



22 November 2013

The Manager Companies  
Australian Securities Exchange Limited  
11 Floor, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**David Jones Limited**  
**Annual General Meeting – 22 November 2013**

Attached are the following presentations to be given at the AGM:

- 1) Chairman's Address
- 2) CEO and Managing Director's Address
- 3) Chairman's Address relating to the Remuneration Report and the Allocation of Performance Rights to the CEO and Managing Director
- 4) Slides relating to the above

Yours faithfully

DAVID JONES LIMITED

Susan Leppinus

Company Secretary

**DAVID  
JONES**

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## DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

### CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

As it is now 10.30 a.m., the appointed time, and a quorum is present, I welcome you to the Annual General Meeting of David Jones Limited and formally declare the meeting open.

Before we proceed, a couple of housekeeping matters. First, I ask that you ensure any mobile devices are switched off. Second, in accordance with the conditions of entry, all recording devices, whether pictorial or sound, are not permitted to be used during this meeting.

I welcome you all for the first time as Chairman of David Jones. It is a privilege to hold the office of Chairman having been appointed to this role at the beginning of this year. We acknowledged at last year's AGM the great contribution that Bob Savage, who retired at the close of that meeting after 13 years as a director and 9 years as Chairman, had made as a director and the outstanding leadership he had provided as Chairman. I would like to take this opportunity to thank him again for his enormous contribution.

I would firstly like to introduce you to my colleagues here on stage.

On my immediate right is Susan Leppinus who is the General Counsel and Company Secretary.

Next is Paul Zahra who is the CEO and Managing Director of David Jones. Paul will address you later this morning to give an overview of the performance of the business during FY13.

As you will be aware, we announced Paul Zahra's intention to resign as CEO and Managing Director of the Company upon the commencement of a successor. I will talk more about Paul's achievements later, but would like to express the Board's appreciation of Paul's leadership, his fine contribution and the dedication he has shown to this Company over his fifteen years of service and which he continues to show.

Paul remains as Chief Executive Officer and Managing Director until his successor has commenced in the role and has the full and unqualified support of the Board.



Continuing on along the table are your Non-executive Directors.

John Harvey has served David Jones as a Non-executive Director for 12 years. As previously advised to shareholders, John will not be seeking re-election at this meeting and will retire from the Board of David Jones at the conclusion of today's meeting. John has been a valuable member of the Board of David Jones and has made a significant contribution as the Chairman of the Audit Committee. Please join me in thanking John for his 12 years of service as a Non-executive Director of David Jones.

Steven Vamos was appointed as a Director in June last year and was appointed Chairman of the People and Remuneration Committee on 1 February this year. Steven has extensive experience in developing leadership initiatives, with over 30 years experience in the information technology, internet media and online advertising industries.

Jane Harvey was appointed as a Director in October last year. Jane was a partner at PricewaterhouseCoopers for a number of years, and has extensive business, finance and general management experience obtained through a range of line management and consulting roles including in the retail sector. She is currently the Chair of Audit Committees for a number of listed companies, and will be taking over this role from John Harvey.

Philippa Stone joined the Board in 2010. She has extensive business and legal experience and is a senior partner at Herbert Smith Freehills specialising in corporate governance, general corporate advice, equity capital markets and mergers and acquisitions. Philippa will be standing for re-election at this meeting.

You will be aware that the Board renewal process has seen Leigh Clapham and Melinda Conrad newly appointed as Non-executive Directors in FY2013.

Leigh Clapham was appointed as a Director in December 2012. Leigh has more than 40 years experience in advertising, marketing and financial services. He has held key senior financial services roles for MasterCard Worldwide as Group Executive Australia and New Zealand, and most recently, Group Executive Europe. Leigh brings extensive experience in financial services, payments systems, marketing and advertising to the Board. Leigh will be standing for election at this meeting.

Melinda Conrad was appointed as a Director in July this year. She has extensive experience in strategy and marketing in the retail, consumer goods and healthcare services, having previously held roles at Harvard Business School and Colgate-Palmolive. Melinda brings to the Board valuable retail strategy experience. Melinda will be standing for election at this meeting.



As you are aware, this year was a significant milestone for David Jones – we celebrated our 175th birthday and we are proud to be one of the oldest department stores in the world. The story of David Jones is a remarkable one, and to mark this occasion, we held a public exhibition which was attended by over 18,000 people. This highlights the special place David Jones holds with the public. This morning through the course of my report and our CEO and Managing Director's Presentation which follows, we will provide you with an overview of the past year and the initiatives that we are implementing for the long term success of our business. There are also a number of important items on the agenda, which I will cover with you in some detail prior to voting on these items.

As an iconic Australian company, David Jones attracts a lot of scrutiny. We welcome that from our stakeholders, and I would like at the outset to address some of the recent questions raised before turning to the formal business issues. I acknowledge concerns some shareholders have raised and assure you that we take them seriously.

### **Corporate governance**

Your Board places a very strong emphasis on corporate governance, and the Annual Report sets out details of our Company's corporate governance policies and practices.

I would like to address our approach to share trading by Directors, as this has been the subject of comment.

We have a Share Trading Policy and limited trading windows during which Directors can acquire shares in David Jones. In addition, in compliance with these rules, Directors are required to notify the Chairman of proposed acquisitions. The recent share acquisitions by two of our directors, who wished to acquire shares in order to be, and to be seen to be, aligned with you the shareholders, were approved as required and were promptly notified to the ASX.

However, the implementation of our policies has raised comment. We have heard and taken on board your feedback. We have determined to review our policies and how they are implemented in the future to ensure we address the concerns shareholders have expressed.

I can assure you each of the directors involved was motivated by a wish to show support for the Company.

I unreservedly apologise to the Company and all our shareholders for the concerns that have been raised on this matter. Your Board is committed to the highest standards of corporate governance and therefore took the decision to raise this matter proactively with ASIC following media comment. Given that the matter is with ASIC, that is all that is appropriate for me to say on the matter, but I did want to reassure you that your Board takes these issues very seriously and is addressing them.



## **Remuneration**

Shareholders will have the opportunity to vote on the Remuneration Report under item 3. Ahead of the vote on resolution 3, we will go through in some detail, our approach to remuneration and how we have designed the short and long term performance remuneration components to get an appropriate balance. The feedback we have had in the lead up to this meeting and the proxies received have made it very clear that we have more work to do in engaging with shareholders and proxy advisers regarding the Company's approach to remuneration and the link between performance and STI payments, and we will address this as a priority.

