

Corporate Governance Statement

Myer and the Board are committed to achieving the highest standards of corporate governance. Accordingly, the Board has adopted a corporate governance framework which consists of principles and policies consistent with the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition)* (ASX Principles) which assist the Board to discharge its corporate governance responsibilities on behalf of the shareholders. The Board has also implemented practices designed to promote responsible management and good conduct.

Details of Myer's key policies and practices and the Charters for the Board and each of its Committees can be seen on the Myer website, at www.myer.com.au. Myer and its controlled entities together are referred to as the Group in this statement.

The main features of the Group's corporate governance practices are set out below.

Board of Directors

The Board has ultimate responsibility for setting policy regarding the business and affairs of Myer for the benefit of shareholders and other stakeholders. The Board has adopted a Charter to provide a framework for the effective operation of the Board. As set out in the Board Charter, the Board has clearly established the functions reserved to it and those delegated to senior executives.

Role and functions of the Board

The primary responsibilities of the Board are to:

- monitor corporate performance and the implementation of strategy and policy;
- select, appoint and evaluate the performance of, determine the remuneration of, and plan the succession of the CEO;
- on recommendation of the CEO, select, appoint and review the performance of the CFO and other senior executives;
- contribute to and approve management development of corporate strategy, including setting performance objectives and approving operating budgets;
- review, ratify and monitor systems of risk management and internal control and ethical and legal compliance;
- approve major capital expenditure, acquisitions and divestments, and monitor capital management;
- monitor and review management processes; and
- develop and review corporate governance principles and policies.

The Board delegates the implementation of the strategic objectives, plans and budgets approved by the Board to the CEO and management.

Board responsibility for performance assessment of senior executives

All senior executives undergo a performance and development review on an annual basis. This review process involves the following:

- each senior executive is assessed in relation to a set of key performance criteria against which they will be measured. These criteria include both financial and non-financial performance measures;
- at the end of each financial year, all senior executives meet with their manager to discuss their performance over the previous year; and
- upon the completion of the performance appraisal meeting, each senior executive is provided with feedback on their performance and a rating is determined based on that performance. As well as the review of performance, where appropriate, a development plan is also agreed to facilitate the ongoing contribution of the executive to the needs of the business.

A performance evaluation for senior executives which accords with the process described above has taken place during this reporting period.

It is the role of the Board to review the performance of the CEO and to review the assessments made by the CEO of the performance of his direct reports.

The Nomination and Remuneration Committee is responsible for the review of the senior management assessment processes from time to time to ensure that they remain consistent with the Board's overall objectives for the business.

Board composition

The Board operates in accordance with the broad principles set out in its Charter which is available from the corporate governance information section of the Myer website. The Charter details the Board's composition and responsibilities. As at the date of this Report, the Board comprised of the following Directors:

Name	Position	Appointed
H McDonald	Chairman, Independent Non-Executive Director	2006
B Brookes	CEO and Managing Director	2006
A Brennan	Independent Non-Executive Director	2009
T Flood	Independent Non-Executive Director	2009*
P Hay	Independent Non-Executive Director	2010
R Myer	Independent Non-Executive Director	2006

* Tom Flood was appointed a Director of Myer Pty Ltd in 2007.

The majority of the Board, including the Chairman, are independent Non-Executive Directors.

The Constitution of Myer states that the minimum number of Directors is four and the maximum is fixed by the Directors but may not be more than 12. Directors may be appointed to the Board to fill casual vacancies and are elected at Annual General Meetings of Myer.

Myer intends to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience so that the composition of the Board reflects the appropriate range of independence, skills and experience for Myer. The Board is considering the appointment of a new Director in the future to further enhance the skills and experience of the Board. Further details of current Director's term of office, skills, qualifications, experience and expertise are set out on pages 10–11 of the Directors' Report.

Directors' independence

The Board Charter sets out guidelines and thresholds of materiality for the purposes of determining independence of Directors in accordance with the ASX Principles. The Board has adopted a definition of independence that is based on that set out in Box 2.1 of the ASX Principles. In general, Directors will be considered to be independent if they are not members of management and they:

- are not a substantial shareholder of Myer, or an officer of, or otherwise directly associated with, a substantial shareholder of Myer;
- have not, within the last three years, been employed in an executive capacity by Myer or another Group member;
- except in connection with reorganisations within the Group, have not within the last three years been a principal or employee of a material professional adviser or a material consultant to Myer or another Group member;
- are not a material supplier to, or customer of Myer or another Group member or an officer of or otherwise directly or indirectly associated with a material supplier or customer of Myer; and
- have no material contractual relationship with Myer or another Group member, other than as a Director of Myer.

