

Remuneration Report

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001* (section 300A).

Key Management Personnel

This Remuneration Report sets out the remuneration policy, practices and outcomes for Key Management Personnel (KMP) of Myer. It also sets out details for the top five most highly remunerated senior managers in Myer and the Group.

The KMP of Myer are its Non-Executive Directors and Executive Directors, and certain Senior Executives.

Principles used to determine the nature and amount of remuneration

The Board has established a Nomination and Remuneration Committee (Committee), which makes recommendations to the Board on remuneration and incentive strategies and practices and specific recommendations on remuneration packages and other terms of employment for the CEO, other senior executives and Non-Executive Directors, including the Chairman.

The Committee has been established under rule 8.15 of the Constitution of Myer Holdings Limited (Company) to ensure the framework of executive rewards are aligned to the achievement of strategic objectives and the creation of shareholder value.

Details of the Committee, its membership and meetings are set out in the Corporate Governance Statement and Directors' Report.

Responsibility for remuneration policy

In discharging its responsibilities, the Committee must have regard to the following policy objectives:

- to ensure that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- to attract and retain skilled executives;
- to structure short- and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure that any termination benefits are justified and appropriate.

In the discharge of the Committee's responsibilities, no Director or executive should be directly involved in determining their own remuneration.

The Committee must at all times have regard to, and notify the Board as appropriate of, all legal and regulatory requirements, including any shareholder approvals required.

The Committee Chair or if they are not available, a Committee member should attend the Annual General Meeting and make themselves available to answer any questions from shareholders about the Committee's activities or, if appropriate, the Company's remuneration arrangements.

Executive Remuneration Policy

Since the listing of Myer in November 2009, the Board has taken independent advice with regard to remuneration structure and market comparators for the executive group. In consultation with external remuneration consultants Mercer (Australia) Pty Ltd, the Board has introduced the structure of an executive remuneration framework that is market competitive and complementary to the overall reward and recognition strategy of the organisation. This change reflects a remuneration balance more aligned to Myer as a listed entity rather than the structures in place during the period of private equity ownership which were aligned to the objectives of

the private equity owners. Executive rewards have been determined to ensure an appropriate balance between shareholders' and executives' interests.

In order to align shareholders' and executives' interests, executive rewards are designed to:

- have profit as a core component of plan design;
- focus on sustained growth in shareholder wealth, consisting of dividends and growth in earnings per share and share price, and delivering consistent returns as well as focusing the executives on key non-financial drivers of value; and
- attract and retain high-calibre executives.

In order to attract and retain executives, executive rewards are designed to:

- reward capability and experience;
- reflect contribution to growth in shareholder wealth;
- provide a clear structure for earning benefits; and
- provide recognition for performance and contribution to meeting business objectives.

The framework provides a mix of fixed and variable pay, and a blend of short- and long-term incentives.

As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Nomination of Directors

With respect to nominations, the responsibilities of the Committee are as follows:

- a) review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and CEO;
- b) review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members;
- c) assist the Board as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors), in accordance with the following factors:
 - the skills, experience, expertise and personal qualities that will best complement Board effectiveness; and
 - the capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments, potential conflicts of interest, and independence.
- d) review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of Directors, and where necessary propose candidates for consideration by the Board, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves;
- e) assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- f) review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- g) review the Board Charter on a periodic basis, and recommend any amendments for Board consideration;
- h) review the time expected to be devoted by Non-Executive Directors in relation to the Company's affairs; and
- i) ensure that an effective induction process is in place for any newly appointed Directors and regularly review its effectiveness.

Remuneration Report *continued*

Principles used to determine the nature and amount of remuneration (continued)

Non-Executive Directors' Remuneration Policy

With respect to remuneration practices, the responsibilities of the Committee are set out in the Nomination and Remuneration Committee Charter, a copy of which is on the Myer website.

Members of the Committee

The current members of the Nomination and Remuneration Committee are:

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

Fees for Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board will review Non-Executive Directors' fees and payments at least once a year. As part of that review the Board has also determined that it will consider the advice of independent remuneration consultants in relation to both the Chairman's fees and payments and separately the Non-Executive Directors' fees and payments.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit as approved from time to time by Myer shareholders in general meeting. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. The Constitution also makes provision for Myer to pay all expenses incurred by Directors in attending meetings and carrying out their duties. The current maximum aggregate fee pool limit is \$2.150 million per annum.

The current base fees for Non-Executive Directors were last reviewed in September 2009. Remuneration is inclusive of Committee fees. Non-Executive Directors who chair a Committee receive additional yearly fees.

The following fees currently apply:

Base annual fees

Chair	\$500,000
Other Non-Executive Directors	\$150,000

Additional annual fees

Audit Finance and Risk Committee – Chair	\$30,000
Audit Finance and Risk Committee – member	–
Nomination and Remuneration Committee – Chair	\$15,000
Nomination and Remuneration Committee – member	–

Non-Executive Directors do not receive performance-based pay. However, they are able to purchase shares in Myer Holdings Limited, which would be acquired on market during approved 'windows' for share trading consistent with the Company's Guidelines for dealing in securities. Howard McDonald and Tom Flood hold unvested options they received when engaged as consultants and Directors prior to the listing of Myer. There are no performance conditions attached to these options.

