

Sustainability Report 2013

MYER



About this Report

Welcome to Myer's first public Sustainability Report. This Report covers Myer's sustainability focus and performance for the annual period 1 August 2012 – 31 July 2013 (unless noted otherwise for specific data), and covers all our retail and store support operations in Australia. This Sustainability Report is prepared for all our stakeholders, including investors, analysts, customers, Myer team members and the wider community.

Further detail on Myer's financial performance for the period can be found in our Annual Report (investor.myer.com.au/reports).

We would love to hear your feedback on this Sustainability Report and Myer's sustainability focus and performance. We invite you to email our Sustainability Manager at sustainability@myer.com.au.

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From our CEO

Myer is proud to present to you our first public Sustainability Report for FY2013.

Myer is on a continuing sustainability journey, where we are working to integrate sustainable operations into all areas of our business. We don't claim to be there yet, but want to share with you our performance in FY2013.

We have re-invigorated our Sustainability Strategy this year, with a focus on the impacts and issues that really matter to you as Myer stakeholders, and to our business. We have identified key measures under each of these areas, and are committed to measuring our performance against these measures going forward.

This year we are proud to say we contributed over \$2.1m to the community, supporting children, youth and women's health.

We have launched a new customer satisfaction and feedback program, 'Feedback ASAP', which will contribute to our significant focus on improving customer service. Myer won the Australian Department Store of the Year in the Roy Morgan Customer Satisfaction Awards 2012, was a finalist in the 2013 ARA Australian Retail Customer Satisfaction Award, and is a finalist in the 2013 ICSP International Customer Service Awards.

We have also developed an energy management strategy, which will result in the rollout of substantial energy efficiency improvement projects over the next few years. You will also find more detail on our commitment to sourcing governance in this report, including our ethical sourcing policy, activity and performance for the year.

We hope you find this report informative regarding our strategy and performance, and we look forward to building on our progress in coming years.

We want to involve all our stakeholders in our journey towards becoming a sustainable organisation, so we invite you to email your feedback to sustainability@myer.com.au.



Bernie Brookes

Chief Executive Officer and Managing Director



About Myer

Myer is an iconic Australian brand with a rich heritage of style, fashion and community engagement spanning over 100 years.

Our focus on providing inspiration to everyone includes our customers, our 12,500 team members, our 51,169 shareholders, our 1,200 suppliers globally and the many communities that we engage with our strong brand.

Myer is a significant employer and has a long history of philanthropy and local community engagement.

The store network includes a footprint of 67 stores in prime retail locations across Australia.

The Myer merchandise offer includes 11 core product categories: Womenswear; Menswear; Miss Shop (Youth); Childrenswear; Intimate apparel; Beauty, fragrance and cosmetics; Homewares; Electrical goods; Toys; Footwear, handbags and accessories; and General merchandise.

Myer's five-point plan

Myer's well-established operational strategy is comprised of five key elements:

1. Improve customer service
2. Enhance our merchandise offer
3. Strengthen our loyalty offer
4. Build a leading omni-channel offer
5. Optimise our store network

The strategy continues to be adapted to meet changing customer preferences and embrace retail innovation.

Improve customer service

We are focused on delighting our customers however they choose to shop with us. Our strategy is driven by customer and team member feedback as well as initiatives to optimise productivity. We are building a customer service and performance-based culture across the business.

Service improvement initiatives include training and selling skills programs, reward and recognition, and improving staff availability. Efficiency initiatives include ensuring faster delivery of stock to the shop floor, and reducing the level of theft and fraud in our stores. We are leveraging recent technology investment across the business to deliver an improved experience for our customers in stores, online and through our customer service centre.

Enhance our merchandise offer

We are focused on inspiring and delighting our customers and want to be the first choice when shopping for fashion, cosmetics and the home. We have the largest range of desired brands and styles that offer newness, fashionability, quality and value.

The Myer merchandise offering includes well-known national brands, Australian and international designers, as well as

66 brands which are owned or licensed and distributed exclusively by Myer, known as 'Myer Exclusive Brands'.

Our vertically-integrated Myer Exclusive Brand model of managing the design, development and sourcing of wanted brands provides us with significant control and flexibility. This model, together with our two sourcing offices in Asia, our world-class supply chain, and updated IT and merchandise systems, delivers speed to market and effective inventory control. This gives us a key competitive advantage.

We also seek to acquire wanted brands where the addition of the brand will further strengthen our merchandise offer.

Strengthen our loyalty offer

The **MYER one** loyalty program is one of Australia's leading loyalty programs, with over five million members and six million cards in circulation.

There are four reward levels within **MYER one**, being Member, Silver, Gold and Platinum, based on annual spend with Myer. The premium Platinum tier is by Chief Executive Officer invitation only.

Members receive two shopping credits for every dollar spent in Myer stores, with a \$20 **MYER one** rewards gift card for every 2,000 Shopping Credits. On average, customers spend 3.8 times the value of their Rewards Card on redemption. Members can also earn shopping credits through **MYER one** affiliates and the MYER Visa Card.

Sales using the **MYER one** card represent approximately 70 percent of total sales. The data from the program provide insights into customer shopping preferences and assist in the evaluation of the success of stores, brands, space, marketing, products and services mix.

