

MYER

National Packaging Covenant Annual Report 2007/2008

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CONTENTS

EXECUTIVE SUMMARY	3
1. COMPANY PROFILE AND CONTACT	4
Myer Pty Ltd Profile.....	4
Contact Person	4
2. PRODUCT STEWARDSHIP	5
Design.....	5
Production.....	5
Distribution	5
Disposal	6
Research.....	6
Market Development.....	6
Education	6
Labelling.....	6
Wholesaling and Retailing	7
Recycling and Reprocessing	7
3. REPORTING AGAINST ACTION PLAN	8
Year 1: Action Plan Initiatives 2007/08.....	8
Year 1: Waste Reduction Initiatives.....	8
Year 1: Challenges	9
4. INITIATIVES FOR 2008/2009- YEAR 2.....	10
5. EXECUTIVE ENDORSEMENT	11
APPENDIX A: MYER ACTION PLAN PROGRESS TABLE 2007-2008	12
APPENDIX B: NPC KPI REPORT	14

EXECUTIVE SUMMARY

The 2007/ 2008 National Packaging Covenant (NPC) Annual Report marks the first reporting year for Myer.

The purpose of this report is to outline Myer 's progress in relation to its NPC 3 year Action Plan, which was submitted in January 2008 for the period January 2008-December 2010.

In summary, the report will outline:

- Product stewardship achievements and opportunities;
- Performance against specific actions;
- Status regarding implementation of the Environmental Code of Practice for Packaging (ECoPP);
- KPI data disclosure for the reporting period 1 July 2007-30 June 2008;
- Additional business initiatives that have met NPC objectives.

During the 2008/ 2009 reporting year, Myer plans to complete the Year 1 objectives that are currently in progress, and move forward with Year 2 of the Action Plan. Additional actions that can be identified during the course of the year will also be implemented.

1. COMPANY PROFILE AND CONTACT

Myer Pty Ltd Profile

The first Myer store opened in Bendigo in 1900. The business has since grown to become Australia's largest department store chain with 65 stores nationally, employing more than 20,000 people. Until recently, Myer was part of the Coles Myer Group, but was sold in 2006 to a Private Equity Consortium led by the Texas Pacific Group.

Myer offers a range of womenswear, menswear, childrenswear, homewares, cosmetics, footwear, electrical, furniture, toys, and a broad range of general merchandise. The business sells a range of National and International brands, which account for approximately 85% of total sales ('other brands'). Myer 'own brands' account for the remaining 15%. Myer is therefore classified both as a Retailer and a Brand Owner for Myer 'own brands', within the NPC.

Myer stores are located in all states and the ACT, and the National Support Office is located at 295 Lonsdale St, Melbourne. Myer has four Regional Distribution Centres located in Victoria, New South Wales, Queensland and Western Australia.

Contact Person

For further information about any matters relating to the Myer NPC Action Plan, please contact:

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2. PRODUCT STEWARDSHIP

Design

Myer 'own brands' are brand names such as 'Vue' and 'Heritage' in homewares, and 'Basque', 'Urbane', 'Blaq', 'Reserve', 'Regatta', 'Sprout' and 'Milkshake' in apparel.

Homewares products are typically packaged products, using printed cardboard boxes and/ or plastic wrapping. Apparel products are typically unpackaged.

In the area of Design, Myer aims to review Myer 'own brand' packaging in order to determine whether the:

- weight of packaging can be reduced, without compromising safety or product protection; and
- level of recyclable materials used can be increased.

Following this review, where opportunities exist, Myer will work with local and/ or overseas suppliers to introduce these changes into packaging design.

Further it is intended that:

- sales/ marketing materials in store be reviewed to determine whether the level of recyclability can be increased through design; and
- plastic bags be reviewed to determine whether a reduced weight of plastic can be used, through using different gauge material or modifying the size of the bags.

Myer also plans to adopt the ECoPP, and use this in the design of Myer 'own brand' packaging and bags. In addition to this, there are plans to develop an information kit to send to 'other brand' owners who sell their product through Myer stores, to encourage them to adopt ECoPP principles in their packaging design, if they're not already doing so.

Production

Myer has influence in the design of packaging for 'own brand' packaging and bags. Changes in design of 'own brand' packaging, will aim to reduce material used in the production of this packaging. Through the introduction of ECoPP into Myer's systems, composite packing will be reduced and recycling will be encouraged.

Myer will endeavour to work with local and overseas suppliers regarding the production of 'own brand' packaging.