Materiality for these purposes is assessed on a case-by-case basis, having regard to both quantitative and qualitative principles.

In terms of quantitative assessment the Board will:

- determine the appropriate base to apply (e.g. revenue, equity or expenses), in the context of each situation;
- consider an interest (in the relevant base) of 10% or more of Myer's shares to be material;
- consider and review each interest (in the relevant base) of between 5% and 10% on a case by case basis; and
- consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence.

In terms of qualitative assessment, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of Myer.

The Board is currently made up of six Directors, five of whom are Non-Executive Directors. At the date of signing the Directors' Report, it is the Board's view that each of its Non-Executive Directors is independent. Details of the relationships affecting Directors' independence and their independent status (if any) are set out below.

Howard McDonald was appointed a Director in October 2006 and Chairman in August 2009 and supplied consultancy services to Myer from October 2006 to March 2009. Mr McDonald is also Chairman and a shareholder of Rodd & Gunn, a Myer supplier, and a Director of General Pants Co., a Myer competitor. For the financial year ended 31 July 2010, the percentage of Myer's total sales represented by Rodd & Gunn was well below the materiality threshold established by the Board in its Charter.

Tom Flood was appointed a Director of Myer Pty Ltd in July 2007 and provided consultancy services to Myer one day per week during the period from July 2007 to March 2008 as part of the specific Board function in overseeing the work performed by management on the 'Store of the Future' project.

Having regard to:

- a) the nature and extent of the work performed and, in the case of Mr McDonald, the extent of the dealings between the other companies and Myer; and
 - b) the remote likelihood that the Board will need to consider the subject matter of that work or those dealings,
- the Board has determined that Mr Flood and Mr McDonald are independent Directors.

Term of office

In accordance with the ASX Listing Rules and Myer's Constitution, all Non-Executive Directors must retire from office no later than the third Annual General Meeting following their last election. Where eligible, a Director may stand for re-election. The Managing Director/CEO will not retire by rotation.

Chairman and CEO

The Chairman is responsible for:

- providing appropriate leadership to the Board and Myer;
- representing the Board to shareholders and communicating the Board's position; and
- promoting constructive and respectful relations between the Board and management.

The CEO is responsible for:

- managing Myer as directed by the Board; and
- implementing strategic objectives and plans approved by the Board.

As set out in the Board Charter, the offices of Chairman and CEO are separate roles and are not exercised by the same individual. The Chairman is an independent Non-Executive Director.

Induction

All new senior executives and Directors participate in an induction program. The Directors' program specifically covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues, which enables them to actively participate in decision-making as soon as possible.

New Directors are provided with a letter of appointment setting out Myer's expectations, their responsibilities and rights and the terms and conditions of their tenure.

Corporate Governance Statement continued

Board of Directors (continued)

Commitment

The number of meetings of the Board and of each Board Committee held during the period ended 31 July 2010, and the number of meetings attended by each Director is disclosed on page 12.

When reviewing a potential candidate for Board appointment, the Nomination and Remuneration Committee will consider the capability of the candidate to devote the necessary time and commitment to the role.

Independent professional advice

Directors and Board Committees are entitled, with the approval of the Chair, to seek independent professional advice at Myer's expense in connection with their duties and responsibilities.

Performance assessment of the Board, its Committees and individual Directors

The Board, with the assistance of the Nomination and Remuneration Committee as required, has committed to undertaking an annual review of the performance of individual Directors and the Board as a whole, as well as its Committees. Given the recent listing of Myer, the performance assessment of the Board, its Committees and individual Directors has not occurred during the reporting period. However, the process and format of such a review has been agreed by the Board, and will be implemented following the release of the Company's first full financial year results.

Within this agreed process each Director completes a Board Review and Assessment Document and the Chairman will undertake an annual assessment of the performance of individual Directors, the Board and its Committees and will meet privately with each Director to discuss this assessment.

The first performance review of the Board, its Committees and individual Directors will take place in the coming financial year.