Build a leading omni-channel offer

Our customers' expectations have evolved in line with increasing online inspiration, information and digital commerce, and Myer now operates in a global marketplace. Against this backdrop, our focus is on building a leading omni-channel offer that is inspiring, compelling and available to our customers wherever and whenever they choose to engage with us.

Our previous investments in a merchandise management system, a point-of-sale system, and a world-class supply chain have set the foundations for effective inventory management. This provides us with a significant competitive advantage in the development of our omni-channel offer.

We are capitalising on our strong brand, depth of offer, store network and popular loyalty program in order to become Australia's leading omni-channel retailer.

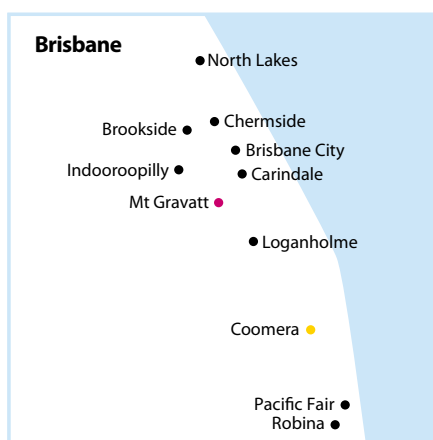
We increasingly integrate our marketing, balancing traditional media with innovation and digital marketing opportunities. Digital marketing and social media are now part of our everyday marketing focus on all campaigns.

Optimise our store network

We recognise that our customers want to be able to touch and feel products in store, as well as engage with knowledgeable and helpful staff. Our store network gives us a competitive advantage in our omni-channel offer and is integral to delivering a seamless customer experience across all digital and retail touch points.

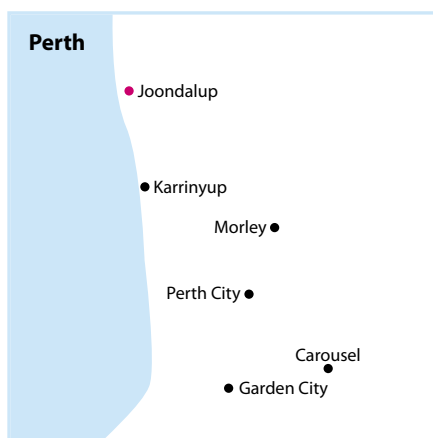
We have a network of 67 stores across the country, with a strategy to optimise the store network and maximise returns per square metre while creating an inspiring shopping environment for our customers.

We are focused on productivity through enhanced store layouts, new and replacement stores, and improving efficiency of floor space through refurbishments.



67

**MYER stores
across Australia**



New stores

By anticipated opening*

• 2015 • 2016 • 2017

Store closures

Dandenong (Oct 2013)

Elizabeth (Feb 2014)

• Existing stores.

* Subject to variation and review.

¹ Under review.

Sustainability at Myer

Myer is committed to building a socially responsible business and integrating sustainability into everyday business activities.

My Customer	My Team	My Community	My Environment	My Business
<ul style="list-style-type: none"> › Customer service and satisfaction › MYER one loyalty rewards 	<ul style="list-style-type: none"> › Attraction and retention › Capability and development › Reward and recognition › Workplace safety 	<ul style="list-style-type: none"> › Myer Stores Community Fund › Volunteering › Strategic community partnerships 	<ul style="list-style-type: none"> › Energy and emissions › Packaging stewardship › Waste and recycling 	<ul style="list-style-type: none"> › Ethical sourcing › Corporate governance › Shrinkage › Product responsibility

At Myer, sustainability is about responsible business growth and development that considers and addresses the environmental, ethical, economic and social impacts of our business operations and strategies. Sustainability is about maximising the positive outcomes and influence we can have on our internal and external stakeholders including our people, our communities, suppliers, customers, investors and the environment.

Myer's approach to sustainability management is to integrate responsibility and action into the business as part of our 'every day' operations and management.

Myer has developed a Sustainability Strategy focusing our activities into 'five pillars,' with key areas of focus identified through consideration of Myer's business activities and impacts, internal risk assessment and in response to our stakeholder concerns and interests. For each key area, we have identified measures to track our performance. It is our intention to set a performance benchmark for each of these measures this year, from which to develop targets and track performance over time.

We welcome stakeholder feedback – if you think we have missed a key issue for our business, please let us know at sustainability@myer.com.au.





My Customer

Myer's customers are key to our sustainability as a business. We continue to inspire and delight them with our service, and reward them for their loyalty, as a key element of Myer's business strategy.

Over
\$50 million
MYER one Rewards
Cards distributed

Customer service and satisfaction

In July 2013, Myer launched a new program to capture customer satisfaction and feedback from all stores. Through an SMS message, **MYER one** customers are prompted to provide feedback regarding their experience in store. Feedback and comments are recorded and forwarded to the Store Management team for action.

Through this program, Myer has the ability to measure the Company's 'Net Promoter Score', which has become one of our five store imperatives.

Tracking the Net Promoter Score and having proactive and immediate feedback will enable us to understand how well customer service is being delivered, gain insights in real time, and identify opportunities for improvement. From next year, we will publish results from this customer satisfaction and feedback program.