Distribution

Myer will assess the 'distribution packaging' used in the Myer supply chain, with the intent of:

- increasing the rate of recyclability / reuse; and
- reducing the level of distribution packaging, without compromising safety and product protection.

The 'Floor Ready' project has been a significant business achievement, in terms of reducing distribution packaging (see details in Part 3- Year 1: Waste Reduction Initiatives).

Myer aims to consult with other companies, such as 'other brand' owners whose products are sold through Myer stores, to further research best practice supply chain.

Disposal

Myer aims to minimise the waste going to landfill through:

- introducing recycling collection systems in place on all sites; and
- designing 'own brand' packaging and sales/ marketing materials to maximise their recyclability.

Myer already has a number of recycle collection processes in place, such as waste paper, used ink and toner cartridges, and the collection of hangers at the point of sale for reuse. Measuring baseline data will give an indication of the uptake of these recycling processes, and whether further improvements can be made.

Research

Myer intends to research options for the following:

- plastic carry bags;
- Myer 'own brand' packaging;
- sales/ marketing materials; and
- distribution packaging.

Myer also intends to review the latest trends in packaging materials, in line with the NPC's goals and targets.

Myer will endeavour to consult and share knowledge with others in the packaging supply chain and government.

Market Development

Myer intends to implement a 'buy recycled' purchasing policy, to support the market for recycled materials. Myer will also promote awareness of and commitment to this policy amongst team members.

Education

Education is an important component of the NPC, and Myer intends to educate staff in relation to the initiatives undertaken. Further, by adding a recycling message to Myer 'own brand' packaging, the business is also promoting responsible practices amongst our customers.

Relevant Myer team members will attend training and workshops in relation to the NPC and any related subjects.

Labelling

Myer intends to provide customers with clear information and instructions to maximise recycling of packaging materials. Myer has already added a recycling message to 'own brand' paper and cardboard packaging, and intends to add recycling symbols to plastic packaging in due course.

ECoPP principles are currently being incorporated into Myer's 'own brand' packaging and labelling development system.

Wholesaling and Retailing

Myer currently has a process in place for collecting and reusing hangers at the point of sale.

Myer aims to review this process to determine whether any further improvements can be made, and whether other materials can be handled in the same way.

Recycling and Reprocessing

Myer plans to review its 'own brand' packaging to determine whether there are opportunities to change composite materials to single recyclable materials.

Myer will also assess whether substitution of packaging materials with other materials can help to increase recycling and/ or reduce the weight of material required in the first place.

3. REPORTING AGAINST ACTION PLAN

Year 1: Action Plan Initiatives 2007/08

Myer became a signatory to the NPC in September 2007. A 3 year Action Plan was submitted in January 2008, which outlined commitments, targets and timelines for the next 3 years (January 2008-December 2010).

The main focus for Year 1 was to collect the baseline data, in order to gain an accurate understanding of the current state.

A summary of the actions outlined in Year 1 of the Action Plan follows:

- Reporting weight of 'own brand' packaging by material type and source;
- Developing standard procedures based on the collection of the reported data;
- Minimising the material used in Myer plastic carry bags;
- Continue with hanger reuse and recycling;
- Minimise the weight of distribution packaging;
- Maximise the use of double-sided printing;
- Reporting weight of 'own brand' non-recyclable packaging with a standard procedure;
- Educate staff on recycling procedures and NPC principles;
- Reporting weight of waste sent to recycling and waste sent to landfill with a standard procedure;
- Develop systems for the implementation of EcoPP;
- Incorporate a recycling message on Myer 'own brand' cardboard cartons, inserts and bags;
- Lodge annual report including IDAS by 31st October.

Appendix A outlines progress in relation to the Year 1 Action Plan.

Year 1: Waste Reduction Initiatives

Distribution Packaging

In 2008 Myer has implemented the use of 'Roll Cages' as its main instrument for merchandise logistics, from its Regional Distribution Centres to Store locations.

This initiative has resulted in significant reduction in use of wooden pallets, and an anticipated 70% reduction in use of plastic shrink-wrap (based on usage prior to the introduction of roll cages), which amounts to approximately 27 tonnes per annum.

Floor Ready

'Floor Ready' is another supply chain initiative, which has been implemented to directly target distribution packaging reduction.

As part of this initiative Myer has developed various 'standards', including reducing plastics bags, pins, cardboard inserts and tissue paper, as well as continuing the hanger recycle process in stores. These 'standards' have been communicated to suppliers with the expectation of compliance. Compliance to these 'standards' will be audited in stores.