## **Board Composition**

The Board renewal has been well underway at David Jones and we have appointed four new directors to Board over the past two years. All bring relevant and valuable skills to David Jones and we have been fortunate to attract highly qualified people. We have shaped a Board to help drive this company forward in the new retailing environment with its increasing focus on a wide range of channels, including adding directors with specific retailing, on-line, financial services and finance skills.

## **Results Overview**

Now turning to the past year, the Company has made significant progress in the implementation of the Future Strategic Direction Plan which was announced to the market in March last year. Our Future Strategic Direction Plan is designed to ensure that the business is well placed to capitalise on any strengthening in consumer sentiment as it occurs, however the outlook over the next 12 months remains uncertain and retail conditions are expected to remain challenging.

Our Profit in FY13 was impacted by challenging trading conditions and our continued investment in the transformation of our Company into a world class Omni Channel Retailer. The Company reported a Statutory Profit after Tax of \$95.2 million, which includes a 'one-off' charge of \$9.1 million pre-tax, related to the Dick Smith transaction. Excluding the impact of the Dick Smith transaction, our Profit after Tax for the year was \$101.6 million, up slightly on last year despite sales declining by 1.2%.

The Company continues to maintain a strong balance sheet with low debt and solid cash flows.

## **Dividend**

The Board declared total dividends per ordinary share for FY13 of 17.0 cps (fully franked). This represents a payout ratio of 95% on Statutory Profit after Tax, and 89% on Profit after Tax excluding the impact of the Dick Smith transaction. The payout ratio is consistent with the Board's undertaking to payout no less than 85% of Profit after Tax.



### **Future Strategic Direction Plan**

As I have mentioned, in FY13 significant progress was made implementing the Company's Future Strategic Direction Plan. In particular, over the past 12 months progress has been made by the Company in:

- addressing the structural changes faced by the retail sector;
- strengthening its core business;
- upgrading and expanding its store network;
- enhancing customer service and experience; and
- attracting new customers.

Highlights during the year include the transformation of David Jones from a bricks and mortar retailer to an Omni Channel Retailer, the lowering of retail prices for international brands through our Cost Price Harmonisation program, our continued focus on customer service through initiatives such as the roll-out of our new Point of Sale system, and the implementation of a new service standard "5 Star Service for Today".

To improve gross profit margins, we addressed our low productivity categories by either exiting them, as was the case for DVDs, CDs and games, or converting them to a Retail Brand Management Agreement as per the Dick Smith arrangement for electronics. We also embarked on a program to increase our private label range.

We successfully launched our Next Generation Store concept at our new Highpoint (Vic) store and are now rolling out elements of this concept across our entire store portfolio. We are also excited to have recently opened a new 'village format' store in Malvern (Vic).

Paul Zahra will expand on these matters during his address.

### **Property Portfolio**

In 2012 an independent consultant concluded that the potential worth of the Company's Sydney and Melbourne CBD store properties was \$612 million. This equates to approximately \$1.15 per share and does not include the airspace or other development potential of these sites.

We are continuing to actively consider a range of options in relation to these properties, including options to unlock the airspace and development value, whilst recognising the importance of the existing department store business at these sites. Priority has been given to the Market Street (Sydney) site, as it is felt that this has the greatest potential. This exercise is however complex and will take time and any options pursued will take into account the full implications for these iconic sites.



We believe we will be in a better position to update shareholders in March 2014.

### **Community**

David Jones has a longstanding commitment to support the community through a number of key activities, such as fundraising, customer support and staff engagement. This investment aims to support and benefit the community by meeting real social needs, in particular the health and wellbeing of women. To that end, David Jones has chosen to provide dedicated focus to its longstanding charity partner, the National Breast Cancer Foundation. During the financial year David Jones, its customers and employees raised over \$640,000 for its charity portfolio.

I am also pleased to report that by the end of next year, David Jones will be able to offer a national free breast screening program across all of our CBD flagship stores. The Rose Clinic offers free screening services using state of the art mammography equipment for women over the age of 40. The South Australian Rose Clinic will be launched in Adelaide Central Plaza in 2014.

### **Occupational Health & Safety**

David Jones is committed to ensuring the health and safety of all employees, visitors and customers. We consider that our people are the foundation of our organisation, and their safety and well-being continues to be a priority and integral to every part of our business. The Company has continued to proactively implement strategies, systems, training and audits across all operations to ensure it achieves its vision of an incident and injury free workplace.

In FY13 we continued to improve our safety performance, with the Lost Time Injury Frequency Rate, and the Total Recordable Injury Frequency Rate (which includes medical treatment injuries) both in decline. The Total Recordable Injury Frequency Rate declined significantly by 31% compared to that in FY12.

### **Environment & Corporate Social Responsibility**

David Jones is committed to managing its operations in an environmentally sustainable manner, as well as upholding high corporate social responsibility standards.

I am pleased to report that we have:

- Reduced electricity consumption by 5% in FY13, bringing our total reduction in energy consumption since 2006 to 25%;
- Reduced greenhouse gas emissions by 7% since last year; and
- Reduced the amount of waste sent to landfill by a further 5.5%, bringing our total reduction in landfill to 51% since 2006.



### **Supplier Partners**

We have developed a new Supplier Code of Conduct. Our Supplier Code of Conduct outlines the minimum requirements for our suppliers to adhere to when doing business with David Jones. The Code requires that suppliers must ensure safe and fair working conditions for their employees, maintain integrity and transparency in dealings with David Jones, and manage and monitor material environmental impacts. It also requires suppliers to maintain adequate records to demonstrate compliance with the Code. The Supplier Code of Conduct is available on the David Jones corporate website.

### **Customers**

I would like to thank all of David Jones' customers for their patronage and support throughout the year. We are proud of our service heritage and have over the past year increased our focus and investment in service and have reset our benchmarks in line with international standards. I can assure you all that we are committed to delivering customer service excellence, and as Paul will talk to later, this has been reflected in the Company's highest ever customer survey results.

### **Employees**

I would also like to take this opportunity to express thanks to our employees for their commitment and efforts throughout a challenging year for our business. Our people are the "face" of David Jones and we appreciate their importance in delivering on our Company Vision.

