



MYER

Sustainability Report 2014

ABOUT THIS REPORT



This Myer FY2014 Sustainability Report reflects Myer's sustainability focus and performance for our retail financial year, 28 July 2013 - 26 July 2014 (unless noted otherwise for specific data), and covers our retail and store support operations in Australia.

Following the acquisition of the remaining 35 percent stake in sass & bide in FY2014, this Sustainability Report includes sass & bide in our team diversity figures, and their Australian stores are included in our energy and emissions reporting. We will progressively integrate sass & bide information into other sustainability reporting over the coming year.

This Sustainability Report is prepared for all our stakeholders, including investors, analysts, customers, Myer team members, government stakeholders and the wider community. This is our second annual Sustainability Report, with the FY2013 Report establishing our public reporting baseline.

This Report has been reviewed and approved by the Myer Board and has been prepared with reference to the core indicators of the Global Reporting Initiative (G4). Our GRI index can be found on our website: myer.com.au/learn-about-us/about-myer/sustainability-at-myer/.

Our energy and greenhouse emissions data has been assured by EY in accordance with the National Greenhouse and Energy Reporting Scheme audit guidelines.

Further detail on Myer's financial performance and governance information for FY2014 can be found in our Annual Report at myer.com.au/investor.

We welcome your feedback on this Sustainability Report and Myer's continued sustainability focus and performance via email to sustainability@myer.com.au.

Contents

From our CEO	Page 03
About Myer	Page 04
Sustainability at Myer	Page 06
My customer	Page 08
My team	Page 10
My community	Page 14
My environment	Page 16
My business	Page 20
FY2014 Financial performance	Page 23
Looking forward	Page 24
Corporate directory	IBC

FROM OUR CEO



Bernie Brookes, Myer CEO and Managing Director

This has been an exciting,
challenging and rewarding
year for Myer

Welcome to Myer's FY2014 Sustainability Report. This is our second public Sustainability Report, where we share with our stakeholders our sustainability performance and achievements for the past year, as well as future opportunities.

This has been an exciting, challenging and rewarding year for Myer. We have undertaken store refurbishments at Adelaide (South Australia), Indooroopilly (Queensland), Miranda (New South Wales) and Macquarie (New South Wales), and plan to open a further two new stores in Mount Gravatt (Queensland) and Joondalup (Western Australia) in late 2014.

Myer continues to play an active part in a dynamic Australian retail marketplace, and highlights this year include welcoming new brands Alex Perry, L Lisa Ho, Herringbone, and M.J. Bale, as well as acquiring leading womenswear brands Charlie Brown and Howard Showers, and finalising our acquisition of the remaining 35 percent stake in sass & bide. We have also made several new appointments to our leadership team and are confident that we have a strong team in place for the next phase of the company's development.

Our focus on training and empowering our team members to exceed customer expectations through the 'Delight' program continues to be a success. The introduction of our new customer satisfaction measurement program has enabled us to continue to improve our customer service offering.

We are particularly proud of our continuous improvement in safety performance, with a consistent reduction over the past five years in Lost Time Injury Frequency Rates (LTIFR) to a low of seven this year.

We are also starting to reap the rewards of our focus on energy efficiency, reducing our energy intensity by 6 percent this year.

Myer continued to actively engage with our stakeholders throughout the year, including seeking stakeholder feedback on our sustainability performance and reporting. We invite all our stakeholders to be part of our journey towards improving our sustainability as an organisation, so I invite you to email your feedback to sustainability@myer.com.au.

A handwritten signature in black ink that reads "Bernie Brookes". The signature is fluid and cursive.

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.

Myer department stores

We pride ourselves on our strong Australian heritage, having been an essential part of our customers' lives for over 100 years with a committed history of philanthropy and community engagement.

Our merchandise offer includes: Womenswear; Menswear; Miss Shop (Youth); Childrenswear; Intimate apparel; Cosmetics; Women's Footwear, handbags and accessories; Homewares; Entertainment; Toys; Furniture; and General merchandise.

With 67 stores located in prime retail locations across Australia, 13,000 team members, an engaged and loyal customer base, and complementary e-commerce, digital and mobile platforms, we are well placed to build on our position as a leading department store group.