MYER one loyalty rewards

The **MYER one** loyalty program had more than 5.2 million members in FY13, and delivered members more than \$50 million in rewards.

We have begun to implement improvements to the program throughout the year, which have been well received by customers:

- › the **MYER one** smart phone app was launched in October 2012 with over 100,000 users by the end of the year;
- › 5 millionth member joined the program.
- › Caltex Starmart joined the **MYER one** affiliates program; and
- › launch of our Platinum Tier to our top members.

Myer's customer service recognised

Myer was a finalist for the Roy Morgan Australian Retail Customer Satisfaction Award at the Australian Retailer's Association (ARA) Australian Retail Awards held in July 2013. The award was judged from customer feedback collected by Roy Morgan Research. Myer was also runner-up for Visa Australian Retailer of the Year, judged by a panel of retail experts. The ARA Australian Retail Awards is the country's only national retail awards program.



Building a focused service culture

To further improve the customer experience at Myer, this year we embarked on a training and education program for all team members. Our focus is to make customers the number one priority and delight them with service. The program involves three pillars – delighting with service; inspiring with positive leadership; and, providing stores with operational efficiencies to achieve these goals. Coinciding with our focus on customer service, store management teams in Victoria attended pilot workshops to develop their leadership skills. This program will be extended to all managers in stores and support roles during financial year 2014.

In addition to training our team to delight customers, we have also implemented new shopping services during the year. We extended personal shopping into Menswear in 14 stores nationally. Personal shopping is now available across Womenswear and Menswear in selected stores nationwide.



Enhancing the customer experience with MYER one

MYER one is an important contributor to Myer's customer engagement strategy. Throughout the year, the program has provided members with access to exclusive offers, quarterly rewards and new initiatives including the **MYER one** Mobile App, launch of the **MYER one** Wine Club, and significant new affiliates such as Caltex, where customers can earn **MYER one** points outside of Myer.

During May 2013, 1,900 of the top **MYER one** members were invited into the highest and most exclusive level of membership available, becoming Platinum Members. Platinum Members are provided with exclusive rewards and in store events, as well as the highest levels of customer service, including a dedicated Platinum customer service phone line to offer exclusive member assistance. Platinum Member events have been held in all Myer stores in the latter half of FY2013, as an opportunity to invite members to view Myer's new season Spring Summer collections, meet Myer designers and receive a personal shopping experience.



My Team

Myer team members are our most important resource. We are committed to offering our more than 12,500 team members a supportive, challenging and rewarding workplace that enables them to contribute and develop to their full potential.

Attraction and retention

Having a motivated team of people who enjoy what they do is essential to the success of our business. At the end of the year, we had a total of more than 12,500 team members with a retention rate for the year of 74.4 percent.

Over the peak Christmas trading period, Myer employs additional casual employees, increasing the team member numbers in this period to over 15,000.

Myer offers an exciting, rewarding and supportive workplace. Team member benefits include store merchandise discounts, flexible work options and a range of paid and unpaid leave options.

Myer supports gender, age, language, disability and cultural diversity through our diversity policy. Compared to the store based retail industry national average, the female gender rate is 15% higher (*ABS Detailed Labour Force survey Nov 2012*).

GENDER DIVERSITY OF MYER TEAM MEMBERS	TOTAL	% FEMALE	% MALE
Board of Directors	6	33	67
Senior Management	11	36.4	63.6
Other Managers	1,350	65.3	34.7
Selling Team Members	10,706	81.2	18.8
Administration Team Members	628	72.6	27.4
Distribution Centre Team Members	89	44.9	55.1
All Employment Levels*	12,784	78.8	21.2

* Does not include Board of Directors

Capability and development

Myer supports the development of all our team through regular performance feedback, goal setting and career development sessions. Further skill and capability development opportunities are offered through on the job training, instructor-led development training, and online learning modules.

During the year, 9,810 team members took part in 8,734 hours of instructor-led development training, and a further 38,228 online enrolments resulted in 18,265 online training hours.

Reward and recognition

We recognise and celebrate individual and team performance through a range of recognition programs.

The annual Myer Inspirational People Awards recognises individuals and teams who have contributed to Myer achieving our Company goals, including sustainability, safety and community contribution. The CEO's High Performers Club recognises excellence in sales performance, and 46 people were added this year to the Club, which had 853 current members in FY2013. The Myer 25 Year Club recognises the loyalty of our longstanding team members, with 182 new members added this year.

Workplace safety

Safety is a key performance measure across our business, for our stores, distribution warehouses and support office. We are proud of our ongoing improvements in safety performance. Our Lost Time Injury Frequency Rate (LTIFR) has shown consistent reduction over the past five years, from 20.0 in 2009 down to 8.6 this year. There were 118 lost time injuries in the year, down from 147 last year. Team members are well supported following injury with programs such as incident reporting and InjuryNET, which provides early access to health providers.

All Myer team members receive safety induction and ongoing training, and all site contractors must undergo safety induction training. Over 10,000 team members were trained in the 'MySafety Matters', 'MyMoves' manual handling and 'Safe Work Practices' modules during the year. We also invested in upgrades to manual handling equipment such as garment rails and roll cages.

