procuring farmed salmon for its Own Brand products from Macquarie Harbour in Tasmania by no later than 30 April 2025 for the purpose of trying to prevent the extinction of the Maugean skate.**

Coles has stated that it intends to reduce the proportion of its salmon sourced from Macquarie Harbour due to sustainability concerns and the potential extinction of the Maugean skate. The ASA will monitor this position going forward. This is again an issue between the Federal Environment Minister and Coles, and as is noted in Coles' response to the resolution, it will consider stakeholder views and publicly report to shareholders and other stakeholders, including consumers, about impacts on sustainability and nature through our sustainability reporting.

**ASA votes against this resolution**

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.0	28%	2.0	25%
STI - Cash	0.80	11%	1.2	15%
STI - Equity	0.80	11%	1.2	15%
LTI	3.5	50%	3.5	45%
Total	7.1	100.0%	7.9	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. \*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.

The STI performance criteria and target weightings for the CEO are:

- Financial:
- EBIT 40%
  - Sales 20%
- Non-Financial:
- Strategic Transformation Program 10%
  - Safety Index 10%
  - Sustainability – Customer Perception 10%
  - Customer Net Promoter Score 10%

LTI hurdles and performance criteria for FY25 awards, for which LTI grants are being sought at this AGM, are:

Performance Criteria	Contribution % of total LTI award	Threshold performance	Vesting at threshold performance	Target performance for 100% vesting
Cumulative ROC <sup>2</sup> (3-year)	50%	95% of target ROC	0%	105% of target ROC
Relative TSR <sup>1</sup> (3-year)	50%	50% percentile	50%	75% percentile

<sup>1</sup> Relative to ASX100 index

<sup>2</sup> Return on Capital (ROC) target not disclosed