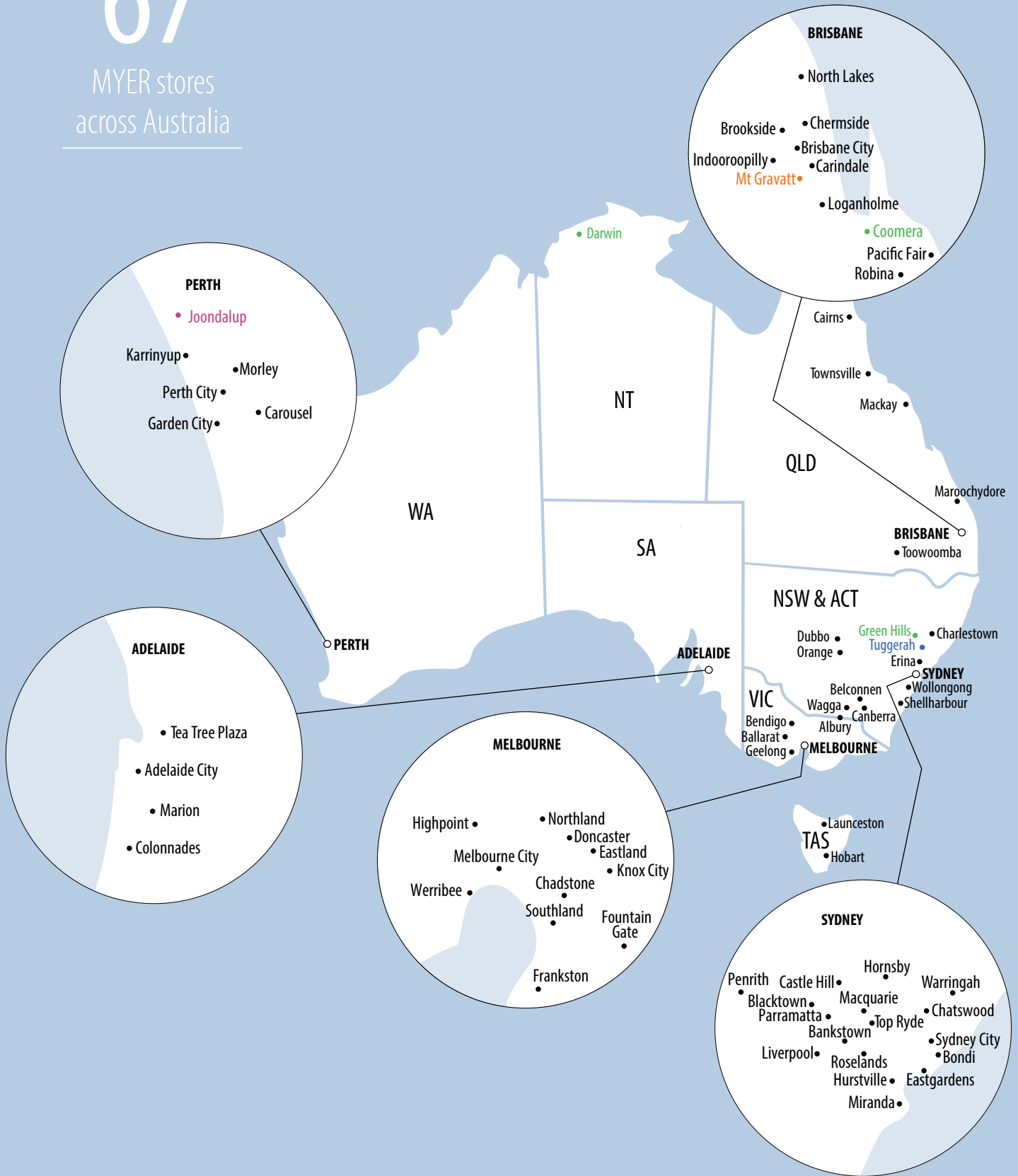
sass & bide

Myer Holdings Limited has owned 100 percent of the sass & bide business since September 2013. **sass & bide** is an exciting womenswear brand offering unique and individual designs through a full range of ready-to-wear apparel, denim, and intimates in 26 standalone boutiques and in 22 Myer stores. The range is also available overseas in selected department stores, specialist boutiques, and global e-tailers, while the online store delivers to New Zealand, the United Kingdom, and the United States.

With a strong wholesale business established in key international markets, our focus is on enhancing and leveraging the **sass & bide** e-commerce offer and expanding the retail business across new markets and categories.



Womenswear - Myer Adelaide



INDICATIVE NEW STORES

Anticipated opening (subject to variation and review)

• FY2015 • FY2016 • FY2017

STORE CLOSURES

Dandenong, Victoria (Oct 2013)

Elizabeth, South Australia (Feb 2014)

Hurstville, New South Wales (early 2015)

• Existing stores

• Recently opened

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 • Code of conduct • Shrinkage • Product responsibility

At Myer, we define sustainability as responsible business growth and development that considers and addresses the environmental, ethical, economic, and social impacts of our business operations and strategies. Our aim as a business is to maximise the positive outcomes and influence we can have on our internal and external stakeholders including our people, community, suppliers, customers, investors, and the environment.

Myer's sustainability strategy focuses on five pillars of activity, with key focus areas in each. These areas of focus have been informed by our business activities and impacts, internal risk assessment processes, and in response to stakeholder interest. For each key area, we have identified measures to track our performance. In FY2013, we established a baseline for each of these measures. From this year forward we plan to track our performance in these key areas over time.

Our approach

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

Myer's sustainability strategy and performance monitoring is co-ordinated by the Myer National Sustainability Manager, who reports through to the Executive General Manager Strategic Planning and Business Development. The Board, the CEO and the management team are regularly updated and consulted for direction on sustainability strategy and performance throughout the year.

Myer takes a precautionary approach to sustainability issues. We aim to maximise our positive contribution and be proactive in avoiding and reducing negative impacts, and maximising our positive impacts.

Stakeholder input

Myer has ongoing engagement with our stakeholders through a variety of channels, including media engagement and briefings, investor briefings, one-on-one meetings, social media, our Customer Service Centre, and customer feedback programs via SMS and feedback forms in stores.

In FY2014, we undertook a specific feedback process to understand the sustainability issues our stakeholders want to see addressed in our strategy and reporting. A number of stakeholders were engaged, including Myer team members, investors and analysts, suppliers, government agencies, customers, and Myer charity partners.

The feedback process was used to validate and review our key areas of focus, and improve our reporting methods. The majority of stakeholders engaged said they were mainly satisfied with our current sustainability practices and reporting methods. Key outcomes of the feedback process were:

- › 94 percent of respondents said Myer meets their expectations regarding sustainability management.
- › 90 percent of respondents said that the FY2013 Sustainability Report gave them the information they wanted about Myer's performance.
- › Respondents wanted to see quantitative performance data and annual trends going forward.



Launch of the refurbished Myer Adelaide

My customer

Myer's customers are key to the success of our business. A key element of our business strategy is to continue to inspire and delight them with our service, and reward them for their loyalty.



**More than
\$50 million**
in MYER one Reward Cards delivered

Customer service and satisfaction

In FY2014, we launched a program which is focused on capturing customer satisfaction and feedback from all stores. Through an SMS message, MYER one customers are prompted to provide feedback regarding their experience in store, which leads to a 'Net Promoter Score'. Within 24 hours of the feedback, an alert is provided to store management for review.

The initial FY2014 baseline target for Net Promoter Score was exceeded, and Myer will continue to use this data to implement key improvements in customer satisfaction.