Total team members

12,784

Female team members

78.8%

Retention rate

74.4%

Development training hours

26,999

Workplace safety

8.6 LTIFR



Recognising our high performers

The CEO's High Performers Club (HP Club) was established in 2009 to recognise, reward and retain elite sales professionals in our stores. HP Club team members earn rewards and are recognised monthly, quarterly and annually for their commitment to service and sales performance.

Beverly Smith, Myer Doncaster (VIC)

Beverly has been recognised as the nation's top achiever in the Youth category for the past three years. Beverly has been awarded the Top Achiever Award each month and for each quarter during the past two years. She is exceptionally dedicated to the business and to her immediate team at Myer Doncaster. She is a mentor for the young sales persons she works alongside.



A focus on safety performance

Safety is a major focus in all Myer sites and a key measure of ongoing team member performance discussions. Given the constant focus on providing a safe working environment at Myer, a number of sites achieved notable safety milestones during the year.

In March 2013, the Myer store in Orange (NSW) celebrated 2,250 days without a lost time injury. This achievement is a reflection on the hard work and dedication of the store management team and store safety team, as well as all team members in the store, to ensure safety is always the top priority.

Myer's Distribution Centres have also achieved key safety milestones this year. The Distribution Centre working environment involves handling of high volumes of stock, presenting particular challenges in achieving a safe workplace for team members and sustaining an ongoing focus on safety. Considering the potential hazards, it is a considerable achievement that both the Kewdale (WA) and Richlands (QLD) Distribution Centres (DCs) surpassed 1,500 lost time injury free days and Altona (VIC) remained lost time injury free for the entire year.

Since both Kewdale and Richlands DCs opened in 2007, they have recorded minimal lost time injuries and injuries that required medical treatment. Tens of millions of cartons have passed through the DCs collectively since opening, many of which have required manual handling. The sites have a proactive approach in identifying and managing safety hazards to reduce the risk of injury. All team members are empowered to raise safety hazards and issues and be involved in identifying solutions that will enhance the safety of all team members, contractors and visitors at the sites.

Our self-insurance licences require Myer to be able to demonstrate compliance and good practice in safety. In 2013 we successfully completed work health and safety (WHS) audits in Queensland and New South Wales.



My Community

Myer has a longstanding history of local community support and engagement, and we continue to be committed to maintaining strong and meaningful relationships with our local communities.

This year, Myer worked with our stakeholders to contribute a total of \$2,163,297 to our local communities; including \$276,019 direct cash and product donations, \$1,319,437 in fundraising and \$567,840 worth of donated time.

Cheque presentation
Shellharbour Store



**MYER's total contribution
to our local communities over**
\$2.1million

Myer Stores Community Fund

The Myer Stores Community Fund is committed to building on Myer's philanthropic tradition of supporting the community since 1924. The Fund supports innovative projects for sick and disadvantaged children and youth, which enrich their life experiences and allow for daily comforts and security, as well as projects which support women's health.

This year, the Myer Stores Community Fund supported 92 charities, donating over \$1.3 million*. Myer team members raised money for 60 local charities, with the monies raised matched by the Fund. The Fund also directly supported Redkite, the Olivia Newton-John Cancer and Wellness Centre and the SMILE Foundation. Myer stores also support The Salvation Army through sales of its Christmas CD, and other merchandise fundraising for the National Breast Cancer Foundation, the Starlight Children's Foundation, and the Cancer Patients Foundation with its 'Look Good Feel Better' program.

Volunteering

Myer team members spent \$567,840 worth of paid time this year supporting the Myer Stores Community Fund and Myer's other charity activities. In addition, the Myer Volunteer Leave program was introduced in February 2013, and all permanent team members are now able to access one day of paid volunteer leave each year to a registered charity of their choice.

Strategic community partnerships

Myer has established strategic community partnerships that strongly align with our business focus, impacts, operations and customers – The Salvation Army, Fitted for Work and the Myer and Salvos Stores Fashion Rescue.

The Salvation Army

Myer's support of The Salvation Army will be further strengthened in FY2014 with the national launch of a new Christmas partnership supporting their valuable work at this important time of year, as well as the 20th anniversary of Myer's support of the Spirit of Christmas CD.

Fitted for Work

Fitted for Work assists women experiencing disadvantage to find work and keep it, by providing free personal outfitting, interview coaching, mentoring and transition to work programs. Its most recent Melbourne survey revealed that 75 percent of the women dressed by Fitted for Work were employed within three months of their visit.

Myer has engaged to assist Fitted for Work through team member clothing donations, engaging suppliers to make clothing and accessories donations, expert pro-bono assistance in retail employment, and employee volunteering opportunities.

Myer and Salvos Stores Fashion Rescue

With the aim of reducing textiles waste and increasing recycling, in 2013 we are trialling a relationship with Salvos Stores in Victoria, where community members who donate clothing in Salvos Stores receive a \$10 Myer voucher. If the trial proves successful, Myer and Salvos Stores intend to extend the initiative into 2014.

* Myer Stores Community Fund financial year and audited results are 1 July to 30 June.

