

# colesgroup



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**2019 Sustainability Report.**

Winning together.

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Coles acknowledges the Traditional Custodians of Country throughout Australia and pays its respects to elders past and present. We recognise their rich cultures and continuing connection to land and waters.

Aboriginal and Torres Strait Islander peoples are advised that this document may contain names and images of people who are deceased.

All references to Indigenous people in this document are intended to include Aboriginal and/or Torres Strait Islander people.

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## Forward-looking statements

This report contains forward-looking statements in relation to Coles Group Limited ('Coles' or 'the Company') and its related bodies corporate (together, 'the Group'), including statements regarding The Group's intent, belief, goals, objectives, initiatives, commitments or current expectations with respect to The Group's business and operations, market conditions, results of operations and financial conditions, and risk management practices. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'expect', 'may', 'believe', 'should', 'intend', 'outlook' and 'guidance' and other similar expressions.

These forward-looking statements are based on The Group's good-faith assumptions as to the financial, market, regulatory and other relevant environments that will exist and affect The Group's business and operations in the future. The Group does not give any assurance that the assumptions will prove

to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors, many of which are beyond the reasonable control of The Group that could cause the actual results, performances or achievements of The Group to be materially different from future results, performances or achievements expressed or implied by the statements.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements in this report speak only as at the date of issue. Except as required by applicable laws or regulations, The Group does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based.



## Welcome to our first Sustainability Report.



In FY19, we set our Sustainability Strategy to focus on sustainable communities, products and environmental practices. In doing this, our Board, Executive Leadership Team and all team members will work to achieve our ambition to be Australia's most sustainable supermarket.

With the assistance of our customers and team members, we provided more than \$115m in community support in FY19. We worked with food rescue organisations to help sustainably feed Australians and marked a special milestone with the equivalent of 114 million meals donated to food charity organisations.

We aim to provide team members with a safe, diverse and inclusive workplace. Our focus on safety, health and wellbeing resulted in a 20.3% reduction in our total recordable injury frequency rate (TRIFR), and we raised the profile of mental health. We are committed to the advancement of Indigenous peoples; and, with more than 4,100 Indigenous team members, we are Australia's largest private-sector employer of Indigenous Australians.

We continued to build our credentials around sustainable Own Brand products, particularly human rights in our supply chain, with 97% of Own Brand direct suppliers registered on the global ethical supply chain management platform Sedex and monitored under the Coles Ethical Sourcing Program. For Own Brand, we reduced sugar and salt, removed artificial colours and flavours, and enhanced our animal welfare and responsibly sourced seafood programs.

Plastic packaging was an important challenge during the year. While packaging plays a key role in maintaining food safety, supporting product longevity and reducing food waste, we are continually looking for opportunities to further reduce packaging and help drive more recyclable packaging in our supply chain. In FY19, we removed 1.7bn lightweight, single-use plastic bags.

We are committed to climate change mitigation and managing its impacts on our business and operations. We have reduced our greenhouse gas emissions by 36% four years earlier than targeted. Solar is now installed on 30 supermarkets and in August 2019 we announced a 10-year agreement to purchase renewable energy from three solar plants. As part of our commitment to sustainable environmental practices, all Coles supermarkets and distribution centres are now connected to programs diverting food waste from landfill.

During the year, Coles joined the United Nations Global Compact, committing to its ten principles. This is an important platform for driving corporate leadership and collective action.

We are making progress on our journey to drive generational sustainability, supported by our dedicated team members, loyal customers and committed suppliers. Looking ahead, our focus will be on:

- **increasing the number of Indigenous team members to 5,500 including 500 in trade and leadership positions by 2023;**
- **achieving a year-on-year reduction in TRIFR;**
- **achieving 40% women in leadership positions by 2023;**
- **continuing to enhance our Ethical Sourcing Program to protect human rights;**
- **maintaining our leading animal welfare and responsibly sourced seafood programs;**
- **ensuring all Own Brand packaging can be recycled kerbside or in store by the end of 2020;**
- **diverting 90% of waste from landfill by 2022 and further reducing food waste; and**
- **developing and implementing new greenhouse gas emissions reduction targets.**

By doing this, we will help realise our vision to become the most trusted retailer in Australia and grow long-term shareholder value while delivering on our purpose to sustainably feed all Australians to help them lead healthier, happier lives.

**James Graham**, Chairman,  
Coles Group Limited.

**Steven Cain**, Managing Director and CEO,  
Coles Group Limited.

## About Coles.

From our origins in 1914 as a variety store in Collingwood, Victoria, Coles has grown to become a leading Australian retailer and a household name.

Part of the fabric of Australian society for more than 100 years, Coles today processes more than 20 million customer transactions every week.

Customers trust Coles to provide everyday services and products at competitive prices. We have a network of 2,445 stores nationwide and an online platform. This network is made up of 821 supermarkets, 714 convenience outlets and 910 liquor stores.

Headquartered in Victoria, our retail presence across Australia includes Coles Supermarkets, Coles Express, Coles Online, Coles Financial Services and Coles Liquor (Liquorland, Liquorland Express, Liquorland Warehouse, First Choice Liquor, First Choice Liquor Market and Vintage Cellars). We also hold a 50% stake with Wesfarmers in flybuis, one of Australia's most popular loyalty programs. More information about each of our businesses can be found in the Coles 2019 Annual Report.

### Our vision, purpose and strategy

**Vision:** Become the most trusted retailer in Australia and grow long-term shareholder value.

**Purpose:** Sustainably feed all Australians to help them lead healthier, happier lives.

We have prioritised three strategic pillars to deliver our vision and purpose: Inspire customers, Smarter selling and Win together.

We will **Inspire customers** by offering the best-value food and drink solutions to make lives easier. This means being customer-obsessed, where we know our customers better than anyone else. We will take the stress out of 'what's for dinner tonight' by tailoring our offer with trusted value, inspiring Own Brand products, healthy options and anytime, anywhere shopping.

**Smarter selling** through efficiency and pace of change will enable us to invest in the areas that matter to our customers. The retail world is rapidly changing. To keep pace, we will be creating agile ways of working to deliver change faster and more efficiently. We will be technology-led across our stores and supply chain to provide safe, high-quality products at the best price to our customers.

We will **Win together** with our team members, suppliers and communities to help make a positive difference for all Australians. We will continue to build a great place to work, where we are Better Together through diversity and inclusion and have health, safety and wellbeing in our DNA. To drive generational sustainability, we will focus on building sustainable communities, delivering sustainable products and using sustainable environmental practices. By winning with our suppliers and communities, we believe we can make a difference for many generations to come.

Our vision, purpose and strategy are fundamentally underpinned by our **LEaD behaviours**.

### Coles Own Brand

Coles Own Brand is the portfolio of food, drink and non-food product brands owned by Coles. It includes Own Brand grocery, fresh produce and meat products sold in our supermarkets and convenience outlets, and Own Brand liquor sold in our liquor stores. Our Own Brand provides Coles with a point of difference from our competitors. As a result, we go to great lengths to ensure they are compelling, high-quality, great value and loved by our customers. They are also sourced ethically and responsibly with a focus on protecting human rights and animal welfare. We refer to Coles Own Brand products as Own Brand in this report.

## Our vision Become the most trusted retailer in Australia and grow long-term shareholder value



## Sustainability at Coles.

The Coles vision, purpose and strategy underpin our approach to sustainability.

Our purpose: To sustainably feed all Australians to help them lead healthier, happier lives.



### Sustainable communities

Coles is supporting Australian farmers and suppliers and contributing to the communities in which we live and work.

- Diversity and inclusion
- Team member pay and working conditions
- Team member health, safety and wellbeing
- Supporting Australian farmers and suppliers
- Community partnerships



### Sustainable products

Coles is committed to sourcing quality, healthy products in an ethical and responsible way.

- Responsible sourcing
- Human rights in the supply chain
- Supporting health and nutrition
- Product quality and safety
- Sustainable packaging



### Sustainable environmental practices

Coles is reducing environmental impacts across our business.

- Climate change
- Greenhouse gas and energy
- Water
- Waste and recycling

### Our approach to sustainability

Through our research, we know our customers want to shop with a company that actively invests in and gives back to the community. They have said they want to shop with a supermarket that does the right thing by farmers and suppliers. They want to purchase responsibly and ethically sourced products without compromising on food safety, quality or nutrition. They also expect us to be environmentally responsible; and, for our supermarkets, this includes reducing food and packaging waste.

Our Sustainability Strategy is focused on **sustainable communities, sustainable products** and **sustainable environmental practices**. We have work streams under each of these pillars aimed at addressing the needs of our customers and other stakeholders. Our Sustainability Strategy and

credentials give customers assurance that when they shop with Coles they are making sustainable choices.

The strategy (endorsed by the Coles Board in May 2019) is aligned with the United Nations Global Compact (UNGC) and the United Nations Sustainable Development Goals (UNSDGs). More information about how we are responding to the UNGC and the UNSDGs can be found on pages 66 and 67 of this report.

Our sustainability approach is also guided by our social, ethical and environmental policies, which stipulate our minimum mandatory requirements, accountabilities and actions to drive performance. Our policies are based on relevant industry standards and principles.



Natalie and Paul Bell, from Mountain Blue Farms in Lismore, New South Wales, are using funds from the Coles Nurture Fund to introduce new production methods to grow their business and provide Coles with healthy, nutritious blueberries.

### Understanding our key sustainability issues

During FY19, we conducted an assessment to better understand our environmental, social and economic issues and opportunities.

We identified issues and opportunities based on their importance to our stakeholders, including our customers, team members, suppliers, investors and the communities in which we live and work, as well as our potential to impact these issues.

The issues and opportunities identified have been grouped under three focus areas as detailed on the previous page. The issues should not be viewed individually, as in most cases they are interconnected, and action and progress in one area can lead to improvements in another.

The issues and opportunities underpin our Sustainability Strategy and also form the framework for this report.

### Sustainability governance

The Coles Sustainability Steering Committee oversees the development and implementation of the Sustainability Strategy. The Committee is made up of team members with direct responsibility for different aspects of sustainability. The Chief Property and Export Officer, who reports to the CEO, chairs the Sustainability Steering Committee.

The Board has oversight of sustainability risks and opportunities through the Audit and Risk Committee whose responsibilities include evaluating the adequacy and effectiveness of Coles' identification and management of environmental and social sustainability risks and its disclosure of any material exposure to those risks (financial and non-financial).

The Coles 2019 Sustainability Report has been reviewed and endorsed by the Board.

Information on our overall approach to corporate governance can be found in our 2019 Corporate Governance Statement and on page 62 of this report.

# FY19 Sustainability achievements.



## Sustainable communities

**\$115m**  
community investment  
↑ 26% from FY18

Equivalent of  
**114m**  
meals to people in need  
since 2003

**\$34m**  
to **Redkite** since 2013

**4,100+**  
Indigenous team members  
↑ 15% from FY18

Total recordable  
injury frequency rate **27.4**  
↓ **20.3%** from FY18



## Sustainable products

**550+**  
third-party ethical audits  
conducted at supplier sites

**200,000+**  
quality checks  
for allergens, imports,  
and authenticity

Awarded **MSC Oceania  
Sustainable Seafood  
Supermarket  
of the Year**  
third year running

**110 tonnes**  
of salt  
**150 tonnes**  
of sugar  
removed from  
Own Brand products



## Sustainable environmental practices

Removed  
**1.7bn**  
lightweight, single-use  
plastic shopping bags

Greenhouse gas emissions  
(Scope 1 and 2)  
↓ **6%** from FY18

**74%** waste  
diverted from landfill

**Opened Coles Local**  
Coles' first 'no food waste'  
supermarket

**REDcycle**  
soft plastics recycling in all  
Coles supermarkets



## How we create value.

We are driven by our purpose to...  
sustainably feed all Australians to help them lead healthier, happier lives

...which means we need to consider our social and environmental impacts in all that we do.

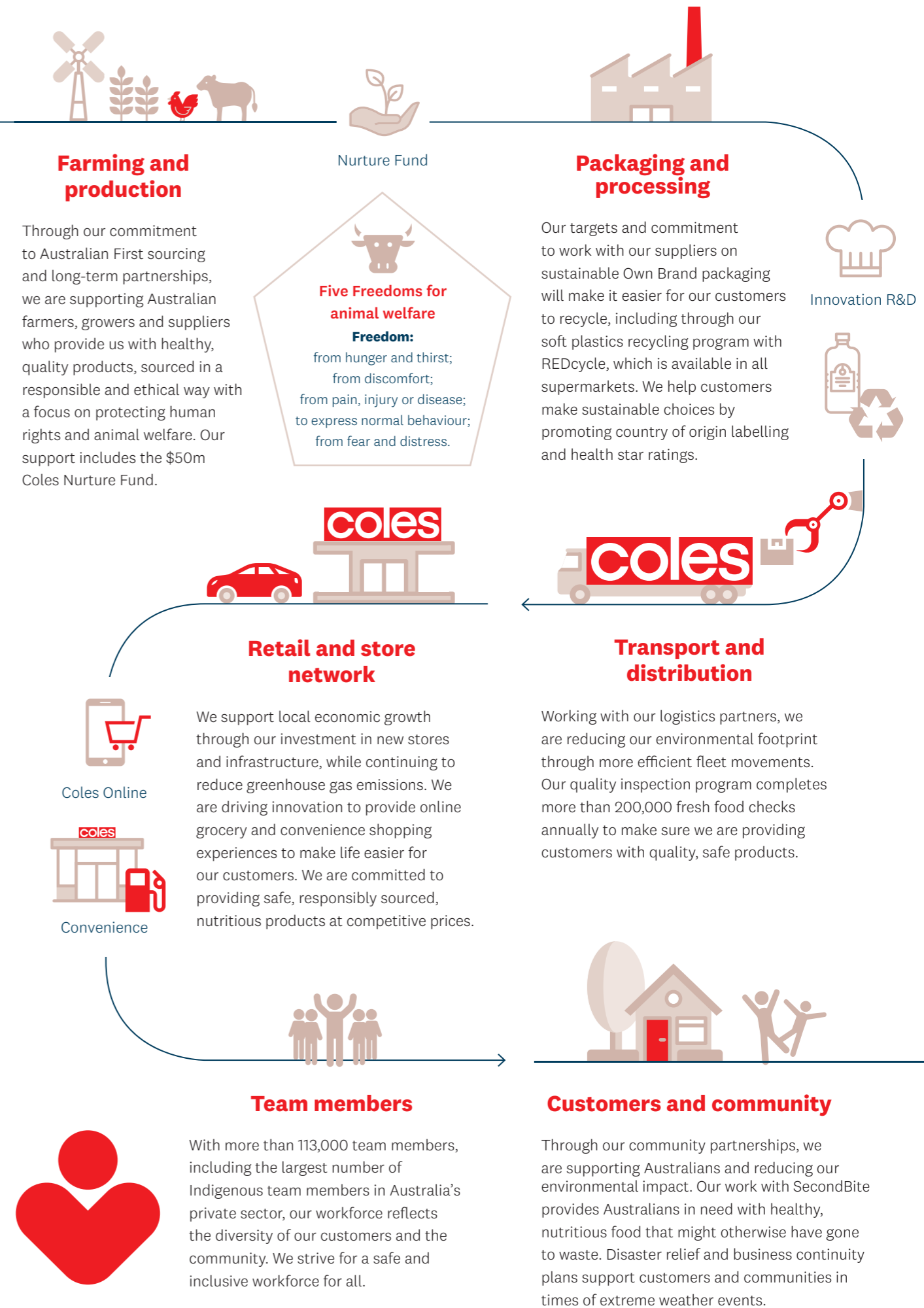
Our vision is centred on earning the trust of Australians and creating long-term shareholder value. For Coles, trust is primarily about being reliable and responsible. It is also recognising that we have a significant responsibility as a food provider.

Customers tell us that they want to shop with a company that does the right thing by farmers and suppliers. Customers are seeking to purchase products that have been sourced responsibly and ethically, without compromising on food safety, quality or nutrition.

Sustainability at Coles is broader than environmental management. It is about the way we treat people, the way we govern ourselves and manage the impact of our business on society. We understand that focusing on all these areas is not only the right thing to do, it creates value for all our stakeholders.

### Coles economic value creation

Suppliers	Team members	Shareholders	Governments	Community
<b>\$32.1bn</b> in supplier and services spend	<b>\$4.5bn</b> payments and benefits to team members	<b>\$473.5m</b> total dividend payment	<b>\$3.7bn</b> cash taxes paid	<b>\$115m</b> in community support





In FY19, Coles contributed more than \$115m in direct and indirect community support through national and state programs. Deniliquin Little Athletics Centre in New South Wales was one of 217 Little Athletics centres to receive a Coles grant for new sports equipment.



# Sustainable communities.

We contribute to the communities where we live and work.

We understand that, together with our team members, charity partners, suppliers and producers we can create positive change and sustainably feed all Australians to help them lead healthier, happier lives.

Coles employs more than 113,000 team members, and we have a responsibility to provide a safe, diverse and inclusive workplace where team members are proud to work.

With more than 4,100 Indigenous team members, Coles is the largest private-sector employer of Indigenous Australians.

Our suppliers and producers are vital to our success. In addition to \$32.1bn in supplier and services spend in FY19, we also support them through long-term contracts, our Australian First Sourcing Policy and the \$50m Coles Nurture Fund.

In FY19, with the help of our customers and team members, we provided more than \$115m in community support.

United Nations Sustainable Development Goals:



United Nations Global Compact, Principles 3 and 6



Sustainable Communities

## Celebrating our team members.

With a workforce of more than 113,000 team members, Coles is one of Australia's largest private-sector employers. Our team members are responsible for creating the great experience our millions of customers have everyday, and we are proud of the inclusive and supportive environment we have at Coles where everyone is respected and valued.

### Our team members

We strive to create workplaces that reflect the diversity of the communities we serve, in an environment where each person feels valued and inspired to be their best. We are proud to be the first employer of thousands of Australians each year, and equally proud of our 7,296 team members who have worked with us for more than 20 years, including our longest serving team member - Leo McCarthy - who celebrated his 55 year anniversary with Coles in August 2019.

**113,000+**  
team members

### Workplace relations

The terms and conditions of employment of 89.8% of Coles' team members are set through enterprise bargaining agreements. We recognise the right of team members to negotiate either individually or collectively, with or without the involvement of third parties.

As we change our ways of working to meet our customers' evolving needs, we are proud of our track record of minimising the impact of change on our team members. We do this through actively managing recruitment, seeking redeployment opportunities and investing in retraining impacted team

members. Where we are unable to redeploy team members, our redundancy and outplacement programs support team members with the transition.

We pay in accordance with government-approved employee agreements based on underlying legal minimum wage and other employment terms. In no area of Coles' operation does minimum wage vary by gender.

Coles' approach to industrial relations is focused on direct engagement with team members, establishing and maintaining strong working relationships with unions and being proactive in delivering flexible ways of working.

Coles remunerates competitively across all roles to attract and retain team members. In addition, we have extensive benefits, including vehicle leasing and a broad range of discounts on products and services exclusive to Coles' team members. In FY19, Coles introduced an employee share plan which was well supported by team members.