MYER one loyalty rewards

MYER one members received more than \$50 million in Rewards Cards in FY2014. We have now distributed more than 5 million MYER one cards since the program began. Key highlights of the MYER one program for the year were as follows:

- › There was a 348 percent increase in the number of digital reward cards issued via the MYER one smart phone app in FY2014 compared with last year.
- › The MYER one exclusive Platinum Tier now has over 3,000 members. Platinum members enjoyed 'Keys to the Store' private shopping parties, a Christmas Shopping Night and invitations to other exclusive events.
- › Continued success of our affiliates program, with more than 500,000 MYER one members purchasing at our key affiliate Caltex in it's first full year in the program.
- › A successful second year for our Myer Wine Club, which continues to attract new members.



Homewares, Myer Melbourne

Delighting our customers every time

Improving the customer experience is our most important strategic priority. Two years ago, we launched a program 'Priority One', to improve customer service standards in our stores. By creating a new service culture to delight our customers every time, supported by inspiring leaders, our team members become more engaged, and more focused on the customer and meeting their needs.

Over the past year, team members have taken part in face-to-face training sessions, and our leaders have attended workshops to provide them with the skills and training needed to lead their teams to delight customers.

To further support our strategy to delight customers, we have appointed more than 160 new Service Managers in our stores. This increased leadership will enable our managers to lead smaller teams, provide more opportunities to give feedback, coaching and mentoring to team members, and inspire their teams to deliver delightful customer service.



Paula Razumic - Intimate apparel, Myer Werribee

Myer wins with customer satisfaction ratings

For the second consecutive year, Myer was named department store of the year in the Roy Morgan Customer Satisfaction Awards 2013. This award recognises our commitment to improving our customers' shopping experience and demonstrates that our customers are satisfied when they shop in our stores. It is positive acknowledgment of the work we continue to undertake to delight customers every time. The Australian Retailers Association Executive Director, Russell Zimmerman, said Myer was to be congratulated on its' commitment to providing customers with outstanding service and a great retail experience.



Personal shopping service - Myer Adelaide

Customer contacts a top priority

The Myer Customer Service Centre (CSC) is currently in the process of constructing a brand new technology platform to better serve our customers now and into the future. This is great news for the thousands of customers who come into contact with the Myer CSC every day. This new technology will ensure that customer calls are answered efficiently, and that customers are provided with the most up-to-date information available. Our team members will have access to customers' contact history to better understand their needs and track the resolution of their issues in a proactive and productive way. The upgrades will make it easier and faster for our customers to be served by the CSC and will provide further opportunities for the CSC team to delight our customers when they contact Myer via phone, email, or social media.



Team member - Myer Customer Service Centre

My team

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



Employee engagement
83% Engaged



Work place safety LTIFR
FY2014: 7.0
FY2013: 8.6
FY2012: 10.9
FY2011: 11.5
FY2010: 14.5



Female team members
FY2014: 79.6%
FY2013: 78.8%



Retention rate
FY2014: 75%
FY2013: 74%



Development training hours
FY2014: >25,000
FY2013: >25,000



Inspirational People Awards

Attraction and retention

At the end of FY2014, Myer had more than 13,000 team members. With additional casual employees over the peak Christmas trading period, team member numbers increased to over 15,000. Having a motivated team is essential to the success of our business, and we were pleased to achieve a retention rate of 75 percent for FY2014.

During the year we undertook an employee engagement survey, 'Your Say', which showed an outstanding employee engagement rating of 83 percent.

Myer offers a rewarding and supportive workplace, with benefits including Myer shopping discounts, flexible work, and a range of leave options. We support gender, age, language, disability, and cultural diversity through our diversity policy. This policy was supported through Discrimination and Equal Opportunity training for managers in stores and our support office. In FY2014, 79.6 percent of our total team members were female, slightly higher than last year at 78.8 percent. Females account for 28.6 percent of the Board of Directors, 50.8 percent of our senior leadership team and 68.6 percent of Myer management roles.

WORK LEVEL DIVERSITY (FEMALE)	FY2014
Board	28.6%
Senior managers	50.8%
Other managers	68.6%
Clerical and administration	76.8%
Sales	81.7%
Distribution centres	46.0%
Myer total	79.6%

Capability and development

In FY2014, we continued to build a customer-focused culture in our stores through the 'Delivering Delightful Service and Selling' program for all store team members. As part of this program, we also launched a new Individual Progress Review discussion in which store team members and their managers meet twice a year to review progress, recognise achievements, and identify development needs. Leadership development continued to be a focus in FY2014, with workshops delivered to store and support office leaders. Capability development opportunities are offered through on the job training, instructor-led training and online modules. During the year, team members took part in both instructor-led training, and online training hours. Store team members also attended new technology systems training to support our new 'My Customer Orders' iPad initiative. A number of merchandise team members also participated in the new RMIT 'Fashion and Textiles' training. Results from our 'Your Say' survey indicated that one of the four key areas for improvement was training and development, so this will form a key area of focus for FY2015.

Reward and recognition

We recognise and celebrate individual and team performance through a range of recognition programs. At the annual Myer Inspirational People Awards, we recognise individuals and teams who have contributed to Myer achieving our Company goals, including sustainability, safety and community contribution. Our CEO's High Performers Club specifically recognises excellence in sales performance, with 45 team members inducted in FY2014, and a total of 833 members now in the program. Our Myer 25 Year Club also celebrates the loyalty of longstanding team members who have worked for Myer for over 25 years. The club now has over 3,000 members, made up of both current and previous team members.

Workplace safety

Safety is a key priority for our business, and 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 14.5 in FY2010 down to seven this year. There were 96 lost time injuries in the year, down from 118 in FY2013 and 147 in FY2012. We continue to maintain a strong focus on safety through the management of safety hazards at our sites, management and team member awareness, active safety committees at all sites, induction and ongoing training programs, and return to work processes. Early intervention is supported by access to our InjuryNET program. This provides team members with access to a network of doctors and physiotherapists for treatment.

Our self-insurance licences require Myer to demonstrate compliance with legislative obligations and effective health and safety systems that deliver injury and illness prevention in our workplaces. Successful insurance renewal audits were completed in New South Wales in August 2013 and South Australia in March 2014.



