

Questions on Notice

01. When your competitor takes a price decrease on an item – have you ever requested that a supplier assists you in matching this price through additional funding or discounts?

Coles may from time-to-time work with suppliers across the supply chain to maintain price competitiveness through promotions and other marketing initiatives. This is to ensure that Coles remains competitive with other retailers and can offer customers a strong value proposition.

02. Do you index the retail price of goods you retail against your grocery competitors?

Coles undertakes regular market scans to assess our price competitiveness. Coles has kept price inflation in our supermarkets below the rate reported by the Australian Bureau of Statistics for Food and non-alcoholic drinks Consumer Price Index (CPI) for the past 18 quarters.

03. What percentage of price increases are initiated by the supplier?

We received over 3,800 price increase requests from suppliers between 1 July 2022 and 30 June 2023, which is equivalent to approximately 73 requests per week in FY23, largely driven by inflation and increases in global commodity prices.

04. Over the last 5 years, have you ever increased your price even though the supplier has not initiated a price increase?

Shelf price increases that have not been supplier initiated in the past five years are largely driven by indirect cost increases. The cost Coles pays to a supplier is not the only cost involved in retailing the product, and the cost of doing business has increased: energy, labour, logistics and packaging costs have all risen, resulting in a \$1.4b increase in Coles annual operating costs in the last five financial years.

05. Are category managers required (or encouraged) to increase their margin percentage year on year?

Category managers have a range of performance goals that are aligned with Coles' broader strategy.

06. What are the KPIs for category managers?

Performance goals vary across team members but are grouped according to financial, customer, strategy, operations and safety and people goals.

07. What are the KPIs for executives?

The executive team are assigned a number of performance goals. These are disclosed in the Coles Group Annual Report, which is publicly available.

08. Do category managers receive bonuses?

Category managers are eligible to receive bonuses based on achieving performance requirements and the overall performance of the business.

08a. If so, what are the conditions for receiving bonuses?

Provision of bonuses depend on the performance of category managers against their performance goals and the overall performance of the business.

09. Do executives receive bonuses?

The executive team are assigned a number of performance goals. These are disclosed in the Coles Group Annual Report, which is publicly available.

09a. If so, what are the conditions for receiving bonuses?

Provision of bonuses depend on the performance of the executive against their performance goals and the overall performance of the business.

Q10. With new suppliers who are in perishable categories such as fresh, dairy, meat etc. do you request they contribute to waste as part of terms set up?

Aligned to the Grocery Code, Coles' claims for wastage must be reasonable and in accordance with any trading agreement between the supplier and Coles.

Q11. With new suppliers who are in perishable categories such as fresh, dairy, meat etc. do you request they contribute to markdowns as part of terms set up?

Coles' interactions with suppliers are governed by the Food and Grocery Code of Conduct. Aligned to the Grocery Code, Coles' claims related to wastage must be reasonable and in accordance with any trading agreement between Coles and the supplier.

Q12. Are there instances when a supplier wishes to price discount their items that you expect to make more margin % by only reflecting the discount amount from the retail price?

Coles' interactions with suppliers regarding promotions are governed by the Food and Grocery Code of Conduct. While supplier prices and variations may impact the ultimate shelf price, they are not the sole determinant. Pricing decisions balance a number of factors, which also include indirect costs (e.g., energy, labour, logistics and packaging) and the broader competitive environment.

Q13. Do range agreements with large suppliers exist in any of your categories? For example, where a supplier pays you money in exchange for space and potential exclusion of other suppliers or competitors?

Coles' ranging principles are available online in accordance with the Food and Grocery Code of Conduct.

Coles' interactions with suppliers are governed by the Food and Grocery Code of Conduct. The Grocery Code prohibits receipting payment in exchange for shelf space.

Q14. When category managers range new products, is part of the acceptance criteria that the new product provides category average or above average category margin?

Coles has a standard process to provide opportunities to range new products.

The buying team consider a range of criteria in selecting new products, such as comparison to Coles' existing offerings, sustainability and customer demand.

Q15. When considering a price drop campaign or EDLP (everyday low price) – do you decrease your blended margin in order to do this?

Some price decreases are solely funded by Coles, some are solely funded by the supplier and some are funded by both Coles and the supplier.

Q15a. Do you have suppliers fund the price decrease to increase your absolute blended margin as a result?

Some price decreases are solely funded by Coles, some are solely funded by the supplier and some are funded by both Coles and the supplier.

Q16. Do you have a policy or guidelines to guide price increases? If so, please provide a copy of the policy to the committee.

Coles' Price Alteration Policy is available online and it complies with the Food and Grocery Code of Conduct. The Policy can be found [here](#).

Q17. What processes do you have to manage price increase requests? What due diligence do you undertake?

Consistent with the Food and Grocery Code of Conduct, Coles responds to all Cost Price Alteration requests in a timely manner and seeks to achieve an outcome that balances the needs of our customers, our value proposition and the competitive environment.

Q18. Who is ultimately responsible in your business for approving price increases?

Price increases are generally approved by category managers.

Q19. In the last 5 years, have you ever requested suppliers supply goods on consignment? If yes, for which categories?

Consignment is not common practice in our stores, however, we do have agreements where goods are supplied on consignment in categories such as magazines, gift cards and scoop and weigh.