### Team member development

As a large complex organisation, we provide our team members with numerous career development and job-specific training opportunities that cover a range of areas, including but not limited to trade skills, customer service, digital capability, professional development, leadership and safety.

The Coles Retail Leaders Program is our pathway for developing leadership capability and talent within our supermarkets. Since FY17, more than 2,700 participants have completed the program to become department managers, store managers and regional managers.



Sophie, State General Manager, South Australia (second from left) with team members from Coles St Clair, South Australia during Quiet Hour. In FY19, Coles expanded the rollout of Quiet Hour to 261 supermarkets.

As one of Australia's largest employers of graduates, Coles' two-year graduate program provides participants with a mix of technical, operational and leadership skills while working alongside key leaders across the business. Throughout the program, graduates are given assigned roles with real challenges and responsibilities. Our 2019 graduate intake brings the total number of graduates currently in the program to over 350, across operations and our Store Support Centre.

### Recruitment

Coles actively promotes inclusion across all diversity groups including Indigenous, accessibility, gender, age, social background and lesbian, gay, bisexual, transgender and intersex (LGBTI). Our advertising, shortlisting and testing practises ensure minority groups are not disadvantaged, and our interview and selection processes are capability-based. The talent acquisition team includes dedicated inclusion specialists who ensure those candidates requiring additional assistance are supported.

Our LEaD behaviours (Look ahead, Energise everyone and Deliver with pride) define how we work and behave with each other. LEaD is embedded in our recruitment, onboarding, development, performance and talent processes. We continue to develop the capability of our leaders to build a high-performance culture where every team member is supported to be their best.

### Better Together

At Coles, we are Better Together when team members can come to work and be offered equal opportunities, perform at their best, be happy, healthy, and safe, and go home feeling accepted for who they are.

We are committed to building a safe and supportive working environment for all team members, regardless of age, disability, race, gender identity, sexual orientation, ethnicity or background. Through this, we also ensure we are representing the customers we serve.

Our Better Together program, launched in September 2017, encompasses five key pillars - **Accessibility, Gender balance, Pride, Flexibility** and **Indigenous** - each supported by executive sponsors and steering committees, ensuring representation at all levels. Each of these pillars is detailed on the following pages.

Better Together also supports customers with initiatives such as low sensory Quiet Hour, pictured above.

### Our LEaD behaviours.



Look ahead



Energise everyone



Deliver with pride



**Better Together**

**2023  
Better  
Together  
Charter  
commitments**

**Accessibility**

- >90%** of our team members across Supermarkets, Coles Express and Liquor to have completed **Disability Confidence Training**, ensuring that we are offering the best quality service and support to our team members and customers.
- Quiet hour** offered in all eligible stores nationally.
- Strive for best practice towards disability inclusion** in our stores, sites and workplaces by scoring in the **top 25th percentile** in the Australian Network on Disability's Access and Inclusion index.

**Gender Balance**

- Be recognised as an **Employer of Choice for Gender Equality** by achieving and maintaining citation.
- Make year on year progress to achieving representation of women in leadership positions at an organisational level and at least **40%** representation of any gender at an overall functional level.
- 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.

**Flexibility**

- All roles to support **flexible working**.
- Provide anywhere, anytime work by ensuring we have the right **IT infrastructure** and workplaces to **create a truly flexible working culture**.
- Offer a range of leading policies that **support** all team members to **balance** their **work and life commitments**.

**Pride**

- Be recognised as an **active and influential leader in LGBTI workplace inclusion**, by achieving and maintaining status in the Australian Workplace Equality Index.
- Build a strong ally network at Coles** by establishing state based pride networks and immersing ourselves in local LGBTI communities and events at a state level.
- Increase** our team members' **confidence** to be their authentic selves at work by offering both **mandatory and optional training** to all team members and allies **on LGBTI inclusion in the workplace**.

**Indigenous**

- Aboriginal and Torres Strait Islander team members to represent **3%** of all **trade skilled and leadership positions** and **5%** of our total workforce demonstrating our commitment to build great careers at Coles.
- Continue to support Aboriginal and Torres Strait Islander suppliers** by increasing the number of opportunities available to participate in our supply chain.
- Develop mutually beneficial and **sustainable relationships** with Indigenous community organisations.

Coles again participated in the Australian Workplace Equality Index in 2018, receiving a 36-point (18%) uplift in our results compared with last year and gaining a bronze award, demonstrating the success of our LGBTI inclusion initiatives.

**Flexibility**

Coles is committed to supporting and empowering all team members to balance their work and life commitments through a flexible working culture. We recognise that flexible working improves team members' wellbeing, job satisfaction, engagement and performance, which ultimately creates a better experience for our customers.

In FY18, Flexibility was launched as a standalone pillar of Better Together to help shift perceptions and to recognise that team members and the business benefit from flexible working.

In FY19, we launched a simplified Flexible Working Guide and open-door briefing sessions, facilitating easier and more effective conversations about flexible working. We also reviewed and updated our technology infrastructure to enable team members to work remotely.

In our most recent engagement survey, 76% of team members responded that their line manager supports them if they choose to make use of flexible work arrangements, indicating the success of current initiatives.

We also offer paid parental leave for permanent full-time and part-time team members. In FY19, 1,177 team members made use of parental leave, of which 1,161 (98.6%) were women and 16 (1.4%) were men. During the year, 949 team members (934 women and 15 men) returned to work following parental leave.

**Indigenous engagement**

Coles is committed to the advancement of Aboriginal and Torres Strait Islander peoples, providing employment opportunities and supporting Indigenous suppliers. More information can be found on pages 16 and 17 of this report.

**Accessibility**

Coles continuously strives to improve the accessibility of our stores, sites and workplaces for our team members and customers with disability.

In June 2018, we launched our second Accessibility Action Plan (2018 to 2020) detailing the specific steps needed to improve the accessibility of Coles' stores, sites, workplaces and digital assets. The plan was developed with support from the Australian Network on Disability (AND), with whom we have a gold membership. Our Accessibility Action Plan focuses on three key areas: community and engagement, building a great place to work, and products and services.

Coles has implemented many accessibility initiatives to support our Better Together Action Plan and Charter commitments, including establishing a team dedicated to digital accessibility, modifying our store blueprint to ensure it is accessible, providing disability confidence training to our People and Culture business partners and talent acquisition team, and recognising the International Day of People with Disability.

In addition, we now offer Quiet Hour in 261 Coles supermarkets after an initial trial with Autism Spectrum Australia in 2017. Quiet Hour provides a low-sensory shopping experience by making changes in store, such as reducing noise, lighting and distractions, to help make a difference to customers who find it challenging to shop in a heightened sensory environment. There has been an overwhelmingly positive response from customers and team members.

Our commitment to disability confidence training is underway, with rollout planned in FY20.

Coles also actively encourages and supports the employment of people with disabilities and has two inclusion recruitment specialists, whose focus includes supporting the employment and successful onboarding of people with disabilities.

**Gender balance**

One of our key commitments within Gender balance is to reach 40% women in leadership positions at an organisational level by 2023. Each year the Board sets and reviews measurable objectives with a view to progressing towards a balanced representation of women at a Board, executive and senior management level and in other identified leadership roles.

Our FY19 Gender balance highlights included improvements to the representation of women at Executive Leadership Team level, with female representation on the executive team at 38%, compared with 18% in FY18. The number of females in our general manager population has also increased compared with last year to 40%. With our total number of women in leadership roles at over 33%, we are making progress towards achieving our Gender balance target of 40% by 2023. We are also very proud that at our most senior level the Coles Board comprises 38% women.

Coles reports to the Workplace Gender Equality Agency in accordance with the requirements of the Workplace Gender Equality Act 2012.

**Pride**

Our Pride pillar aims to create a supportive environment in which members of the LGBTI community feel they can be their authentic selves.

Coles partners with Pride in Diversity, Australia's first and only national not-for-profit employer support program for all aspects of LGBTI workplace inclusion. This partnership is helping us to drive positive change across our focus areas.

During FY19, with the support of Pride in Diversity, Coles trained 80 LGBTI allies, dedicated to providing peer-to-peer support, furthering our commitment to creating a safe and inclusive working environment. Team members in our People and Culture function have also completed LGBTI Awareness Training to enable them to better support team members who identify as part of our LGBTI community.

We have also increased opportunities for team members to visibly display they are an LGBTI ally. In our 2019 engagement survey almost 30,000 team members chose to identify as an LGBTI ally.

On 17 May 2019, Coles recognised the International Day Against Homophobia and Transphobia (IDAHOT) across our businesses, as well as holding a dedicated information session at our Store Support Centre. The purpose was to increase the visibility of support for LGBTI team members by asking senior leaders to talk about why it is important and providing all team members with the ability to wear a rainbow badge or sticker.

## Indigenous engagement

### Indigenous employment

Coles' Aboriginal and Torres Strait Islander Plan, first launched in 2011, outlines our commitment to engage with Indigenous peoples, communities and organisations. The plan focuses on three key areas – employment, supplier diversity and community engagement.

As Australia's largest private-sector employer of Indigenous Australians, we believe we have a responsibility to provide Aboriginal and Torres Strait Islander peoples with greater opportunities in sustainable employment, as well as in supplier and community relationships.

Indigenous team members bring unique skills and knowledge to Coles – they expand our talent pool and provide greater diversity in thinking and experiences.

In 2011, with just 65 Indigenous team members, we set an ambitious target to increase that number to 3,000 Indigenous team members by 2020, bringing Indigenous representation at Coles to approximately 3%, in line with the overall Indigenous population in Australia at the time.

Coles not only achieved that milestone two years early, we are also now Australia's largest private-sector employer of Indigenous Australians with more than 4,100 Indigenous team members, representing 3.6% of our workforce. Our new commitment is to increase that number to 5,500 Indigenous team members by 2023.

Coles is also committed to the career development of our Indigenous team members and helping them gain trade skills and leadership opportunities. In FY19, there were more than 200 Indigenous team members in trade and leadership positions, a 27% increase compared with FY18. We have committed to increasing that number to 500 Indigenous team members by 2023 by investing in training and dedicated mentoring.

We adopt a partnership approach to improving Indigenous employment outcomes, working with Indigenous employment specialists, including Aboriginal Employment Strategy, the



Australian Indigenous Business Alliance Group (AIBAG), MEEDAC Aboriginal Corporation and Wunan Foundation.

Retention for Indigenous team members is higher than the Coles average, demonstrating that Coles has a safe, welcoming and inclusive environment where Indigenous team members can build great careers.

### Indigenous supplier and community engagement

We have a commitment to increase Indigenous supplier representation in our supply chain and grow the number of mutually beneficial relationships with Indigenous organisations.

We support Indigenous businesses through the procurement of products and services. In FY19, we worked with 50 Indigenous suppliers across categories such as fresh produce, facilities management, recycling, medical services and IT. This is a 28% increase compared with FY18 and is the ninth consecutive year of Indigenous supplier growth.

One of our Indigenous suppliers, Zancott Knight, was appointed in May 2019 to manage Coles' portfolio of vacant properties in rural Australia. Zancott Knight provides construction, project management and facilities management services, while dedicating 10% of all profits to support local Indigenous organisations and communities.

As part of our commitment to better reflect the communities we serve and celebrate local Aboriginal culture in our stores, we unveiled Indigenous artwork across all our supermarkets in the Northern Territory during the year. Coles commissioned a number of local Aboriginal artists to complete the designs, including leading local Indigenous artist Janet Golder Kngwarreye (pictured left) whose artwork is displayed at our Alice Springs supermarket.

'My Country' depicts Janet Golder Kngwarreye's relationship to country and her traditional homelands. Janet said the piece conveys knowledge of the land that was essential to the survival of Indigenous people in Central Australia.

**3.6%**

More than 4,100 Indigenous team members representing 3.6% of Coles' workforce in FY19.

**5,500**

Commitment to increase Indigenous team members to 5,500 by 2023.

## PROUD MOMENT.

### Working with Indigenous suppliers:

**One of the many Indigenous businesses we support is Nunga Produce – an Aboriginal-owned and operated fresh produce supplier located in the Yorke Peninsula in South Australia.**

**Operated by Ron (pictured) and Elizabeth Newchurch, in partnership with non-Aboriginal couple Juliette and Nigel Tripodi, Nunga Produce supplies spring onions to Coles supermarkets in and around Adelaide.**

**Supplying 3,000 bunches of spring onions to Coles each week, as well as 5,000 other vegetables and herbs to other retailers, Ron Newchurch said the partnership with Coles has given Nunga Produce stability. It has also allowed them to focus on growing their business, as well as mentoring and supporting other Aboriginal growers.**





Sustainable Communities

## Health, safety and wellbeing for our customers and our team.

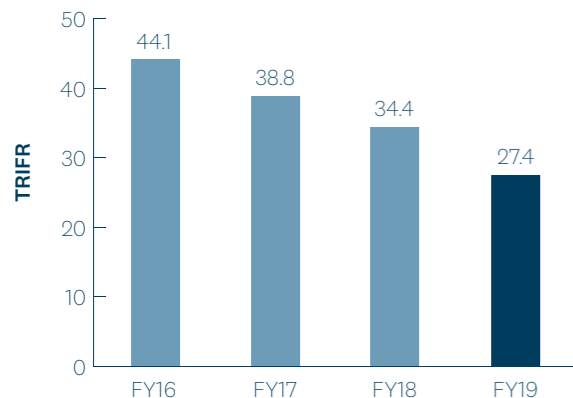
The safety of our team members, customers, contractors and third parties is paramount to Coles. We employ an extensive workforce and understand the potential safety risks this brings. We are committed to providing a safe working environment and creating a culture that values health, safety and wellbeing.

### Promoting health, safety and wellbeing

With an extensive workforce that supports more than 20 million customer transactions per week, we acknowledge that team members, contractors, customers and third parties may be exposed to a variety of risks.

Coles seeks to manage these risks through our Health, Safety and Wellbeing Policy, which is implemented through SafetyCARE, the documented safety management system that provides a framework for Coles to look after the health, safety and wellbeing of our team members, customers, contractors, suppliers and visitors. It is designed to manage risks and hazards that come with operating a variety of sites and facilities, including stores, distribution centres, Store Support Centres and the supply chain network.

#### Total recordable injury frequency rate



↓ **38%**

TRIFR over past four years

### Team member safety performance

We track and monitor safety performance using total recordable injury frequency rate (TRIFR), which records medically treated, lost time and restricted duties injuries per million hours worked by team members. Our TRIFR includes all injury types, including musculoskeletal injuries. In FY19, our TRIFR decreased by 20.3% from 34.4 in FY18 to 27.4 as a result of continued critical risk reduction, building leadership capability to drive a safety culture and a focus on supporting mental health.

We aim to achieve a year-on-year reduction in TRIFR. Over the past four years, our TRIFR has decreased by 38%.

The reduction in injuries and focus on supporting injured team members to make a full recovery resulted in strong workers compensation performance.

### Safety and Wellbeing Plan

Our rolling five-year Safety and Wellbeing Plan focuses on **Safety leadership and culture, Critical risk reduction** and **Mind your health**. These are supported by clear processes to ensure safety is integrated into key decisions and by internal and external audit programs that promote continuous improvement.



Team member Miguel from Coles Laverton Distribution Centre, Victoria operates an electric pallet jack, which was rolled out as part of a range of health and safety initiatives.

### Safety leadership and culture

Leadership and culture are critical to embedding the importance of safety throughout our business. General managers and the Executive Leadership Team complete training to understand the practicalities of health and safety legislation and their responsibilities within the framework for legal compliance.

Our leadership teams are focused on personal accountability, proactive hazard and incident management, risk mitigation and creating a positive health and wellbeing culture.

Across Coles, Health and Safety committees, comprising leadership representatives and team members, meet regularly to discuss and review health and safety matters.

A wide range of training programs, including induction training and task specific safe work practice training, is provided to over 81,000 team members annually to ensure they have the required knowledge, skills and competencies to perform their work safely.

Leaders are provided with regular safety performance reporting to help inform management actions required to lead continual improvements. These reports are also reviewed by the Coles Board, by the Audit and Risk Committee and at a range of senior leadership forums across the business.

### Critical risk reduction

During FY19, we introduced a range of manual-handling risk reduction initiatives. These included stock management solutions to reduce congestion and improve efficiency in store stockrooms, automated wrapping devices in distribution centres, further rollout of electric pallet jacks and new mechanised equipment, including motorised bin movers, bin-lifting devices and motorised trolleys.

We have invested significantly to make our back-of-house safer in supermarkets. Following a risk review of potential falls from heights, we installed additional boom gates and barriers to our docks and scissor-lift elevation platforms.

In our supermarkets, we continued a program to upgrade bulkhead infrastructure. Electrical switchboards were replaced or upgraded in Coles Express outlets and some supermarkets. In Coles Liquor, we upgraded traffic management line marking.

Following a review of threatening situations and site risk profiling, Coles supermarkets trialed duress watches with a rollout scheduled in FY20. Duress watches notify authorities in the event of an emergency or threatening situation. Coles Express will be trialling these watches in FY20.

Training programs in supermarkets delivered targeted conflict management sessions, and team members completed refresher training in safely managing threatening situations. Coles Express team members also completed training in security and robbery safety.

Coles Liquor rolled out the Three Bees program, raising awareness of how to de-escalate confronting situations through the process of Breathing, Backing off and asking for Back up.

We also worked with third-party logistics partners to implement a fatigue management system in driver cabins and commenced a program to improve connection and coupling between prime movers and their trailers to prevent them becoming detached.

Coles Online has introduced new safety features in our delivery vans, including telematics and cameras, and commenced trials into manual-handling risk reduction solutions for rollout in FY20.



Coles Chief Legal Officer David Brewster (right) and Heart Foundation's General Manager of Heart Health Bill Stavreski with one of the defibrillators rolled out to Coles supermarkets across Australia.

**Mind Your Health**

Coles' Mind Your Health Program is committed to supporting a positive, healthy team member experience and provides a range of resources to support all team members.

In FY19, we partnered with The Resilience Project, an organisation that provides mental health strategies to build resilience and wellbeing. Presentations were provided for state leadership teams, the Executive Leadership Team and Store Support Centre team members. This program will also be provided to more than 3,000 site leaders in FY20.

Mental health first aid training was carried out across our distribution centre network and for selected Coles liquor and supermarket leadership teams, with further rollout scheduled in FY20. The training provides leaders with skills to respond appropriately in a mental health crisis.

Our Employee Assistance Program (EAP) provides free and confidential counselling support for team members and their families. It also assists managers to provide advice and support to their team members. During FY19, four new specialised support lines were introduced – an Aboriginal and Torres Strait Islander helpline, LGBTI helpline, Domestic Violence helpline and Eldercare helpline, in addition to Manager Assist, Conflict Assist, Family Assist and Nutrition and Health Assist. A new EAP Managers' Guide was also launched providing leaders with more information, including how to promote the program.

**All Coles supermarkets with defibrillators**

During FY19, Coles partnered with the Heart Foundation to encourage Australians to look after their hearts. We rolled out automated external defibrillators (AEDs) to all Coles supermarkets nationally, to provide rapid aid to customers or team members during a sudden cardiac arrest situation.

We are supporting the Heart Foundation which is highlighting the importance of maintaining a healthy heart and having a health heart check with a doctor, through in-store messaging, social media channels and messaging to millions of flybuis members.