Stock flow management

Safety in focus

Safety is a key focus at Myer. In FY2014, stores and distribution centres celebrated outstanding safety milestones, and fewer team members were injured while at work.

Myer's Kewdale (Western Australia) Distribution Centre achieved 2,000 days without a lost time injury during the year. Kewdale is the first Myer site to reach this milestone, reflecting the strong safety culture and team effort at the site. In its last safety audit, Kewdale achieved a perfect score of 100 percent.

Kewdale Manager, Bob Stanowski, said that in achieving 2,000 lost time injury free days, the biggest challenge was dealing with complacency, and not taking things

for granted. To overcome complacency, Bob encourages the management team to go beyond the requirements of the safety system by regularly gathering the team together and holding team talks and one-on-one informal conversations about safety.

Our stores have also achieved safety success throughout the year. In March 2014, Myer Ballarat (Victoria) reached 1,000 days without a lost time injury, and Myer Erina (New South Wales) achieved 620 days lost time injury free. These achievements have been enabled by a constant storewide focus on safety. All team members take responsibility for their actions, and "think, act and report" safety concerns.



Support office team thrives on fun

At Myer, we want our team to thrive. We want team members to feel good about coming to work, and to encourage positive morale.

Over the past few years, we have been planting the seeds to cultivate a positive team spirit in Myer's support office and build a sense of community, with the introduction of our social group, 800 Thrive.

800 Thrive is a group of team members who organise fun ways for the team to interact with each other outside of day-to-day business activities. The group's goal is to provide team members with health and wellbeing activities, and social events to make working at the support office a positive and rewarding experience.



Online order fulfillment

A highly engaged team

During FY2014, Myer was awarded ORC International's 'Excellence in Employee Engagement' award for Australia and New Zealand, recognising the results of our first company wide team member engagement survey, 'Your Say'. Myer's 83 percent employee engagement result was the highest ranking out of the 182 surveys conducted in the region during the year. More than 7,500 Myer team members took part in the Your Say survey. Results were collected and analysed by ORC International, identifying key themes that were communicated to the team across the nation. Each Myer store and our support office analysed their own survey results and identified areas for improvement.

Results from the survey identified that our team members have a good understanding of the expectations of their role and contribution to organisational goals. They place a high level of importance on customers and service delivery, and feel a strong sense of belonging and teamwork.

Your Say has enabled us to have a more accurate picture of how our team members feel about working at Myer, in particular their opinions about our performance, culture, leadership, how we go about our work, and where the Company is headed.



Customer service Myer Melbourne

My community

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

In FY2014, Myer worked with our stakeholders to contribute a total of \$2,272,883 to our local communities, including \$343,664 in direct cash donations, \$1,344,123 in fundraising, and \$585,096 worth of donated time.

**Total FY2014 community contribution of
\$2.27 million**



Direct community contribution
FY2014: \$928,760
FY2013: \$843,859



Community fundraising
FY2014: \$1,344,123
FY2013: \$1,319,437

Myer Stores Community Fund

The Myer Stores Community Fund is committed to continuing Myer's tradition of community support since 1924. The Fund supports charitable projects for sick and disadvantaged children and youth, and projects which support women's health.

In FY2014, the Myer Stores Community Fund supported more than 100 charities nominated by Myer store team members, with moneys raised by team members for these charities matched by the Fund.

Myer recognises the unique opportunity we have through the generosity of our customers, suppliers, and other partners to facilitate fundraising for our charity partners.

Myer's key annual fundraising event is the Myer Stores Community Fund Precious Metal Ball. More than 900 guests from the retail, business, and fashion industries attended

this event in 2014, raising \$718,689 for the Myer Stores Community Fund. The major charity recipient for the event this year was Redkite. The annual event has raised over \$5.8 million since 2004.

Myer stores also support the work of The Salvation Army by donating all proceeds from the sales of our Spirit of Christmas CD, which raised \$350,667 in Christmas 2013.

Volunteering

As part of Myer's ongoing paid Volunteer Leave initiative and Myer Stores Community Fund activity during FY2014, Myer team members provided \$585,096 worth of volunteer hours to support the Myer Stores Community Fund and other strategic charity partners.

Strategic community partnerships

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

Fitted for Work

Fitted for Work assists women experiencing disadvantage in finding employment by providing free personal corporate styling, interview coaching, mentoring, and transition to work programs. According to a Fitted for Work survey, 75 percent of the women dressed by Fitted for Work were employed within three months.

Myer assists Fitted for Work by providing mentoring, team member clothing donations, assistance in retail employment, team member volunteering leave opportunities, and by engaging with our suppliers to promote donations.

The Myer and Salvos Stores Fashion Rescue

With the aim of reducing textile waste and increasing clothing recycling, Myer and Salvos Stores rolled out a national initiative in FY2014, encouraging customers to donate clothing to Salvos Stores in order to receive a \$10 Myer voucher. In the first six months of the program, 8,295 customers were rewarded with vouchers for the donation of over 92,000 clothing items nationally.



Myer team members – fundraising event

Myer shows our love for Lani

Myer team members, family and friends showed their support for Myer Fountain Gate (Victoria) team member, Lani Brereton, through the 'Love for Lani' fundraiser held at Mornington Racecourse.

Lani's life was thrown into turmoil in December 2013 when she was involved in a head-on collision with a drunk driver. Lani suffered massive injuries and underwent life-saving surgery at the Alfred Hospital in Melbourne.

Since the accident, Lani has made outstanding progress and shown her friends, family and colleagues amazing courage and determination to recover and regain her independence.

The level of compassion and support shown by many Myer team members from around the country is truly inspiring. Numerous fundraising events have been held around the nation including a gala dinner held in Melbourne where \$26,300 was raised through raffles and donations to aid in Lani's recovery efforts.

It is great to see such commitment and hard work from Myer team members to support one of our own in a time of need.