Board Committees

The Board has established two Committees to assist in the execution of its duties and responsibilities and to allow detailed consideration of complex issues. The current Committees of the Board are the Nomination and Remuneration Committee and the Audit, Finance and Risk Committee. Each is comprised entirely of Non-Executive Directors. The Committee structure and membership is reviewed on an annual basis.

Each Committee has its own written Charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. These Charters are reviewed on an annual basis and are available on the Myer website. All matters determined by Committees are submitted to the full Board as recommendations for Board decisions.

Minutes of Committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the Charters of the individual Committees.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee operates in accordance with the Nomination and Remuneration Committee Charter which is available on the Myer website. It is responsible for the following matters:

- reviewing, assessing and making recommendations to the Board on the size and composition of the Board, including assessment of desirable and necessary competencies of the Board members;
- assisting the Board to assess the performance of the Board, its Committees and individual Directors;
- reviewing succession plans for the Board and the succession of the Chair and the CEO and overseeing the development of succession planning in relation to management;
- assisting the Board with the selection and appointment of Non-Executive Directors and the recruitment procedures for the CEO of Myer; and
- assisting the Board in determining appropriate remuneration policies (including short- and long-term incentive plans for the CEO).

The Nomination and Remuneration Committee currently consists of the following Directors:

- R Myer (Chair)
- A Brennan
- H McDonald

Details of the number of Committee meetings and Directors' attendance at Committee meetings are set out on page 12 of the Directors' Report. Prior to the listing of Myer, P Chen (as Chairman) and S Schneider were members of Myer's Nomination and Remuneration Committee. Both P Chen and S Schneider resigned as Directors on 27 September 2009.

Appointment of new Directors

The Nomination and Remuneration Committee Charter also details the factors to be considered when reviewing a potential candidate for Board appointment, including:

- the skills, experience and personal qualities that will best complement Board effectiveness;
- the capability of any candidate to devote the necessary time to the role;
- any potential conflicts of interest and independence; and
- the provision of all relevant information to Directors in relation to any potential candidate and that any offer be made by the Chair only after having consulted all Directors on the potential appointment.

The Board acknowledges the concerns raised by various corporate governance bodies in relation to the diversity in Australian companies at Board and senior executive levels. In response to these concerns, the Board and the Nomination and Remuneration Committee will assess how diversity criteria, including gender, could be taken into account when assessing future Board candidates' skills, experience and expertise. This assessment will include the establishment of measurable objectives for promoting gender diversity throughout the Group.

Remuneration

The Nomination and Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the CEO, Executive Directors and Non-Executive Directors and, on advice from the CEO, other senior executives.

In fulfilling its responsibilities, the Nomination and Remuneration Committee:

- reviews and recommends arrangements for the CEO and executives that report to the CEO, including contract terms, annual remuneration and participation in Myer's short- and long-term incentive plans;
- reviews and recommends remuneration arrangements for senior management;
- reviews major changes and developments in Myer's remuneration, recruitment, retention and termination policies and procedures for senior management, remuneration policies, superannuation arrangements, human resource practices and employee relations strategies for the Group;
- reviews the senior management performance assessment processes, and the annual results of those assessments;
- reviews and approves short-term incentive strategy, performance targets and bonus payments;
- reviews and recommends to the Board major changes/developments to Myer's employee equity incentive plans; and
- reviews and recommends to the Board the remuneration arrangements for the Chair and the Non-Executive Directors, including fees, travel and other benefits.

The Committee receives briefings from an independent external remuneration adviser on recent developments on remuneration and related matters, as required.

The Board believes that executive remuneration should be:

- equitable and aligned with the long-term interests of Myer;
- structured effectively to attract, motivate and retain skilled executives; and
- linked to the creation of sustainable shareholder returns.

Myer's remuneration structure distinguishes between Non-Executive Directors' remuneration and that of the CEO and senior executives. From the date of listing of Myer on the ASX, remuneration for Non-Executive Directors does not include any performance-based components and Non-Executive Directors do not participate in any incentive plans (Options held by Howard McDonald and Tom Flood were granted during their previous roles as both consultants and Directors prior to the listing of Myer). Remuneration for the CEO and senior executives is performance-based and includes:

- base pay and benefits, including superannuation; and
- short- and long-term incentives.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Remuneration Report on pages 15 to 26. In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee oversees and reviews Myer's financial reporting and disclosure processes and the effectiveness of Myer's controls in the areas of operational and balance sheet risk, and legal and regulatory compliance programs.