The safety of customers and team members is a top priority at Coles, with a minimum of five team members at every supermarket trained and accredited in first aid so they can help in medical emergencies, including performing CPR.

All our first aid team members are also trained to use the AED. We have chosen an easy-to-use device that includes audio and visual instructions.

The AEDs are located near the customer service desk and are available for neighbouring retailers and small businesses to use in the event of an emergency.

**Coles has rolled out defibrillators to 100% of our supermarkets**



Sustainable Communities

**Supporting Australian farmers and suppliers.**

We are committed to building strong and collaborative relationships with Australian farmers, producers and suppliers. We recognise their hard work and commitment enables us to provide high-quality products for our customers.

**Australian First Sourcing Policy**

Coles has an Australian First Sourcing Policy to source Australian-grown fresh produce as a priority. In FY19, 96% of Own Brand fresh produce and 100% of fresh lamb, pork, chicken, beef, milk and eggs were sourced from Australian suppliers. 100% of Own Brand frozen vegetables are Australian grown.

We are committed to building strong and collaborative relationships with Australian farmers, producers and growers.

We comply with the newly updated country of origin labelling requirements which came into affect in July 2018, making it easier for customers to identify a product's source.

Coles also supports Australian producers and growers through long-term partnerships, which allow our suppliers to grow and have the confidence to invest in their business.

In FY19, we commenced a 10-year agreement with Laurent to supply artisan-style stone-baked sourdough bread across Australia. We also have 10-year agreements with pork producer TOP Pork, tomato producer Sundrop Farms, and with milk supplier Norco and an eight-year agreement with Manbulloo Mangoes. Coles also has a long-term contract with Simplot to supply Australian-grown vegetables.

**Coles and SPC partnership**

In April 2019, we further demonstrated our support of Australian fruit growers and food manufacturing by signing a new supply deal with Goulburn Valley fruit-preserving company SPC.

This partnership is expected to result in an additional 1.8 million cans of Australian fruit produced for Own Brand annually.

Partnering with SPC, one of Australia's oldest providers of preserved fruit, Coles has introduced a new range of preserved fruit in cans – including 100% Australian-grown peaches, pears and apricots.

The partnership is part of our Australian First Sourcing Policy, helping to support Australian farmers and Australian jobs.



Own Brand fresh produce sourced from Australian suppliers.



Own Brand fresh lamb, pork, chicken, beef, milk and eggs sourced from Australian suppliers.

## Coles Nurture Fund

In April 2015, Coles launched the \$50m Nurture Fund to help small to medium-sized businesses to innovate and grow.

Since then, the Coles Nurture Fund has provided more than \$19m in support to more than 50 Australian food and grocery producers to help fund the development of new market-leading products, technologies and processes. Together we aim to drive differentiation, extend seasons, improve productivity and reduce imports.

**In FY19, Coles committed \$5m from the Nurture Fund for drought relief, which enabled 16 food producers across Australia to undertake projects to reduce the impact of water scarcity.**

A cross-section of food producers, including fruit and vegetable growers as well as cattle, sheep and pork farmers, will use the funding to embark on plans to help protect their businesses against drought in the long term.

The projects range from building dams, storage sheds and silos to innovative plans to grow fodder indoors and reduce water use through new technology. Recipients include:

- **The Damianopoulos family** from Masalki in Victoria's Goulburn Valley, who will be one of the first pear growers in Australia to install new humidity control technology which will reduce their water use by up to 80% in their cool rooms.
- **The Edson family** from Tepko in South Australia, who are leading the way in the pig industry by installing a solar system to fully power their piggery. They will also purchase three silos to store grain to be better equipped for drought conditions.
- **The Wagner family** from Moura in Queensland, who are growing 1,500 hectares of the drought-resilient tree legume, leucaena, so it can be fed to cattle to provide highly nutritious fodder when rainfall is scarce.
- **The Crust family** from Mount Sylvia in Queensland, who lined a dam to increase their water capacity by 20% and installed a state-of-the-art irrigation system for water and power efficiency.
- **The Winks family** from Woolerina Grazing, Maidenwell, Queensland, who constructed a shade structure over their existing feedlot to protect cattle from hot and dry conditions.
- **The Lester family** from Manypeaks in Western Australia, who are establishing two gully dams, installing two solar pumps and a hay shed and purchasing a pivot irrigator, so they are better placed to produce grass-fed beef all year round.

More information about our support for drought-affected farmers can be found on pages 24, 58, 59 and 60 of this report.



**The Crowe family, located near Coolac in New South Wales, have established an automated facility with support from the Coles Nurture Fund allowing them to produce fodder indoors to supplement grass for their cattle.**





In FY19, Barry and Annette Turner experienced the devastating impact of drought on their farm near Broken Hill, New South Wales. In her role as Country Women's Association Board Member, Annette also helped to distribute \$7.3m in funds raised by Coles and our customers for drought-affected farmers.

### Supporting Australian farmers

In addition to the Coles Nurture Fund and our Australian First Sourcing Policy, in FY19 we supported Australian farmers and growers through fundraising, partnerships and sponsorships.

#### \$16m support to drought-affected farmers

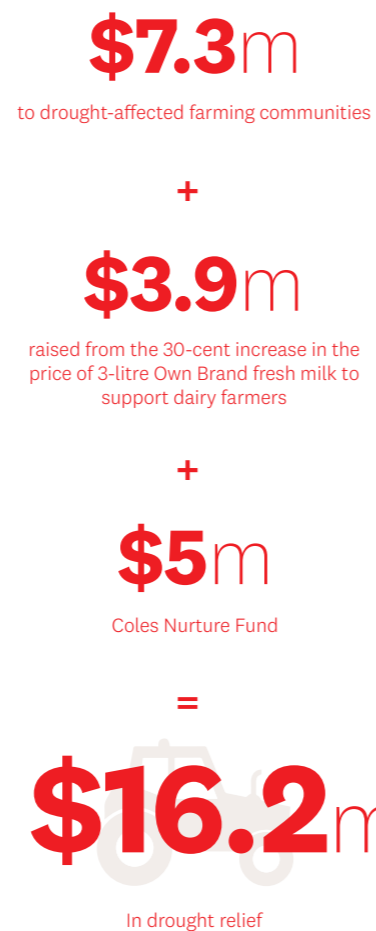
To support drought-affected farmers across Australia, Coles ran fundraising appeals at all supermarkets as part of the Country Women's Association (CWA) Drought Appeal in FY19.

By matching the donations from our generous customers, Coles raised over \$7.3m for drought-affected farming communities. The funds were distributed by the CWA to more than 3,200 drought-affected farming families to help cover household expenses.

In FY19, Coles also launched the Dairy Drought Relief Fund to support dairy farmers affected by drought. Between 21 September and 31 December, \$3.9m was raised from the 30-cent increase in the price of three-litre Own Brand fresh milk. These funds were equally distributed to 639 eligible dairy farmer applicants.

These fundraising efforts are in addition to \$5m from the Coles Nurture Fund which is helping farmers build long-term resilience to drought.

The \$3.9m from the Coles Dairy Drought Fund, \$7.3m from the CWA Drought Appeal and \$5m from the Coles Nurture Fund brought the total amount committed by Coles and our customers for drought relief to over \$16m in FY19.



### Supporting Australian dairy farmers

To support local dairy farmers, in July 2019 we began sourcing Own Brand fresh milk directly from farmers in Victoria and in southern and central New South Wales. This change delivers fair and competitive prices to farmers, provides greater certainty of income and allows farmers to more confidently plan for their future.

**100% of Own Brand fresh milk is sourced from Australian farmers.**

Coles has previously relied on dairy processors to purchase milk from farmers for Own Brand fresh milk, under contracts that allowed the processor rather than Coles to set the farmgate price.

Under the new sourcing model, Coles will offer the competitive farmgate price directly to farmers and will pay dairy processor Saputo to process and bottle under a toll processing agreement.

We are also investing an additional \$1.9m to improve the sustainability of Australia's dairy industry through a newly established Coles Sustainable Dairy Development Group.

The investment will fund research into more sustainable farming practices; adoption of new technology; more efficient use of pasture, feed and water; and support for business development and talent retention. Dairy farmers will have a direct say in how funds from the Coles Sustainable Dairy Development Group are deployed.

### Celebrating our farmers and suppliers

Strong relationships with our farmers and suppliers are a critical part of our business success.

In August 2018, we held our fourth annual Coles' Supplier Awards, which recognise our suppliers and the contribution they make to our customers and our business.

For the seventh consecutive year, Coles sponsored *The Weekly Times* Coles Farmer of the Year Awards, which recognise outstanding farmers across Australia. We held a special awards ceremony in February 2019, with winners from five different categories - horticulture, sheep, beef, dairy and innovation.

In June 2019, Coles sponsored HORT Connections, the biggest horticulture conference in Australia attended by more than 3,400 delegates.



Lamb producer Tom Bull and family from Holbrook, New South Wales were awarded *The Weekly Times* Coles Farmer of the Year. FY19 was Coles' seventh year sponsoring the award.



#### PROUD MOMENT

##### **Cone Bay Ocean Barramundi:**

In December 2018, we signed a three-year agreement with Cone Bay Ocean Barramundi, the only supplier of ocean-farmed barramundi in Australia.

Cone Bay's barramundi is farmed in the pristine ocean waters of the Kimberley off Western Australia's north coast rather than in land-based ponds where barramundi is more commonly sourced.

As the only ocean barramundi farm in Australia, Cone Bay Ocean Barramundi created its own species-specific farming techniques.

Cone Bay Ocean Barramundi started supplying its fish to Coles in October 2018, and supply has strengthened as a result of increased customer demand for responsibly sourced, local seafood. We now sell an average of one tonne of Cone Bay Ocean Barramundi daily.





## Sustainable Communities

# Supporting our community and charity partners.

We are proud of our 105-year contribution to Australia and are committed to serving the communities in which we live and work.

Our contribution goes beyond being one of Australia's largest private-sector employers. We are passionate about supporting communities through partnerships, sponsorships and fundraising.

More than  
**\$115m**  
 FY19 total community support

### Helping communities thrive

In FY19, Coles' total community support was more than \$115m, which included direct community support of more than \$101m with an additional \$14m contributed by customers, team members and suppliers. This represents a 23% increase in direct community support compared with FY18 and a 51% increase in contributions from customers, team members and suppliers.

Coles' community contribution is independently assessed by the London Benchmarking Group.

We support a range of initiatives aimed at improving the health and wellbeing of Australians including children's cancer charity Redkite and food rescue organisation SecondBite.

#### Redkite

Coles has partnered with national children's cancer charity Redkite since 2013, providing financial assistance to children and young people with cancer and their families.

Since the partnership began, Coles has raised more than \$34m, which has enabled support for children, young people and families affected by cancer on more than 164,000 occasions.

Our support helps to provide counselling services, financial assistance, information resources, education and career support, scholarships and grants.

In November and December 2018, Coles ran a Christmas fundraising appeal for Redkite by selling \$2 donation cards and a range of merchandise. In total, Coles supermarkets and Coles Express sites raised \$1.5m.

Coles also raises funds for Redkite through bread sales, donating five cents from the sale of every loaf of specially marked Own Brand bread. In FY19, we raised \$2.9m for Redkite through this initiative.

Other fundraising activities took the total raised for Redkite to \$4.8m in FY19.

#### SecondBite

For the past eight years, we have partnered with food rescue organisation SecondBite to collect edible, unsold food from our supermarkets and some distribution centres.

Thanks to our partnership, more than 780 Coles supermarkets across Australia now donate surplus fresh food to support around 1,300 community food programs to provide meals to Australians facing hardship.

In June this year, we reached a milestone in our partnership with SecondBite, with the equivalent of 84.8 million meals donated to people in need since 2011.



#### PROUD MOMENT.

**Bella and her family are among thousands of children, young people and families who have received support from Coles and Redkite over the past six years.**

**Since 2013, Coles, our team members and customers have raised more than \$34m for Redkite to help children, young people and their families cope with the emotional and financial stress of cancer.**

**redkite**



We also raise funds for SecondBite through the sale of \$2 donation cards and a range of reusable shopping bags.

Each year we run a Winter Appeal to raise funds for SecondBite by selling \$2 donation cards in our supermarkets and liquor stores. Our FY19 Winter Appeal raised more than \$1.7m, equating to more than 8.5 million meals. Coles Liquor also runs an annual Christmas appeal that raised more than \$500,000 in FY19.

Across all fundraising activities, we raised over \$2.8m for SecondBite in FY19, taking our total financial contribution to \$7.9m since 2011.

In FY19, Coles announced it would provide SecondBite with \$500,000 support from the Coles Nurture Fund to purchase four new eight-pallet refrigerated trucks to replace its smaller capacity vans. The trucks will enable SecondBite to collect and redistribute larger quantities of surplus food in shorter timeframes.

More about our partnership with SecondBite, as well as Foodbank, can be found on page 56 of this report.

#### Supporting healthy and active communities

In addition to our national partners Redkite and SecondBite, we support a range of state and local initiatives. This includes raising funds for health-focused organisations such as the Sydney Children's Hospital, Telethon in Western Australia, Ovarian Cancer in Queensland and Hummingbird House in Queensland.

In May and June 2019, Coles supported the Motor Neurone Disease (MND) campaign for the second year, raising funds for FightMND through the sale of fresh pork at our supermarkets. During the six-week appeal, 10 cents from the sale of every pack of Own Brand fresh pork was donated to FightMND.



Coles Northland, Victoria team member Manmi with Jesse from SecondBite collecting fresh produce for distribution to community groups. Since our partnership began in 2011, Coles has donated the equivalent of 84.8 million meals to SecondBite, helping people in need.

Coles' Australian pork farmers also donated to the FightMND foundation. In total more than \$500,000 was raised to fund vital research into a cure for this disease.

We also partner with a variety of sporting organisations to help promote healthy, active lifestyles and improve community health and wellbeing.

Our key partnership with Little Athletics Australia and Athletics Australia supports grassroots athletics across the country.

As part of our three-year partnership with Little Athletics, we donate boxes of bananas to more than 440 Little Athletic centres for their weekly training sessions. Since October 2017, we have donated more than 2.5 million bananas in addition to direct financial support.

In September 2018, Coles also established a new community fund to provide grants of up to \$5,000 for sports equipment to Little Athletics centres, with funds raised from sales of selected community bags. Since September, we have provided approximately \$800,000 in grants to 217 Little Athletics centres nationally.

In August 2018, we established a three-year partnership with the Collingwood Football Club's Community Foundation to help fight homelessness and support people facing disadvantage in Melbourne. As part of the partnership, we work with the foundation to double the number of meals and accommodation for homeless people in Melbourne. Through this partnership, Coles also supports junior sports and women's sport; education programs promoting equal opportunity; health and wellness and leadership; initiatives for people with disabilities; and Indigenous and multicultural programs.

In December 2018, Coles announced a two-year sponsorship with Rowing Australia to provide groceries for rowers at their National Training Centres in Canberra and Sydney.

#### Coles community bags

Coles sells a range of reusable shopping bags designed by Australian school children. These community bags raise funds for Clean Up Australia, Little Athletics, SecondBite and Guide Dogs Australia, with 10% of sales directed to these causes.

Since June 2018, Coles has raised more than \$2.4m through the sale of community bags, which provided:

- more than two million meals for Australians in need through SecondBite;
- \$800,000 in grants for new sports equipment for 217 Little Athletics centres;
- disaster relief packs for households in flood-affected Townsville, 100,000 pairs of gloves for school children and 6,000 first aid kits for community and youth groups through Clean Up Australia; and
- support to raise a litter of 12 puppies to become Guide Dogs through Guide Dogs Australia.

Since our partnership with Guide Dogs Australia began in 1982, we have raised more than \$10m through a mix of fundraising activities, including coin collection dogs at the front of our supermarkets, the sale of community bags and customer donations of flybuys points.



#### PROUD MOMENT.

Artist Ella Burke, aged 18, from Moruya High School, New South Wales with a Guide Dog puppy and the community bag she designed for Coles.

Through the sale of Coles community bags we were able to help raise a litter of 12 puppies to become Guide Dogs through Guide Dogs Australia.



Coles' team members volunteer at national food rescue organisation Foodbank.

### Team member volunteering and engagement

We encourage our team members to engage with causes that matter to their local communities and to support our charitable community partners through fundraising, volunteering and in-kind support and by raising funds for disaster relief. Team members can also donate to Redkite through a team member giving program.

In FY19, 128 team members volunteered at SecondBite to help sort donated food and prepare deliveries. Fifty-one team members also volunteered with Foodbank to pick and pack orders for its charity partners.

Through our partnership with the Collingwood Football Club's Community Foundation, over 90 Coles team members volunteered at the Magpie Nest Café to serve meals to those in need. The Magpie Nest Café, run in partnership with the Salvation Army Project 614 Team, serves more than 3,000 free meals each week to people in need in Melbourne.

During FY19, our Coles Online team in Victoria supported SecondBite and Melbourne-based charity St Kilda Mums. As part of a Mother's Day campaign, Coles Online partnered with St Kilda Mums to help support mothers experiencing hardship. Coles Online customers were given the option of adding a donation with their regular order, with funds helping to deliver a gift box filled with personal care products. Coles Online team members picked and packed over 400 boxes to go to mothers in need, with the team writing their own personal messages on the boxes as a way of showing their support.

To raise funds for men's health charity Movember, 170 Coles team members from 31 teams across our businesses and stores took part in the Movember campaign in 2018. In total, team members raised more than \$65,000, which was matched by Coles, bringing our total contribution to more than \$130,000.

**400+**

boxes packed to go to mothers in need

**\$130,000+**

total contribution to Movember



RAAF and Coles transported essential supplies to flood-affected areas in Far North Queensland including Townsville (pictured).



### Disaster relief

In early 2019, severe bushfires in Tasmania and Gippsland, Victoria, and extreme floods in Far North Queensland affected several of our stores and sites. Our teams worked tirelessly with local suppliers to deliver food and groceries to impacted areas.

**In Far North Queensland, our supply chain, Supermarket Operations, Coles Express and Coles Liquor team members banded together to organise special road trains and airfreight to transport food and groceries to our supermarkets.**

Our teams worked with the RAAF to arrange an airlift of Coles food and other essentials from the Amberley Air Force Base in Brisbane to Townsville, where members of our First Choice Liquor team were also volunteering with the State Emergency Service donating bottled water.

After floodwaters cut off primary road access to Mt Isa, two of our drivers drove nearly 3,000 kilometres to transport deliveries to our Mt Isa store. North of Mt Isa, Coles donated 40 pallets of food to the community of Kynuna, which had been completely cut off by the floods and without supplies for several days.

More than 100,000 hectares of land was burnt in the Gippsland fire in the Bunyip State Park, claiming many homes. Team members from three of our local stores closest to the fires dedicated time on the ground to distribute Own Brand water, hot roast chickens, bread, burgers and toothbrushes to more than 1,000 fire fighters.

In addition to our efforts on the ground, Coles helped raise more than \$320,000 through a national appeal for the Red Cross Disaster Relief and Recovery Fund. During the appeal, our customers donated more than \$160,000, which Coles matched dollar-for-dollar.