John Hawker and Jenni Seton – Precious Metal Ball 2014

Myer Stores Community Fund supporting Redkite

For the second year, the Myer Stores Community Fund nominated national cancer charity Redkite as beneficiary of the Precious Metal Ball. A total of \$250,000 in proceeds from the gala event was directed to Redkite's Cancer Journey Program, which supports children and young people with cancer and their families with essential support from hospital to home.

With continued funding from the Myer Stores Community Fund, Redkite can provide an additional 100 families with financial, emotional, and educational assistance – ensuring support is available for them when and where it is needed.



Myer Christmas Bear - Harry

Myer shares the 'Power of Give'

In December 2013, thieves broke into the home of a Sydney family with three children, stealing belongings including gifts that were under the Christmas tree. The family had been saving for the gifts for quite some time, so the break-in meant the children would be without gifts on Christmas Day.

Myer became aware of the family's story, offering to replace their Christmas gifts. The Myer Sydney (New South Wales) team, in conjunction with the support office, were able to source the same gifts that were stolen from under the family's tree, replacing the children's Nintendo DS and Leap Pad, as well as contributing another gift and a Myer Christmas bear for each of the three children. Myer also gave the family a hamper, along with a \$1,000 gift card.

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.



Greenhouse gas emissions (tCO₂e)
FY2014: 173,534
 FY2013: 182,573



Energy use (Gj)
FY2014: 720,528
 FY2013: 741,761



Emissions reduction (year on year)
FY2014: 5.0%
 FY2013: 4.8%



Energy intensity (kJ/m²/opening hr)
FY2014: 179.8
 FY2013: 191.2



Recycling rate (% waste recycled)
FY2014: 57%
 FY2013: 55%



Floor Ready compliance (% compliance)
FY2014: >70%
 FY2013: >70%

Energy and emissions

With a network of 67 stores, four distribution centres and our Melbourne support office, energy use is one of our key environmental impacts. Myer recognises the responsibility of our organisation as part of a global community to reduce the economic, social, and environmental impacts of energy use through reducing carbon emissions. With these factors in mind, Myer has developed an Energy Management Strategy, with a target of 10 percent reduction in energy intensity by FY2018 from our FY2012 baseline. Myer measures energy intensity as kilojoules of energy used per square metre of floor area, per hour that stores are open for trade or kJ/m²/opening hour. Our progress this year has been solid, achieving a 6 percent reduction in energy intensity since last year, with an FY2014 energy intensity of 179.8 kJ/m²/opening hour.

Energy efficiency projects implemented under the Energy Management Strategy in FY2014 included:

- › Building Management System upgrades.
- › Heating and cooling system upgrades.
- › Wiring configuration corrections.
- › Internal education campaign on energy use and the introduction of reporting in stores.

Myer reports and calculates our energy use and carbon emissions according to the Australian 'National Greenhouse and Energy Reporting Scheme' (NGERS) managed by the Australian Clean Energy Regulator.

Note: FY2013 data has been updated to include the Myer vehicle fleet data.

Packaging stewardship

As Myer is a signatory of the Australian Packaging Covenant, we continue to focus on reducing consumer packaging and increasing our use of recyclable packaging materials. In 2014, Myer was rated a 'high performer' under the Covenant.

'Floor Ready' is Myer's key program to achieve in-store product handling efficiencies and drive sustainable packaging design. We have an established process to report on merchandise compliance levels which includes reviewing:

- › Garment swing and security tags.
- › Price marking.
- › Hanger requirements.
- › Product packaging.
- › Product folding and packing.
- › Use of individual product plastic bags.

As of the end of July 2014, the majority of Myer's direct suppliers have signed the Floor Ready agreement, and over 70 percent of merchandise was compliant with the Floor Ready standards. We continue to work with suppliers to increase merchandise compliance.

Q. Why does Myer still provide plastic carry bags?

A: Myer carry bags are made from low density polyethylene. They are strong, cost effective, and fit for the purpose of protecting and carrying customer purchases. We continue to investigate and trial alternatives.

Waste and recycling

Myer has extensive recycling programs in place across our network of stores, distribution centres and support office. This includes specialised recycling programs for retail specific product such as security tags, clothes hangers, paper, cardboard and plastic film, pallets, pallet sheets and metals. Our support office also recycles organics, paper towel and commingled containers.

Excess or damaged merchandise, samples and returns are recycled and reused through a third party supplier, which enabled the on-selling of more than 353.2 tonnes of merchandise and recycled a further 72.6 tonnes in FY2014.

RECYCLING AND WASTE GENERATION	FY2014 (tonnes)
RECYCLING	
Cardboard and paper	3,520.3
Plastic film (LDPE)	444.6
Printer cartridges	0.5
Damaged stock	72.6
Hanger reuse (18.5 million hangers)	406.0
Shell ink security tags (4.5 million tags)	90.6
Metals	21.8
Timber pallets	123.8
Bottles and cans	45.2
Organics	0.5
WASTE	
Total recycling (tonnes)	4,725.9
General waste (tonnes)	3,637.1
Recycling rate (%)	57%

Note: Waste and recycling data for support office for 1 July 2013- 30 June 2014



Clothing tags



Myer Adelaide





Myer, Emporium Melbourne (Victoria)

Energy efficiency on the radar

Myer has a target to reduce our energy intensity by 10 percent by FY2018. This year we have made considerable progress towards this goal through energy efficiency projects ranging from new Building Management Systems (BMS) through to simple strategies such as turning off the lights. Reducing our sites' energy consumption has positive impacts on the environment and reduces our operating costs. Below are just some of the changes our stores have implemented in FY2014 to achieve energy reductions.

Fountain Gate (Victoria)

Resolved a major electrical circuit problem that caused lighting to be on for longer periods than required.

Wollongong (New South Wales)

Standardisation of the lighting and air-conditioning schedules and reconfiguring the electrical lighting circuits.

Belconnen and Canberra (Australian Capital Territory)

Building Management Systems underwent an optimisation and fine tuning initiative.