The Audit, Finance and Risk Committee's key responsibilities and functions are to:

- oversee Myer's relationship with its external auditor and the external audit function, including attending to the appointment, independence and remuneration of the external auditor;
- oversee Myer's relationship with the internal auditor and the internal audit function generally;
- oversee the preparation of the financial statements and reports, including assisting the Board in relation to the reporting of financial information;
- oversee Myer's financial controls and systems, including ensuring the appropriate application and amendment of accounting policies; and
- manage the process of identification and management of risk.

In fulfilling its responsibilities, the Audit, Finance and Risk Committee:

- receives regular reports from management and the internal and the external auditors;
- meets with the internal and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes that the CEO and CFO have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, even if they have been resolved;
- meets separately with the external auditors and the Head of Internal Audit at least twice a year without the presence of management; and
- provides the internal and external auditors with a clear line of direct communication at any time to either the Chair of the Audit, Finance and Risk Committee or the Chair of the Board.

The Audit, Finance and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

All of the Directors on the Audit, Finance and Risk Committee are independent and non-executive. The Audit, Finance and Risk Committee consists of the following Directors:

- A Brennan (Chair)
- T Flood
- R Myer

Details of the number of Committee meetings and Directors' attendance at Committee meetings are set out on page 12 of the Directors' Report. Prior to the listing of Myer, S Schneider was a member of Myer's Audit, Finance and Risk Committee. S Schneider resigned as a Director on 27 September 2009.

Members of management and the external auditors attend meetings of the Committee by invitation. The Committee may also have access to financial and legal advisers or other independent advisers, in accordance with the Audit, Finance and Risk Committee Charter.

All members of the Committee are financially literate and have an appropriate understanding of the industries in which the Group operates. The Audit, Finance and Risk Committee operates in accordance with the Audit, Finance and Risk Committee Charter which is available on the Myer website.

Corporate Governance Statement continued

Board Committees (continued)

External auditors

Under its Charter, the Audit, Finance and Risk Committee has the responsibility and authority to appoint the external auditor as well as evaluating its effectiveness and independence.

The performance of the external auditor is reviewed annually and the Audit, Finance and Risk Committee reviews and assesses its independence including, but not limited to, any relationships with Myer or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of Myer. The current practice is for the rotation of the audit engagement partner to occur every five years. PricewaterhouseCoopers was reappointed as the external auditor in 2009.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk management

Myer recognises the importance of risk management practices. Effective risk management assists management and the Board in the delivery of Myer's strategy.

The Board has ultimate responsibility for the oversight of risks. The Board delegates coordination of risk oversight through the Audit, Finance and Risk Committee. The Committee's role in relation to risk management is to review and report to the Board as to whether:

- Myer's ongoing risk management program effectively identifies all areas of potential material business risks;
- adequate policies and procedures have been designed and implemented to manage material business risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- remedial action is undertaken to redress areas of weakness.

Management implemented a formal Risk Management Framework during the reporting period. Part of the risk management process involves management reporting to the Board on the material business risks and the effectiveness of Myer in managing these risks, on an annual basis. For the reporting period, management has reported to the Board, in accordance with ASX recommendation, as to the effectiveness of Myer's management of the Group's material business risks.

Prior to the implementation of the formal Risk Management Framework, risk was managed through reports to the Audit, Finance and Risk Committee. The Risk Management Policy was written by Management and submitted to the Audit, Finance and Risk Committee for approval and recommendation to the full Board for ratification. This policy forms the basis of Myer's system for managing risks and maintaining a sound internal control environment. Myer's Risk Management Policy is available on the Myer website.

Risk management system

The Framework aligns with ISO 31000:2009 *Risk Management Principles and Guidelines* and provides management with a consistent approach to recognising and managing risks.

Risk management occurs at all levels of Myer. Management and team members are committed to the proper identification, measurement, ownership and management of risk. Key aspects of the risk and control framework are:

- the identification and assessment of material business risks which include financial risks, non-financial risks and major project risks;
- the regular review of internal controls, mitigation plans, and ownership responsibility for risks; and
- the formal reporting of risks, management activities and progress against plans.

Internal audit

A separate internal audit division has been established and is overseen by an Assurance Manager who reports to the CFO and liaises directly with the Audit, Finance and Risk Committee.

The internal audit division carries out regular systematic monitoring of control activities and reports to both relevant business unit management and the Audit, Risk and Finance Committee.

