

## Steady under a new CEO

<b>Company/ASX Code</b>	<b>Coles Group/COL</b>
<b>AGM time and date</b>	Friday, 3 November 2023
<b>Location</b>	10.30am Melbourne Convention and Exhibition Centre web.lumiagm.com/301239077
<b>Registry</b>	Computershare
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Stewart Burn assisted by Mike Robey
<b>Pre-AGM Meeting</b>	Yes, with Chair James Graham and NED/Chair People and Culture Committee Richard Freudenstein

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

### Summary of issues for meeting

Coles Group is a well-run company which is well governed and has performed well during the latest period. The business is investing in future technologies for long term automation to improve efficiency and has divested the Shell Express business.

### Proposed Voting Summary

No.	Resolution description	
2	Election of Mr Wendy Stops as a Director	For
3	Adoption of Remuneration Report	For
4	Approval of STI shares to CEO/Managing Director Stephen Cain	For
5	Approval of LTI incentive grant to CEO/Managing Director Stephen Cain	For

### Summary of ASA Position

#### Governance and culture

The only negative to highlight regards the award remediation process regarding the underpaying of staff and the ongoing class action regarding this issue. ASA would have hoped that this issue would have been resolved by now.

## **Financial performance**

Excellent financial performance considering the climate in the last year. Sales revenue up 5.9%, NPAT up 4.8%, EPS down 0.6% and dividend up 4.7%. E-commerce slower than expected with growth of only 1.1% (however second half increase 10.1%). Coles Liquor no growth.

## **Key events**

The implementation of the customer fulfilment centres delayed with a cost blowout of \$120m.

## **Key Board or senior management changes**

Ms Leah Weckert was appointed as CEO and Mr Terry Bowen announced that he was leaving the board.

## **Summary**

(As at FYE)	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
NPAT (\$m)	\$1,098	\$1,048	\$1,005	\$978	\$1,434
UPAT (\$m)	\$1,098	\$1,048	\$999	\$951	\$1,078
Share price (\$)	\$18.40	\$17.81	\$16.83	\$16.79	\$13.35
Dividend (cents)	66.0	63.0	61.0	57.5	35.5
Simple TSR (%)	7.0	9.6	3.9	30	6.9
EPS (cents)	82.3	78.8	75.3	73.3	80.8
CEO total remuneration, actual (\$m)	\$3.30	\$7.25	\$4.30	\$4.85	\$5.40

## **Election or re-election of directors**

The current board of 9 members meets the ASA objectives re composition, independent directors and gender diversity. Mr Terry Bowen has since announced he is stepping down from the board to take up a position in the United States. Ms Wendy Stops is the only board member up for re-election and has the support of the ASA.

## **Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO**

The remuneration for the Chairman and the NED's falls within the guidelines of the GRG Report and that of the MD/CEO is currently higher than for similar sized companies when STI's and LTI's are considered.

The Total Fixed Compensation of the MD/CEO package at \$2m is comparable to other companies of a similar size, she has only been in the role since April 2023. The STI package fits within the guidelines of the ASA. The STI award of 26,054 shares is valued at \$0.47m using a share price of \$18.18 and their issue will be deferred for 2 years.

The total number of STI Shares to be awarded reflects Ms Weckert's STI outcomes from 27 June 2022 to 30 April 2023 for her prior role as Chief Executive, Commercial & Express plus the STI outcomes from 1 May 2023 to 25 June 2023 for her current role as MD and CEO.

For FY23, the LTI component of 192,520 shares valued at \$3,5m (equivalent to 175% of Ms Weckert's total fixed compensation) is considered by the ASA as being at the higher end of packages, as it would raise Ms Weckert's total package well above similar companies. These performance rights will vest in 3 years.

For a company in consumer retail such as Coles Group, which operates in what is close to a duopoly market, achieving the target ROC and TSR should not be such a challenge that it justifies a large premium on the LTI (175%), essentially considering the class action on underpayment and the performance against Aldi and Woolworths. One could question whether the ASX100 was the best comparator is using for the RTSR and whether only the ROC and RTSR are the best performance criteria and whether a comparator using market share or as is the case with Woolworths, return per sq meter, should be included. We will vote undirected proxies in favour of the LTI this year. ASA has noted that this year only the ROC vested and not the RTSR (a total of 50% vesting.)

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for COL	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.150	37%	2.150	25%
STI - Cash	0.86	15%	1.29	15%
STI - Equity	0.86	15%	1.29	15%
LTI	1.881	33%	3.762	45%
Total	5.75	100.0%	8.492	100%