Adelaide (South Australia)

Standardisation of lighting and air-conditioning schedules, reconfiguring the electrical circuit load and repairing mechanical air-conditioning faults.

Geelong (Victoria)

Re-wiring of the lighting circuits, switching escalators on and off closer to the start and end of trade each day, and applying the Myer standard settings.



Myer and Salvos Stores Fashion Rescue

Myer and Salvos Stores Fashion Rescue

Myer teamed with Salvos Stores nationwide to offer an added incentive for customers to donate pre-loved clothing to charity. The Myer and Salvos Fashion Rescue officially launched across the country during FY2014, following a successful trial of the program in Victoria during FY2013. Customers can donate their pre-loved clothing at any Salvos Store and be rewarded with a \$10 Myer voucher.

Fashion Rescue is the perfect opportunity for Myer customers to give back to the community and contribute to a sustainable environment. Clothing donated as part of the program will be distributed to those most in need or sold to raise funds to allow The Salvation Army to continue their support work throughout the Australian community.

Each year, Salvos Stores prevent 55,000 tonnes of clothing and other goods ending up in landfill. By donating to Salvos Stores customers can extend the useful life of all the resources invested in producing clothing including energy, water, and raw materials.

The Myer and Salvos Fashion Rescue runs until February 2016.

My business

Myer is committed to conducting itself as a responsible organisation, having regard to the reasonable expectations of all our stakeholders, including customers, investors, suppliers, and the community.

ETHICAL SOURCING (100% of new suppliers engaged and signed)	FY2013	FY2014
Number of audits	136	179
Zero tolerance non-conformances	0	1
High con-conformances	0	11
Moderate tolerance non-conformances	22	30
Low non-conformances	69	106

Ethical sourcing

Myer's Ethical Sourcing Policy underpins our commitment to sourcing merchandise that is produced in safe working conditions, where the human rights of workers are respected and environmental impacts are managed. As part of supplier registration, all new Myer Exclusive Brand suppliers are required to sign that they have read and agree to the Myer Ethical Sourcing Policy. 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:

- › Ranking of suppliers according to risk profile.
- › Determining which suppliers are to be audited under the Policy.
- › Details of the regular audit process.
- › Assessment of the risk level of issues identified during audits.
- › Remedial action plan or withdrawal of supply for non-compliant suppliers, depending on the severity of the breach.

Myer manages our supply chain closely, including working with our global sourcing offices in Hong Kong and Shanghai, and our suppliers to develop, produce, and deliver our Myer Exclusive Brand merchandise to our Australian stores and our online distribution centre. We work closely with our logistics supplier Cargo Services, which operates four dedicated hubs in Asia, to efficiently deliver merchandise to our four distribution centres in Australia.



Code of Conduct training
(% of employees in past 24 months)

FY2014: >75%

FY2013: >75%



Shrinkage reduction
(year on year)

FY2014: reduction on previous year

FY2013: reduction on previous year



Product responsibility
(% merchandise compliance)

FY2014: >95%

FY2013: >95%

From these distribution centres, specific merchandise orders are delivered across our store network. In FY2014, Myer partnered with Cargo Services to establish a dedicated online distribution centre, based in Melbourne (Victoria).

During FY2014, we focused on:

- › Audit engagement of existing local Myer Exclusive Brand suppliers.
- › Inclusions of factory details on supplier merchandise registration forms.
- › Re-audits on a risk weighted basis according to our two-year audit cycle.
- › Reviewing audits for the top 100 Myer Exclusive Brand suppliers.
- › Follow-up of corrective actions for moderate, high or zero tolerance non-conformances.

During FY2014, Myer undertook a total of 179 ethical sourcing audits of direct supplier factories. As a result of these audits, 148 non-conformances were identified. Of these, 106 rated as 'low' (opportunity for improvement), 30 as 'moderate' (not a serious breach, but needs to be addressed), and 11 as 'high' (significant and in breach of the Policy). One supplier was terminated due to a zero tolerance breach. Most of the 'high' rated non-conformances related to brands for which we have taken on the manufacture during the production cycle in the financial year. All non-conformances are addressed via a remedial plan with the supplier, and follow-up is undertaken to ensure that corrective actions are initiated.

Q. Which countries does Myer source from outside of Australia?

A: Our Myer Sourcing Asia Limited (MSAL) offices, located in Shanghai and Hong Kong, manage direct sourcing of Myer Exclusive Brands outside of Australia. The vast majority of this direct sourcing is from China.

In FY2013, Myer implemented a merchandise-wide 'No Fur' policy, which was expanded in FY2014 to include a Rabbit Angora Products Policy.

Code of Conduct

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with stakeholders. Our Code of Conduct, team member training, and a whistleblower program support this commitment. Team members are required to acknowledge acceptance of the Code of Conduct prior to commencing work, and then bi-annually refresh their Code of Conduct training. In the past 24 months, over 75 percent of staff completed the Code of Conduct training. The Myer confidential whistleblower hotline service is also communicated to team members, contractors, and suppliers.

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

Shrinkage

'Shrinkage' is the loss of merchandise, and associated profit, due to product theft or loss through product handling processes. Myer has a dedicated shrinkage education and process-based program for team members to focus on reducing these losses. This program has resulted in consistent shrinkage reduction over the past few years.

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 labeling compliance. As part of the FY2014 checks undertaken, we achieved over 95 percent conformance.

Azo dyes gained public attention during FY2014, with several products containing these dyes being voluntarily recalled by clothing retailers in Australia, including two denim products carried by Myer. A small proportion of azo dyes contain, or can break down to form, aromatic amines; some of which have been classified as, or are suspected to be, human carcinogens. Myer has written to all our suppliers in FY2014 specifically prohibiting the use of azo dyes in all products sold by Myer.

Myer works co-operatively with government agencies to promote responsible product use and disposal. We support the SmarterChoice appliance efficiency 'star ratings' program in New South Wales and Victoria. Myer sales team members in electronics departments in these states are trained by the program to assist customers when considering the energy use and running cost impacts of prospective electronic purchases.