Over recent years, our supply chain teams have used air freight, sea barges, trucks and road trains to deliver the essentials to our customers during extreme weather conditions.

Coles is represented on the Trusted Information Sharing Network for Critical Infrastructure Resilience, and one of our team members chairs the Network's Food and Grocery Sector Resilience Group (FGSRG). The network shares information on issues relevant to maintaining critical infrastructure and the continuity of essential services in the face of hazards and disasters.

We are working with suppliers, such as Matt Hood from Rugby Farms, Queensland, to reduce food waste and increase crop yields by redirecting products that typically would not be sold in stores to other value-added products, such as broccoli rice.



# Sustainable products.

We want to make life easier for our customers by offering quality, safe and trusted products – sourced in an ethical, transparent and responsible way – to help them make healthy and sustainable choices.

As our customers' needs are changing, we are developing new ranges and products to respond to their needs. We have launched an affordable health food range and are providing more meat-free protein alternatives. Our Own Brand food and drink standard range is now free of artificial colours and artificial flavours.

Our commitments to quality and safety and to ethical and responsible sourcing are backed by our supplier requirements and rigorous inspection program. All Own Brand suppliers must comply with our ethical sourcing requirements and, where relevant, meet animal welfare and product certification specification.

United Nations Sustainable Development Goals:



United Nations Global Compact, Principles 1, 2, 3, 4 and 5



Sustainable Products

# Responsible sourcing

We know our customers want to buy products that have been responsibly sourced. Our extensive responsible sourcing program – focused on safeguarding animal welfare and minimising environmental impacts – aims to provide them with assurance that the products they buy have met recognised quality standards and certifications.

## Animal welfare

We care about how the food we sell is produced and sourced and are committed to working towards a sustainable future that supports local farmers and food producers, while looking after the welfare of animals.

We are proud to be the first major Australian supermarket to deliver:

All Own Brand fresh beef with no added hormones (since 2011)



All Own Brand fresh turkey RSPCA Approved (since 2014)



All Own Brand shell eggs cage-free (since 2013)



All Own Brand fresh chicken (since 2014) and all Own Brand fresh free-range chicken (since 2018) RSPCA Approved



All Own Brand fresh pork sow stall-free and produced without artificial growth promotants (since 2014)



All Own Brand fresh free-range pork RSPCA Approved (since 2015)



Our Animal Welfare Policy, which is based around the Five Freedoms, sets out our expectations regarding the treatment of animals and aquaculture species in our Own Brand supply chains.

The policy details our commitment to source animal and aquaculture products from farming operations that have a high standard of animal welfare and, where appropriate, hold animal welfare certification. It also specifies that no animal testing is used in Own Brand products.

All our Own Brand shell eggs are cage-free; and, in FY19, we became completely cage-free across proprietary and Own Brand shell eggs in Western Australia. By the end of 2023, Coles aims to be cage-free for all shell eggs and eggs as ingredients in Own Brand.

We are the only major Australian supermarket to offer 100% RSPCA Approved Own Brand fresh turkeys for Christmas.

During the year we also implemented a Responsible Use of Antibiotics Policy covering all Own Brand livestock and rolled out our antibiotic-free, free-range RSPCA Approved Own Brand fresh chicken range.

In FY19, Coles was assessed by the Business Benchmark on Farm Animal Welfare (BBFAW), the leading global measure of farm animal welfare standards, with our score increasing by one tier compared with FY18. In the summary report of Coles' results, the BBFAW noted the 'significant improvement' in our overall score, reflecting our improved transparency and communication on our commitments and governance of farm animal welfare management.

### Coles Farm Program

Established in 2014, the Coles Farm Program captures positive activities our growers and farmers are undertaking to support the environment and animal welfare. The program provides a platform to manage product-specific initiatives and supports best-practice farming methods. The focus of the program is to work with suppliers to support continuous improvement.

We have active programs for eggs and grass-fed beef and are rolling out a grain-fed program. We plan to continue expanding the Farm Program to other species and products.

## Certified products and ingredients

Coles is committed to using independent and internationally recognised certification programs for global commodities sourced from regions with higher labour and environmental risks. These programs support ethical practices and environmental protection in these supply chains.

### Palm oil

Coles' Palm Oil Policy outlines our commitment to use sustainable palm oil and palm derivatives. We are a member of the Roundtable on Sustainable Palm Oil and have embraced its sustainable palm oil production principles and criteria which reduce the negative impacts of palm oil production such as deforestation, endangering wildlife and displacing local communities.

All Own Brand food and drink products now contain or support the production of sustainable palm oil.

We are also introducing sustainable palm oil and palm derivatives in Own Brand homecare, health, beauty and baby products. While these changes are being made, palm oil in Own Brand non-food products is offset through PalmTrace certificates, which support sustainable palm oil market demand.

### Tea, coffee, cocoa and sugar

We use independent certification programs, such as Fairtrade and Rainforest Alliance/UTZ, when sourcing tea, coffee and cocoa to provide confidence that these commodities have been sourced ethically and sustainably and to help grow the market for independently certified products. Customers can search for Rainforest Alliance/UTZ and Fairtrade products on the Coles Supermarket website ([www.coles.com.au](http://www.coles.com.au)).

All Own Brand tea, coffee, solid block chocolate, Easter eggs and cocoa powder is certified.

We have committed to continually increase our use of certified coffee, tea and cocoa as ingredients in our Own Brand products.

Coles supports the Bonsucro program for the sustainable production of sugar cane. Our Own Brand sugar products are sourced in Australia from Bonsucro certified suppliers.

### Timber and paper

Coles' Sustainable Timber and Paper Products Policy sets out our expectations regarding the use and supply of timber and timber pulp-based paper for Own Brand products. Customer receipts at all Coles supermarkets, Coles Express and Coles Liquor outlets are certified to the Forest Stewardship Council (FSC) Standard.

We have committed to working towards using only timber or paper sourced from sustainable forestry operations independently certified by the Programme for the Endorsement of Forest Certification (PEFC), FSC or recycled fibre by 2020. All Own Brand tissue products are made from 100% certified fibre.

Each year, farmers on our Farm Program complete a self-assessment, which is used to monitor product programs and identify challenges and opportunities. We audit a minimum of 10% of Coles Farm Program supplier sites each year to validate the self-assessment information.

## Responsibly sourced seafood

We are proud that all Own Brand seafood is responsibly sourced and has been since 2015. We understand that well-managed and responsible fishing is essential to maintaining healthy fish populations and habitats and to ensuring the future sustainability of marine ecosystems.

All Own Brand seafood responsibly sourced (since 2015)



In FY19, Coles was awarded the Marine Stewardship Council's Oceania Sustainable Seafood Supermarket of the Year for the third year in a row, recognising that we have the widest eco-labelled fresh seafood range of any Australian supermarket with all Own Brand seafood products labelled according to the methodology by which they are certified.

Our Responsibly Sourced Seafood Program recognises a range of certifications and assessments that monitor marine health and the environment.

As part of our program, we independently assessed hundreds of wild and farmed seafood products to ensure they meet our robust responsible sourcing requirements.

We continue to review our program yearly as fish stocks can fluctuate and the environment in which fisheries operate is complex and ever-changing.

### Full traceability of tuna supply chain

We understand the importance of traceability in the seafood supply chain. All Own Brand skipjack and yellowfin canned tuna can be traced back to the approved fishing boat that caught the tuna and the boat that transported it to the cannery.

The fishing boats also have independent observers on board to monitor compliance with conservation measures specified by the Western and Central Pacific Fisheries Commission, and the fish stock are independently assessed as part of our Responsibly Sourced Seafood Program.

Another key aspect is that Own Brand skipjack and yellowfin tuna are caught without the use of fish aggregating devices, which are rafts that attract many species of fish. By not using these devices, there is less by-catch of non-targeted species.

**PROUD MOMENT.**

We are proud that Coles was the first major Australian supermarket to deliver:

- All Own Brand fresh beef with no added hormones (since 2011);
- All Own Brand shell eggs cage-free (since 2013);
- All Own Brand fresh pork sow stall-free and produced without artificial growth promotants (since 2014);
- All Own Brand fresh chicken and turkey RSPCA Approved (since 2014);
- All Own Brand fresh free-range pork RSPCA Approved (since 2015);
- All Own Brand seafood responsibly sourced (since 2015); and
- All Own Brand fresh free-range chicken RSPCA Approved (since 2018).

Pacific Reef Fisheries (main picture) supplies Coles with Aquaculture Stewardship Council certified prawns, Clematis Pastoral (top right) supplies no added hormone and grass-fed GRAZE beef and South Australian farmers (bottom right) supply Own Brand sow stall-free pork, produced without artificial growth promotants.





Sustainable Products

## Human rights in the supply chain.

We acknowledge that protecting human rights in the supply chain is a global issue, and we understand the important role we have in safeguarding human rights within our complex supply chains. We are a responsible retailer and continually aim to ensure we are sourcing and operating ethically in all areas, with specific emphasis on compliance with Modern Slavery legislation and the Fair Work Act. This includes working with our suppliers to ensure they are also acting responsibly and in compliance with the law.

### Ethical sourcing

Coles uses a multi-tiered approach to managing human rights risk in our supply chain. The following are all part of the process of supplying products to Coles:

- Ethical Sourcing Policy and Ethical Sourcing Supplier Requirements;
- site risk assessments;
- independent ethical audits;
- Coles' team member supplier visits;
- supplier capacity building and education;
- trade union representation and co-operation;
- non-conformance remediation; and
- labour hire licensing and certification in Australian supply chains.

The Coles Ethical Sourcing Policy and Ethical Sourcing Supplier Requirements apply to all suppliers providing Own Brand products, fresh produce and meat sold in Coles supermarkets. As part of the program, direct supplier sites complete comprehensive risk assessments for impacts on worker welfare, health and safety, the environment and business ethics. In FY20, we plan to roll the program out to providers of services and goods not for resale, Coles Express and Coles Liquor.

The policy recognises the important role of trade unions and freedom of association. Coles supports the right of workers to join trade unions of their choosing and our suppliers are required to adopt an open attitude towards the activities of trade unions.

### Transparency and risk

Coles assesses the human rights risks of all sites that directly supply Own Brand products, meat and fresh produce. In 2016, we were the first Australian supermarket to adopt the Supplier Ethical Data Exchange (Sedex), a global ethical supply chain management platform.

To monitor compliance with the Coles Ethical Sourcing Policy, we require all direct supplier sites to register on Sedex and complete a comprehensive risk assessment. The resulting site risk rating drives site audit requirements and approval to supply Coles.

In FY19, 97% of all our direct suppliers and 93% of their sites (factories, processing plants, pack houses and direct supplier farms providing Own Brand products, fresh produce and meat) were registered on Sedex\*. This has resulted in increased visibility of our supplier employment practices and enables us to proactively monitor compliance with the Coles Ethical Sourcing Policy, identify ethical sourcing risks, drive the resolution of identified non-conformances and target areas of supplier capacity development.

Our supply chain is multi-tiered and complex. We have focused on supplier sites that substantially contribute to the final form of the product. For example, in fresh produce we have adopted the Harmonised Australian Retailer Produce Scheme (HARPS) definition of tiering and extend our program to both tier one and tier two suppliers.

\* Due to the dynamic nature of our supply chain, we do not expect 100% registration at any one time due to suppliers entering and leaving our supply chain.

### Governance

In FY19, we established the Human Rights Steering Committee to provide oversight of human rights at Coles. It is chaired by our Chief Legal Officer and meets monthly. Reports are provided to the Coles Executive Leadership Team and the Coles Board.

### Audits and remediation

Suppliers are required to complete the Sedex risk assessment every year for every site supplying to Coles: with sites being classified as high, medium or low risk. Low risk sites are approved to supply Coles for two years, while high and medium risk suppliers must provide independent ethical audits for compliance with our Ethical Sourcing Policy and Ethical Sourcing Supplier Requirements. We require audits to be conducted during peak season times for each industry, such as harvest season for fresh produce, when workers are on site.

Non-conformances are assessed as critical, major and minor based on their potential to harm workers. Where non-conformance with our Ethical Sourcing Policy is identified through the independent audits, the supplier is required to remediate the issue within an appropriate period depending on the nature and severity of the non-conformance. New supplier sites are required to close out major and critical non-conformances prior to being approved to supply to Coles.

If any critical non-conformances (including illegal, forced, bonded or child labour and inhumane, harsh treatment and business integrity) and major non-conformances (including working hours, wages and benefits and safe working conditions) are found, suppliers must remedy them through corrective action plans verified by an independent auditor. If a supplier does not address a critical non-conformance, we will suspend supply and reserve the right to terminate their trading agreement.

High and medium risk sites supplying Own Brand products, fresh produce and meat in FY19 were subject to more than 550\*\* third-party audits in line with Coles Ethical Sourcing Supplier Requirements. Due to the broad nature of these audits and complexity of the supply chain, non-conformances are commonly raised. Where required, Coles works collaboratively with suppliers to address these issues. More than 1,600\*\* non-conformances relating to the audits above have been closed out, the majority of which related to health and safety matters. In accordance with the Coles Ethical Sourcing Supplier Requirements, outstanding non-conformances, including those identified late in the reporting period, will be closed out prior to the supplier site being re-approved for supply.

During FY19, two potential critical non-conformances at supplier sites in the United Kingdom, relating to a lack of updated documentation to verify the legal right to work for some employees, were identified through third-party audits. During subsequent follow up with the two sites, the suppliers were able to provide the necessary documentation for the workers in question, satisfying Coles that these were not critical non-conformances against the Coles Ethical Sourcing Policy.

\*\* Audit and non-conformance data has been extracted from Sedex including Sedex Members Ethical Trade Audit Methodology (SMETA) audits, and other Sedex compatible audit formats. This number does not include additional ethical audits accepted by Coles. Our Ethical Sourcing Supplier Requirements approve medium risk sites for 24 months so these numbers also include third-party audits and non-conformances closed out in FY18.



Australian Garlic Producers Pty Ltd CEO Nick Diamantopoulos is one of the 97% of Own Brand products, fresh produce and meat suppliers who are now registered on Sedex.

While Coles is proud of the efforts we have made in relation to human rights we also recognise that global best practice standards are constantly developing. In this regard, we actively seek feedback and opportunities for enhancement.

### Capacity building

During FY19, we provided more than 350 hours of training to help suppliers understand their ethical sourcing obligations, including two rural workshops and an ethical sourcing webinar.

The Coles Agronomy Group, established in 2017, involves approximately 20 Australian growers working with Coles to address industry challenges in the fresh produce industry, including human rights and sustainable farming practices.

We also provide online tools and guidance to help suppliers manage human rights risks, including safety instructions and training checklists, worker accommodation supplier guidelines and packing shed hazard checklists.

We will continue this focus on capacity building to continually increase supplier understanding of their obligations and support them in best practice.

Our buying and sourcing teams are trained on our ethical sourcing and human rights commitments. During FY19, almost 100 training hours were delivered to team members.

### Labour hire in the supply chain

While third-party labour hire organisations provide an important service to suppliers, they can introduce risk into supply chains.

During FY19, some state governments introduced regulations relating to labour hire providers. We require all our suppliers to comply with their legal requirements. To help suppliers and the recruitment and staffing industry to reduce human rights and workplace compliance risks from third-party labour hire, we supported the development of the StaffSure labour hire certification program, an independent industry-led certification program that assesses labour hire providers.

In FY19, we rolled out third-party labour provider guidance for all our suppliers, which provides practical advice for managing labour hire to enable continuous improvement.



## Sustainable Products

# Supporting health and nutrition.

Coles is dedicated to providing customers with quality, healthy and best-value food choices across our Own Brand product range.

## Committed to health and nutrition

We continue working to improve the nutritional value of Own Brand products by implementing a range of policies that cover salt and sugar reduction, the use of artificial colours and flavours, and nutrition and health labelling.

Our internal Nutrition Working Group includes qualified nutritionists, Own Brand product developers and technologists. The focus of the working group is to identify, scope and implement ways of delivering healthier choices across Own Brand food and drink.

We participate in the Healthy Food Partnership, a Federal Government initiative that includes food industry bodies and public health groups. Coles is on the partnership's executive committee, overseeing the solutions put forward by its working groups.

### Sugar, salt and trans fats

A focus on sugar and salt reduction continues to improve the nutritional profile of products across Own Brand. Product reviews and reformulations are underway to ensure we offer customers food and drink products of the highest quality, value and taste while reducing risk nutrients.

We have already reviewed our Own Brand drinks range to remove some products with the highest amount of sugar. We have also seen more drink products in our stores with lower or no sugar in proprietary brand ranges. In FY19, we removed 110 tonnes of salt and 150 tonnes of sugar from Own Brand products, from a FY18 baseline.

Working with the Australian Dietary Guidelines for Healthy Eating, we will reduce salt across key barbecue meat, bakery, ready-meal, condiment, snack and meal base ranges to help our customers reduce salt in their diets.

We will also remove manufactured trans fats from Own Brand by substituting them with healthier unsaturated fats. Over the next two years, we plan to label trans fats in the nutrition information panel of Own Brand food and drink products.

### Health Stars

Coles supports the Health Star Rating, a Federal Government front-of-pack labelling program aimed at assisting customers to make healthier choices when buying packaged foods.

Health Star Ratings are currently displayed on more than 1,900 Own Brand products.

### No artificial flavours, no artificial colours

Over the past few years we have removed artificial colours and flavours from Own Brand food and drink. We are proud that in FY19, Own Brand's food and drink standard range products\* were free from artificial colours and flavours.

This has involved removing more than 30 artificial colours and flavours and replacing them with natural alternatives. For example, Own Brand Sour Rainbows now contain natural colour alternatives from apple, pumpkin, tomato, radish, safflower, spirulina, carrot and hibiscus and Own Brand lime flavoured jelly crystals now obtain their colours from curcumin and anthocyanins and use natural flavouring.

\* Some 2019 Christmas celebratory food and drink products may contain artificial gold and silver colours. Coles will continue to work on identifying alternatives to artificial colours for these products.



Coles customer Alex and her son Austin select products from Coles' latest Wellness Road range at Coles' supermarket at Burwood, Victoria.

## Promoting healthy choices

As part of our partnership with Little Athletics Australia, Coles donated 600,000 bananas in FY19. Since the partnership began in 2017, more than 2.5 million bananas have been donated to more than 440 local Little Athletics centres and 84 state and regional events.

We are also making fruit and vegetables more affordable with the launch of the I'm Perfect range, which offers fresh produce that looks a little less perfect and helps to reduce food waste.

During FY19, we also promoted the Coles Fresh Rainbow Challenge, endorsed by the Healthy Kids Association, designed to encourage children and their parents to eat more fresh fruit and vegetables and track their fruit and vegetable intake.

## Alternative proteins

In recent years, we have seen demand significantly grow for vegan and vegetarian products. Reflecting this trend, we have a growing range of plant-based and alternative protein products in store.

These products include tofu, lentil burgers, falafel balls, kale burgers, and pulse and nut spreads. We also stock dairy-free products such as flavoured almond milk, plain and flavoured coconut milk and coconut yoghurt. These include both Own Brand and proprietary brand products.

There has also been a trend to meat-free products. During FY19, we launched the Beyond Burger, made from pea-protein, and the Australian-made The Alternative Meat Co. burger, which is 100% plant-based.

