

Mr Geoff Wilson AO
Chairman
Wilson Asset Management
Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

23 September 2020

Dear Mr Wilson

Response to your letter dated 22 September 2020

Thank you for your letter in relation to the Myer Board and other matters.

Myer Board and Fees

In relation to your comments regarding Myer's Board size, this is something that has been considered by the Myer Board for some time.

Following the decisions of Lyndsey Cattermole AM and Julie Ann Morrison to retire from their roles at the upcoming Annual General Meeting and not seek re-election (as announced to the market earlier today), the Board will be reduced to five directors, including the CEO and Managing Director.

The Myer Board is extremely mindful of minimising Board and other costs, and the Board size must reflect the size of the business, and the ongoing focus on costs, especially in the current environment – which today's announcement reflects.

As outlined in the Annual Financial Report, which was lodged on the ASX on 10 September 2020, from 1 July 2020, the Chairman and Non-Executive Directors annual base fee will reduce to \$250,000 (from \$300,000) and \$100,000 (from \$120,000) respectively. This represents the third reduction to Chairman and Non-Executive Director fees since FY18 and will remain in place for at least two years.

Regarding the current maximum aggregate fee pool limit of \$2.15 million per annum, this was originally set in November 2009, at the time of listing, and bears no relevance to the current fee structure for Directors. Following the retirements of Lyndsey Cattermole AM and Julie Ann Morrison, the total annual fees payable will be \$570,000, representing 26% of the maximum pool.

The Board notes your comment in relation to the maximum fee pool size, and in line with the reduction in Board size and costs, we will review it prior to the 2020 AGM to ensure it aligns to the Company's current position.

Suppliers

As I am sure you will appreciate, for confidentiality reasons, I will not comment specifically on our relationship with individual suppliers. What I can say is that Myer must constantly evolve its merchandise range to respond to customer demand. Most recently, during COVID-19, we've seen significant increases in customer demand for some categories and brands, and decreases in others, and Myer must adjust its range accordingly.

Myer confirms that during this time of unprecedented uncertainty across retail as well as the broader economy, Myer has maintained the support of its merchandise supplier base and continued to pay its merchandise suppliers either according to existing contract terms, or better.

Furthermore, Myer recently announced an amendment and extension of its financing facility to August 2022, giving further confidence to Myer's suppliers.

Regarding trade credit insurance, these are arrangements entered into between merchandise suppliers and insurers and Myer is not party to those arrangements. Myer is aware that two trade credit insurers have withdrawn cover to Myer merchandise suppliers during the pandemic, however, this is in the context of a tightening of cover of the retail sector globally, which has been occurring for some time, and is not specific to Myer.

Additionally, Myer has not lost any key or valued merchandise suppliers as a result of trade credit insurance issues, and continues to receive the product that the Company needs and, as stated above, continues to pay all merchandise suppliers in accordance with agreed terms, or better.

Dividends and Franking Credits

The Board confirms its intention to return to dividend payments, and to distribute the associated franking credits, when it is prudent to do so, taking into account the Company's financial and trading position, as well as requirements under the Company's financing arrangements.

Finally, Myer takes this opportunity to thank Wilson Asset Management for its ongoing support of the Company during what is, and we agree with the comment in your letter; 'a difficult and uncertain time'.

Yours sincerely,



Garry Hounsell
Chairman
Myer Holdings Limited