Retirement allowances for Non-Executive Directors

Non-Executive Directors are not entitled to any additional remuneration upon retirement. Superannuation contributions required by legislation are made from the fee paid to Directors and fall within the aggregate fee pool limit.

Linking remuneration and Company performance

Given the limited period of time since Myer's listing and the substantially lower number of shares that were on issue before Myer was listed, there is no meaningful and relevant information on the relationship between remuneration and performance that would allow for comparisons to be made to previous years.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Myer Equity Incentive Plan.

The combination of these three components comprises an executive's total remuneration. The Company has commenced a review of executive pay including base pay as well as the structure and application of short- and long-term incentive plans to determine if the approach followed best meets the objectives established by the Board for executive reward.

Executive reward across base, short- and long-term outcomes has regard to the performance of the business on a range of objectives, particularly earnings generated, and, as a consequence, shareholder returns. In this reporting period the Board has had regard to:

- the performance of the business leading into and after listing;
- the record profit generated in difficult trading circumstances;
- strong dividend and earnings per share performance;
- the continuation of good cost control; and
- the establishment of the first elements of delivery of the growth phase of the business reflected in the recent opening of our Top Ryde store in New South Wales and the soon to open Robina store in Queensland.

Overall the Board has been very satisfied with the performance of the Myer management team on all these aspects of business performance.

Cash payments and benefits

These are structured as a fixed cost, which may be delivered as a combination of cash, superannuation and other approved salary packaged benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises a fixed component of pay and benefits.

In determining the base pay for executives, including the CEO, the Board has regard to the market rate for a comparable role as well as the experience, skill and proven performance of the executive. Base pay for executives is also reviewed annually having regard to performance against set objectives. An executive's pay is also reviewed on promotion. The Company entered into new contracts with its KMPs, including the CEO, at the time of the IPO. Pursuant to these contracts, base pay was adjusted from the 2009 reported level to reflect the accountabilities and performance of those executives.

Superannuation

Myer makes superannuation contributions on behalf of employees consistent with its obligations under relevant legislation.

Retention arrangements

In November 2009, the Board approved retention incentives for a select number of executives other than the CEO to ensure, to the extent possible, that the executive team in place prior to the listing of Myer on the ASX remained in place and continued to deliver on the business objectives established by the Board. The retention arrangements are in the form of cash incentives and are conditional on continued employment with the Group and maintaining certain required performance conditions. Part-payment under the retention arrangements commences at the first anniversary of the listing of Myer on the ASX. However, the larger component of payment is weighted to the second anniversary of the listing to further encourage retention and stability within the executive team. Generally the payment to an individual over the retention period represents approximately one year of base pay.

Short-term incentives

A short-term incentive plan (STIP) operates on an annual basis subject to Board review and approval. The STIP applies to all eligible management team members subject to certain conditions and performance criteria being met. The metrics assessed as prerequisites for any payment are reviewed and approved annually by the Board. While the metrics may vary (in part) on an annual basis they are primarily focused on the achievement of the business's operating plans and budgets with a significant weighting to profit and sales objectives.

The current quantum of STIP reward varies from level to level of team member roles from 100% of base pay at the CEO level for 'at target' performance through to 5% of base pay for 'at target' performance for entry level management roles. If the Group achieves the pre-determined performance targets set by the Board, a short-term incentive is payable.

STIP bonuses are generally payable in September each year after the final determination and release of full-year results. Current plans use a profit target as a threshold to ensure variable reward is only available when value has been created for shareholders and when profit is consistent with or in excess of the business plan approved by the Board. The STIP is leveraged for performance above the target to provide an incentive for executive out-performance.

Each executive has a target STIP opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum total bonus opportunity for out-performance above target objectives is two times the relevant level paid for at target performance and conversely zero below a set threshold minimum performance.

Each year, the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link the STIP and the level of payout if targets are met for Board approval. This includes setting any maximum payout under the STIP, eligibility conditions and minimum levels of performance to trigger payment of any short-term incentives.

For the period ended 31 July 2010, the KPIs linked to STIP (for non-KMPs) were based on group and area (where applicable) sales and profit performance, area specific KPIs such as stock turn and reduced inventory shrinkage, and certain non-financial objectives such as safety and service levels. Group or area performance is based on various scorecards that reflect 'financial', 'employee and safety', 'key operational' and 'service' metrics appropriate to the target group. For the CEO and other KMPs, the STIP result for the year was determined against targets set for sales and EBIT performance with a weighting between sales (30% of target) and EBIT (70% of target). As a result, based on the FY10 results, STIP was earned for the EBIT result realised, however, no STIP was earned for results for sales against the targets set. As a consequence the Board approved the bonus payments referred to on page 24 of this report for the CEO and KMPs (as well as other senior executives).

The Nomination and Remuneration Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the Committee receives reports on performance from management. All proposed STIP payments are verified by internal audit review. The Nomination and Remuneration Committee has the discretion to adjust short-term incentives in light of unexpected or unintended circumstances.