With increasing focus on plant-based diets, we also launched our own Nature's Kitchen vegan range in FY19. These ready-to-go meals include a vegan lasagne, vegan spaghetti bolognese and vegan tikka masala.

We are also supporting supplier innovation in protein diversification. Through the Coles Nurture Fund, we provided \$200,000 in support to Australian Eatwell located in Donald, Victoria, to purchase equipment to develop chickpea tofu.

We also provided \$500,000 in support to Three Farmers, based in Narrogin, Western Australia, to help build mainland Australia's first large-scale quinoa processing plant. The processing plant enables Three Farmers to supply Coles with more than 800,000 packets of white quinoa each year.

## Wellness Road and I'm Free From

During FY19, Coles launched our Own Brand Wellness Road range of health foods, aimed at making healthier options more accessible and affordable for customers. Wellness Road consists of innovative products, including organic black rice noodles with chia, organic cacao powder, white chia seeds and Australian almond flour.

All Wellness Road products are free from artificial colours and flavours, made with reduced levels of sugar and salt, and free from trans fats from partially hydrogenated oils.

We are also making it easier for customers who have allergies, launching a new range of I'm Free From products. The products clearly state on the front of packaging whether they are free from common allergens such as wheat, dairy, eggs and nuts.



## Sustainable Products

# Providing quality, safe products.

We are committed to providing our customers with safe, high-quality Own Brand products. Our commitment is supported by our rigorous supplier requirements and our auditing and inspection program. In addition, all Own Brand suppliers, both food and non-food, must comply with our ethical sourcing requirements and, where relevant, meet animal welfare and product certification standards.

## Food safety

Our comprehensive Food Safety Program spans growing, manufacturing, warehousing, distribution and in-store handling for fresh, chilled, frozen and grocery products.

The program is based on world's best practice and underpinned by adherence to food safety laws and requirements. Under the program, suppliers must provide detailed product specifications through an online database that supports product traceability and includes strict adherence to quality compliance standards, such as declarable allergens, certifications and nutritional information.

Suppliers also need to undertake an annual technical audit of the factory or facility where the food is produced and safety and quality testing by an approved third party.

Own Brand non-food products must comply with similar requirements.

Regular assessments of fresh food are conducted at our national distribution centres and supermarkets and are backed up by rigorous analytical testing covering allergens, imported food, residue, organic products and microbiology.

More than 200,000 checks were completed under this rigorous program during the year. Product authenticity is included in the testing, allowing us to detect and rectify food fraud where a product may have been misrepresented.

In FY19, we established a Product and Food Safety Steering Committee sponsored by our Chief Legal Officer to provide oversight of all aspects of our Food Safety Program.

## Product recalls

Coles takes customer safety seriously and makes every effort to manage the quality and safety of products sold in our stores. If Coles or any of our suppliers becomes aware of a defect, we implement measures to withdraw and/or recall the product and take corrective action to prevent recurrence.

During FY19, we had five Own Brand product recalls due to foreign matter, undeclared allergens, chemical contamination, potential food poisoning bacteria and potential electric shock. In response we issued public communications and worked with regulators and suppliers to mitigate any issues.

## Supplier and industry engagement

In FY19, through the Coles Quality Academy, we provided approximately 8,800 hours of training for suppliers and team members on recalls and withdrawals, labelling and date coding, and food safety.

In addition to engaging with suppliers, we take an active role in various standards committees and working groups to drive food safety and social and environmental sustainability.

We are members of and participate in The Global Food Safety Initiative Australasia, the Australian Food and Grocery Council Technical Leads Forum, the Allergen Collaboration and the Food Incident Forum.

## Pesticides

Coles supports voluntary industry environmental standards such as Fresh Care and Enviroveg, which recognise environmentally sustainable on-farm practices. These standards include guidance on methods and practices designed to help minimise pesticide use.

All chemicals used on food crops in Australia are approved by the Australian Pesticides and Veterinary Medicines Authority. The maximum residue level (MRL) for each residue is contained in the Australia New Zealand Food Standards Code, administered by Food Standards Australia New Zealand (FSANZ).

FSANZ conducts risk assessments on chemicals and deliberately sets conservative MRLs so there is no possibility of customers exceeding acceptable daily intakes.

Growers supplying Coles regularly test their produce through industry programs to ensure they do not exceed these legal limits. The use of pesticides are included in Coles' fresh product audit program.

## Own Brand awards

Coles Own Brand is the portfolio of product brands owned by Coles. Our Own Brand provides Coles with a point of difference from our competitors. As a result, we go to great lengths to ensure they are compelling, great value and loved by our customers.

In FY19, Own Brand products were recognised with more than 100 awards and recognitions. This included winning 11 categories at the 2019 Product of the Year awards, the world's largest consumer-voted award for product innovation.

In May 2019, Own Brand Fairtrade instant coffee was awarded best-tasting instant coffee by Choice.

Our Coles Liquor Own Brand products were recognised with 189 medals and awards in FY19.

These wins are testament to the hard work of our Own Brand teams and our suppliers in developing customer-led product innovation and delivering high-quality products that Australians love.



Team members Elaiza and Riaan test the quality of fresh produce at the Coles Distribution Centre in Laverton, Victoria.





Sustainable Products

## Supporting responsible service of alcohol and tobacco.

### Responsible service of alcohol

Coles Liquor is committed to serving the community lawfully, safely and responsibly. We operate over 900 retail liquor outlets under our liquor brands with stores in every Australian state and territory except Tasmania.

In March, we entered into an incorporated joint venture with Australian Venue Co. (AVC), for the ongoing operation of the Spirit Hotels business and the liquor stores in Queensland, South Australia and Western Australia attached to Spirit Hotel's venues. Under the joint venture, AVC manages the day-to-day operations of Spirit Hotels and will receive the economic benefits of this business. Coles manages the day-to-day operations of the 243 retail liquor stores in Queensland and the 10 retail liquor stores in Western Australia and South Australia and will receive the economic benefits of the retail liquor business. Our focus is on our core business of retail.

### Compliance

Coles Liquor takes its liquor retailing obligations seriously and has training, policies and signage in place to ensure compliance with all applicable laws.

In FY19, we strengthened our ID25 'Check It Don't Guess It' approach by improving our mystery shop program. Store managers now have more timely information about mystery shop visits and access to an online portal to monitor team results.

New licensee training was introduced in New South Wales in September 2018, requiring all store managers (as licensees) to complete an online training course on their appointment or transfer or when their Responsible Service of Alcohol (RSA) Competency Card is due for renewal. Urban Global is the Registered Training Provider for this training.

We have also worked with Service NSW and Liquor and Gaming NSW to participate in Digital Driver's Licence trials in the Eastern Beaches, Dubbo and Albury areas.

We engage with the respective state governments on proposed liquor reforms in Western Australia, Northern Territory and South Australia to ensure practical liquor reforms are implemented.

### Public commitments and community partnerships

Coles Liquor also supports voluntary commitments. For example, we are a signatory to the Alcohol Beverage Advertising

Code, which requires that advertisements, communications and product labelling include messages promoting responsible alcohol consumption.

We actively participate in 151 Liquor Accords nationally and work collaboratively with the police and regulators to help address alcohol-related harm in the community.

We also continue to partner with DrinkWise, an industry-led, not-for-profit organisation promoting a healthier and safer drinking culture in Australia.

This year we became a member of Retail Drinks Australia. Retail Drinks Australia is an industry association that represents Australia's packaged liquor outlets nationally. We are working with Retail Drinks Australia to develop a voluntary Code of Conduct to govern the online supply and delivery of alcohol.

### Training and capability building

We continue to reinforce key RSA obligations through various training and communication updates. These include:

- a dedicated Licensing and Compliance Focus Week to reinforce RSA obligations;
- a new format Licensing and Compliance Booklet issued to all stores nationally;
- additional signage and communications materials in school leavers' locations;
- targeted ID25 'Check It Don't Guess It' training materials; and
- online modules on Responsible Liquor Retailing and Store Manager Responsibilities to reinforce RSA requirements.

### Responsible service of tobacco

Coles is a responsible tobacco retailer and has policies and supporting procedures in place to comply with the law. We are committed to ensuring that all authorised team members understand their legal obligations when selling tobacco or smoking products. All Coles' authorised team members must be 18 years of age or older and are required to ask for proof of age from any customer that looks under 25 years of age. All authorised team members must complete online training before their first shift selling tobacco products, as well as regular mandatory refresher assessments.



Sustainable Products

## Sustainable packaging.

We understand that packaging, including plastic packaging, plays an important role in transporting products, supporting product longevity, maintaining food safety and reducing food waste. At the same time, Coles is also committed to reducing our impact on the environment.

In June 2018, we committed to:

- all Own Brand packaging being recyclable by 2020;
- more recycled content being included in Own Brand packaging;
- reducing excess packaging across stores and the supply chain;
- soft plastic recycling options being available in all Coles supermarkets; and
- rolling out the Australasian Recycling Label (ARL) to promote recycling.

**73% of Own Brand product packaging is now recyclable through kerbside services or through REDcycle soft plastics recycling in Coles supermarkets.**

We have made significant progress across all these commitments. In FY19, we began rolling out new fresh produce bags in supermarkets that are made with 30% recycled content. Our Own Brand spring water bottles are made from 100% recycled content and our Better Bags are made from 80% recycled content.

We are actively working with our fresh produce suppliers to reduce the number of packaging layers, introduce lighter-weight packaging materials, ensure all packaging is recyclable and in some cases remove packaging.

We have rolled out the ARL, which guides customers on how and where to recycle different packaging components, on 1,176 (more than 20%) Own Brand products. This number will continue to grow as we release new products or update artwork on existing products. We use the Packaging Recyclability



Ben, Fresh Meat Manager at Coles Victoria Park, Western Australia, with recyclable Plastic™ meat and poultry packaging made from a combination of recyclable and renewable material.

Evaluation Portal (PREP) Tool to determine the recyclability of different packaging components, helping us to drive more recyclable packaging.

We offer soft plastic recycling in all Coles supermarkets nationally in conjunction with REDcycle. Customers can recycle plastic bags, as well as other soft plastic packaging that cannot be recycled through most household kerbside recycling services. More information on soft plastic recycling and our REDcycle program is available on page 57 of this report.

Coles is a signatory to the Australian Packaging Covenant, which sets sustainable packaging guidelines for government and industry; and we are an active member of the Australian Packaging Covenant Organisation (APCO). Coles' team members are also represented on APCO's Collective Action Group (which is addressing the Federal Government's 2025 packaging targets), the PREP Tool Technical Advisory Group and the Australasian Recycling Label (ARL) Marketing Advisory Group.

Coles' Sustainable Packaging Policy, Sustainable Packaging Guidelines, and Recycling Labelling Requirements were developed using principles from the Australian Packaging Covenant Sustainable Packaging Guidelines and PREP Design.

SecondBite CEO, Jim Mullan, and Coles CEO, Steven Cain, with new SecondBite trucks funded by the Coles Nurture Fund.



# Sustainable environmental practices.

As one of Australia's largest companies, we know we have a responsibility to minimise our environmental footprint.

We also know that protecting the environment is important to our customers, and we want to provide them with assurance that we are minimising our environmental impacts through sustainable environmental practices.

Our focus on reducing food waste has meant that we have been able to provide more than 114 million healthy and nutritious meals to people in need through our partnerships with SecondBite and Foodbank.

In addition to reducing waste, we are also building greener stores with improved energy efficiency and a focus on lowering greenhouse gas emissions.

We are facing the impacts of climate change and need to adapt to respond to extreme weather events so that we can continue to supply our customers around the country. We also need to maintain security of food supply as our climate changes so that we can sustainably feed all Australians.

United Nations Sustainable Development Goals:



United Nations Global Compact, Principles 7, 8 and 9



## Sustainable environmental practices

# Climate change

Climate change presents an evolving set of risks and opportunities for Coles, ranging from potential disruption to our operations due to extreme weather events to changes to government policy, law and regulation.

### Climate change response

We understand that stakeholders expect us to be managing and mitigating climate change risks in line with local and global commitments and recommendations.

We support the United Nations Sustainable Development Goals and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The information in this section responds to the four thematic areas against which the TCFD recommendations are structured. Going forward, we will work towards more comprehensive disclosures.

#### Governance

The Coles Board has oversight of material risks, including climate change, through the Audit and Risk Committee. Members of this committee are listed in our 2019 Annual Report, and further information is available in the Corporate Governance Statement on our website at [www.colesgroup.com.au](http://www.colesgroup.com.au).

In recognition of the importance of this issue, we have established a Climate Change Steering Committee, chaired by our Chief Property and Export Officer, who reports to the CEO. The role of this committee is to develop, implement and monitor performance against our Climate Change Strategy.

The committee includes representatives from across Coles, including senior members of the finance, risk and compliance, and operations functions, and will prepare quarterly updates for the Audit and Risk Committee.

#### Risk management

Our Risk Management Policy and Risk Management Framework detail our approach to identifying, assessing and managing risk, including climate-related risks. Our approach to risk management can be found in the risk section of the Coles 2019 Annual Report and in the corporate governance section of our website.

During late FY19, an external consultant completed a gap analysis and benchmarked our environmental performance, identifying areas where we are doing well and areas for improvement. This will be used to inform the Climate Change Strategy.

While we have tactical plans to manage climate-related risks and opportunities, as detailed in the following section, the steering committee is preparing a more comprehensive Climate Change Strategy, which will be informed by further risk analysis and scenario planning and will include new greenhouse emission reduction targets. An external consultant will assist us with this work.

We expect to provide more detailed information on our Climate Change Strategy in next year's Annual and Sustainability Reports.

#### Strategy

In FY19, following Coles' demerger from Wesfarmers and as part of the development of the corporate risk profile, climate change was identified as a material business risk. The risk profile was presented to and endorsed by the Audit and Risk Committee in May 2019 and approved by the Board in June 2019.

We acknowledge that climate change is a complex and multidimensional risk to the business and to our supply chains and includes risks related to:

- potential disruption to our operations due to extreme weather events and changing weather patterns;
- changing customer behaviours as demand moves to food and products with lower carbon footprints;
- changes to government policy, law and regulation (including pricing carbon), which could result in increased operational costs and potential for litigation; and
- failure to meet expectations of stakeholders.

We recognise that the impacts of climate change are varied and long-ranging over different time horizons. The risks identified could prevent us from meeting our strategic objectives and could result in reputational damage and adverse operational, compliance and financial impacts.

The risks identified are consistent with the assessment of the TCFDs, which groups risks into two major categories: risks related to the transition to a lower-carbon economy (policy and legal, technology, market and reputation) and physical risks (acute and chronic).

We understand that in managing these risks there are associated opportunities, such as improved energy efficiency, reduced water use and better recycling.

As we develop our overarching Climate Change Strategy, we will continue to look for ways to reduce greenhouse gas emissions. More information is provided on pages 52 to 54 of this report.

We apply an internal carbon price to inform decisions on selected large capital projects and plan to continue this approach.

Our Energy Strategy includes our approach to energy purchasing and maintaining security of energy supply. In August 2019, we announced a 10-year agreement to purchase power from three solar plants in New South Wales and we continue to roll out rooftop solar on our supermarkets. During FY19, Coles' supply chain entered into an electricity demand response program run by the Australian Energy Market Operator to assist it to reduce energy load during times of high demand.

We understand that climate change and extreme weather events can also impact supply security and our ability to provide goods to our customers. This could include severe or total disruption to the production and transportation of goods due to extreme weather events, as well as production risks associated with climate change.

We seek to manage these risks through business continuity processes for sourcing and delivering goods to stores in the event of extreme weather events, such as floods, storms and bushfires. For example, following floods in Far North Queensland in early 2019, special road trains and airfreight were organised to transport food and groceries to our supermarkets. More information is provided on page 33 of this report.

We also work with suppliers impacted by extreme weather events. In early 2018 and early 2019, apple suppliers in South Australia were hit by severe hailstorms. As a result, we introduced



Ruth and Tom Wagner from Moura, Queensland, are using funds from the Coles Nurture Fund to grow the drought-resistant tree legume leucaena.

the 'hailstorm heroes' apple range, providing suppliers with the opportunity to sell the hail-damaged fruit. An excessively hot summer in FY19 impacted the growth of citrus and apples. We amended our specifications to allow the smaller fruit to be sold in our stores.

To minimise the impact of climate change on supply of products over the longer term, we are supporting suppliers to implement new technology and growing methods and supporting industry with climate change resilience strategies. Lack of action could result in loss of market share, increased costs and price volatility.

Through the Coles Nurture Fund, we are supporting suppliers with climate adaptation programs particularly to mitigate the impact of drought. More information can be found on pages 22 to 24 and 58 to 60 of this report.

We are committed to sustainable beef production and participate in the Australian Beef Sustainability Framework, an initiative of the Red Meat Advisory Council managed by Meat and Livestock Australia. The framework has identified six priority areas to drive continuous improvement across the value chain. We consider the framework the most appropriate way to address climate and environmental issues facing the beef industry (such as emissions reduction and deforestation) from a national and industry-wide perspective.

Future plans to manage supply security risk include analysis of Coles' supply chain resilience across a number of food categories being conducted in a collaborative project with CSIRO. The results will be used to contain possible future disruptions to supply.

#### Metrics and targets

We had set a target to reduce greenhouse gas emissions by 30% from a 2009 baseline by 2020. Through a focus on reducing all emissions, particularly emissions associated with refrigeration, we were able to meet that target four years early in 2016. This included refrigeration upgrades and replacement and investment in leak-detection technology.

Details on our energy and greenhouse emissions reduction activities can be found on pages 52 to 54 of this report. Our emissions data, including Scope 3 emissions, can be found on page 71 of this report.

New greenhouse emissions reduction targets are being developed as part of our Climate Change Strategy.



Sustainable environmental practices

## Greenhouse gas and energy efficiency

Reducing greenhouse gas emissions is a key component of our climate change response. Since 2009, our greenhouse gas emissions have reduced by 36%; and we met our 2020 emissions reduction target four years early in 2016.

Coles continues to make significant investments in energy efficiency; and, since 2012, our energy consumption per square metre has reduced by 17%.

### Greenhouse gas emissions

Our main sources of direct (Scope 1) emissions include emissions from refrigerant gases, natural gas, transport fuel, stationary LPG and diesel for onsite back-up generators, while indirect (Scope 2) emissions are those associated with electricity use.

Scope 3 emissions are indirect emissions (not included in Scope 2) that occur in Coles' value chain. The most reliable and robust data for Scope 3 emissions, which are ascribable to Coles, are business air travel; transmission related emissions from electricity, gas and fuel; and waste disposal from stores and sites. These are the Scope 3 emissions we historically reported under Wesfarmers.

Purchased electricity represents more than 80% of our combined Scope 1 and 2 emissions, followed by refrigerant gases.

Since 2009, our greenhouse gas emissions have reduced by 36%; and we met our 2020 emissions reduction target in 2016. In FY19, our Scope 1 emissions were 282,936 tonnes, Scope 2 emissions 1,333,825 tonnes and Scope 3 emissions 302,935 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e). In FY19, Scope 1 and 2 emissions decreased by 6% compared with FY18.