Christmas in the community

This year we continued our partnership with Vision Australia's Carols by Candlelight, presented by Myer on Christmas Eve in Melbourne. Other community sponsorships included the Myer Hobart Christmas Pageant, and the Myer Christmas Parade and Pantomime in Brisbane. We also celebrated the 57th anniversary of the Myer Christmas Windows – a community tradition in Melbourne (and more recently Brisbane) that is enjoyed by over one million people each year.

My Kids Day Out

Each year Myer partners with a range of leading charity groups to provide Christmas cheer to children who have suffered significant health issues or come from disadvantaged backgrounds, at the annual My Kids Day Out event held in Myer Mural Hall. This Christmas, more than 80 guests including children and their families attended the event. The children were identified with the assistance of charity groups including The Smith Family, Vision Australia, Starlight Children's Foundation and Royal Children's Hospital. The event is hosted by the Myer Senior Management Team, and provides kids with a chance to visit Santa, view the Myer Melbourne Christmas Windows, ride the train at Myer Santaland and be entertained by performers. Each child also receives gifts donated by Myer's merchandise suppliers.



Myer Stores Community Fund Precious Metal Ball 2013

As beneficiary of this year's Precious Metal Ball, Redkite were presented with a cheque for \$250,000. Redkite is a national charity that has been providing support to children and young people with cancer and their families for 30 years. With no government funding, Redkite relies entirely on the generosity of individuals, organisations and corporate partners to provide families with support. This year's Ball was held on Friday 10 May in Melbourne. 830 guests from the retail, business and fashion industries attended. The annual ball has raised over \$5 million since 2004.



The Myer and Salvos Fashion Rescue

Myer has joined forces with Salvos Stores in Victoria to launch the 'Fashion Rescue' textile recycling trial. The program is an Australian department store first, encouraging clothing reuse and recycling, as well as community benefits through the support of the Salvation Army's community reach programs. Clothing donated will be distributed through welfare vouchers issued by The Salvation Army Community Services Centres to those most in need and sold in Salvos Stores to raise funds for The Salvation Army. As part of the launch, clothing collections were held at Myer stores in Eastland (VIC) and Geelong (VIC), and at the Myer Support Office in Docklands (VIC). Since the program began, thousands of customers have been rewarded with Myer vouchers for donating their pre-loved clothing.



My Environment

Myer is committed to minimising the impact of our operations on the environment, and integrating environmental management and accountability throughout our business.

We focus our efforts on our most significant environmental impacts of energy use and associated carbon emissions, packaging and waste management, and recycling of packaging materials.

Energy use

737,964 GJ

Emissions

182,320 TCO₂e

Emissions reduction from FY2012

-4.8%

Floor Ready compliance

73%

Recycling rate

55%

Energy and emissions

With a network of 67 stores, four distribution centres and our Melbourne support office, energy use is our key environmental impact, and a significant cost to our business. This year, we developed an Energy Management Strategy, with a target of 10 percent reduction in energy intensity (energy use by area and opening hour) by 2018. Site assessment audits were undertaken to identify a energy efficiency opportunities, including Building Management System upgrades, heating and cooling system upgrades, lighting upgrades, education and improved reporting. In July 2013 we implemented the first of these projects.

Myer's Energy Management Strategy and reporting facilitates our action and reporting against our Energy Efficiencies Opportunities (EEO) requirements and our National Greenhouse and Energy Reporting (NGER) obligations.

MEASURES	FY2013 PERFORMANCE
Energy use*	737,964 GJ
Energy intensity	190.19 kJ/m ² /opening hour
Emissions*	182,320 TCO ₂ e
Emissions intensity	0.05 kgCO ₂ e/m ² /opening hour

* Energy and emission data were measured 1 Jul 2012 – 30 June 2013.

Packaging stewardship

Myer is a signatory to the Australian Packaging Covenant, and we are focussed on reducing transport and consumer packaging and using recyclable packaging materials.

'Floor Ready' is Myer's key program to achieve instore product handling efficiencies and drive packaging design and minimisation. A six-criteria checking process is established to report on the compliance levels of arriving merchandise:

- › garment swing and security tags;
- › price marking;
- › hanger requirements;
- › minimal and uniform product packaging;
- › product folding and packing; and
- › reduction of individual product plastic bags.

Overall, 'Floor Ready' compliance for the year was an average of 55 percent, with a significant improvement over the year, to 73 percent in July 2013. More than 77 percent of Myer's active suppliers are signed on to the program, and we continue to engage more suppliers and work to improve compliance.

Waste and recycling

Myer has established recycling systems for security tags, clothes hangers, paper, cardboard and film plastics at all our sites. Our head office also recycles organics, paper towel and commingled containers; and our distribution centres recycle pallets, pallet sheets and metals.

Excess stock, damaged stock, samples and returns are recycled and reused through a third party, who on-sold more than 424.1 tonnes of stock and recycled a further 42.1 tonnes this year.

