

20 October 2023

Mr Lachlan Wilson
Committee Secretary
House of Representatives Standing Committee on Economics
Parliament House
Canberra ACT 2600

By email: economics.reps@aph.gov.au

Dear Mr Wilson

QUESTIONS ON NOTICE

At the Committee hearing on 25 July 2023 Coles took some questions on notice. Please find our responses below.

EBITDA for the last five to six years & Profit margin five years ago

The demerger of Coles from Wesfarmers occurred in 2018. Coles Group was listed on the Australian Securities Exchange on 21 November 2018, therefore please find below EBITDA data for each of our full year reporting periods for that time.

| Coles Group margins | | FY20 | FY21 | FY22 | FY23 |
|---|-----|------|-------|-------|-------|
| Group EBITDA – continuing operations | % | 8.7% | 8.9% | 8.5% | 8.4% |
| Group EBIT – continuing operations | % | 4.7% | 4.9% | 4.8% | 4.6% |
| Group Net Profit After Tax – continuing operations | % | 2.6% | 2.6% | 2.7% | 2.6% |
| Group Net Profit After Tax – continuing % discontinued operations | % | 2.6% | 2.6% | 2.7% | 2.6% |
| Gross operating capital expenditure | \$m | 833 | 1,111 | 1,199 | 1,356 |
| Total gross operating capital expenditure (FY20-FY23) | \$m | | | | 4,499 |

Supply chain costs

International shipping costs have reduced from the peak caused by container shortages during COVID. However, as an Australian business with a national network road freight represents more than 80 per cent of Coles' freight task supplemented by rail. Freight service costs continue to surge, driven by labour costs which are a major component of the cost structure of the industry, demand for suitably qualified drivers and high fuel costs.

The EBA process

Enterprise Bargaining is an important process for our business. Coles' Employee Relations team manages numerous enterprise agreements and dedicates a significant amount of time negotiating these instruments. This process can be resource intensive due to the complexity of the industrial relations system and the bargaining process.

Food and Grocery Code of Conduct

In 2021-22 the Coles Code Arbiter received two complaints.

As required under the Code, the Code Arbiter operates independently of Coles. The recommendations made by the Independent Reviewer were not addressed to Coles; they were proposed directly by the Independent Reviewer to the Code Arbiter.

We are aware the Code Arbiter formally responded to the Independent Reviewer with reasons he rejected the recommendations.

Treasury has advised Coles they have completed their review of the dispute resolution provisions of the Food and Grocery Code of Conduct and have provided recommendations to the Minister for consideration. Coles will comply with any amendments made to the Food and Grocery Code of Conduct.

Yours sincerely



Vittoria Bon

Government and Industry Relations Manager
Coles Group