Scope 1 emissions increased in FY17 when we were deemed to have operational control of transport emissions from the logistics fleet. In FY19, operational control reverted to the logistics provider in certain instances.

We report our greenhouse gas emissions under the National Greenhouse and Energy Reporting (NGER) scheme, for businesses where we have operational control as defined by the NGER Act.

Our continued decline in emissions over the past 10 years, while still growing our store network, has been driven by a focus on implementing energy-efficiency initiatives and reducing emissions from refrigerant gases.

### Refrigerants

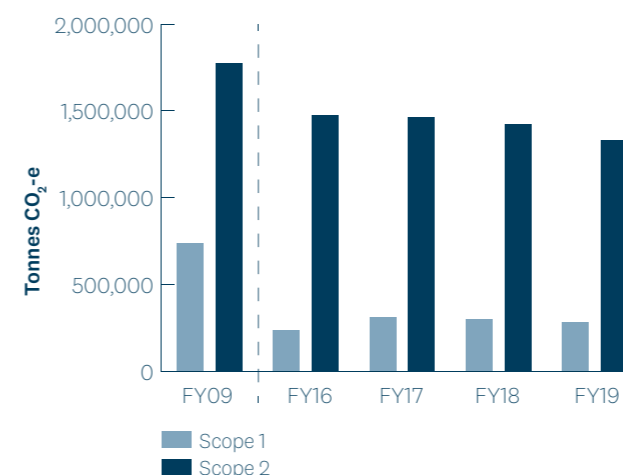
We have a Refrigeration Strategy which is focused on reducing refrigerant loss and adopting refrigerants with lower global warming potential (GWP).

As many older refrigerant gases have very high GWP, we are transitioning to lower GWP refrigerants to reduce emissions in supermarkets. We are continuing to implement a refrigeration pipe replacement program and continuing to invest in leak-detection technology. We also monitor leaks through a dedicated data centre, meaning they are recorded and fixed as a priority.

We are also investing in transcritical CO<sub>2</sub> refrigeration which has extremely low greenhouse impact.

In 2015, we launched our first supermarket, in Coburg North, Victoria, with an integrated transcritical CO<sub>2</sub> system for store heating, store cooling and refrigeration. In 2019, we rolled out a further four transcritical CO<sub>2</sub> refrigeration systems into supermarkets. This consisted of three integrated systems, one

### Greenhouse gas emissions:



of which also uses a water loop system with natural refrigerant, and one system with transcritical refrigeration only. Our CO<sub>2</sub> plant design is delivering a minimum of 10% energy saving compared with older plant designs. Coles Liquor is also trialling CO<sub>2</sub> refrigeration.

### Supply chain

Our supply chain strategy aims to reduce emissions associated with transport and logistics, with several key strategic initiatives underway to support a sustainable reduction in transport-related emissions. These are facilitated by our expanded strategic partnership agreements with key third-party partners and include progressively rolling out a new larger-capacity fleet to reduce the number of truck movements. We are focusing on reducing the number of instances when trucks travel with small or no loads by integrating supplier inbound and store outbound loads to increase fleet utilisation on journeys back to distribution centres.

We are also converting chilled trailer units from diesel to electric-powered refrigeration when on the dock at distribution centres.

### Energy efficiency

Coles recognises that investing in energy efficiency initiatives helps us to minimise our environmental impacts while also reducing costs. More than 86% of Coles total energy consumption comes from electricity. Most of the energy used in our supermarkets is for refrigeration, which is critical to keeping food safe and extending its usable life to prevent waste.

Over the past two years we have invested more than \$42m in energy-efficiency projects.

In the first half of FY20, we will complete the rollout of LED lighting to all supermarkets, a program that began in 2012. This means that all lighting, except emergency lighting, will be LED, helping us to achieve significant energy savings across our supermarkets. In FY19, we completed LED rollouts in 119 supermarkets.

We have already trialled LED at five standalone Coles Liquor stores and, in FY20, will convert a further 391 standalone stores.

Coles' supply chain extended its LED program in FY19 to incorporate the replacement of outdoor canopy lighting at distribution centres in Somerton, Victoria, and Eastern Creek, New South Wales. The intent is to roll this out to all sites.

We also continue to improve the operating efficiency of store refrigeration and air-conditioning systems. By the end of FY19, we had retrofitted variable speed drives to refrigeration systems at 390 supermarkets.

Since 2014, Coles has used an electricity monitoring and management system to monitor electricity consumption in supermarkets and to investigate and address anomalies. It typically identifies more than 3,000 anomalies every year.

During FY19, Coles' supply chain entered into an electricity demand response program run by the Australian Energy Market Operator to assist with load reduction on the electricity network during times of high demand.

Coles' electricity consumption decreased by 3.4% in FY19 compared with FY18. During the year we added 27 retailer outlets and our floor area increased by 2%. We also removed Spirit Hotels from our electricity and greenhouse data but continued to account for the electricity used at the attached liquor outlets.

To reduce energy consumption from refrigeration, night blinds are installed on open refrigeration cases in Coles supermarkets. In FY20, Coles will begin trialling closed doors in some supermarkets that had previously used open cases. This will help us to more clearly understand the energy use benefits, operational efficiency and customer response to this initiative. In the Coles Local format, closed refrigeration cases are now installed as standard.



Fresh Produce Manager David from Coles Victoria Gardens, Richmond, Victoria lowering night blinds used on refrigeration units to reduce energy consumption.



Coles team members Andrew, Alex, George and Andrew (left to right) inspect solar panels on the roof of Coles' supermarket at Drysdale, Victoria. By the end of FY19, Coles had 30 supermarkets connected to solar power.

### Renewable energy

At the end of FY19, 30 supermarkets had solar power; and we have plans to install solar power in a further 38 supermarkets in FY20. Importantly in FY18, we included solar on the blueprint when designing new stores. Solar will now be installed at all new stores where viable roof space exists.

In August 2019, in the first deal of its kind to be made by a major Australian retailer, Coles announced a 10-year agreement to purchase more than 70% of the electricity (the equivalent of 10% of Coles' national electricity use) generated by three solar power plants. The plants will be built and operated by global renewable power generation company Metka EGN outside the New South Wales regional centres of Wagga Wagga, Corowa and Junee.

Construction is targeted to begin in September 2019 and the plants are expected to begin operation in July 2020. The plants will supply more than 220 gigawatt hours of electricity into the national electricity grid.

### Building greener stores

We continue to add green initiatives to our new store blueprint and as part of our refurbishment of stores. These are incorporated wherever possible.

In addition, to including solar systems on all new stores where possible, our focus on energy savings extends to using outside air for ventilation in stores, installing energy-efficient hoods over bakery and chicken ovens and fitting LED lighting throughout stores, including LED lights within refrigerated cases and fixtures.

Combining refrigeration and air-conditioning systems into one central plant results in reduced capital and energy costs. We are also using chilled water from refrigeration plants for store air-conditioning, eliminating the need for separate air-conditioning plants. Similarly, we use waste heat from refrigeration racks for store heating and to heat water. These combinations result in energy saving and a reduction in refrigerant use.

Older style refrigerant gases have high GWP and contribute to greenhouse gas emissions. As a result we have successfully trialled CO<sub>2</sub> transcritical refrigeration plants in five of our new stores, delivering a minimum energy saving of 10% when compared with previous refrigeration designs. We have subsequently amended our Refrigeration Design Brief in southern Australian states while we trial the technology in warmer northern Australian climates. Our CO<sub>2</sub> transcritical refrigeration design has a lower indirect and direct emission profile.

During construction of our stores, we use recycled materials where possible, including using recycled material in wheel stops (rather than concrete) and recycled plastic rubbing rails in stock rooms for providing protection to cool rooms.



Sustainable environmental practices

## Waste and recycling

We are committed to reducing our environmental impact, including continuous investment in projects and partnerships to minimise waste and promote recycling.

With food at the core of our business, food waste and packaging are key sustainability issues for us.

114m

meals to people in need since 2003

REDcycle  
soft plastic recycling

in all supermarkets

95%  
of supermarkets and  
100%  
of distribution centres  
connected to food  
rescue partners

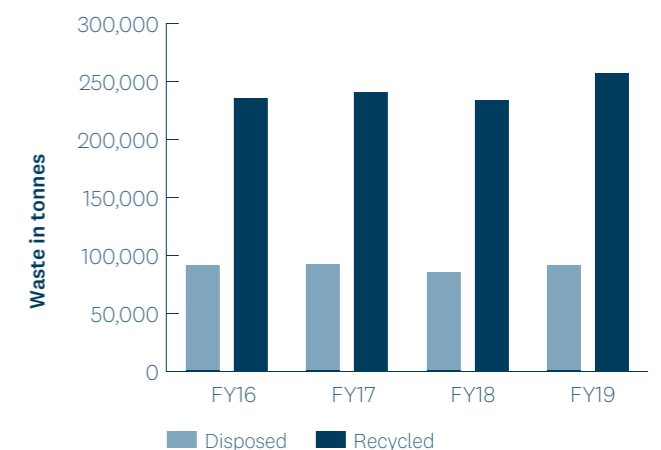
### Minimising waste and promoting recycling

Our largest sources of waste in supermarkets are cardboard and organic waste. We currently divert 74% of waste from landfill, an increase from 73% in FY18.

In June 2018, we publicly committed to:

- divert 90% of all waste from landfill by 2022;
- halve all food waste in our supermarkets by 2020;
- connect all Coles supermarkets with a food rescue organisation by the end of 2018;
- provide 100 million meals to Australians in need by 2020;
- work with suppliers to reduce food waste; and
- provide soft plastic recycling options in all our supermarkets.

Waste disposed and recycled:





Coles Southland team member Xavier processes food waste with an ORCA food digester. The food waste is digested by the ORCA then sent to the local waste water treatment facility.

### Food waste

Coles has a multi-faceted approach to managing food waste across our operations, including in stores and distribution centres, and within our supply chain more broadly.

An area where we made significant progress in FY19 was in reducing food waste. We met our 2020 target to provide 100 million meals to Australians in need one year ahead of plan and connected every Coles supermarket and distribution centre with a food waste solution. This means that rather than sending food to landfill, it is going to people in need, helping farmers feed their animals, being recycled into compost or converted into energy.

Our priority is to donate unsold edible food to food rescue organisations. At the end of FY19, 95% of Coles supermarkets and 100% of our distribution centres were connected to either SecondBite or Foodbank, diverting unsold edible food from landfill and supporting local communities.

In FY19, through our supermarkets and distribution centres, we donated the equivalent of almost 25 million meals to people in need. We provided 11.4 million kilograms, the equivalent of 22.9 million meals, of unsold edible food to SecondBite and 1.1 million kilograms, the equivalent of two million meals to Foodbank.\*

A key factor in meeting our food waste target early was our partnership with SecondBite. By increasing the number of supermarkets connected to the program and increasing the number of pickups from store, we increased food donations to SecondBite by 25% compared with FY18.

**By the end of FY19, we had donated the equivalent of 84.8 million meals to SecondBite since 2011 and the equivalent of 29.9 million meals to Foodbank since 2003.**

Many supermarkets also provide food waste directly to farmers for animal feed. In FY19, Coles donated 13.8 million kilograms to farmers, an increase of 11% compared with FY18.

In Western Australia and New South Wales, waste from some stores goes to anaerobic digestion plants where it is converted into clean energy and certified compost.

Organic bins were installed in more supermarkets during the year; and we also trialled new technology, including in-store digestors, for food not able to be diverted elsewhere.

We also work with suppliers to help reduce food waste and increase overall crop yields by redirecting produce that typically would not be sold in stores to other value-added products such as Own Brand zucchini noodles, sweet potato noodles, sweet potato chips, broccoli and cauliflower rice, as well as the Own Brand range of banana-based products.

\* SecondBite uses the conversion of total kilograms donated multiplied by two to determine equivalent meals. Foodbank uses the conversion of total kilograms donated divided by 0.555 to determine equivalent meals.



### Soft plastic recycling in all Coles supermarkets

Plastic packaging plays an important role in transporting products, extending product life, maintaining food safety and reducing food waste. However, we understand the difficulties in disposing of plastic; and, in conjunction with REDcycle, we now offer soft plastic recycling in all Coles supermarkets.

Coles was the first major Australian supermarket to roll out the program to all supermarkets. Customers can recycle plastic bags, as well as other soft plastic packaging that cannot be recycled through most household kerbside recycling services. Coles Online customers can give their soft plastics to their customer service agent, who returns it for recycling through REDcycle.

The REDcycle program continues to be popular, with the volume of soft plastics collected growing 32% in FY19. Since the REDcycle program began in 2011, Coles has diverted more than 715 million pieces (2.86 million kilograms) of flexible plastic from landfill across Australia.

Much of the plastic collected goes to Replas, who converts it into a range of uses, including playground equipment, materials for walkways in parks, bollards and the customer seats used in Coles supermarkets. REDcycle has also partnered with Downer EDI to provide soft plastic for road base.



REDcycle CEO Liz Kasell with Hugo and Lulu Harvey recycle soft plastics at the Coles supermarket at Southland. Coles was the first major Australian supermarket retailer to roll out soft plastic recycling at all supermarkets.

### Coles' first 'no food waste' supermarket

Coles Local in Surrey Hills, Victoria is our first 'no food waste' store. While unsold edible food is donated to SecondBite, the small format supermarket also features an ORCA food digester. The ORCA uses water and microbes to partly digest inedible food waste, which is then sent to a local waste water treatment plant.

### In-store cardboard and plastic

Cardboard remains Coles' biggest waste stream, accounting for 51% of all waste generated. Most of this is collected for recycling by our waste contractor.

In FY19, newly designed metal fixtures replaced cardboard ends of some aisles in more than 700 Coles supermarkets, resulting in a reduction of 4,563 tonnes of cardboard.

We continue to replace more corrugated cardboard, waxed cardboard and expanded polystyrene boxes with reusable plastic crates across our supply chain. At the end of FY19, working with over 400 suppliers, we had six million reusable plastic crates in circulation being used for fruit, vegetables, poultry, red meat and prepackaged salads. In addition to removing cardboard, waxed cardboard and expanded polystyrene from the supply chain, these crates help to reduce product damage, which cuts down on food waste.

Most plastic from our supermarket operations consists of clear pallet wrap and mixed plastic, such as plastic wrapping, fruit trays, strapping and other store and distribution packaging. Prior to China's restrictions on accepting waste from other countries, this plastic was collected and recycled, some overseas and some domestically, by our waste contractor. Since China's policy change, approximately half of our back-of-house plastic is being recycled, with the remainder going to general waste. We are working with our waste contractor to remedy this situation.

In July 2018, Coles stopped providing lightweight, single-use plastic shopping bags across all our stores, resulting in the removal of 1.7 billion plastic bags from Coles supermarkets. In supermarkets, a range of reusable bags was introduced, including an entry-level bag made from 80% recycled content, as well as community bags, designed by Australian school children, that support community organisations. More information can be found on pages 30 and 31 of this report.

In addition to providing soft plastic recycling in all Coles supermarkets, during FY19 we also supported the implementation of a container deposit scheme (CDS) in Queensland where we partner with Envirobank. Since the scheme launched on 1 November 2018, more than nine million containers have been returned to Coles in Queensland. In New South Wales, more than 160 million containers have been returned to Coles. South Australia, Northern Territory and the Australian Capital Territory each have a CDS; and Western Australia has announced it will launch one in June 2020.

We will look for ways to better align our customer facing promotional activity with our Sustainability Strategy.



Sustainable environmental practices

**Water.**

We understand the importance of protecting this vital resource and look to reduce water use wherever possible. In addition to our own operations, we are also supporting suppliers to reduce water consumption.

**Water management**

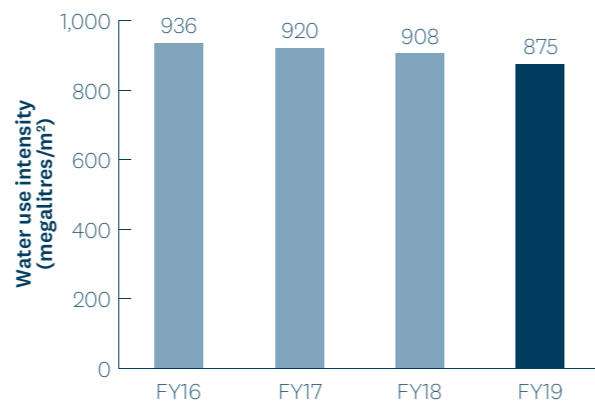
During FY19, several projects were initiated to reduce water use at our meat processing facility, Retail Ready Operations Australia (RROA), located at Erskine Park, New South Wales. We introduced a closed loop water recirculation system for the compressor units, resulting in improved water recovery.

RROA harvests rainwater through the roof drainage network, collecting the water in two tanks located onsite. This water is used to irrigate vegetation and gardens. During FY19, the replacement of non-native trees with native species resulted in 60% less water used for irrigation. This water has been diverted to other non-critical service applications.

Coles also installed smart water meters at 139 supermarkets in FY19, taking the total number of supermarkets with smart water meters to 251. These meters have helped save water, mainly through leak detection.

In FY19, the network of 55 car wash facilities at Coles Express were upgraded to improve customer experience and maintain our 5 Star Water Rating certification. Eighteen sites have been certified by the Australian Car Wash Association, with the remainder of the network to be formally certified in FY20. On average, each wash uses 58% recycled water. Coles Express fresh water usage in FY19 was 3% lower compared with FY18.

Water intensity:



**Supply chain**

Water is also used in our supply chain. Many of our fresh produce suppliers have been impacted by water-related events, including long-term drought, as well as flooding following significant storm events.

In FY19, Coles pledged \$5m from the Coles Nurture Fund to drought-affected farmers to embark on projects to help protect their businesses against drought in the long term. We raised a further \$11m for drought-affected farming communities through the Coles Dairy Drought Relief Fund and through fundraising to support the Country Women's Association's Drought Appeal.

Further details of Coles' contribution and support for drought-affected farmers can be found on pages 22 to 24.

**Shepparton suppliers reducing water use**

Brothers Con and Philip Damianopoulos, pear and apple suppliers, from Masalki in Shepparton, Victoria, are using \$400,000 support from the Coles Nurture Fund to install new humidity control technology.

The brothers say the new cool room technology will preserve their apples and pears at the highest quality, while removing the need for high volumes of plastic and water during the storing process.

Currently Masalki manually controls the humidity in cold store rooms by covering crates with plastic lids and flooding the floor with water. The new technology is expected to lead to an 80% reduction in the amount of water used during cooling and storing, as well as the removal of nearly two tonnes of plastic from landfill each year.

Pear size and quality can also be impacted by dehydration, leading to a shorter shelf life and reduced appearance and taste. The innovative technology will enhance apple and pear size and taste and lead to greater availability throughout the year.



Apple and pear growers Con and Philip Damianopoulos, from Masalki at Shepparton are using \$400,000 support from the Coles Nurture Fund to introduce new humidity control technology in their cool rooms. The humidity technology will reduce waste and water usage by up to 80%.

**PROUD MOMENT.**

**Toowoomba food producers combating drought:**

Fruit and vegetable growers Julia and Brian Crust (Brian pictured with their sons Matthew and Clinton), hope to increase their water storage by 20% by using \$183,000 support from the Coles Nurture Fund to line a dam on their property at Mt Sylvia near Toowoomba in Queensland. They also installed a new pumping station to reduce their use of water and power.