MATERIAL	TONNES
Recycling	
Cardboard and paper	3,914.7
Plastic film (LDPE)	420.3
Printer cartridges	0.4
Damaged stock	42.1
Hanger reuse (24.4 million hangers)	494.0
Security tags (3,885,692 tags)	69.9
Bottles and cans	58.0
Organics	6.1
Total recycling	5,005.5
Waste	
General waste*	4,166.4
Diversion rate	55%

* Based on waste density of 50kg/m³ at sites where volume only is recorded.

Making merchandise floor ready

Myer's Stockflow and 'Floor Ready' team focus on improving the condition of merchandise delivered to stores, reviewing and recommending changes to the packaging, pricing and merchandise protection standards of Myer's exclusive and national brands. During FY2013, standards were reviewed to identify opportunities to minimise the amount of packaging being used to protect merchandise during transport, most commonly a high volume of individual plastic bags. Myer has introduced guidelines for all merchandise processed via Cargo Services at our overseas merchandise hub, requiring the removal of individual plastic bags and packing items in carton lined boxes or outer garment bags prior to shipping to Australia. By the end of the year, 77% of all Myer suppliers in Australia and overseas had committed to Myer's merchandise 'Floor Ready' standards, which form part of ongoing supplier negotiations.



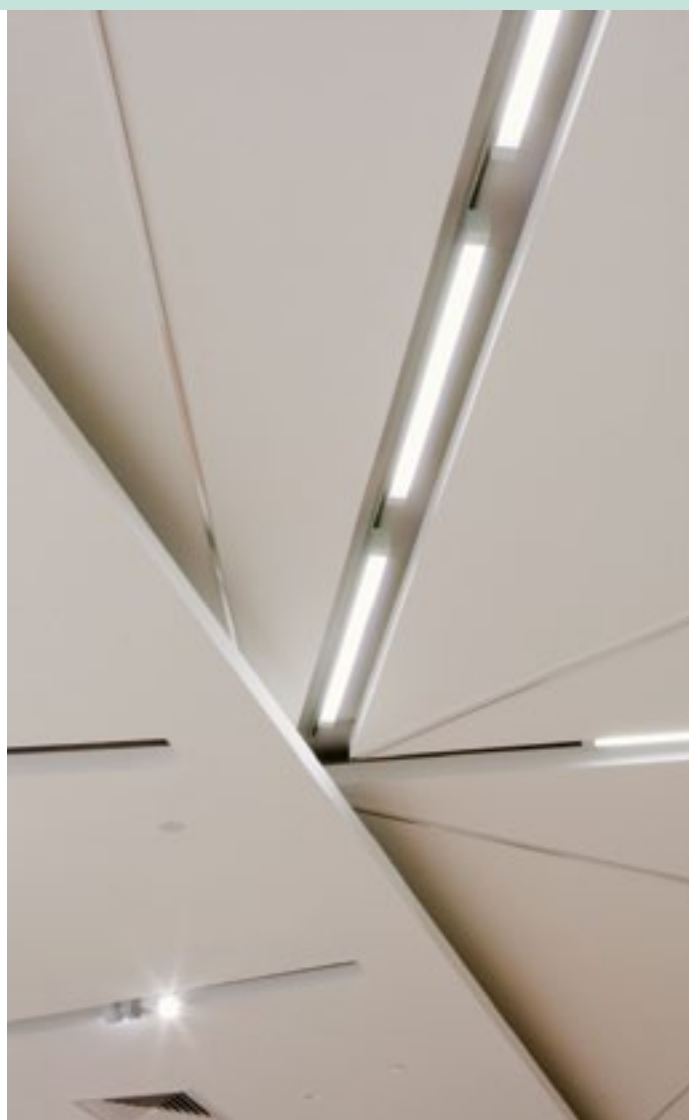
Energy efficiency initiatives

During FY2013, we undertook a comprehensive review of energy data, business operations and sites, to identify ways to increase energy efficiency and reduce energy use intensity by 10 percent across our operations by 2018.

A number of projects have commenced to provide energy reductions, focused on areas where the biggest savings can be made, such as the efficiency of cooling and heating systems, lighting upgrades and building controls. Other projects underway relate to changing behaviours such as switching off lights and computer equipment when not in use, and upgrading inefficient equipment.

To date, Myer has invested approximately \$3.9 million towards the replacement of halogen lights to more energy efficient LED lighting in our stores. These lighting upgrades are expected to reduce energy consumption by 13.7M kWh and carbon emissions by approximately 147,000 tonnes annually.

We have also commenced pilot projects of new building management systems (BMS) in two Myer stores, Warringah (NSW) and Macquarie (NSW). The store BMS ensures that stores' lighting and air conditioning systems are optimised and efficient without relying on manual inputs. The pilot BMS systems ensure better temperature control and improved lighting control to minimise waste. It is estimated that the energy savings on the two pilot stores will be 500,000kwh in the first 18 months.



My Business

Myer considers the ethical and social implications of our business decisions, and we aim to meet the reasonable expectations of all our stakeholders, including customers, investors, suppliers and the community.