ECoPP

Myer is in the process of incorporating ECoPP into its 'Packaging and Labelling Request System'. When considering packaging requirements for each product, the following questions will be asked:

- Is the packaging able to be made from one material?
- Is the packaging able to be re-used by customers?
- Is the packaging likely to be recycled by customers?
- Will the packaging be made of recycled materials?
- Will recycling and disposal advice be provided on the packaging?

A Product Development Manager will review packaging requests and responses to the above questions, in order to ensure that each ECoPP principle has been appropriately considered.

IT Upgrade

As part of its Point of Sale system (register) upgrade, Myer has entered into an agreement with Fujitsu Australia to ensure that all old registers will be recycled.

Approximately 3850 registers will be replaced, each comprising a CPU, printer and keyboard. The majority of materials collected from the old equipment will be recovered for recycling, and then used in new products such as fence posts.

Ticketing

Myer is in the process of moving from a centralised model for production and distribution of store ticketing, to a decentralised model whereby tickets are produced within individual stores.

The decentralised model will greatly reduce paper wastage, as stores will be printing only the required ticket quantities, rather than being automatically allocated a generic, standardised quantity.

As this initiative is only in its early stages, the business is not in a position to comment on any weight measurement savings at this point in time.

Myer has also trialed a carbon neutral paper stock for printing tickets, and is currently undertaking a review to determine whether it will be viable and sustainable moving forward. The review will be completed by mid November.

Year 1: Challenges

Initiatives aimed at reducing distribution packaging have faced challenges, principally with regard to potentially compromising safety and product protection. Whilst it is important that packaging is kept to a minimum from both environmental and cost perspectives, the manner in which merchandise is delivered and displayed to the customer must also be taken into consideration.

The current state of the economy has made it difficult to implement a 'buy-recycled' purchasing policy into the business during Year 1, with many cost controls having to be adopted due to cost pressures. However, the business has committed to reviewing and implementing a 'buy-recycled' purchasing policy in Year 2.

4. INITIATIVES FOR 2008/2009- YEAR 2

Moving forward into Year 2 of the Action Plan, Myer will focus on improving the baseline data collected in Year 1.

A summary of the Year 2 initiatives of the Myer NPC Action Plan follows:

- Reporting of baseline data and comparing this with the year 1 results;
- Reducing the weight of 'own brand' packaging and non-recyclable material where appropriate;
- Maximising the recyclable content of marketing/sales materials;
- Minimising the weight of non-recyclable consumer packaging in general waste and distribution packaging from all Myer sites;
- Replacing composite packaging in Myer 'own brands' where possible;
- Continuing ink and toner cartridge recycling collection;
- Assessing whether further waste recycling collection systems on Myer sites could be implemented;
- Educating team members about any new recycling procedures and company initiatives;
- Implementing a 'buy recycled' purchasing policy.

5. EXECUTIVE ENDORSEMENT

This Annual Report has the endorsement of the Chief Executive Officer Bernie Brookes.

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APPENDIX A: Myer Action Plan Progress Table 2007-2008

NPC GOAL 1- Packaging optimised to integrate considerations about resource efficiency, maximum resource re-utilisation, product protection, safety and hygiene			
Covenant KPI	Action	Progress	Outcome
1. Total weight of consumer packaging (domestic & imported) sold per annum into the Australian market and the total weight of products packaged.	Report confidentially the total weight of Myer 'own brand' packaging by material type and source (local or imported) and total weight of 'own brand' packaged product sold into the Australian market	Completed	The baseline data has been developed and reported via IDAS.
	Develop a standard procedure for the collection of the total weight of packaging and product data	Completed	Procedure has been established and documented whilst gathering the baseline data.
3. Improvements in design, manufacture, marketing and distribution to minimise the environmental impacts of packaging.	Minimise the material used in Myer plastic carry bags by assessing whether the best bag sizes and thickness are available for the size of the product sold	In Progress	Myer is currently reviewing its plastic carry bag in terms of material, design and construction. It is also analysing how the bags are operationally used in the business.
	Continue with hanger reuse and recycling and determine whether any further improvements can be made	Completed	A hanger collection, re-use and recycling program is in place for all stores.
	Minimise the weight of 'distribution packaging' used in the Myer supply chain	In Progress	Myer has committed to a number of merchandise initiatives to reduce in transit packaging (e.g. Floor Ready, Roll Cages).
	Maximise the use of double-sided printing	Completed	Myer's standard operating procedure has printers with a default setting for double-sided printing.
6. Total weight, by type, of "non-recyclable" packaging sold per annum into the Australian market.	Report confidentially the total weight by type of 'non-recyclable' packaging as a % of total packaging sold into the Australian market for Myer 'own brands'	Completed	The baseline data has been developed and reported via IDAS.
	Develop a standard procedure for the collection of 'non-recyclable' packaging data	Completed	Procedure has been established and documented whilst gathering the baseline data.
	Educate staff about any new recycling procedures and company initiatives	In Progress	Various communication channels have been used to educate staff include store communications, NPC committee meetings in the Support Office and a Support Office champion for the NPC.