## Corporate governance and data security

Ethical and responsible behaviour; compliance with all laws, rules and regulations; and ensuring the security of our information systems are key priorities at Coles.

### Corporate governance

#### Coles Board and management

The Coles Board is responsible for Coles' overall corporate governance and is committed to protecting and optimising performance and building sustainable value. Members of the Board have extensive commercial, capital markets, board and governance experience combined with broad global and executive capabilities in international retailing, technology and communications, data and analytics, supply chain management and relationships in the fast-moving consumer goods sector.

Coles has three Board committees that allow for more detailed consideration of specific issues – the Audit and Risk Committee, the People and Culture Committee and the Nomination Committee.

The day-to-day management of Coles is the responsibility of the CEO, supported by the direct reports to the CEO. A key responsibility of the CEO is supporting a culture that promotes ethical and socially responsible behaviour. The CEO also has oversight of the risk management framework and systems, including internal compliance and control mechanisms. Management, through the Executive Leadership Team, reports regularly to the Coles Board.

Information on our corporate governance (including our key policies), our Board and Board committees can be found in the 2019 Annual Report and the Corporate Governance Statement.

#### Risk management

Coles is committed to the effective and robust management of risk. The Coles Audit and Risk Committee, supported by our independent internal audit function, assists the Board in fulfilling its responsibilities in overseeing compliance with legal and regulatory requirements and operations; overseeing the effectiveness of the enterprise risk framework, including the setting of risk parameters; and overseeing systems of internal control and the Risk Management Framework.

The Coles Risk Policy and Risk Management Framework require management to identify, assess, manage, escalate and report risks in an effective and efficient manner. They also ensure that our risk management system is consistently and comprehensively applied across all our operations.

More detail on how we manage risk is provided in the Coles 2019 Annual Report.

#### Compliance

The diversity of Coles' operations necessitates compliance with extensive legislative requirements at all levels of government. These include corporations law, competition and consumer law including the Grocery Code of Conduct and country of origin requirements, product and food safety, environment, council by-laws, privacy, workplace safety and bio-security.

Coles has a strong Compliance Framework, which sets out the standards, requirements and accountability for managing compliance obligations across the Group. Policies and procedures are supported by hard system controls where appropriate and

available. The framework is supported by assurance to ensure controls are in operation and operating effectively.

During FY19, there were no incidents of significant non-compliance with local laws and regulations that resulted in a significant fine or non-monetary sanction.

#### Ethical business conduct

Coles is committed to a high level of integrity and ethical standards in all its business practices. Team members must conduct themselves in a manner consistent with Coles' standards and in compliance with all relevant legislation that applies to Coles and our operations. Our Code of Conduct outlines how Coles expects all our Directors, team members and contractors to behave in the workplace and when conducting business. It includes legal compliance and guidelines on appropriate ethical standards, including responsibilities to the community and the environment.

Concerns about potential, suspected or actual misconduct within Coles or any breach of our Code of Conduct can be raised through Stoptime (1300 304 550), an independent and confidential reporting line. Coles' Whistleblower Policy details our commitment to ensuring that anyone who makes a report based on reasonable grounds is treated fairly and does not suffer any disadvantage.

#### Anti-bribery and corruption

Our Code of Conduct, Anti-bribery Policy and associated policies set out the responsibilities, standards and requirements Coles expects of team members, including requirements to act ethically in the best interests of Coles, act honestly and fairly, comply with all laws and company policies and report where they suspect a breach. Our Anti-bribery Policy also prohibits bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. A breach of any of these policies by Coles' team members may be regarded as serious misconduct, leading to disciplinary action, which may include termination of employment.

Coles has appointed an Anti-bribery Officer, and training on anti-bribery requirements is undertaken by team members to the extent applicable to their roles and is supported by policies, procedures and controls.

#### Policy development

We have a Public Affairs team that liaises with all levels of government on policy development and provides advice to Coles' businesses on government initiatives and policy with the potential to impact our operating model.

#### Political donations

Coles' Anti-bribery Policy stipulates that all Directors and team members are prohibited from making donations in cash or in kind to a political entity on behalf of Coles, other than in

accordance with Coles' Political Donations Policy. Our Political Donations Policy outlines the approach to paid attendance at certain events hosted by a political entity.

### Information security and customer privacy

Ensuring the security of our information and information systems is a priority for Coles. We are continuously improving our security controls to adapt to new and evolving online threats.

We also believe that encouraging security awareness among our team members contributes significantly to the overall security of Coles' systems and information. All team members and third parties that act on Coles' behalf must comply with Coles' Code of Conduct and Confidentiality Policy, which includes information security requirements regarding protection of information.

#### Customer privacy

We aim to be transparent and respectful regarding the use of personal information of customers, team members and partners. We understand the need to protect this information appropriately.

Comprehensive and robust privacy management is important because it builds trust between Coles and our stakeholders, facilitates good working relationships and ensures compliance with our obligations under privacy laws.

The Coles Privacy Policy applies to all Coles' companies and divisions and provides detailed information about the collection, use, sharing and protection of Coles' customer information.

The policy is implemented through our Privacy Framework, which includes privacy policies, training, compliance resources and privacy impact assessments.

The framework is supported by a robust governance structure, which includes the Coles Privacy Council, consisting of senior managers from within the Group. We have appointed a Privacy Officer and have a dedicated privacy team. We also make use of external resources who provide advice on a range of issues, including domestic and global privacy trends.

#### Information security

Like most businesses, Coles is increasingly reliant on information systems to enable efficient operations. We have developed a robust approach to managing information security, in an environment where the use of disruptive technologies is increasing and new security threats are emerging.

Coles has implemented a broad range of controls, based on understanding the risks to our systems and information. These controls leverage international and local standards and advice from industry experts to ensure we focus our attention on information security controls that are key to mitigating material risks.

We are also committed to the ongoing delivery of our cyber security program to continually improve our people, process, and technology controls.

## Stakeholder engagement and sustainability commitments.

As one of Australia's largest retailers, Coles is committed to meaningful engagement with our diverse group of internal and external stakeholders, through a variety of formal and informal settings.

We also support a range of external sustainability commitments and frameworks.

### Stakeholder engagement

Proactively engaging with stakeholders helps us identify, prioritise, address and communicate our sustainability impacts and opportunities. The frequency and nature of our engagements are designed to enable regular communication on key issues.

Through our membership of the United Nations Global Compact, we are involved in multi-stakeholder initiatives that address global challenges such as human rights and climate change.

#### Team members

We engage with our team members to share information and listen to feedback. The channels we use to reach Coles' team members include daily store and distribution centre communications, team meetings in stores and distribution centres, daily emails to Store Support Centres, internal social media, regular executive email communications, information sessions at Store Support Centres and a six-monthly team member engagement survey (mysay).

In May 2019, more than 80% (89,401) of team members responded to mysay. Our overall engagement score was 61%, an improvement of three percentage points in team member engagement compared with FY18.

We are also a key attractor of talent, with more than 600,000 applications to work at Coles each year. There are also many people with a keen interest in what is happening at Coles. This includes more than 100,000 followers on LinkedIn, an increase of more than 23% in the last year.

#### Customers

We value feedback from our customers and offer them a variety of channels to engage with Coles. These include in-store service counters, online Tell Coles surveys, social media, and direct calls and emails to the Coles Customer Care Centre.

The backbone of our customer satisfaction tracking is Tell Coles, a post-shop survey completed by over two million customers annually. Through this survey, we monitor customers' satisfaction with service, product availability, quality and price. This data is accessed by our cross-functional teams to ensure a high-quality experience for customers. At the end of FY19, customer satisfaction for Supermarkets was 87.7%.

**87.7%**

customer satisfaction for Supermarkets



Coles' Queensland State General Manager Jerry with Hummingbird House General Manager Dr Fiona Hawthorne (top left), Will Edwards (main picture) from Archie Rose Distilling Co. who received Nurture Fund support and Dylan from First Choice Liquor Market, Toorong, Victoria (bottom left).

### Community

We strive to build trusted relationships with the communities in which we operate through our partnerships with community and not-for-profit organisations.

Key engagement channels include local giving and fundraising, food donations and partnerships and sponsorships that benefit communities.

Coles partners with organisations such as SecondBite and Redkite that benefit communities across Australia. Beyond our partnerships, we provide support in the form of fundraising, donation boxes and team member volunteering.

### Shareholders and analysts

In June 2019, we held our first Investor Day since becoming an ASX-listed entity. Our first annual general meeting will be held in November 2019.

Other key engagement channels include quarterly sales calls, half-year and full-year investor briefings, webcasts and ASX releases.

We also respond to various investor questionnaires and benchmarking assessments on environmental, social and governance topics. These include the Dow Jones Sustainability Index, the Corporate Human Rights Benchmark, the Business Benchmark on Farm Animal Welfare, Know the Chain and the Farm Animal Investment Risk and Return Benchmark.

### Suppliers and manufacturers

Sound relationships with our suppliers underpin our commitment to responsible sourcing and supplier accountability. Our engagement starts with onboarding and continues through ongoing meetings, site visits, audits and training.

Our online supplier portal contains information about our mandatory compliance standards.

Coles also hosts an annual supplier conference, and we recognise our top-performing suppliers at an annual Supplier Awards ceremony.

### Media

Coles engages with the media directly, as well as through media releases and webcasts, on a range of issues about our business.

### Unions

The terms and conditions of employment of more than 89.8% of Coles' team members are set through enterprise bargaining agreements. We liaise on a regular basis with the unions that represent our team members.

We support freedom of association and collective bargaining. More information can be found on page 40 of this report.



Team members Puneet, Neha and Daniel (left to right) from Coles Express Surrey Hills, Victoria.

**Government**

Coles' Public Affairs team engages with commonwealth, state and local governments on a regular basis regarding issues that affect Coles, our customers and our suppliers. Coles also contributes to the development of public policy through a variety of channels such as participating in government inquiries, working groups, industry associations and forums.

We are represented on a range of government committees, including the Healthy Food Partnership and the Fair Work Ombudsman Horticulture Reference Group. Coles is also represented on the Trusted Information Sharing Network for Critical Infrastructure Resilience, and one of our team members chairs the Food and Grocery Sector Resilience Group.

**Industry Associations**

We work with peak national bodies representing farmers, manufacturers and suppliers across Australia on a range of issues. For example, we participate in the Australian Beef Sustainability Framework, an initiative of the Red Meat Advisory Council and managed by Meat and Livestock Australia.

We are members of industry associations such as the Business Council of Australia and Retail Drinks Australia, which provide us with the opportunity to participate in forums and contribute to public policy debate. We are also members of the Australian Packaging Covenant, and we are represented on several of its committees.

**Standards and certification bodies**

Coles is represented on the Global Food Safety Initiative Australia and New Zealand.

We use independent certification programs such as Fairtrade and Rainforest Alliance/UTZ to source Own Brand cocoa, coffee and tea; the Roundtable on Sustainable Palm Oil for products containing sustainable palm oil; and Supplier Ethical Data Exchange (Sedex), which helps to identify human rights risks in our supply chain.

**Non-government organisations and research bodies**

To advance positive outcomes for people and our planet, we engage with non-government organisations and research bodies on diverse topics such as human rights, animal welfare, climate change, and health and nutrition.

**Sustainability commitments**

We support the United Nations Sustainable Development Goals (UNSDGs) and the recommendations of the Taskforce on Climate Related Financial Disclosures. We are also a member of the United Nations Global Compact (UNGC).

We report in accordance with the Global Reporting Initiative (GRI) the most widely used standard for sustainability reporting. Our GRI Index, which also contains our response to the UNGC, can be found on our website [www.colesgroup.com.au](http://www.colesgroup.com.au).

**United Nations Global Compact**

In FY19, Coles joined the UNGC, the world's largest corporate sustainability initiative. The UNGC's ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

This Sustainability Report serves as our Communication on Progress on how we are implementing the UNGC's principles and supporting its broader development objectives in the areas of human rights, labour, anti-corruption and the environment.

**United Nations Sustainable Development Goals**

The SDGs are the United Nation's plan for a better future for people and our planet. The SDGs consist of 17 goals for global development.

Coles' purpose to sustainably feed all Australians to help them lead healthier, happier lives is aligned with and supports the achievement of the SDGs as detailed below.

Our Sustainability Strategy will play a key role in realising these goals through our focus areas of sustainable communities, sustainable products and sustainable environmental practices. Some SDGs align with several elements of our Sustainability Strategy such as SDG 17 which is supported by sustainable communities and sustainable products.

**United Nations Global Compact principles**

- Human rights principles**
- 1** Businesses should support and respect the protection of internationally proclaimed human rights.
- 2** Businesses should make sure that they are not complicit in human rights abuses.
- Labour principles**
- 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5** Businesses should uphold the effective abolition of child labour.
- 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Environment principles**
- 7** Businesses should support a precautionary approach to environmental challenges.
- 8** Businesses should undertake initiatives to promote greater environmental responsibility.
- 9** Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Anti-corruption principles**
- 10** Businesses should work against corruption in all its forms, including extortion and bribery.

**Sustainable Development Goals**

Sustainable communities		Sustainable products		Sustainable environmental practices	
SDG	Coles' contribution	SDG	Coles' contribution	SDG	Coles' contribution
<b>2 ZERO HUNGER</b>	We are directly aligned with this goal through our commitment to alleviate hunger in communities by donating unsold edible food.	<b>8 DECENT WORK AND ECONOMIC GROWTH</b>	Our health and safety initiatives, the thousands of new jobs we create each year, and our commitment to protect human rights in our operations and supply chain contribute to the objectives of decent work and economic growth.	<b>13 CLIMATE ACTION</b>	We advance the objective of this goal through our investments in energy efficiency and reducing greenhouse gas emissions. The implementation of a Climate Change Strategy will further our response to climate change.
<b>3 GOOD HEALTH AND WELL-BEING</b>	In addition to the healthy and nutritious products we provide, we promote health and wellbeing to our team members, our customers and the community.	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	Our ethical sourcing requirements and our sustainable packaging commitments play an important role in the sustainable manufacturing, production and consumption of products.	<b>14 LIFE BELOW WATER</b>	All Own Brand seafood is responsibly sourced to help ensure the future sustainability of marine ecosystems.
<b>5 GENDER EQUALITY</b>	Coles' commitment to an inclusive workplace and gender equality starts at the top, with a diverse Board of Directors and a goal of achieving 40% representation of women in leadership positions at an organisational level by 2023.	<b>17 PARTNERSHIPS FOR THE GOALS</b>	We have partnerships throughout our supply chains to deliver sustainable outcomes.	<b>15 LIFE ON LAND</b>	Our sustainable sourcing commitments and product certifications support environmental biodiversity.
<b>10 REDUCED INEQUALITIES</b>					

## Our data.

### Team members<sup>1</sup>

**113,000+**  
team members

**51%-49%**  
female male  
team members

**40%**  
women  
in Executive Leadership Team  
and general manager roles

#### Team members - category and diversity<sup>2</sup>

	Gender (and %)				Age Group								
	Total	Female	%	Male	%	Under 30	%	30-39	%	40-49	%	50 and Over	%
Non-executive Directors <sup>3</sup>	7	3	42.9%	4	57.1%	-	0%	-	0%	2	28.6%	5	71.4%
Executive Team and General Managers <sup>3</sup>	70	28	40.0%	42	60.0%	-	0%	11	15.7%	43	61.4%	16	22.9%
All Salaried Employees <sup>4</sup> (Managers/Professional)	11,598	4,896	42.2%	6,701	57.8%	2,557	22.0%	4,166	35.9%	3,034	26.2%	1,841	15.9%
All Employees <sup>4</sup>	113,409	58,001	51.1%	55,408	48.9%	54,866	48.4%	22,544	19.9%	17,072	15.1%	18,928	16.7%

#### Team member hires and turnover by gender, age and region

Gender	Total	Hires		Turnover	
		Total	%	Total	%
Female	15,065	15,065	42.9%	13,625	23.5%
Male	17,877	17,877	57.1%	16,601	30.0%

Age	Total	Hires		Turnover	
		Total	%	Total	%
Under 30	23,983	23,983	22.0%	19,409	35.4%
30-39	4,232	4,232	19.9%	5,175	23.0%
40-49	2,264	2,264	15.1%	2,846	16.7%
50 and over	2,463	2,463	15.1%	2,796	14.8%

Region	Total	Hires		Turnover	
		Total	%	Total	%
ACT	616	616	42.9%	649	39.9%
NSW	9,424	9,424	51.1%	9,285	28.1%
NT	434	434	42.9%	438	42.8%
QLD	6,398	6,398	51.1%	5,663	25.1%
SA	1,761	1,761	51.1%	1,341	19.3%
TAS	560	560	51.1%	507	23.6%
VIC	9,961	9,961	51.1%	8,546	25.8%
WA	3,788	3,788	51.1%	3,797	29.4%

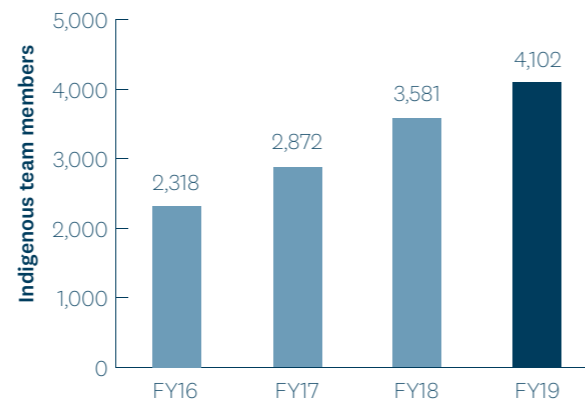
#### Team member turnover by employment type

	Turnover		% Turnover		
	Female	Male	Female	Male	Overall %
<b>Perm</b>	4,690	5,847	12.3%	16.9%	14.5%
Full Time	940	1,839	8.9%	12.5%	11.0%
Part Time	3,750	4,008	13.7%	20.1%	16.4%
<b>Fixed Term</b>	99	90	16.4%	17.8%	17.1%
<b>Casual</b>	8,836	10,664	45.6%	52.4%	49.1%
<b>Overall</b>	13,625	16,601	23.5%	30.0%	26.7%