Remuneration Report *continued*

Principles used to determine the nature and amount of remuneration (continued)

Long-term incentives

The Myer Equity Incentive Plan (MEIP) is Myer's Long Term Incentive (LTI) scheme for selected senior executives. Under the MEIP, eligible senior executives have been granted options (each being an entitlement to purchase one fully paid ordinary share in the Company, subject to the satisfaction of vesting conditions) on terms and conditions determined by the Board. If the vesting conditions are satisfied, the options vest and shares will be delivered to the senior executives participating in the plan upon exercise of any vested options at the relevant exercise price. Option holders do not have the right to participate in any securities issue by the Company. Since 2006 six tranches of options have been granted to selected executives under the MEIP. Details of the outstanding unvested options at 31 July 2010 under the MEIP are set out below.

Tranche	Grant date	Number of unvested options	Exercise price	Value per option at grant date	Vesting date (if option holder remains employed by a Myer Group company)	Expiry date
Tranche 1	1 Dec 2006	960,000	\$0.01	\$0.21	6 Nov 2010	15 Oct 2011
Tranche 1	1 Dec 2006	327,475	\$0.01	\$0.21	31 Jul 2011	15 Oct 2011
Tranche 2	1 Aug 2007	90,338	\$1.27	\$0.50	31 Jul 2011	15 Oct 2011
Tranche 3	23 Jan 2008	3,009,404	\$3.00	\$0.37	31 Jul 2011	21 Dec 2012
Tranche 3	23 Jan 2008	3,009,404	\$3.00	\$0.37	31 Jul 2012	21 Dec 2012
Tranche 4	17 Dec 2008	608,600	\$2.14	\$0.43	31 Jul 2011	24 Oct 2013
Tranche 4	17 Dec 2008	608,600	\$2.14	\$0.43	31 Jul 2012	24 Oct 2013
Tranche 4	17 Dec 2008	3,085,663	\$2.14	\$0.43	31 Jul 2013	24 Oct 2013
Tranche 5	30 Jun 2009	317,800	\$2.34	\$0.49	31 Jul 2012	24 Oct 2014
Tranche 5	30 Jun 2009	317,800	\$2.34	\$0.49	31 Jul 2013	24 Oct 2014
Tranche 5	30 Jun 2009	4,067,300	\$2.34	\$0.49	31 Jul 2014	24 Oct 2014
Tranche 6 (CEO only)	6 Nov 2010	5,152,671	\$4.10	\$1.31	End of Perf. Periods	31 Dec 2013
Tranche 6 (CEO only)	6 Nov 2010	2,227,723	\$5.74	\$1.01	End of Perf. Periods	31 Dec 2013
Tranche 6 (Snr Execs)	6 Nov 2010	3,445,379	\$4.10	\$1.19	End of Perf. Period	31 Dec 2012
Total		27,228,158				

Tranches 1 and 2 – grants to senior executives

- In late 2006 and mid-2007, Myer granted options to a number of Myer's senior executives (including the CEO) under the terms of the MEIP. The options were subject to performance and time-based vesting conditions, as well as an IPO trigger. As a result of these conditions being met, 95% of Tranche 1 and 93% of Tranche 2 options have vested.
- The balance of the unvested options will remain unvested subject to a time based service condition. They will vest if the relevant senior executives remain employed by the Myer Group at 31 July 2011. In the case of the CEO, the remaining options will vest on the date of the first anniversary of listing of Myer if he remains employed by Myer. All Tranche 1 and 2 options have an expiry date of 15 October 2011.
- The Tranche 1 options have an exercise price of \$0.01 and the Tranche 2 options have an exercise price of \$1.27. The Tranche 1 and 2 options were originally issued with an exercise price of \$1.26 (now \$0.01) and \$2.52 (now \$1.27), respectively. As a result of the dividend and capital return totalling \$1.25 per share paid on 24 August 2007, the exercise price of options outstanding at that date was reduced by \$1.25 to ensure option holders would not be disadvantaged by the capital return and dividend paid.
- Tranche 1 and 2 performance-based conditions have all been achieved and as a result all performance-based options have vested.

Tranches 3, 4 and 5

- In January 2008, December 2008 and June 2009, Myer granted options to a number of its senior executives under the terms of the MEIP. The January 2008 options were subject to a service condition, which allows eligible senior executives, employed at the time to exercise a portion of their options at 31 July 2010. All remaining unvested options will vest on the vesting dates established in those plans if those executives remain employed with Myer.
- Options issued under these tranches were not subject to performance conditions (other than time-based service conditions) as part of those offers rather they were designed more around the desire to incentivise the larger group of managers to whom they were offered to work towards the continuing improvement of the business both leading into the IPO and then beyond that time. Given this primary intention it was not considered necessary or appropriate at that time to have performance conditions applied, particularly given that the Company was not listed at the time the options were granted.

Tranches 6 A, B, C, and D (CEO only)

- In September 2009 the Board approved an additional grant of options under the MEIP to Mr Brookes to the value of \$9,000,000 (at grant date being 6 November 2009). The options were granted in four tranches, at no cost to Mr Brookes, and form the long-term incentive portion of Mr Brookes' remuneration. The independent valuation placed on these Options for each Tranche and the resulting number of options is shown in the following table. In total Mr Brookes was granted 7,380,394 options.