NPC GOAL 4 - Supply chain members and other signatories are able to demonstrate how their actions contribute to goals (1)			
Covenant KPI	Action	Progress	Outcome
21. Estimated tonnage of consumer packaging recycled and sent to landfill respectively from on-site collection facilities.	Report confidentially on total weight of waste sent for recycling and to landfill respectively from Myer on-site collection facilities	Completed	The baseline data has been developed and reported via IDAS.
	Develop a standard procedure for the collection of total weight of waste sent for recycling and to landfill	Completed	Procedure has been established and documented whilst gathering the baseline data.
22. Formally adopt the ECoPP and develop systems for its implementation.	Develop systems for implementation of ECoPP for Myer 'own brands' and bags	In Progress	ECoPP is being incorporated into Myer's system through adding ECoPP questions to our packaging and labelling requests. When requests are completed our product development manager reviews the answers.
	Incorporate a recycling message on Myer 'own brand' cardboard cartons and inserts	Completed	Myer 'own brand' cardboard cartons contain a recycling message
	Use appropriate recycle label on Myer 'own brands' and bags	In progress	Labels have been implemented for Homewares products and are being phased into the Apparel business. Myer's bags are currently in the design stage.

NPC GOAL 5 - All signatories demonstrate continuous improvement in their management of packaging through their individual action plans and annual reports			
Covenant KPI	Action	Progress	Outcome
27. Establishment of baseline performance data	Report confidentially baseline data by 31st October 2008	Completed	IDAS completed and attached.
28. Annual Reporting against Action Plan.	Lodge annual report outlining progress against baseline data, action plan commitments, targets and timelines	Completed	As attached.
	Communicate Covenant principles and all related activities to all staff	In Progress	Various communication channels have been used to educate staff including an environmental survey, which was included in a store communication; internal Myer TV episodes have been used to highlight the importance of the NPC, NPC committee meetings in the Support Office and a Support Office champion for the NPC.
29. Demonstrated improvement and achievements against individual targets & milestones	Demonstrate continuous improvement and performance against action plan in the annual report	In Progress	Established baseline data to allow reporting on improvement in 2007.

APPENDIX B: NPC KPI Report

NPC KPI 16: Post-Consumer Recycling Facilities

KPI 16A: Does Myer have on-site collection for recycling facilities? **Yes**

KPI 16B: What types of on-site recycling facilities are provided?

- Paper/cardboard **Yes**
- Plastics **Yes**
- Metals **No**
- Organics **No**
- Other **Yes** (Ink Cartridges, Hangers)

NPC KPI 21: Destination of Collected Packaging Waste

KPI 21: The estimated tonnage of consumer packaging sent for recycling and to landfill from onsite collection facilities (**refer to KPI 16**)

KPI 21A: Consumer packaging from on-site collection, which is sent for recycling: **4910 tonnes**

Percentage of total waste: **46.6%**

KPI 21B: Consumer packaging from on-site collection, which is sent to landfill: **5630 tonnes**

Percentage of total waste: **53.4%**

NPC KPI 22: Environmental Code of Practice for Packaging

KPI 22A: Has the Environmental Code of Practice for Packaging been formally adopted? **Yes**

NPC KPI 26: Buy Recycled Purchasing Policy or Practices

KPI 26A: Has Myer adopted a buy recycled purchasing policy or practices? **No**

NPC KPI 27: Establishment of baseline performance data

KPI 27A: Has Myer reported indicative baseline data (where available), including qualifiers & assumptions, by 30th November 2008? **Yes**

KPI 27B: Has Myer reported established baseline data by 31st October 2008? **Yes**

NPC KPI 28: Annual Reporting against Action Plan

KPI 28A: Report lodged by 31 October each year and outline progress against baseline data, individual Action Plan commitments, targets and timelines. **Yes**

NPC KPI 29: Demonstrated improvement and achievements against individual targets & milestones

KPI 29: Annual report clearly demonstrates continuous improvement and performance against individual targets and timelines in Action Plan. **Yes**