An independent external firm of accountants assists the Assurance Manager in reviewing the effectiveness of the risk management system when undertaking risk assessments.

Board assurances on financial reporting risks

The Board has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and CFO made the following certifications to the Board:

- that Myer's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of Myer and the Group and are in accordance with relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that Myer's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Other governance matters

Code of Conduct

Myer has developed a Code of Conduct (the Code) which sets out Myer's commitment to maintaining the highest level of integrity and ethical standards in all business practices. The Code outlines how Myer expects Directors and employees to behave and conduct business in a range of circumstances, including in circumstances of actual or potential conflicts of interest, and the steps that should be taken in the event of uncertainty or a suspected breach of the Code. In particular, the Code requires awareness of, and compliance with, laws and regulations relating to Myer's operations, including occupational health and safety, fair trading and dealing, privacy and employment practices.

The Code requires employees who are aware of unethical practices within the Group, or of breaches of the Code, to report these directly to their manager or via the Myer whistleblower line. The whistleblower line is accessible 24 hours a day seven days a week. The Myer Whistleblower Policy outlines that Myer will take all reasonable steps to ensure that adequate and appropriate protection is being provided for those who, in good faith, make a report. This protection applies regardless of whether the matter is proven or not. The Board has appointed a Whistleblower Protection Officer to receive reports. Investigation officers separately manage investigations in relation to potential breaches of the *Corporations Act 2001*. These matters are reported to the Audit, Finance and Risk Committee.

The Internal Audit division can review and report directly to the Board with regard to the effectiveness of and the level of compliance with the Code. Myer's Human Resources department also has responsibility for the initial investigations of significant issues raised under the whistleblower program where they relate to team members. All relevant matters are reported to the Audit, Finance and Risk Committee.

A copy of the Code is available on the Myer website.

Continuous disclosure

Myer places a high priority on communication with shareholders and is aware of the continuous disclosure obligations it has under the *Corporations Act 2001* and the ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of Myer's shares.

Myer has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and management are aware of, and fulfil their obligations in relation to, the timely disclosure of material price-sensitive information.

Myer has also established a Continuous Disclosure Committee. The Committee is constituted by the:

- Chief Executive Officer;
- Chief Financial Officer; and
- General Counsel and Company Secretary.

The role of the Committee is to:

- review all potentially material price-sensitive information of which management or the Board becomes aware;
- determine whether any of that information is required to be disclosed to the ASX; and
- coordinate the actual form of disclosure with the relevant members of management or Board, as appropriate.

All deliberations of the Committee will be shared without delay with the Chair or, in the Chair's absence, the Chair of the Audit, Finance and Risk Committee.

The Company Secretary has been nominated as the person responsible for communications with the ASX.

Myer's Continuous Disclosure Policy is available on the Myer website.

Securities trading

Myer has adopted Guidelines for dealing in securities which:

- explain the types of conduct prohibited under the *Corporations Act 2001* in relation to dealings in securities; and
- establish a best practice procedure in relation to Directors', senior executives' and employees' dealings in Myer's securities.

Subject to the overriding restriction that employees may not deal in securities while they are in possession of price-sensitive information, Directors and senior executives, as defined in the Guidelines, will only be permitted to deal in securities during certain 'trading windows'. The trading windows include the periods following the release of Myer's half-year and full year financial results and the Annual General Meeting. Outside the 'trading windows', Directors and senior executives must receive clearance from the Chairman, CEO or Company Secretary (as relevant) for any proposed dealing in securities.

A copy of the Guidelines is available on the Myer website.

Shareholder communication

Myer also has arrangements in place to promote communication with shareholders and to encourage effective participation at general meetings. Accordingly, Myer has developed a Shareholder Communication Strategy which aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of Myer. The Shareholder Communication Strategy sets out the various means by which shareholders can obtain information about Myer's activities.

All information disclosed to the ASX is posted on the Myer website as soon as it is disclosed to the ASX. When briefings are made on aspects of the Group's operations, the material used in the presentation is first released to the ASX and posted on the Myer website where the briefing contains material price-sensitive information that has not already been released to the market.

Procedures have also been established for reviewing whether any price-sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

In addition to these arrangements, Myer seeks to provide opportunities for shareholders to keep informed of Myer's activities through electronic means. Myer's announcements, details of Myer meetings and financial reports are available on the Myer website.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on matters concerning Myer.

The Myer Shareholder Communication Strategy is available on the Myer website.