KEY FOCUS AREA	MEASURES	FY2013 PERFORMANCE
Ethical sourcing	Suppliers engaged in ethical sourcing policy (%)	100% of direct suppliers
	Supply chain audits (number)	136 Audits
	Audit non-conformances	69 low and 22 moderate non-conformances
Corporate governance	Code of Conduct training (% of employees in past 24 months)	75.5%
Shrinkage	Shrinkage loss prevention	11% reduction on last year
Product responsibility	Quality assurance and merchandise compliance (%)	95.9%

Ethical sourcing

The Myer Ethical Sourcing Policy supports our commitment to sourcing merchandise that is produced in safe working conditions, where the human rights of workers are respected. A framework designed to measure supplier adherence, identify breaches, and continuously improve the ethical performance of our supply chain supports the Policy. The framework includes:

- › transparency on the location of factories by all new suppliers;
- › ranking of suppliers according to risk profile;
- › determining which suppliers are to be audited under the Policy;
- › detail of the audit process and two-year cycle;
- › assessment of the risk level of issues identified during audits; and
- › remedial action plan or withdrawal of supply for non-compliant suppliers, depending on the severity of the breach.

Myer's global sourcing offices in Hong Kong and Shanghai have responsibility for sourcing Myer Exclusive Brands merchandise.

In 2013, Myer has engaged with merchandise suppliers to ensure that they are aware of their responsibilities to adhere to the Myer Ethical Sourcing Policy. Myer undertook 136 audits of direct supplier factories. As a result of these audits, 91 non-conformances were identified; of which 69 rated as 'low' (isolated minor breach), 22 as 'moderate' (not a serious breach, but needs to be addressed), and none as 'high' (significant and in breach of the Policy). Remedial action plans are required from non-conforming suppliers, and follow-up contacts were undertaken to ensure that corrective actions were initiated.

Our ethical sourcing focus in 2014 will be:

- › audit engagement of existing local Myer Exclusive Brands Suppliers;
- › inclusions of factory details on supplier merchandise registration forms;
- › re-audits on a risk-weighted basis in line with our two-year audit cycle;
- › review audits for the top 100 Myer Exclusive Brands suppliers;
- › re-audits where moderate findings from Myer-initiated audits were determined;
- › meeting with our key national and international brand suppliers to review their ethical sourcing policies and frameworks; and
- › introduction of ethical sourcing awareness sessions at our half-yearly supplier updates.

No Fur policy

In November 2012, Myer implemented a merchandise-wide 'No Fur' policy, with only faux (fake) fur trims or garments being sold in Myer stores.

Corporate governance

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with our stakeholders. This is supported by our Code of Conduct, team member training and a whistleblower program.

Team members are required to acknowledge acceptance of the Code of Conduct prior to commencing work, and then annually refresh their Code of Conduct training. In the past 24 months, 75.5 percent of team members completed the Code of Conduct training. Efforts are being made to increase compliance through email contacts for team members, regular compliance level reporting to the managers and a proposed escalation process. The Myer confidential whistleblower hotline service is also widely promoted to team members, contractors and suppliers.

For more information on our corporate governance commitment and performance, please refer to our Annual Report (investor.myer.com.au/reports).

Shrinkage

'Shrinkage' is the loss of product and associated profit due to product theft or loss through product handling processes. Myer has a dedicated shrinkage cultural and process-based program to focus on reducing these losses. In FY2013, shrinkage reduced by 11 percent. These results were delivered through:

- › embedding shrinkage management in store and corporate business operations;
- › a continued focus on high-risk stores and merchandise categories;
- › the deployment of Loss Prevention employees and utilisation of CCTV;
- › improvements in merchandise protection, including source tagging of merchandise by suppliers; and
- › an ongoing focus on compliance.

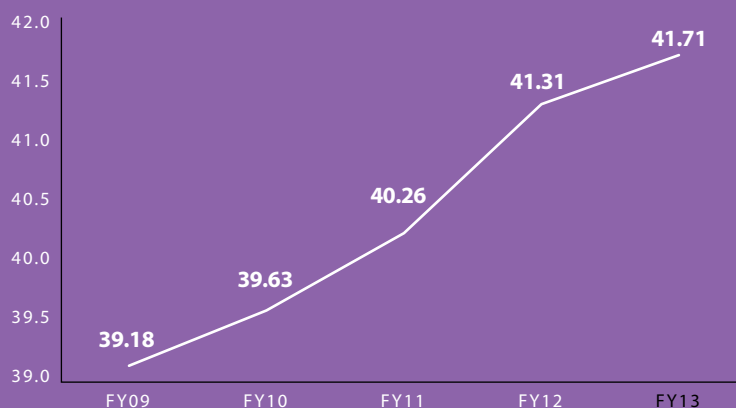
Product responsibility

Myer works with our suppliers to source and develop high quality and safe products, and we take our responsibilities regarding product safety and compliance seriously. We have a team of merchandise compliance specialists to monitor our product range for safety and labelling compliance. In FY2013, we achieved a 95.9 percent conformance rate. The merchandise compliance team audited 15,566 products, and 628 non-conformances were identified and products removed from sale until issues were resolved with our supply chain. The product audits focused on cosmetics, candles, sunglasses, toys and specialty food items.