### **Chief Executive Officer and Managing Director**

Finally, I would like to talk briefly about our CEO, Paul Zahra.

On 21 October, the Company announced that Paul intended to resign as CEO and that our succession plans were underway. Our intent is to appoint the best candidate available as CEO to leverage the work that Paul has well underway. We have a process underway to appoint Paul's successor which involves an extensive national and international search.

Paul had raised with me his intention to resign for personal reasons and the decision was taken to advise the market of this decision. As already mentioned, Paul has the Board's unqualified support and confidence in leading the Company through the period until his successor's appointment. Paul's terms and conditions of employment remain in place. When he resigns, he will remain an employee for a further 6 months and be entitled to his current fixed remuneration and, recognising his assistance with the transition to a new CEO, STI pro rata at target for that period.

Comments that the timing of the announcement of his intention to resign will impact his and your Company's focus on the important Christmas and January sales period underestimate Paul and his team. Comments that the Board and Paul are not working together collaboratively towards your Company's success are untrue.





Before handing over to Paul, I would like to formally acknowledge Paul's significant contribution to this great organisation not only during his term as CEO and Managing Director, but throughout his 15 years with the Company.

Paul has worked with the Board to guide David Jones through extremely challenging times, including the aftermath of the global financial crisis and a very tough retail environment. He has driven the implementation of the Company's Future Strategic Direction Plan and, under his leadership, significant progress has been made.

It's now my pleasure to hand over to Paul and please join with me in acknowledging his significant contribution.



## DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

### CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S ADDRESS

#### INTRODUCTION

Thank you Chairman and good morning ladies and gentlemen.

Chairman, I thank you for those remarks and I would like to confirm that I continue to be 100% committed to the Company's business, and I am continuing to work collaboratively with the Board and with my management team, while my successor is identified.

As mentioned by the Chairman, the 2013 financial year remained a challenging year for retailers in terms of subdued consumer sentiment and a number of macro economic factors. Despite these challenges, we continued to make good progress in implementing our Future Strategic Direction Plan.

#### FY2013 FINANCIAL REVIEW

Before I talk through the progress made on our Future Strategic Direction Plan, I will provide an overview of the Company's Financial Performance for the 2013 financial year.

**Statutory Profit after Tax** was \$95.2 million, which includes a \$9.1 million (pre-tax) charge relating to the sale of certain assets, including electronics inventory, as part of the Retail Brand Management Agreement entered into with Dick Smith. Excluding the impact of this charge, Profit after Tax was \$101.6 million, an increase of \$0.5 million on the prior year.

**Sales Revenue** for the year was \$1.8 billion, down 1.2% on FY12 reflecting the challenging trading environment throughout the year.

Excluding the impact of the Dick Smith transaction, **Gross Profit** increased by \$6.3 million to \$706.1 million in FY13, despite a \$22.8 million decline in sales, reflecting our focus on reducing the depth and breadth of discounting and improving inventory management.

The Company's **Cost of Doing Business (CODB)** increased by \$11.8 million to \$606.6 million and the CODB percentage to sales increased by 110 bps to 32.9% due to higher employee, lease and occupancy costs, and a higher depreciation charge.



**Financial Services EBIT** was \$49.5 million which is broadly in line with last year. As stated in March 2012, the David Jones/American Express alliance converts to a share of underlying profits in FY14 and the Company expects its share of the EBIT generated by this business to be broadly half the EBIT contribution generated in FY13.

## **FUTURE STRATEGIC DIRECTION PLAN**

Turning now to our Future Strategic Direction Plan.

This Plan set out our strategy to deal with structural changes in the retail sector. We have made significant progress in FY13 in the implementation of our Plan.

### **Addressing retail structural changes**

As the Chairman outlined, throughout FY13 we invested significantly in:

- transforming David Jones into an Omni Channel Retailer;
- addressing international price discrepancies through our Cost Price Harmonisation program; and
- targeting new customers.

#### *Omni Channel Retailing*

During the year, the Company continued to invest in physical and technological infrastructure to support its transformation from a bricks and mortar retailer to an Omni Channel Retailer. We established a new fulfillment centre, call centre and production studio, as well as implemented IT systems to address logistics and back of house processes.

Our new sales channels include our new webstore launched in November last year with 90,000 SKUs, and we now offer the ability to shop with us on mobiles and iPads.

Enhanced functionality such as customer ratings and reviews, shoppable videos, appointment booking tools, gift lists and product zoom have now all been implemented.

We have also expanded our delivery options and importantly introduced 'Click & Collect' and 'Drop Ship' capability that enables us to include those brands operating under a Retail Brand Management Agreement. We now have over 100,000 SKUs on offer, meaning that there will be the same breadth of range online as a standard full line department store.

Looking forward, we are focussed on email acquisition to enable us to better target and personalise our offers to our customers. Over the past 6 months we have experienced over 200% growth in the proportion of online sales derived through our email marketing program. We are on track to hit our target of acquiring at least 2 million email addresses by FY15 and we are making good progress in building our customer data capability and analytics.



The Company has also made good progress in broadening its digital foot traffic and had over 800,000 digital contacts at the end of July, with this number continuing to grow.

Since launching our new webstore last November, we have seen an increase in the quarter on quarter sales growth rate from this business, from 290% in 2Q13 to 1,000% in 1Q14. One of the major strengths of our online business is that it leverages our existing fixed cost base in terms of warehouse facilities, merchandising and marketing. This means sales from this channel are more profitable. Our online business delivered a profit contribution (pre depreciation) in its first year of trading.

The result of our efforts to grow online sales has been encouraging, with the average online transaction size now three times the size of an average in-store transaction. These new sales platforms have further supported our peak trading times such as our January and June clearance events.

#### *Cost Price Harmonisation*

Our cost price harmonisation negotiations continue with both new and existing international brands. All new international brands signed up by David Jones post March 2012 have been price harmonised before entering the business. Prior to commencing our cost price harmonisation program, we identified 250 international brands already in the business that required harmonisation. Of these, 60% have harmonised their prices. Throughout this process, the Company has maintained its gross profit margin percentage, and the sales volume increases post price harmonisation have more than offset the retail price reductions.