- In summary, three-quarters of the options are subject to a performance hurdle based on Myer's fully diluted earnings per share (EPS) (EPS Options) and one quarter of the options will be subject to a performance hurdle based on Myer's share price (Share Price Options). Vesting of the options is also subject to a service condition – vesting will be subject to Mr Brookes remaining employed by the Myer Group until the end of the relevant performance period. Each option is an entitlement to one share upon payment of the exercise price. For the EPS Options, the exercise price will be \$4.10 and for the Share Price Options, the exercise price will be \$5.74. Options which do not satisfy the vesting conditions will lapse.
- EPS was chosen at the time as a better measure for assessing the performance of the business over such other alternatives as comparable Total Shareholder Return (TSR) based on a review of both the practice of other businesses in the use of the measure and the desire of the Board to further consider the adequacy of a valid peer group for such a measure for the Myer business. Many of the most relevant Australian comparator businesses to Myer are unlisted divisions of larger retail businesses such as Target and Kmart within the larger Wesfarmers group and Big W within the Woolworths group, making their inclusion in a TSR index impossible other than at a group level, both group businesses having aspects of their business unrelated to the nature of the Myer retail business. The Board will, however, continue to review such measurement options for any future equity reward plans. Applying international benchmark businesses was not considered appropriate at the time the allotment was made. Share price growth was selected as the second trigger for a proportion of the option allotment on the basis that the Board was of the view that a reasonable incentive should exist against that proportion of options aligned to the share price trigger to provide a focus on delivering results that lead to an improvement in the share price of Myer post the IPO price.

Performance hurdles for Tranche 6 – CEO options

Summary of performance hurdles and performance periods applicable to each component of the CEO's Tranche 6 options.

Tranche 6	Value of options at grant date	Valuation of each option at grant date	Number of options granted	Exercise price	Applicable hurdles	Potential time of vesting
Tranche A	\$5,400,000	\$1.31	4,122,137	\$4.10	EPS Hurdle ¹	End of First Performance Period. Re-testing at end of Second Performance Period
Tranche B	\$1,350,000	\$1.31	1,030,534	\$4.10	EPS Hurdle ¹ and extended 12 month service condition	End of Second Performance Period
Tranche C	\$1,800,000	\$1.01	1,782,178	\$5.74	Share Price Hurdle ²	End of First Performance Period Re-testing at end of Second Performance Period
Tranche D	\$450,000	\$1.01	445,545	\$5.74	Share Price Hurdle ³ and extended 12 month service condition	End of Second Performance Period

1 For both Tranche 6A and 6B options, performance against the EPS Hurdle will be measured at the end of the First Performance Period. If the EPS Hurdle is not met at the end of the First Performance Period, the Tranche 6A and 6B options will be re-tested at the end of the Second Performance Period, measuring the Company's annual compound growth in EPS over the Second Performance Period applying the vesting schedule.

2 For Tranche 6C options, performance against the Share Price Hurdle will be measured at the end of the First Performance Period. If the Share Price Hurdle is not met at the end of the First Performance Period, the Tranche 6C options will be re-tested at the end of the Second Performance Period.

3 For Tranche 6D options, performance against the Share Price Hurdle will be measured at the end of the Second Performance Period.

Performance periods for the CEO's Tranche 6 options are as follows:

- The First Performance Period is the three financial years ending July 2012; and
- The Second Performance Period is the four financial years ending July 2013.

The vesting schedule and performance hurdles for the CEO's Tranche 6 EPS options are as follows:

Compound annual growth rate in EPS over the performance period	% of EPS Options that will vest
At 10%	33.33%
Between 10% and 12.5%	Pro rata vesting between 33.33% and 66.66%
At 12.5%	66.66%
Between 12.5% and 15%	Pro rata vesting between 66.66% and 100%
At or above 15%	100%

The base EPS used for the purpose of determining the compound annual growth rate is 23.5 cents, representing FY09 fully diluted EPS, adjusted to a proforma basis consistent with the capital structure of the Group post IPO.

Remuneration Report *continued*

Principles used to determine the nature and amount of remuneration (continued)

The Share Price Hurdle will be satisfied if the market price of the shares exceeds \$5.74 at the end of the relevant performance period.

The market price of the shares will be the volume weighted average price of the shares quoted on the ASX over one calendar month prior to the expiry of the relevant performance period.

Assessment

At the end of each performance period the Nomination and Remuneration Committee reviews the Company's audited financial results and the results of the other performance measures and assesses performance against each measure to determine the percentage of the LTI that will vest. The Board considers this to be the most efficient way to measure performance in relation to each of the targets.

Tranche 6E – Offered to senior executives (other than the CEO) in November 2009

In September 2009, the Board approved an additional grant of options (6E) to the value of \$4,100,000 (at grant date being 6 November 2009) under the MEIP to participating senior executives. The independent valuation placed on these options was \$1.19 each, resulting in a total grant of 3,445,379 options.