Myer Adelaide Store

Cargo Services named Myer Supplier of the Year

Myer's international supply chain provider, Cargo Services, was awarded Myer Supplier of the Year at our gala ball in November 2013. The annual awards are highly anticipated each year by both the Myer team and suppliers. We are grateful for the strong relationships we have with our broad supplier base, and this event recognises their contribution to our success.

Joining Cargo Services among the winners were our top merchandise and service providers, including Airmaster, ANZ, Bendon, Benefit Cosmetics, Bose, LEGO Australia, MAC Cosmetics Australia, sass & bide and Stockland.

Cargo Services was previously awarded Myer Supplier of the Year in 2010, as well as having received the award for Best Supply Chain Supplier for the past six years. Last year, Myer announced the progressive opening of an online fulfilment warehouse in partnership with Cargo Services. Since opening, the warehouse has provided logistics support for our online business and enabled ongoing efficiency improvements.

Creating more efficient business processes

During the year, we undertook a substantial review of business processes to improve efficiencies within Myer. This involved the realignment of some roles under new teams, enhanced processes in communication and public relations, merchandise, omni-channel, digital, marketing, and events. While the initial focus was to improve current processes, the review has resulted in continuous process improvement and has ensured the company has a model in place to better invest for the future.

Meet the Myer Quality Assurance Team

What is Quality Assurance?

The Quality Assurance (QA) team supports the product development, production and delivery of Myer Exclusive Brands. We make sure products are of the highest quality and are safe, by providing technical advice and expertise to the business. Our focus is on ensuring our products meet our compliance obligations, are of the utmost quality, fit for purpose and are packaged to provide customers with all the information they need about our products.

How does QA support the buying team and the stores?

The QA team is involved in the end-to-end product development process for our Myer Exclusive Brands; working together with Myer's sourcing offices in Shanghai and Hong Kong (MSAL) and the buying and design teams. We help ensure Myer produces quality and profitable Myer Exclusive Brand products for our customers. This includes reviewing and carrying out the assessment of potential Myer Exclusive Brand products, and also developing all packaging and labeling associated with those products. We assist with the review, development and implementation of technical standards to ensure compliance is achieved and delivered for all merchandise areas. In addition, we maintain and provide training on mandatory product standards.

Why is the QA team important to Myer and our customers?

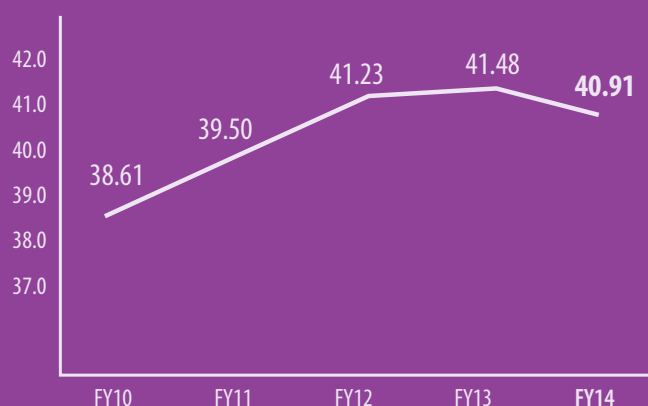
The QA team is important because we ensure the products we sell are of the best quality, the best fit and safe for our customers. We enable the business to deliver consistent sizing across our Myer Exclusive Brand ranges to help our customers feel confident in their purchases. We work very closely with the merchandise team to ensure we develop products efficiently, and get them to our customers as quickly as possible.

What are the values the QA team believe in?

We are very passionate about what we do – we have a desire to achieve the best outcomes for the business and to be enthusiastic at all times. We are always looking to achieve the best results for ourselves and our team. We strive for excellence by continually sharing best practice with each other, and have a great deal of respect for the ability and skills within our team. We work collaboratively to ensure we deliver the best possible products for our customers.

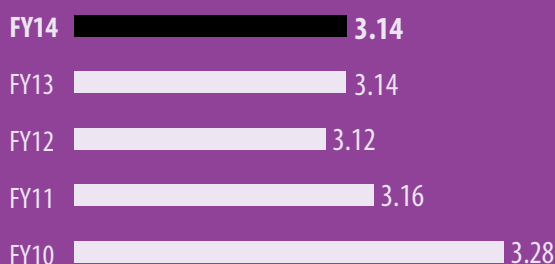
FY2014 FINANCIAL PERFORMANCE

Operating gross profit margin (%)*

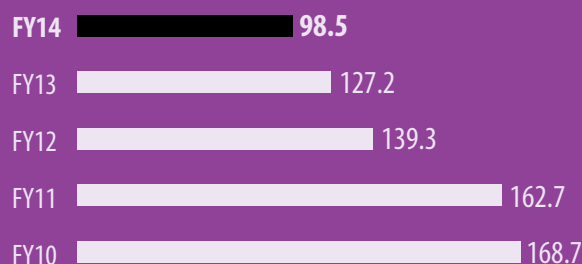


SALES IN FY2014
+1.2%
ON A COMPARABLE
STORES BASIS

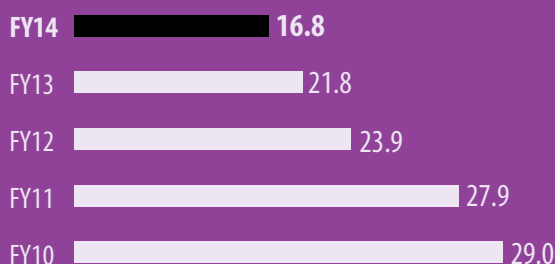
Total sales (\$b)



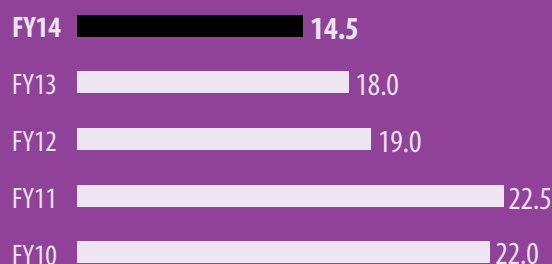
Net profit after tax (\$m)