#### *Targeting New Customers*

The globalisation of retailing has changed the way people shop and broadened David Jones' potential reach. As a result, we have implemented a number of initiatives to enable us to broaden our customer base, such as being the first Australian department store to accept UnionPay, the national Chinese debit and credit card, as a method of payment in our stores. UnionPay is the largest debit and credit card program in the world and it enables David Jones to tap into the Chinese tourist market in Australia, which currently is 700,000 visitors per annum and is growing annually. Other initiatives we are introducing to target new customers include the introduction of Pay with Points as a payment option across all sales channels, the availability of David Jones gift cards for purchases outside David Jones, for example at Australia Post and at other retailers, and the launch of 'Bridal on Seven', Australia's first department store bridal suite.



### *Financial Services*

We have continued to invest to deliver a valued financial service offering to our cardholders.

During the year, we launched the David Jones American Express Platinum Card and introduced Qantas Frequent Flyer points as a rewards option on both our Platinum and Gold Cards. We also continue to offer our cardholders' benefits directly linked to David Jones which are not available on other credit cards.

In FY13, the Storecard portfolio was migrated to a new IT platform. The Storecard, which has no annual fee, is now able to collect either Qantas Frequent Flyer points or David Jones gift cards as reward options. We also launched a limited edition Heritage Storecard for long-standing customers.

We are aware that during migration to the new IT platform, some customers may have experienced problems and were either unable to use their Storecard for a short period of time, or may have had their credit limit adjusted if the Storecard had not been utilised for several years.

In most cases, these issues were quickly resolved by our Cardmember Services Team. They are here today on my left to answer any further queries shareholders may have at the end of the AGM.

### **Strengthening our core business**

In FY13, the Company invested in key areas to strengthen its core business.

#### *Customer Service*

We continued our investment in customer service by increasing frontline staff hours, introducing 350 new roles including Style Advisers, implementing our world class "5 Star Service for Today", and successfully rolling out the our Point of Sale system with enhanced features such as stock search capability across all stores. As a result of this investment, we achieved our best ever "Mystery Shopper" survey results in 2013 and have seen a strong improvement in our customer compliments to complaints ratio.

#### *Increasing Foot Traffic, Conversion and Customer Engagement*

Increasing foot traffic, conversion and customer engagement has also been an area of focus. In-store events such as the David Jones 175<sup>th</sup> Anniversary Exhibition, the Sydney Lego Brick Show and the Denim Seeks Soul Mate Campaign resulted in more than 100,000 incremental visitors to our Sydney CBD flagship store. We are also rolling out new traffic analytics technology across our store network which will greatly assist in measuring and driving foot traffic and improving sales conversion.



### *Brand Portfolio*

To remain fresh and relevant to customers, we signed up approximately 140 new international and Australian brands, most on an Australian department store exclusive basis, including MNG by Mango, Brooks Brothers, Carven, Stella McCartney, Simona, Martin Grant and Farage.

### *Gross Profit Margins*

We have focused on improving the Company's Gross Profit Margins through reduced discounting and addressing low productivity categories. Good progress has been made in exiting DVDs, music and electronic games. We also entered into a Retail Brand Management Agreement with Dick Smith to operate our electronics category, which has been the most challenging category in our business. Under this agreement, we are entitled to a guaranteed minimum contribution as well as the ability to participate in sales upside.

### *Cost of Doing Business (CODB) Initiatives*

We continued to implement CODB efficiencies throughout FY13 including rolling out energy saving and waste management initiatives, reducing third party labour spend and investing in technology to drive productivity efficiencies and offset cost increases in labour, utilities and property.

### *Inventory Management*

Inventory management remains a strong focus. In FY13 we increased the number of inventory intakes which reduced inventory holdings and ensured we provided fresh merchandise offerings to customers. We also introduced new 'Drop Ship' capability. These initiatives were all designed to improve inventory and working capital management and mitigate risk.

### *Technology*

The Company's capital expenditure continued to reflect an increased weighting towards technology projects, including the launch of the new David Jones webstore, the roll-out of the new Point Of Sale system, an automated consignment system and a number of "back of house" enhancements such as a new Workforce Management Tool designed to deliver efficiencies.

### **Enhancing our store network**

In FY13 we refurbished our Sydney Elizabeth Street, Market Street and Bondi Junction stores, as well as our Canberra Centre store. In FY14 we will commence the refurbishment of our Miranda (NSW) store and Adelaide Central Plaza store. We successfully opened our Highpoint (Vic) and Malvern Central (Vic) stores in 2013, and the new Indooroopilly (Qld) and Macquarie Centre (NSW) stores are scheduled to open in May 2014 and FY15 respectively.



We announced we had entered into an agreement for lease at Eastlands (Vic) which is expected to open in FY16. These new stores incorporate the Company's "Next Generation Store" concept featuring more efficient energy usage, more productive Gross Lettable Area, customer dwell areas with charging stations for personal devices, complimentary Wi-Fi, traffic analytics, and omni-mirrors for customers to photograph and post images on social media.

### **Future Outlook**

Having spent the past 18 months transforming our business from a bricks and mortar retailer into an Omni Channel Retailer, addressing Cost Price Harmonisation and rolling out new technology, our Company is at an exciting juncture.

Recognising our need to continually innovate in this global market, we have also refreshed our Future Strategic Direction Plan, established a cross functional 'Innovation Team' and created a new senior management role, Executive of Customer Innovation & Growth. The Innovation Team's primary responsibilities will be to ensure that David Jones continues to develop its retail offer, including the way we interact with customers, and ensure that all parts of our business work together cohesively to deliver customer-centric outcomes. Our purpose is to be extraordinary. Our vision is to be the first destination for style and to offer customers a seamless shopping experience.

I would now like to show you a short video that brings our vision and strategy to life.

### **CHRISTMAS**

On 1 November 2013, we reported our 1Q14 sales which included Total Sales growth of 2.1% and Like-for-Like sales growth of 0.6%, excluding the disruption from the recently completed Canberra Centre store refurbishment. We are now highly focused on the upcoming Christmas quarter and have introduced a number of new merchandise initiatives including partnering with the iconic UK department stores Liberty and Harrods. I have just completed a nationwide 38 store review where I personally met with each Store Manager, Sales Manager and key frontline team members and have seen all their plans for Christmas. All of our channels including our stores and webstore have never been better prepared to continue the tradition of being a leading gift giving destination.