Tranche 6E options will be subject to satisfaction of an EPS performance hurdle based on a compound annual growth rate in EPS of 10% over the Performance Period ending in July 2012. Unvested options, which fail to satisfy the EPS performance hurdle, will lapse. As was the case for the CEO, an EPS measure was selected for the Tranche 6E plan as the most appropriate measure at the time relative to other possible measures such as TSR. Unlike the CEO, there is no share price trigger for any of the options granted to the participating senior executives under this plan, the Board having taken the view that it wanted a more specific focus from this group on earnings rather than the share price explicitly. In forming this view, the Board determined that the EPS hurdle applied to this plan and that the Board will have further opportunity to consider what other measures might be applied to future plans.

Each option is an entitlement to one fully paid ordinary share, subject to the satisfaction of the relevant performance conditions, continuous employment until the end of the relevant performance period and the payment of the exercise price. For Tranche 6E options the exercise price will be equal to the November 2009 initial listing price of \$4.10.

Tranche 6E	Value of options at grant date	Valuation of each option at grant date	Number of options granted	Exercise price	Applicable hurdles	Potential time of vesting
Total Tranche 6E	\$4,100,000	\$1.19	3,445,379	\$4.10	EPS Hurdle	End of Perf. Period – July 2012

Tranche 6E grants made to Key Management Personnel and other Company executives during the reporting period.

Tranche 6E	Value of options at grant date	Valuation of each option at grant date	Number of options granted	Exercise price	Applicable hurdles	Potential time of vesting
N Abboud	\$500,000	\$1.19	420,168	\$4.10	EPS Hurdle	End of Perf. period – July 2012
M Ashby	\$500,000	\$1.19	420,168	\$4.10	EPS Hurdle	End of Perf. period – July 2012
G Travers	\$500,000	\$1.19	420,168	\$4.10	EPS Hurdle	End of Perf. period – July 2012
P Winn	\$500,000	\$1.19	420,168	\$4.10	EPS Hurdle	End of Perf. period – July 2012

The applicable performance period for the participating KMP is as follows:

- The First Performance Period is the three financial years ending July 2012.

The calculation of the compound annual growth rate is based on proforma FY09 fully diluted EPS of 23.5 cents, consistent with Tranches 6A and 6B.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Myer Holdings Limited and each of the Key Management Personnel of the Company are set out on the following page. When exercisable, each option is converted into one ordinary share of Myer Holdings Limited. Further information on the options is set out in note 37 to the financial statements.

Summary of options granted, vested and lapsed for the reporting period

Name	Number of options granted during the period	Value of options at grant date ¹	Number of options vested during the period	Number of options lapsed during the period	Value at lapsed date ²
Directors of Myer Holdings Limited					
H McDonald ⁵	-	-	262,222	-	-
B Brookes	7,380,394	\$9,000,000	5,120,000	-	-
A Brennan	-	-	-	-	-
T Flood ⁵	-	-	98,333	-	-
P Hay	-	-	-	-	-
R Myer	-	-	-	-	-
W Wavish ³	-	-	5,120,000	-	-
Other Key Management Personnel of the Company					
N Abboud	420,168	\$500,000	92,576	-	-
M Ashby	420,168	\$500,000	333,333	-	-
G Travers	420,168	\$500,000	625,778	-	-
P Winn	420,168	\$500,000	166,667	-	-
Other Company executives					
J Hawker ⁴	-	-	625,777	-	-

1 The value at grant date of options granted during the year as part of remuneration has been calculated in accordance with AASB 2 *Share-based Payments*.

2 The value at lapse date of options that were granted as part of the remuneration and that lapsed during the year because a vesting condition was not satisfied.

The value is determined at the time of lapsing, but assuming the condition was satisfied.

3 Options granted to W Wavish were granted prior to his resignation as an Executive Director.

4 J Hawker is not a KMP but is included in the top five paid executives in the Company.

5 The options held by H McDonald and T Flood were granted to them during the period that they were engaged as consultants and Directors to the Group prior to the listing of Myer.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of options

Details of ordinary shares in the Company provided as a result of the exercise of options to each Director of Myer Holdings Limited and other Key Management Personnel of the Company are set out below.

Name	Number of ordinary shares provided on exercise of options during the period	Value at exercise date ¹
Directors of Myer Holdings Limited		
H McDonald	373,333	\$1,101,332
B Brookes	5,120,000	\$21,267,200
A Brennan	-	-
T Flood	140,000	\$413,000
P Hay	-	-
R Myer	-	-
W Wavish ²	5,120,000	\$19,011,200
Other Key Management Personnel of the Company		
N Abboud	62,576	\$259,926
M Ashby	-	-
G Travers	625,778	\$2,599,326
P Winn	-	-
Other Company executives		
J Hawker ³	625,777	\$2,599,321

1 The value at exercise date of options that were granted in prior periods as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date. This represents the excess of market value of the share acquired over the exercise price paid.

2 Options granted to W Wavish were granted prior to his resignation as an Executive Director.

3 J Hawker is not a KMP but is included in the top five paid executives in the Company.

Remuneration Report continued

Principles used to determine the nature and amount of remuneration (continued)

Summary of options granted, vested and lapsed for the reporting period (continued)

The amounts paid per ordinary share by each Director, other Key Management Personnel and other Company executives on the exercise of options at the date of exercise were as follows:

Tranche	Number of ordinary shares provided on exercise of options during the period	Amount paid per share
Tranche 1	11,554,131	\$0.01
Tranche 2	513,333	\$1.27

No amounts are unpaid on any shares provided on the exercise of options.