#### Indigenous team members<sup>5</sup>

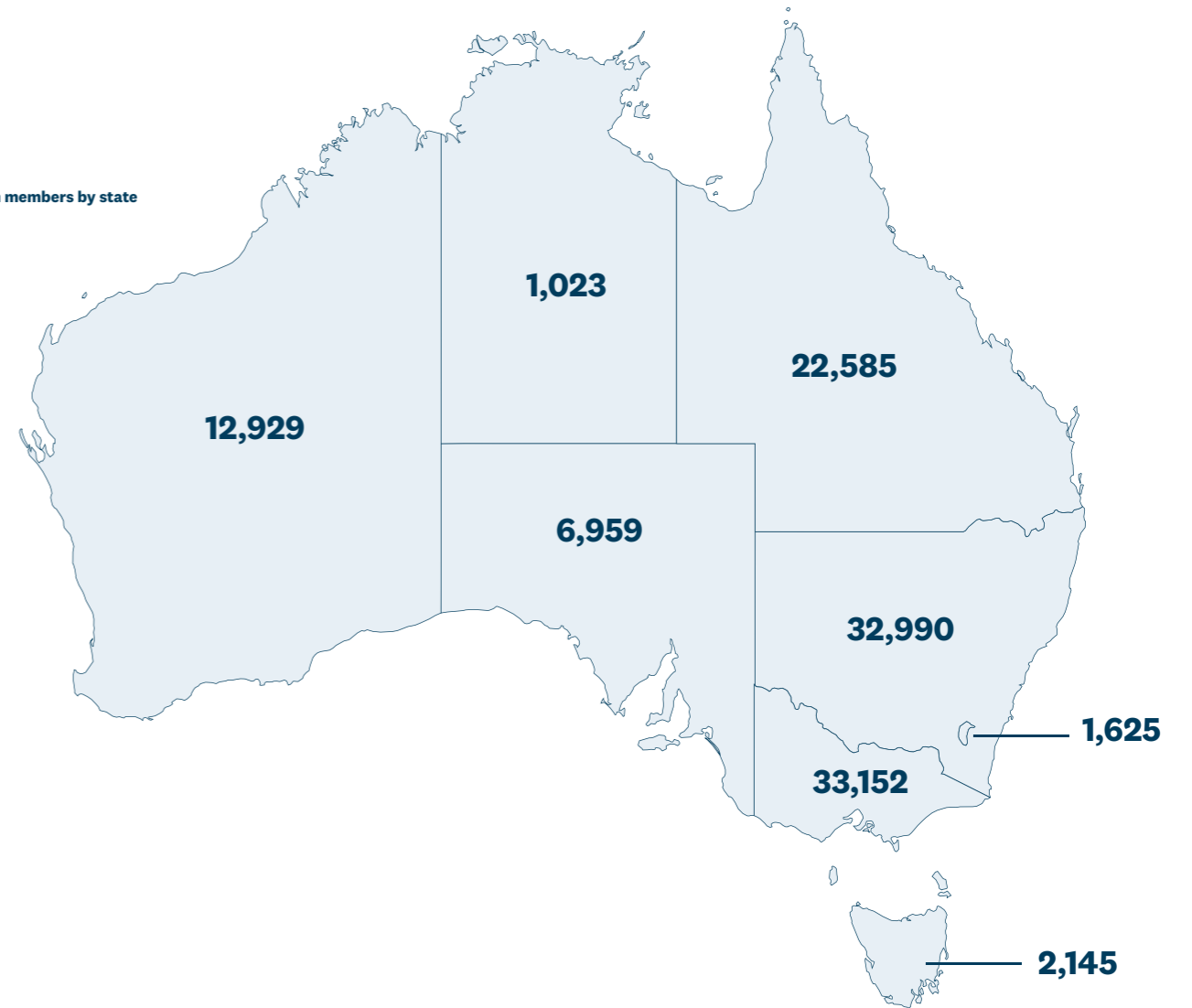
**4,100+**  
Indigenous  
team members

**3.6%**  
of total workforce



<sup>1</sup>Excludes Retail Ready Operations Australia (RROA), flybuys, Chef Fresh and Spirit Hotels  
<sup>2</sup>These positions are defined through job evaluation methodology  
<sup>3</sup>As at 30 June 2019  
<sup>4</sup>Average for FY19  
<sup>5</sup>Includes Spirit Hotels

#### Team members by state

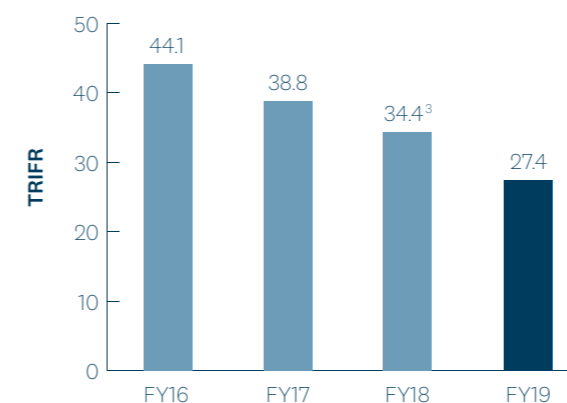


#### Team members - employment type, gender and region (FY19 Avg.)

	Total	Female	Male	Region							
				ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Permanent	72,573	38,026	34,547	1,027	20,440	610	14,990	4,487	1,353	21,065	8,601
Full-time	25,230	10,575	14,655	337	6,812	273	5,233	1,534	401	7,690	2,950
Part-time	47,343	27,451	19,893	690	13,628	337	9,756	2,953	952	13,375	5,651
Fixed term	1,108	602	506	4	208	5	170	29	39	569	84
Casual	39,728	19,373	20,355	593	12,343	408	7,426	2,443	753	11,519	4,244
<b>Total</b>	<b>113,409</b>	<b>58,001</b>	<b>55,408</b>	<b>1,625</b>	<b>32,990</b>	<b>1,023</b>	<b>22,585</b>	<b>6,959</b>	<b>2,145</b>	<b>33,152</b>	<b>12,929</b>

### Health and safety<sup>1</sup>

#### Total recordable injury frequency rate (TRIFR)<sup>2</sup>



**↓ 38%**  
TRIFR over past four years

#### Workers' compensation claims

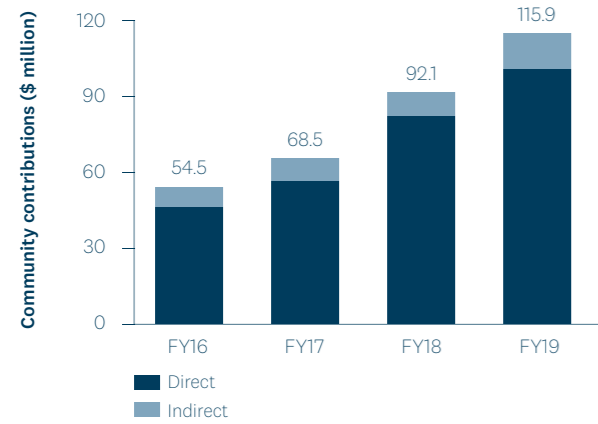
Fiscal Year	Workers' compensation claims
FY2016:	5,059
FY2017:	4,502
FY2018:	4,133
FY2019:	3,490

<sup>1</sup>Includes flybuys, RROA and Chef Fresh.  
<sup>2</sup>TRIFR is the number of all injury types per million hours worked.  
<sup>3</sup>Restated due to maturation of data.

# Our data.

## Community

Community contributions (\$ million)- direct<sup>1</sup> and indirect<sup>2</sup>



# \$115m

community investment

↑ 26% from FY18

FY2016:		FY2017:		FY2018:		FY2019:	
Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
46.7	7.8	59.6	9.0	82.7	9.4	101.7	14.2

<sup>1</sup>Direct contributions include cash, product at cost, management fees and in-kind contributions at cost. This approach is consistent with the methodology outlined in the London Benchmarking Group Guidance on community contributions.

<sup>2</sup>Indirect contributions are those made by others where a Coles business facilitated and supported the contribution, such as customer donations to an appeal at point of sale. This approach is consistent with the methodology outlined in the London Benchmarking Group Guidance on community contributions.



Equivalent  
**22.9m**  
meals to SecondBite in FY19,  
equivalent of 84.8m meals to  
SecondBite since 2011



**\$4.8m**  
in contributions in FY19  
and \$34m since 2013



**\$800,000**  
in sports equipment grants  
in FY19 and 2.5m bananas  
donated since 2017



**\$5m**  
from Nurture Fund for drought  
relief, total \$16m support to  
drought-affected farmers in FY19

## Suppliers

# \$32.1bn

in supplier and services spend

# 50

Indigenous suppliers

# 96%

Own Brand fresh produce sourced from  
Australian suppliers

# 7,000+

suppliers including approximately  
**770 Own Brand suppliers**

# 550+

third-party ethical audits  
conducted at supplier sites

# 100%

Own Brand fresh lamb, pork, chicken,  
beef, milk and eggs sourced from  
Australian suppliers.

## Environment

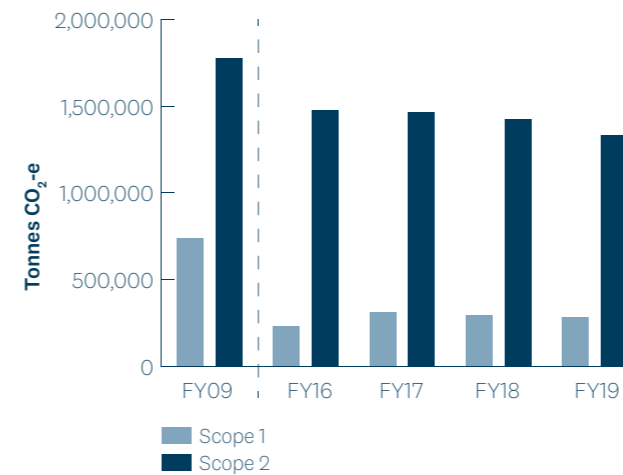
Scope 1 & 2<sup>1</sup> and Scope 3<sup>2</sup> Greenhouse gas emissions (tonnes CO<sub>2</sub>-e)

	FY2016:	FY2017:	FY2018:	FY2019:
Scope 1	233,599	312,650	298,429	282,936
Scope 2	1,478,237	1,463,378	1,422,681	1,333,825
Scope 3	328,687	348,507	322,749	302,935

Greenhouse gas emissions intensity – Scope 1 and 2 (tonnes CO<sub>2</sub>-e/m<sup>2</sup>)<sup>3</sup>

	FY2016:	FY2017:	FY2018:	FY2019:
Scope 1	0.06	0.08	0.08	0.07
Scope 2	0.41	0.39	0.38	0.35
Scope 3	0.09	0.09	0.09	0.08

Greenhouse gas emissions:



↓ **6%**

reduction in Scope 1 and 2  
emissions compared with FY18

↓ **36%**

reduction in greenhouse emissions  
since 2009 – four years ahead of  
our 2020 targets

Energy (PJ)<sup>4</sup>

FY2016:	FY2017:	FY2018:	FY2019:
6.94	7.78	7.76	6.73

Energy intensity (MJ/m<sup>2</sup>)<sup>5</sup>

FY2016:	FY2017:	FY2018:	FY2019:
1,909	2,096	2,057	1,751

Electricity (kWh)<sup>6</sup>

FY2016:	FY2017:	FY2018:	FY2019:
1,756,974,510	1,745,583,044	1,717,586,575	1,659,765,655

Electricity intensity (kWh/m<sup>2</sup>)<sup>7</sup>

FY2016:	FY2017:	FY2018:	FY2019:
483.4	470.1	455.4	432.1

Water use (ML)<sup>8</sup>

FY2016:	FY2017:	FY2018:	FY2019:
3,404	3,415	3,425	3,363

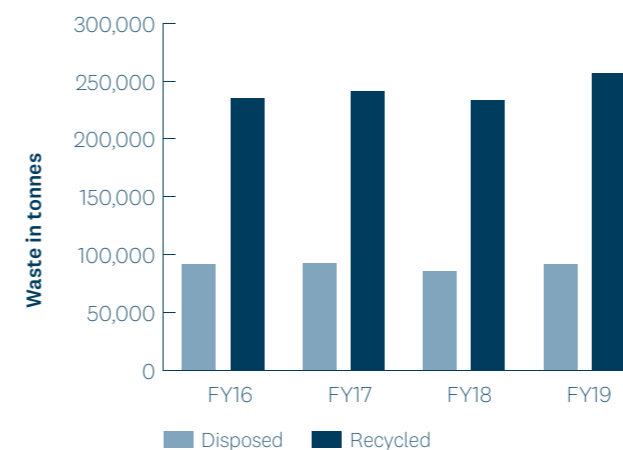
Water use intensity (ML/m<sup>2</sup>)<sup>9</sup>

FY2016:	FY2017:	FY2018:	FY2019:
936	920	908	875

Waste (tonnes)<sup>6</sup> – disposed<sup>7</sup> and recycled<sup>8</sup>

FY2016:		FY2017:		FY2018:		FY2019:	
Disposed	Recycled	Disposed	Recycled	Disposed	Recycled	Disposed	Recycled
91,315	235,288	92,596	240,982	85,278	233,719	91,604	256,946

Waste disposed and recycled:



<sup>1</sup>Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act (excludes Spirit Hotels for full year)

<sup>2</sup>Scope 3 data includes the indirect component of our Scope 1 and 2 emissions such as transmitting the electricity we use, emissions from waste disposal and air travel

<sup>3</sup>Ratio includes consumption within the organisation only, divided by gross lettable area

<sup>4</sup>Excludes Spirit Hotels for full year

<sup>5</sup>Includes RROA

<sup>6</sup>Includes Spirit Hotels for full year

<sup>7</sup>Waste to landfill

<sup>8</sup>Material diverted from landfill, eg. reused, recycled, repurposed, composted or converted to energy



## Independent Limited Assurance Statement to the Management and Directors of Coles Group Limited

### Our Conclusion:

Ernst & Young ('EY', 'we') was engaged by Coles Group Limited ('Coles') to undertake limited assurance as defined by Australian Audit Standards, hereafter referred to as a 'review', over selected disclosures included in Coles' 2019 Sustainability Report ('the Report') for the year ended 30 June 2019. Based on our review, nothing has come to our attention that caused us to believe that the selected disclosures presented below, have not been prepared and presented fairly, in all material respects, in accordance with the criteria detailed below.

### What our review covered:

We reviewed Coles' selected disclosures, listed below, as disclosed in the Report, for the year ended 30 June 2019.

Selected Disclosures		Page reference:
People	Indigenous employment (Aboriginal and Torres Strait Islander peoples) (Headcount)	68
	Total workforce (by gender, region, age and employment type) (Headcount, %)	68-69
	Women in leadership positions (%)	14
Health and Safety	Total recordable injury frequency rate (TRIFR)	69
Environment	Greenhouse gas emissions (Scope 1, 2 and 3) (tCO <sub>2</sub> -e)	71
	Energy consumption (PJ)	71
	Water consumption (ML)	71
	Waste recycled and disposed (Tonnes)	71
Supply Chain	Ethical sourcing audit data (Number of supplier sites audited and results)	41
	Product safety incidents and recalls (Number)	44
Packaging	% of Own Brand packaging recyclable through kerbside services or through REDcycle soft plastics recycling	47
	% recycled content in new fresh produce bags in supermarkets	47

### Criteria applied by Coles

In preparing the selected disclosures, Coles applied:

- ▶ Specific criteria from the Global Reporting Initiative Standards
- ▶ Coles' publicly disclosed criteria as detailed in the Report.

### Key responsibilities

#### EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on Coles' selected disclosures included in the Report. We were also responsible for maintaining our independence and confirm that we have met the requirements of the *APES 110 Code of Ethics for Professional Accountants* including independence and have the required competencies and experience to conduct this assurance engagement.

#### Coles' responsibility

Coles' management was responsible for selecting the Criteria, and fairly presenting the selected disclosures in accordance with that Criteria. This responsibility included establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances

### Our approach to conducting the review

We conducted this review in accordance with the *Australian Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and the terms of reference for this engagement as agreed with Coles on 18 June 2019.

### Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the selected disclosures and related information, and applying analytical and other review procedures including:

- ▶ conducting a high-level media and peer review to support accuracy and completeness of selected disclosures
- ▶ conducting interviews with key personnel at corporate and selected sites to understand Coles' process for collecting, collating and reporting the selected disclosures during the reporting period
- ▶ undertaking site visits to confirm the completeness of boundary and sources of energy and greenhouse gas emissions
- ▶ checking that the Criteria has been reasonably applied in preparing the selected disclosures;
- ▶ checking the reasonableness of assumptions;
- ▶ inquiring of personnel to identify risks of underreporting and quality controls;
- ▶ undertaking data analytics to check the reasonableness of the data supporting disclosures;
- ▶ performing recalculations of performance metrics to confirm quantities stated were replicable;
- ▶ comparing classification of safety incidents against the Coles Standard Operating Procedures to confirm accuracy and consistency across the business;
- ▶ obtaining a sample of supplier audits to confirm existence and accuracy of classification;
- ▶ checking aggregation of selected disclosures and transcription to the Report; and
- ▶ checking the appropriateness of the presentation relating to the selected disclosures.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

### Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

### Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance statement, or on the selected disclosures to which it relates, to any persons other than the management and the Directors of Coles, or for any purpose other than that for which it was prepared. Our review included web-based information that was available via web links as of the date of this assurance statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young  
Melbourne, Australia  
20 September 2019

Meg Fricke  
Partner

### About this Sustainability Report

This Sustainability Report presents the Sustainability Strategy and sustainability performance of Coles Group Limited for the period 1 July 2018 to 30 June 2019 (FY19). The report focuses on what matters most to our stakeholders and our business. Further information on sustainability at Coles is available online at [www.colesgroup.com.au](http://www.colesgroup.com.au).

Prior to FY19, Coles' performance was reported under Wesfarmers Limited. Coles demerged from Wesfarmers in November 2018.

In this report, the terms 'Coles', 'the Company', 'the Group', 'our business', 'organisation', 'we', 'us', 'our' and 'ourselves' refer to Coles Group Limited and our respective entities as defined in Coles' 2019 Annual Report.

EY has provided independent limited assurance in respect to selected disclosures in this Sustainability Report. EY's assurance statement can be found on page 72 of this report.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI Index for this report is available online at [www.colesgroup.com.au](http://www.colesgroup.com.au).

All financial data in this Sustainability Report is in Australian dollars.

Anyone seeking to use information in this Sustainability Report to draw conclusions from the data presented should email [investor.relations@colesgroup.com.au](mailto:investor.relations@colesgroup.com.au) for assistance.

We welcome feedback on this report. For more information or to provide comments, please contact us at [sustainability@coles.com.au](mailto:sustainability@coles.com.au).

### Report boundary

This report contains information for all Coles' wholly owned businesses as at the date of this report and, for wholly owned businesses that were part of the Group during the current or comparative period, information up to the date ownership was transferred (unless otherwise stated). Information presented for Coles Supermarkets includes information for Chef Fresh and Retail Ready Operations Australia (RROA).

In addition, this report includes information relating to the retail liquor business that forms part of Coles' incorporated joint venture with Australian Venue Co Pty Limited.

RROA is our meat processing facility located in Erskine Park, New South Wales and Chef Fresh is our value added facility providing convenient food solutions located in Geelong, Victoria.

### Corporate directory

Registered office:

800-838 Toorak Road  
Hawthorn East VIC 3123

Telephone: +61 3 9829 5111

Website: [www.colesgroup.com.au](http://www.colesgroup.com.au)

*Front Cover: Store Support Centre team members Tim, Indigenous Talent Acquisition Specialist and Bonny, Product Technologist, are two of our more than 4,100 Indigenous team members. Coles is the largest private-sector employer of Indigenous Australians.*

*The background design portrays a bush tomato uniquely arranged to represent Coles' national community, aspiring towards greater confidence, welcoming pathways and respectful self-pride. The circular rings radiate expressing our ambitions, development and success in our life cycle and beyond.*

*The original artwork design was created for Coles by Marcus Lee Design.*



**Coles Group Limited**

ABN 11 004 089 936

800-838 Toorak Road

Hawthorn East VIC 3123