### **CONCLUSION**

As you are aware, on 21 October 2013, the Company announced my intention to resign for personal reasons. I have been at David Jones for 15 amazing years. The Future Strategic Direction strategy is now well underway and I am fully committed to continuing in my current role until an appropriate successor commences. This could take some time and I will remain in my current role for as long as it takes.



David Jones is an iconic brand, with a distinctive positioning in the Australian market, a strong service ethic and a loyal customer base. I believe that the implementation of the Future Strategic Direction Plan I have led has placed David Jones as a main-stayer in the new world of retailing, and I am proud to see the Company transforming into a true Omni Channel Retailer.

My commitment to the business remains undiminished, and my team remains energised. Together with the Board, we are united with a clear strategic direction. Your Board and management remain committed to ensuring that David Jones is a world class retailer, and until such time as my successor commences, I remain dedicated to continuing the implementation of our Future Strategic Direction Plan.

I want to personally thank all the employees for their commitment and loyalty and the Board for their ongoing support. I remain excited to see what the future brings for David Jones.





## DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

### CHAIRMAN'S ADDRESS

#### ITEM 3 ADOPTION OF REMUNERATION REPORT

I now turn to item 3: the adoption of the Remuneration Report.

The Corporations Act requires listed companies to put a non-binding resolution to shareholders to adopt the Company's remuneration report.

While this vote is an advisory vote only, it is important that we know your views on our approach to the recognition, remuneration and reward of our people. As I said previously, the feedback we have had in the lead up to this meeting and the proxies received have made it very clear that we have more work to do in engaging with shareholders and proxy advisers regarding the Company's approach to remuneration and the link between performance and STI payments, and we will address this as a priority.

In FY2013 a number of changes were made to the Short Term Incentive (STI) and Long Term Incentive (LTI) arrangements for Executives. The key changes, which were foreshadowed in the FY2012 Remuneration Report, and which were introduced in FY2013 are as follows:

- a revised Short Term Incentive program with performance measures linked to the achievement of an Executive's contribution to both the financial targets and to the achievement of the Company's strategic and other non-financial objectives;
- the deferral of the above target component of an Executive's STI for a period of one year;
- extension of the capped, or maximum, STI opportunity to all Executives; and
- the introduction of a three-year rolling LTI plan with both a Total Shareholder Return (TSR) and an Earnings per Share (EPS) performance measure, with participation limited to nine Executive Committee members, including the CEO.

The STI payments in FY13 are based on the achievement of the financial and non-financial targets set by the Board

The key financial target set by the Board, which was relevant for all Executives, was Profit after Tax. Additional financial targets were set for Executives which relate to metrics aligned to their roles such as sales, gross profit or store contribution.



The key non-financial targets related either to specific milestones to measure the successful implementation of the Future Strategic Direction Plan or other non-financial targets set by the Board.

The split between financial and non-financial metrics is set out in the Remuneration Report. For all Executives, at least 50% of their incentive target related to the overall financial performance of the Company. As noted in the Remuneration Report, the financial targets set for Executives were largely achieved.

The progress made by the Company in implementing its Future Strategic Direction Plan is well document in our Annual Report and investor presentations. During FY13, there was substantial advancement in the Company' strategy, including:

- a significant improvement in customer service metrics;
- the rapid transformation into an Omni Channel Retailer;
- the roll out of a new Point of Sales system to all stores;
- significant progress in the Cost Price Harmonisation program; and
- addressing underperforming categories and the execution of a Retail Brand Management Agreement with Dick Smith for the electronics category.

As noted in our Remuneration Report, there were no STI payments made in FY11 and FY12 STI payments were limited to 3 Executives and totalled circa \$240,000.

In determining STI payments for FY13, the Board believed it was important to recognise and reward management for the significant progress they have made in difficult trading conditions.

It is also worth noting that there is no LTI program vesting in FY13, with the next vesting date being September 2015. This means that there are no LTI outcomes paid out in FY13 or that could be paid out in FY14.

To ensure the continued alignment of Executive reward with our strategy and with prevailing market practice the following changes are proposed for the FY14 STI plan:

- the introduction of a customer experience measure; and
- an increase in the STI deferral with 25% of an Executive's annual incentive outcome to be deferred for a period of 12 months.



Allocations made under the Company's LTI plan will remain limited to the Executive Management Team and have the same terms as the FY13–FY15 plan. The performance measures proposed for the FY14–FY16 Executive LTI plan are unchanged, namely relative TSR and EPS, weighted at 50% each.

The EPS used as the baseline for the FY14–FY16 LTI plan excludes the impact of the Dick Smith transaction.

Having regard to market and business conditions, the directors have:

- implemented a 17% reduction in the base fees for each of the Non-executive Directors, the Chairman and the Chairman of the Audit Committee; and
- not increased fixed remuneration for any member of the Executive Management Team.

The objective of the Company in the design of the FY2013 incentive plans has been to balance a number of diverse business and stakeholder objectives, including:

- long-term and sustainable value creation for shareholders;
- attraction and retention of key talent through incentive plans that continue to motivate Executives to achieve both financial and non-financial strategic goals; and
- alignment with external perspectives including prevailing market practice.

For your reference, a summary of the FY2013 Incentive Plans are set out in the Remuneration Report which can be found on pages 47 to 68 of the Annual Report.



## DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

### CHAIRMAN'S ADDRESS

#### **ITEM 4 ALLOCATION OF PERFORMANCE RIGHTS UNDER THE LONG TERM INCENTIVE PLAN FY2014 – FY2016 EXECUTIVE LONG TERM INCENTIVE PLAN TO PAUL ZAHRA**

Now turning to Item 4.

As you will be aware, on 21 October 2013, the Company announced that the Board had been advised by the CEO and Managing Director, Paul Zahra, that he intends to resign for personal reasons upon the commencement of a successor. A succession process is underway, and involves an extensive national and international search. This process could take some time. Until such time as a successor commences, Paul continues in his role as CEO and Managing Director with the full and unqualified support of the Board.

It is proposed to allocate to Paul 335,000 performance rights in the FY14–FY16 Executive Long Term Incentive Plan as described in the Notice of Meeting. These performance rights will convert to ordinary shares on a one-for-one basis in September 2016 if Paul is still employed by the Company and the vesting conditions are otherwise met.

The Board and CEO have complete understanding that no concessions will be made regarding the terms and conditions that apply to the FY14 LTI.