Details of remuneration: bonuses and share-based compensation benefits

For each bonus and grant of options included in this report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. Bonuses are payable in the year following the period in which they are earned. Options vest provided the vesting conditions are met (see page 18). No options will vest if the conditions (either service or performance) are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	STI/Bonus ¹		Share-based compensation benefits (options)				
	Achieved 2010 %	Forfeited 2010 %	Year granted	Vested %	Forfeited %	The remaining financial years in which options may vest	Maximum total value of grant yet to vest \$
H McDonald			2008	93%	–	2012	3,178
B Brookes	51%	49%	2010	0%	–	2013–2014	6,676,363
			2007	95%	–	2011	20,777
T Flood			2008	93%	–	2012	2,500
W Wavish			2007	95%	–	2011	20,777
N Abboud	51%	49%	2010	0%	–	2013	363,636
			2009	0%	–	2014–2015	163,312
			2008	33%	–	2012–2013	7,993
			2007	95%	–	2012	254
M Ashby	51%	49%	2010	0%	–	2013	363,636
			2008	33%	–	2012–2013	88,815
G Travers	51%	49%	2010	0%	–	2013	363,636
			2007	95%	–	2012	2,539
P Winn	51%	49%	2010	0%	–	2013	363,636
			2009	0%	–	2014–2015	136,541
			2008	33%	–	2012–2013	44,407
J Hawker	51%	49%	2010	–	–	–	–
			2007	95%	–	2012	2,539

¹ The % of STIs achieved and forfeited for 2010 are based on performance against 'at target' performance as explained on page 17.

Loans to Directors and executives

Information on any loans to Directors and executives, including amounts, interest rates and repayment terms are set out in note 26(c) to the financial statements.

Dealing in securities

Under the Company's Guidelines for dealing in securities, Directors and senior executives are prohibited from entering into hedging arrangements with respect to the Company's securities. A copy of the Guidelines for dealing in securities is available on the Myer website.

Escrow arrangements for Myer Chairman and management

Each of the Chairman, the CEO and certain specified executives who report directly to the CEO (Reporting Managers) have agreed to a voluntary escrow arrangement with Myer under which they are restricted from dealing in a specified number of shares held by them, as follows.

- The CEO and certain Reporting Managers were restricted from dealing in their shares from the date of listing of Myer until the commencement of the first Board approved trading window following the release to ASX of the Company's audited results for the financial year ending 31 July 2010. The CEO has the same arrangement, save that he has agreed to an extended escrow period of 18 months from the listing of Myer. During the period starting from the date of the first Board approved trading window following the release to the ASX of the Company's audited results for the financial year ending 31 July 2010 until the date that is 18 months from listing, the CEO may sell up to 25% of his shares.
- Shares held by the Chairman are subject to an escrow period ending 18 months from listing of Myer.
- The restrictions will cease to apply in the event that:
 - a takeover bid is made for all shares; or
 - a scheme of arrangement relating to the shares becomes effective.
- With prior consent from the Board the escrowed shares may be pledged for money borrowed by the shareholder.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the Key Management Personnel (as defined in AASB 124 *Related Party Disclosures*) of Myer Holdings Limited are set out in the following tables.

The Key Management Personnel (KMP) of the Company include each of the Directors and each of the following Executives, who report directly to the CEO:

- Nick Abboud – *Director of Store Operations*
- Mark Ashby – *Chief Financial Officer*
- Greg Travers – *Director of Strategic Planning and Human Resources*
- Penny Winn – *Director of Buying Operations*

In addition, the following person must be disclosed under the *Corporations Act 2001* as he is among the five highest remunerated Group and/or Company executives.

- John Hawker – *Director of Business Development*

Prior to the listing of Myer Holdings Limited, the Company paid management fees of \$63,000 to Newbridge Capital LLC for FY10 (up to the date of listing) (FY09 \$1,782,588). Myer is not aware of the remuneration arrangements for the former Directors appointed by NB Swanston BV (being D Carroll, P Chen, S Schneider and R Blum), all of whom resigned as Directors on 27 September 2009 (prior to the IPO). These former Directors did not receive any Directors' fees from Myer.

Payments made to W Wavish during the year are also set out in the following table. The payments include salary paid to W Wavish for the period from 25 July 2009 to 4 August 2009, payments made in lieu of notice, for termination and in relation to W Wavish providing consulting services to Myer to 31 July 2010. The terms of the agreement with W Wavish and payments to him continue through to 31 July 2011 and the entirety of the payments made, and to be made, is disclosed accordingly.

Remuneration Report continued

The Remuneration of Executive and Non-Executive Directors, KMPs and other Company executives

The following table shows the remuneration amounts recorded in the financial statements in the period.