Earnings per share (cents)



Full year dividends (cents)



Financial summary (million)	FY2014	FY2013	Change
Sales	\$3,143.0	\$3,144.9	-0.06%
Operating gross profit*	\$1,285.9	\$1,304.5	-1.43%
Operating gross profit margin*	40.91%	41.48%	-57bps
Cash cost of doing business (cash CODB)*	\$1,033.3	\$999.9	+3.33%
Earnings before interest, tax, depreciation, amortisation (EBITDA)	\$252.6	\$304.6	-17.07%
Earnings before interest and tax (EBIT)	\$160.3	\$214.8	-25.37%
Net profit after tax (NPAT) after non-controlling interest	\$98.5	\$127.2	-22.56%

*To better reflect the nature of certain items of income and expense, the income statement includes a reclassification of those items from operating gross profit to cash cost of doing business. Please refer to page 82 of the Myer Annual Report for further information.

LOOKING FORWARD

In FY2015, Myer will be focused on progressing our Sustainability journey in our key focus areas.

SUSTAINABILITY PILLAR	KEY MEASURE	FY2014 PERFORMANCE	FY2015 TARGET
My customer	Net Promoter Score (%)	exceeded target	improvement on previous year
	MYER one rewards (\$)	> 50M	> 50M
My team	Employee engagement (%)	83	83
	Female team members (%)	79.6	>75
	Retention rate (%)	75	>75
	Development training hours	>25,000	>25,000
	Workplace safety	7.0	6.5
My community	Direct community contribution (\$)	928,760	>900,000
My environment	Emissions reduction (%)	5.0	3.0
	Energy intensity (kJ/m ² /opening hour)	179.8	174.3
	Recycling rate (%)	57	60
	Floor Ready compliance (%)	>70	>70
My business	Ethical sourcing - new suppliers engaged and signed (%)	100	100
	Code of Conduct training (%)	>75	>75
	Shrinkage reduction (%)	reduction on previous year	reduction on previous year
	Product responsibility Merchandise compliance (%)	>95	>95



Herringbone Myer Melbourne



My customer

We aim to continue to delight our customers in FY2015, and improve our Net Promoter Score. To achieve this, we will focus on continued team member training, feedback and recognition, enhancing our merchandise offer, growing our omni-channel services and optimising our store network.

My team

In FY2015, we intend to focus on areas of improvement identified in the 'Your Say' team member survey undertaken in FY2014. Training and development will continue to be a key focus, including the improvement of training record capture.

We will also launch new Myer Values to our team members, which align with our company culture and purpose.

My community

In FY2015, we are focused on increasing the strategic direction and contribution of our community investment activity, and have developed a Community Investment Strategy to drive this. In FY2015, we aim to increase 'shared value' of our community relationships, increase staff volunteering and align our activity with our business impacts.

My environment

Energy will continue to be a focus of action and investment in 2015, as we work towards our 2018 target of a 10 percent reduction in energy intensity.

Store waste and recycling will also be a key focus this coming year, with the implementation of a recycling systems review and optimisation project, co-funded by the National Packaging Covenant, Sustainability Victoria and Myer. We will continue to drive packaging reduction and efficiencies in co-operation with our supply chain through the Floor Ready program.

My business

We will continue to focus on reducing shrinkage in our business in FY2015, building on the achievement of the past few years. Our team members will also be encouraged to refresh their Code of Conduct training in line with our training requirements.

The FY2015 focus for ethical sourcing will be as follows:

- ▶ Focusing on Myer Exclusive Brand suppliers to ensure they have fire safety and building structural certificates for buildings, in addition to meeting the Myer Ethical Sourcing Policy requirements.
- ▶ Reaudits on a risk-weighted basis in line with our two-year audit cycle.
- ▶ Audit engagement of existing Australian-based Myer Exclusive Brand suppliers.
- ▶ Reviewing our key national and international brands suppliers' ethical sourcing policies and frameworks.
- ▶ Conducting ethical sourcing awareness sessions for our merchandise buying teams.



CORPORATE DIRECTORY

Registered office

Myer Holdings Limited
Level 7
800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6000

Myer postal address

Myer Holdings Limited
PO Box 869J
Melbourne VIC 3000

Company Secretary

Marion Rodwell
Chief General Counsel and Group Company Secretary

Shareholder enquiries

Share Registry
Computershare Investor Services Pty Ltd
Postal address
GPO Box 2975
Melbourne VIC 3001

Myer shareholder information line

1300 820 260
+61 (0) 3 9415 4332 (outside Australia)
investorcentre.com

Investor relations

Davina Gunn
Investor Relations Manager
Phone: +61 (0) 3 8667 7879
Mobile: +61 (0) 400 896 809
Email: myer.investor.relations@myer.com.au

Olivia Reith
Investor Relations Manager
Phone: +61 (0) 3 8667 7820
Mobile: +61 (0) 438 101 789
Email: myer.investor.relations@myer.com.au

Media relations

Jo Lynch
General Manager Corporate Affairs & Media
Phone: +61 (0) 3 8667 7571
Mobile: +61 (0) 438 101 793
Email: myer.corporate.affairs@myer.com.au

Myer Customer Service Centre

PO Box 869J
Melbourne VIC 3001
Phone: 1800 811 611 (within Australia) or
+61 (0) 3 8667 6000 (outside Australia)
Fax: +61 (0) 3 8667 6091

Securities Exchange Listing

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

Websites

myer.com.au
myer.com.au/investor
myerone.com.au
myer.com.au/learn-about-us/about-myer/
sustainability-at-myer/

Sustainability

Fiona Baxter
Sustainability Manager
Phone: +61 (03) 8667 7587
Email: sustainability@myer.com.au

Shop online:



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Sustainability Report 2014