The performance criteria remain on the same terms as the FY13–FY15 Plan. These performance measures include relative TSR and EPS, weighted at 50% each. Paul is not required to pay an amount at the time of the grant of the performance rights, nor if the performance rights convert to ordinary shares.

The allocation of 335,000 rights approximates to 40% of the Chief Executive Officer and Managing Director's fixed remuneration. The Board considers this to be an appropriate allocation based on a review of market benchmarking information provided by its independent remuneration advisor.

The offer of performance rights to the Chief Executive Officer and Managing Director under the FY14–FY16 Executive Long Term Incentive Plan is in accordance with his terms and conditions of employment, and consistent with the treatment of all his direct reports – the LTI entitlements of Senior Executives are designed to achieve the following:



- ensure an appropriate balance between fixed remuneration and variable, performance based reward;
- incent Senior Executives to grow profits and increase shareholder returns over the performance period; and
- ensure the ongoing delivery of the Company's future directions strategy.



# DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

22 November 2013



# CHAIRMAN – PETER MASON



# RESULTS OVERVIEW

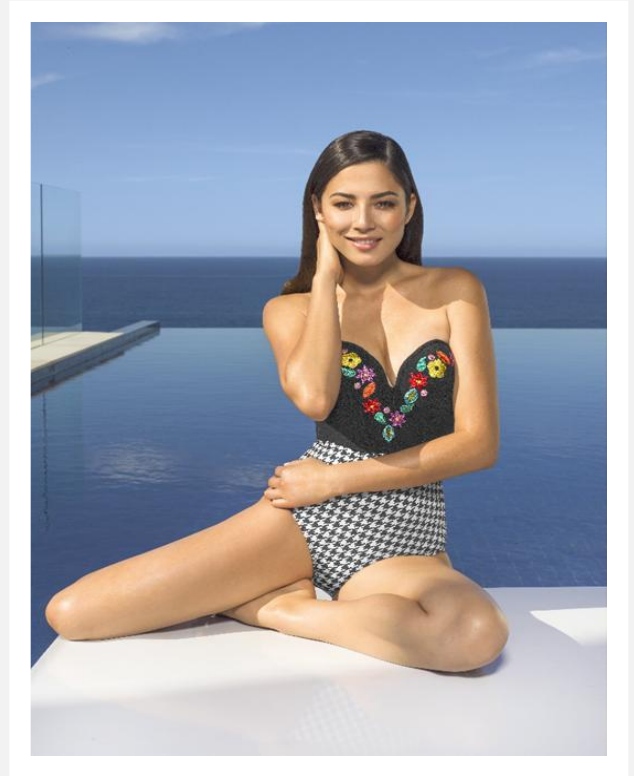
- Retail conditions remained challenging with weak consumer sentiment
- Total Sales down 1.2% on FY2012
- Statutory PAT of \$95.2m
- PAT of \$101.6m (excluding impact of Dick Smith transaction) - slightly up on FY2012
- Strong balance sheet, low debt and solid cash flows





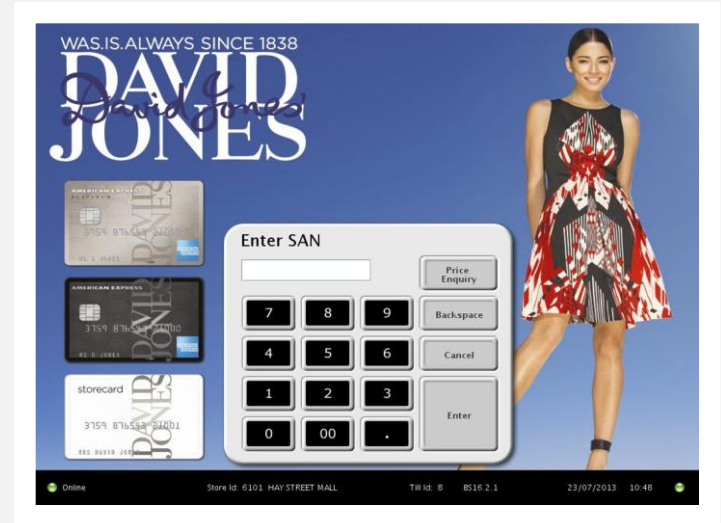
# DIVIDENDS

- High dividend payout ratio
- No change to dividend policy – payout of not less than 85% of full year PAT
- Final dividend of 7.0 cps, fully franked
- Full Year dividend 17.0cps (FY12: 17.5cps)



# STRATEGIC UPDATE

- Excellent progress in implementing Future Strategic Direction Plan to:
  - Address structural changes faced by the retail sector
  - Strengthen our core business
  - Enhance our store network





# KEY ACHIEVEMENTS

- Launch of new webstore
- New Point of Sale system
- Cost Price Harmonisation program well advanced
- Low productivity categories being addressed
  - Exit of DVDs, music, games
  - RBMA with Dick Smith
- Expanded David Jones private label range
- New 'Next Generation Store' at Highpoint (Vic) and new 'village format' Malvern (Vic) store opened
- "5 Star Service For Today"



# PROPERTY PORTFOLIO

- David Jones owns 4 CBD stores valued at \$612 million
- Equates to c\$1.15 per share (does not include airspace or other development potential)
- Exploring options to unlock value
- Priority has been given to the Market Street Sydney site
- This exercise is complex and will take time



Elizabeth Street Sydney



Market Street Sydney



310 Bourke Street  
(Women's Store) Melbourne



299 Bourke Street  
(Men's Store) Melbourne

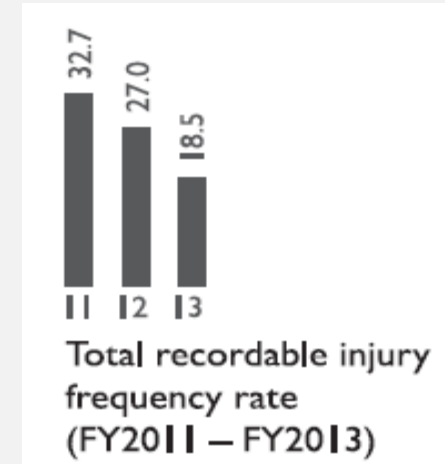


# COMMUNITY AND SAFETY

- Our Community
  - Donated ~\$640,000 to partner charities
  - Roll-out of breast screening clinics to major CBD stores
- Committed to high standards of Occupational Health & Safety
  - Improvements in LTIFR\* and TRIFR^
  - TRIFR declined 31% from FY2012 and by 43% since FY2011