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits			Share-based payments		Total remuneration expense \$
	Cash salary & fees ¹ \$	Bonus/ incentive STI ² \$	Other ³ \$	Non monetary benefits \$	Super- annuation ⁴ \$	Long service leave \$	Retention bonus ⁵ \$	Termination & other payments \$	Options ⁶ \$		
Non-Executive Directors											
H McDonald											
2010	486,565	–	1,900,000	–	14,763	–	–	–	35,453	2,436,781	
2009	254,849	–	–	–	13,609	–	–	–	52,320	320,778	
A Brennan											
2010	116,108	–	–	–	41,392	–	–	–	–	157,500	
2009	–	–	–	–	–	–	–	–	–	–	
T Flood											
2010	138,973	–	–	–	13,745	–	–	–	13,295	166,013	
2009	136,665	–	–	–	13,516	–	–	–	19,620	169,801	
P Hay											
2010	67,113	–	–	–	6,638	–	–	–	–	73,751	
2009	–	–	–	–	–	–	–	–	–	–	
R Myer											
2010	149,243	–	–	–	14,725	–	–	–	–	163,968	
2009 ¹⁰	180,846	–	–	–	17,886	–	–	–	–	198,732	
G Kusin											
2010	61,338	–	–	–	–	–	–	–	–	61,338	
2009	42,021	–	–	–	–	–	–	–	–	42,021	
Executive Directors											
B Brookes											
2010	1,600,362	835,177	376,256	–	50,906	17,863	–	–	2,568,922	5,449,486	
2009	1,388,659	1,058,166	124,198	–	49,819	24,401	–	–	341,586	2,986,829	
W Wavish ⁷											
2010	26,608	–	1,165	–	3,982	(26,709)	–	3,212,616	245,286	3,462,948	
2009	1,040,182	839,235	72,666	–	93,732	16,687	–	–	341,586	2,404,088	
Key Management Personnel											
N Abboud											
2010	409,386	165,810	(31,074)	–	24,636	13,032	251,250	–	194,750	1,027,790	
2009	280,267	149,492	108,963	–	32,823	26,640	–	–	26,971	625,156	
M Ashby											
2010	434,507	195,097	2,292	–	47,739	2,784	251,250	–	248,571	1,182,240	
2009	349,081	274,377	2,244	–	34,524	2,590	–	–	112,207	775,023	
G Travers											
2010	525,070	218,415	2,292	–	14,785	6,121	251,250	–	166,343	1,184,276	
2009	459,537	424,312	2,244	–	13,742	6,441	–	–	41,749	948,025	
P Winn											
2010	486,866	210,252	2,292	–	32,880	3,271	251,250	–	228,834	1,215,645	
2009	359,898	233,325	2,244	–	38,652	2,352	–	–	63,596	700,067	
Other Company executives											
J Hawker ⁸											
2010	407,857	185,382	2,292	–	50,295	6,421	–	–	29,979	682,226	
2009	386,239	283,636	2,244	–	62,131	(8,274)	–	–	41,749	767,725	
Totals 2010	4,909,996	1,810,133	2,255,515	–	316,486	22,783	1,005,000	3,212,616	3,731,433	17,263,962	
Totals 2009 ⁹	4,878,244	3,262,543	314,803	–	370,434	70,837	–	–	1,041,384	9,938,245	

- 1 Cash salary includes short-term compensated absences, consideration for vehicle salary sacrifice and fees including allowances for Committee 'chair' responsibilities for A Brennan and R Myer.
- 2 Short Term Incentive (STI) payments relate to program performance and conditions for the year they were earned, not the year of actual payment. The 2010 STI was paid in September 2010.
- 3 Other payments for B Brookes, W Wavish and N Abboud include payments for rental subsidy and certain other services in relation to provision of accommodation. In 2010 N Abboud made repayments of his subsidy as a result of overpayments in 2009. Other payments also includes Company-paid FBT expenses. B Brookes received a discretionary bonus of \$247,000 in 2010 for his contribution during the IPO process. On the listing of Myer H McDonald received a payment of \$1.5 million recognising his contribution to the IPO, his taking on the role of chairman and in relation to the establishment of the Myer Holdings Limited Board. Under the terms of this arrangement H McDonald agreed to certain conditions including that he acquire \$100,000 worth of shares in the Company through the IPO and to have the entirety of his shareholding subject to escrow (see page 23). In addition, a special exertion fee of \$400,000 was paid in recognition of the additional work he performed during the IPO process. These payments did not form part of the Non-Executive Director's aggregate fee pool, and are provided for by Clause 8.3(g) of the Company's Constitution.
- 4 There were no post-employment benefits paid other than superannuation.
- 5 N Abboud, M Ashby, G Travers and P Winn had retention incentives incorporated into their employment contracts in September 2009 to apply after the listing of Myer. The amount shown represents the proportion of the total bonus payable that has been expensed in the current financial year in accordance with Accounting Standards. These incentives will be paid only in the event the executive meets the conditions of the retention arrangements, which include continuing service, and meeting performance standards as established by the Company. The incentives are scheduled to be paid in two parts totalling \$500,000. The first payment of \$170,000 is scheduled to be paid 1 November 2010 and the second payment of \$330,000 on 1 November 2011.
- 6 Option valuations are based on the amount expensed for the period under AASB 2 *Share-based Payments*. There were no other equity-settled share-based payments and there were no cash-settled share-based payments.
- 7 W Wavish ceased employment with Myer at 4 August 2009. He was paid a cash salary between 25 July 2009 and 4 August 2009. As part of the terms agreed on his separation, he was paid amounts including: payment in lieu of notice, payment for termination and in relation to the provision of consultancy services to Myer, and in relation to other obligations under the settlement and release agreement. The amounts disclosed cover a 24 month period from 4 August 2009 to 31 July 2011. The consultancy period concluded on 31 July 2010. The terms of his settlement and release agreement continue to operate until 31 July 2011.
- 8 Denotes one of the five highest paid executives of the company, as required to be disclosed under the *Corporations Act 2001*.
- 9 For the current financial year the Company has reassessed its application of the definition of KMP, as a result of changes to responsibilities effective for the current year. As a result the amounts shown for 2009 are below the amounts presented in the 2009 Financial Report for KMP remuneration. The amount reported for 2009 for total remuneration expense was \$13,803,282, including executives no longer considered KMP, compared to \$9,938,245 shown above.
- 10 R Myer's FY09 Director's fee includes a retrospective adjustment of \$50,000 to his FY08 Director's fee, which was paid in FY09.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows for the Executive Directors, KMP and other executives:

	Total remuneration expense		Total fixed remuneration		At risk – STI		At risk – LTI ¹	
Name	\$	\$	%	\$	%	\$	%	
Executive Directors								
B Brookes ²								
2010	5,449,486	1,798,387	35%	835,177	16%	2,568,922	49%	
2009	2,986,829	1,587,077	53%	1,058,166	36%	341,586	11%	
W Wavish ²								
2010	3,462,948	5,046	2%	–	–	245,286	98%	
2009	2,404,088	1,223,267	51%	839,235	35%	341,586	14%	
Key Management Personnel								
N Abboud								
2010	1,027,790	415,980	41%	165,810	16%	446,000	43%	
2009	625,156	448,693	72%	149,492	24%	26,971	4%	
M Ashby								
2010	1,182,240	487,322	41%	195,097	17%	499,821	42%	
2009	775,023	388,439	50%	274,377	35%	112,207	15%	
G Travers								
2010	1,184,276	548,268	46%	218,415	18%	417,593	36%	
2009	948,025	481,964	51%	424,312	45%	41,749	4%	
P Winn								
2010	1,215,645	525,309	43%	210,252	17%	480,084	40%	
2009	700,067	403,146	58%	233,325	33%	63,596	9%	
Other Company executives								
J Hawker								
2010	682,226	466,865	68%	185,382	27%	29,979	5%	
2009	767,725	442,340	58%	283,636	37%	41,749	5%	
Totals 2010	14,204,611	4,247,177	40%	1,810,133	17%	4,687,685	43%	
Totals 2009	9,206,913	4,974,926	54%	3,262,543	35%	969,444	11%	

1 Long Term Incentive (LTI) was provided through the issue of options to individual executives. LTI allotments have been independently valued as at the date the option was granted to the executive. The proportions shown represent the amount expensed for the period under AASB 2 *Share-based Payments* as a proportion of total remuneration expense for the period. This amount also includes the current expense in relation to the retention bonuses.

2 The relative % proportions of remuneration for 2010 for W Wavish exclude his termination & other payments, and for B Brookes excludes his discretionary bonus payment of \$247,000. These payments are included in their total remuneration expense, but do not form part of their Total fixed remuneration, STI or LTI.

Remuneration Report continued

The Remuneration of Executive and Non Executive Directors, KMPs and other Company executives (continued)

Service agreements

On appointment to the Board, all Non-Executive Directors sign a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for the CEO and the other executive KMPs are also formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including salary sacrificing for vehicle leasing and, when eligible, participation in the Myer Equity Incentive Plan. Other major provisions of the agreements relating to remuneration are set out below.

For certain senior executives including all KMP executives other than the CEO, retention incentives have been incorporated into employment contracts prior to listing to ensure the continuity of the management team following the listing of Myer. These incentives include the payment of a cash incentive over a two-year period from the date of listing, and/or a grant of equity incentives based on a three-year period from listing. The incentives are conditional on continued employment with the Myer Group for the specified period and performance conditions.

Termination of contracts with executives is subject to the conditions and payments as detailed below:

Name	Contract type	Base salary including superannuation*	Termination notice period initiated by KMP	Termination notice period initiated by Company	Termination benefit where initiated by the Company
B Brookes	Fixed term – ending on 21 Aug 2012	\$1,650,000	3 months	5 weeks	**
N Abboud	Rolling Contract	\$450,000	3 months	6 months	6 months
M Ashby	Rolling Contract	\$500,000	3 months	6 months	6 months
G Travers	Rolling Contract	\$550,000	3 months	6 months	6 months
P Winn	Rolling Contract	\$550,000	3 months	6 months	6 months

* Base salaries quoted are as at year ended 31 July 2010.

** Termination benefits for B Brookes where the Company initiates the termination without cause are, subject to certain conditions, including the execution of a general release and waiver of all claims, that he is not employed or engaged by any other business or entity, continues to comply with certain provisions of his contract of employment, as follows:

- each month for 18 months on amounts equal to the monthly base salary; and
- any short-term incentive earned on a prorata basis but not yet paid for in a prior financial year, paid in accordance with the Company's ordinary procedures.