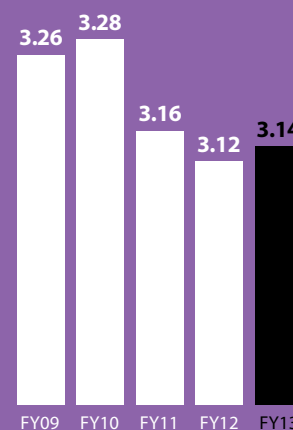
Myer also works with government agencies to promote responsible product use and disposal, such as star ratings and recycling options for electrical appliances.

FY2013 Financial Review

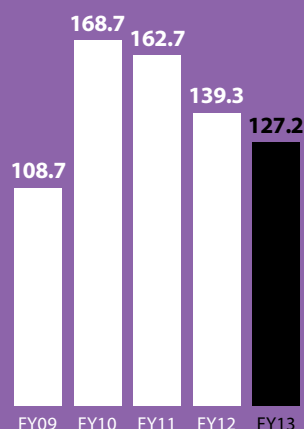
Operating gross profit margin (%)



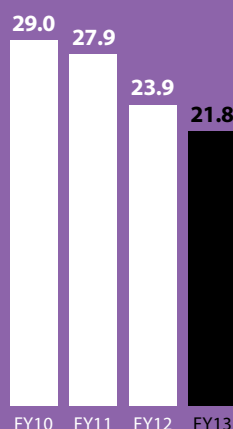
Sales (\$b)



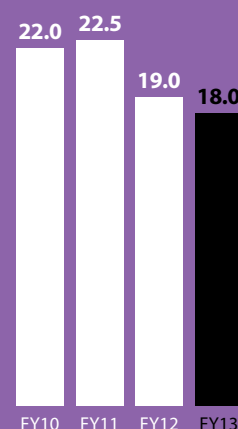
Net profit after tax (\$m)



Earnings per share (cents)



Full year dividends (cents)



Total sales +0.8% in 2013

\$3,144.9m

FINANCIAL SUMMARY	FY2013	FY2012	CHANGE
Sales (million)	\$3,144.9	\$3,119.1	+0.8%
Operating gross profit (million)	\$1,311.6	\$1,288.4	+1.8%
Operating gross profit margin (%)	41.71	41.31	+40 bps
Cash cost of doing business (million)	\$1,007.0	\$976.6	+3.1%
Earnings before interest, tax, depreciation, amortisation (EBITDA) (million)	\$304.6	\$311.8	-2.3%
Earnings before interest and tax (EBIT) (million)	\$214.9	\$230.0	-6.6%
NPAT (million)			
After non-controlling interest	\$127.2	\$139.3	-8.7%

Myer's shrinkage reduction tactics recognised internationally

In April 2013, Myer was invited to present our shrinkage reduction strategies at the Efficient Consumer Response (ECR) Annual Loss Prevention Forum held in London. In attendance were representatives from many of Europe's top retailers and manufacturers including Tesco, Carrefour, Marks & Spencer, L'Oreal and Proctor and Gamble. Highlights of Myer's shrinkage journey were discussed including the installation of CCTV, merchandise protection solutions, and team member education programs, as well as the support Myer has received from service partners such as our security tag supplier, Checkpoint.

The forum was also an opportunity to highlight the community support programs of Checkpoint. Checkpoint works with our tag sorting partner, Wallara Industries, to sort, re-use and recycle Myer's merchandise protection hard tags. Myer is proud to be involved with Wallara Industries in Victoria, an organisation that provides worthwhile employment opportunities for disabled and under-privileged members of the community.



Engaging with local business

During April and May 2013, Myer invited local businesses to partner with regional Myer stores in Albury (NSW), Ballarat (VIC) and Wagga (NSW). Businesses were invited to present their retail concepts and service offerings, and explore how they could partner with their local Myer stores. More than 30 businesses met with members of the Myer team at each event. A number of local products and services were identified as part of the initiative that complimented the current in-store offers. Some services included local produce, health, relaxation and photography services. The Myer team will continue to work alongside these businesses to deliver a range of local goods and services in the regional stores in the coming year.



Corporate Directory

Registered Office

Myer Holdings Limited
Level 7
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Phone: +61 (0) 3 8667 6000

Myer Support Office

800 Collins Street
Docklands VIC 3008

Myer Postal Address

Myer Holdings Limited
PO Box 869J
Melbourne VIC 3001

Company Secretary

Marion Rodwell
General Counsel and Company Secretary

Shareholder enquiries

Share Registry
Computershare Investor Services Pty Ltd
Postal address
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Melbourne VIC 3001

Myer Shareholder Information Line

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Auditor

PricewaterhouseCoopers
Level 19, Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Securities Exchange Listing

Myer Holdings Limited (MYR) shares are listed
on Australian Securities Exchange (ASX)

Websites

www.myer.com.au
www.myerone.com.au

About this Annual Report

The Myer Holdings Limited Annual Report is available
online at www.myer.com.au/investor. Hard copies can
be obtained by contacting our share registry.


Annual General Meeting

The 2013 Annual General Meeting of
Myer Holdings Limited will be held at
Mural Hall, Level 6, Myer Melbourne,
Bourke Street Mall, Melbourne, Victoria on
Wednesday, 20th November 2013 at 11.00am.

Sustainability

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MYER

www.myer.com.au