\* LTIFR = Lost Time Injury Frequency Rate

^ TRIFR = Total Recordable Injury Frequency Rate



# ENVIRONMENT & CORPORATE SOCIAL RESPONSIBILITY

- During the year, the Company:
  - reduced electricity consumption by a further 5%
  - reduced green house gas emissions by a further 7%
  - reduced the amount of waste sent to landfill by a further 5.5%
- Commitment to high corporate social responsibility standards



- Commitment to work with suppliers to manage social and environmental issues
- Supplier Code of Conduct introduced



## DAVID JONES SUPPLIER CODE OF CONDUCT

David Jones is committed to managing environmental, social and ethical issues along its supply chain and has developed a Supplier Code of Conduct to help meet this commitment and respond to the changing expectations of its key stakeholders. This Code of Conduct outlines the minimum standards and conditions required of suppliers when doing business with David Jones. This Code is mandatory for the following suppliers:

- **Private label suppliers**, defined as all suppliers that produce private label merchandise that is sold by David Jones under trademarks registered to David Jones;
- **Own-brand suppliers**, defined as all suppliers that produce branded merchandise that is sold by David Jones;
- **Co-branding suppliers** and those suppliers subject to a Retail Brand Management Agreement, defined as all suppliers that produce branded merchandise that is sold by David Jones but which is not owned by David Jones; and
- **Non-merchandise suppliers**, defined as suppliers that provide contracted goods and services to David Jones.

In developing this Code, David Jones has conducted a peer review and engaged internal and external stakeholders. This Code is based on the Ethical Trade Initiative (ETI) Base Code for labour practices and audit methodologies developed by the Supplier Ethical Data Exchange (SEDEX) program. This Code has been informed by recommendations of the International Labour Organisation (ILO) and Ethical Clothing Code of Practice, which is jointly approved by the Australian Retailers Association (ARA) and the Textile, Clothing and Footwear Union of Australia (TCFUA).

### 1.0 INTERPRETATION AND DEFINITION OF THIS CODE

For the purpose of clarity, the supplier commitments outlined herein should be interpreted in accordance with the ETI Base Code, the SEDEX Member's Ethical Trade Audit (SMETA) methodology and the definitions outlined in the Appendix.

On request, suppliers must make available to David Jones details about business activities, structure and any other information relevant to its relationship with David Jones, including supply chain partners, subcontractors and the location of facilities involved in production for David Jones.

### 2.0 SUPPLIER COMMITMENTS

#### 2.1 ENSURE SAFE AND FAIR WORKING CONDITIONS

Suppliers must comply with local and national laws related to labour practices and ensure that workers are afforded the highest level of protection, whether that be under local law or the following principles, which should be read in conjunction with the ETI Base Code outlined in the Appendix:

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour is not used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is used

In addition to principles outlined in the ETI Base Code, suppliers must ensure that foreign workers and migrant workers are engaged in compliance with local immigration and labour laws, within the country of employment.

Suppliers must ensure the structural safety of their facilities and ensure no unsafe buildings are inhabited. Suppliers must also take all reasonable measures to develop, implement and communicate an Emergency Management Plan and a Workplace Safety Management System, as outlined in the Appendix.

#### 2.2 ENSURE INTEGRITY AND TRANSPARENCY IN DEALINGS BETWEEN DAVID JONES AND ITS SUPPLY CHAIN PARTNERS

Suppliers must take all reasonable measures to conduct their business activities in an ethical manner, without bribery, corruption or any form of fraudulent or unethical behaviour, including during any audits conducted by, or on behalf of, David Jones.

Suppliers must implement and maintain systems to establish compliance to this Code. Suppliers must communicate this Code to workers and must take all reasonable measures to implement the principles outlined in this Code through their own supply chain.

#### 2.3 IMPROVE ENVIRONMENTAL OUTCOMES

Suppliers must comply with local and national laws related to environmental standards. Suppliers must also develop, implement and communicate an Environmental Policy that outlines the management of all material environmental impacts arising from their facilities and processes.

In particular, suppliers must monitor and monitor the impact of industrial effluent, reduce greenhouse gas emissions, conserve and protect natural resources, and optimise water use.

Suppliers must take all reasonable measures to use recycled and recyclable packaging materials. Private label and non-merchandise suppliers that produce branded collateral must also adhere to David Jones Sustainable Packaging Guidelines, outlined in the Appendix.

#### 2.4 COMPLIANCE WITH THIS CODE

Suppliers will be responsible for ensuring compliance to this Code and for maintaining adequate records to demonstrate compliance. David Jones reserves the right to conduct audits of any and all suppliers and their factories, to monitor compliance to this Code. These audits may occur with or without notice and will be unrestricted.

#### 2.5 BREACHES OF THIS CODE

In the event that David Jones becomes aware of a breach of this Code, the Company reserves the right, at its sole discretion, to take a range of remedial actions.

To reflect David Jones' commitment to continuous improvement, these actions may initially include the requirement for the supplier to develop and implement a Corrective Action Plan. In the event of serious breaches of the Code or non-compliance over an extended period, remedial actions may include the cancellation of orders and the termination of the business relationship, with public disclosure of the breach and the remedial actions pursued by David Jones.