Q20. In the last 5 years, have you ever taken price increases on suppliers' items even when they have not requested a price increase on that item? If so, for what reason?

Shelf price increases that have not been supplier initiated in the past five years are largely driven by indirect cost increases. The cost Coles pays to a supplier is not the only cost involved in retailing the product, and the cost of doing business has increased: energy, labour, logistics and packaging costs have all risen, resulting in a \$1.4b increase in Coles annual operating costs in the last five financial years.

Coles has also decreased some prices without supplier contribution.

Q21. In the last 5 years, when you agree to a manufacturer/supplier price increase request, have you increased your gross margin % on the product?

While supplier prices and variations may impact the ultimate shelf price, they are not the sole determinant. Pricing decisions balance a number of factors, which also include indirect costs (e.g., energy, labour, logistics and packaging) and the broader competitive environment.

Q22. In the last 5 years, when you agree to a manufacturer/supplier price increase request, have you maintained your gross margin % on the product?

While supplier prices and variations may impact the ultimate shelf price, they are not the sole determinant. Pricing decisions balance a number of factors, which also include indirect costs (e.g., energy, labour, logistics and packaging) and the broader competitive environment.

Q23. When you introduce a standard or premium private label sku into a category – is this done based on your average category margin to date or a higher margin?

The buying team consider a range of criteria in selecting new products, such as comparison to Coles' existing offerings, sustainability, customer demand, and more.

Q24. Over the past 10 years, by year:

a. What was your overall value sales growth compared to total units sold?

The table below provides total operating revenue for the Coles Group.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating Revenue	\$37.4B	\$38.2B	\$39.2B	\$39.2B	\$39.1B	\$38.5B	\$37.8B	\$39.0B	\$38.3B	\$40.6B
Year on year growth		2.2%	2.7%	-0.1%	-0.2%	-1.7%	-1.8%	3.1%	-1.6%	5.9%

Note: Coles was owned by Wesfarmers until November 2018 when they demerged. During the time Coles was owned by Wesfarmers, Coles was reported as a segment in Wesfarmers annual reports.

b. What was your margin dollar growth percentage?

Refer to Coles' submission.

Q25. Provide the average and highest % profit margins for each category per year for the past 10 years, noting that I understand there are approximately 200 categories.

Category level margin information is commercial in confidence.

Q26. Provide the net profit margin by year for the last 10 years for the supermarket segment of your business.

The table below provides the Group profit margin information for the last ten financial years. Net Profit After Tax (NPAT) is considered the most appropriate profit margin metric for the Coles Group as it considers all income and costs associated with running the business.

Supermarket NPAT is not available as interest and tax is not allocated by segment.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Coles NPAT %	-	-	-	-	-	2.80%	2.59%	2.58%	2.73%	2.57%

Note: Coles was owned by Wesfarmers until November 2018 when they demerged. During the time Coles was owned by Wesfarmers, Coles was reported as a segment in Wesfarmers annual reports.

Q27. Over the past 10 years, per year, what percentage of products were sold on promotion?

This information is commercial in confidence.

Q28. Provide the amount of money your business has spent on surveillance technology per year for the past 10 years.

We are committed to providing our team members, customers and visitors with a safe place to work and shop.

This information is commercial in confidence.

Q29. Provide the amount of money your business has provided to customers as part of your loyalty program per year for the past 5 years.

The Coles loyalty program is delivered by Flybuys, which is an operationally independent business jointly owned by Coles and Wesfarmers.

Q30. Provide the total revenue from sale of customers loyalty program data per year for the past 5 years.

This information is commercial in confidence as disclosure of this information would cause harm by revealing sensitive and commercially valuable information. Coles does not sell personal information.

Flybuys is an operationally independent business jointly owned by Coles and Wesfarmers.

Q31. Provide the number of executives in your business per year for the past 5 years

The Coles Executive Leadership team has had the following number of members for each of the last five years:

Financial year	Executive leadership team members
2018-19	13 members
2019-20	15 members
2020-21	14 members
2021-22	12 members
2022-23	11 members

Q32. Provide the range, median and average executive pay per year for the past 5 years, excluding the CEO.

This information is publicly available in Coles' Annual Reports.

Q33. Provide the range, median and average bonuses paid to executives per year for the past 5 years.

This information is publicly available in Coles' Annual Reports.

Q34. Provide the CEOs salary and bonuses and any other compensation per year for the past 5 years.

This information is publicly available in Coles' Annual Reports.

Q35. How much food is discarded per year for the past 5 years?

Food and groceries may be removed from sale for several reasons including if it is damaged, out of date or for quality reasons. If food is edible and in date, it will be offered to one of our food rescue partners.

Other food waste solutions include donations to farmers and animal or wildlife services, organic collections, and in-store digestors. Between July 2021 and June 2023, 175,644 tonnes of unsold food were diverted from landfill.

Q36. Over the past 10 years, per year, what percentage of sales are private label or home brand?

This information is commercial in confidence.

Q Supplementary: Provide details (including any supporting documents) on your company's margin growth over the previous 15 to 20 years. In providing the data on margin growth, please also explain:

Whether any margin growth has resulted from a change in:

- payments to suppliers;
- payments from consumers; and/or

- through other efficiencies (e.g., technology)

The role of private label products in driving margin growth

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