Paul Zahra, Chief Executive Officer and Managing Director  
David Jones Limited

# CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR - PAUL ZAHRA





# FY2013 FINANCIAL PERFORMANCE

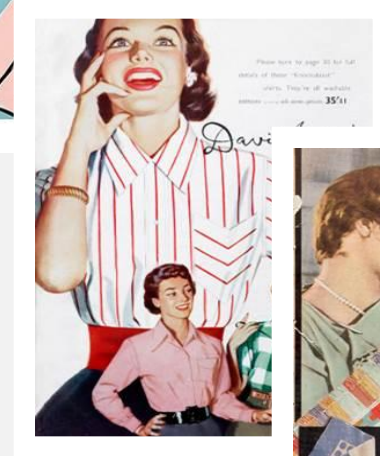


	Reported Profit FY13 \$m	Impact of Dick Smith transaction \$m	FY13 PAT (excluding impact of Dick Smith transaction) \$m	Reported Profit FY12 \$m
Sales	1,845.0	-	1,845.0	1,867.8
Gross Profit	697.0	9.1	706.1	699.8
Cost of Doing Business	(606.6)		(606.6)	(594.8)
EBIT Department Stores	90.4	9.1	99.5	105.0
EBIT Financial Services	49.5		49.5	49.4
EBIT Total	139.9	9.1	149.0	154.4
Net Interest Expenses	(8.6)		(8.6)	(10.6)
Profit Before Tax	131.3	9.1	140.4	143.8
Income Tax Expenses	(36.1)	(2.7)	(38.8)	(42.7)
Profit After Tax	95.2	6.4	101.6	101.1
	FY13*	FY12	Change	
EBIT to Sales	8.1%	8.3%	(0.2%)	
PAT to Sales	5.5%	5.4%	0.1%	

\* FY13 Excluding the impact of the Dick Smith transaction

# ADDRESSING RETAIL STRUCTURAL CHANGES

- Omni Channel Retailing
- Cost Price Harmonisation
- Targeting new customers



# OMNI CHANNEL RETAILING

- New infrastructure (physical & technical)
- New customer sales channels
- Improved customer webstore functionality
- Expanded customer delivery options
- Email marketing
- Customer data analytics
- Broadened digital footprint



Sydney  
Same  
Day



National  
Express



Standard  
including  
unattended  
delivery

# OMNI CHANNEL RETAILING

- Quarter on quarter increase in growth rate of online sales
  - 2Q13 : +290%
  - 3Q13 : +520%
  - 4Q13 : +711%
  - 1Q14 : +1,000%
- Online business delivered profit contribution in its first full year of trade (pre-depreciation)
- Online average order size is 3 times the average instore transaction
- Robust platform over January and June Clearance events



## black&white

THE BEST OF WHAT'S TRENDING NOW IN FASHION & LIFESTYLE FROM DAVID JONES



# COST PRICE HARMONISATION

- Program to address international cost price differentials
- Program largely implemented
- Price harmonisation negotiations with both new & existing international brands
- New brands entering the business are price harmonised



# TARGETING NEW CUSTOMERS

New initiatives include:

- UnionPay
- Pay with Points
- Gift Cards
- Bridal on Seven



# FINANCIAL SERVICES

Continued investment to drive acquisition via:

- David Jones American Express Platinum Card
- Qantas Frequent Flyer (QFF) points
- In-store cardmember events and promotion

David Jones Storecard

- Storecard migrated to a new IT platform
- Introduction of QFF points or David Jones Gift Cards
- No annual fee
- Heritage Card to long-standing customers



# STRENGTHENING OUR CORE BUSINESS

To strengthen our core business we have invested resources in:

- Customer service
- Increasing foot traffic, conversion & customer engagement
- Securing the best national & international brands
- Improving our gross profit margins
- CODB efficiencies
- Inventory management
- Technology



New Point of Sale System





# ENHANCING OUR STORE NETWORK

- Refurbishments completed
  - Elizabeth Street & Market Street (NSW)
  - Bondi Junction (NSW)
  - Canberra Centre (ACT)
- New stores opened
  - Highpoint (Vic)
  - Malvern Central (Vic) village format store
- New stores to open
  - Indooroopilly (QLD) store on track to open in May 2014
  - Macquarie Centre (NSW) store to open in FY2015



Elizabeth Street (NSW)



Highpoint - VIC

# FUTURE OUTLOOK

- Ongoing transformation into an Omni Channel Retailer
- ‘Refresh’ of the Future Strategic Direction Plan
- Continue to innovate with changing customer behaviour and structural change in the retail sector
- Cross functional Innovation Team
- New Senior Management Role – Executive Customer Innovation & Growth



# DAVID JONES VISION & STRATEGY



**OUR PURPOSE**

*We are here to be **EXTRAORDINARY**  
for **EVERYONE.***

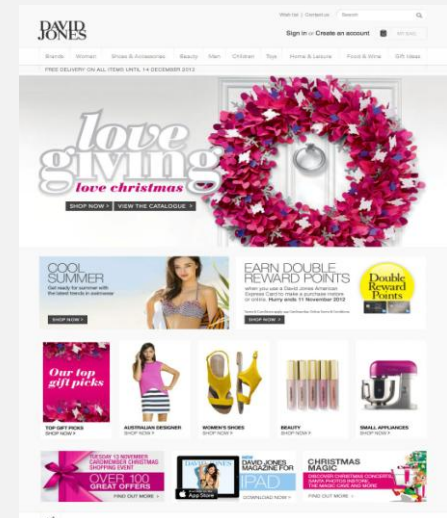
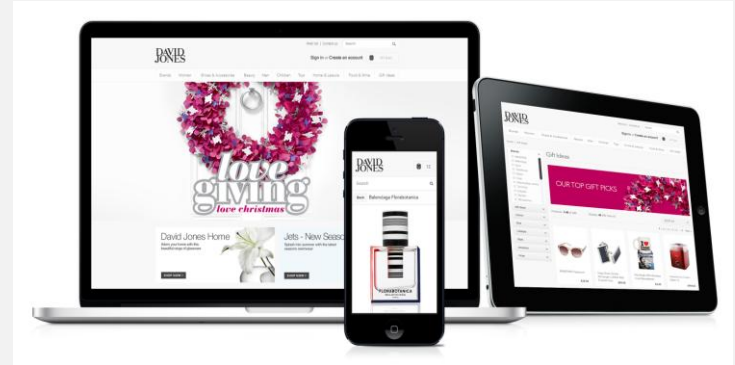
**OUR VISION**

*To be the **FIRST** destination for **STYLE** and a  
**SEAMLESS CUSTOMER EXPERIENCE.***

**DAVID  
JONES**

# CHRISTMAS AT DAVID JONES

- New merchandise initiatives
  - Liberty
  - Harrods
- Launch of 'WOW' Christmas campaign
- Completed nationwide store review
- Stores well set up for important Christmas trading period



# ORDINARY BUSINESS – ITEM 3

To adopt the Remuneration Report



# REMUNERATION – OVERVIEW OF FY2013



## STI

- Revised to include performance measures linked to financial, non-financial and strategic objectives
- Introduced deferral of the above target component for a period of one year
- Extension of the cap to STI opportunity to all Executives

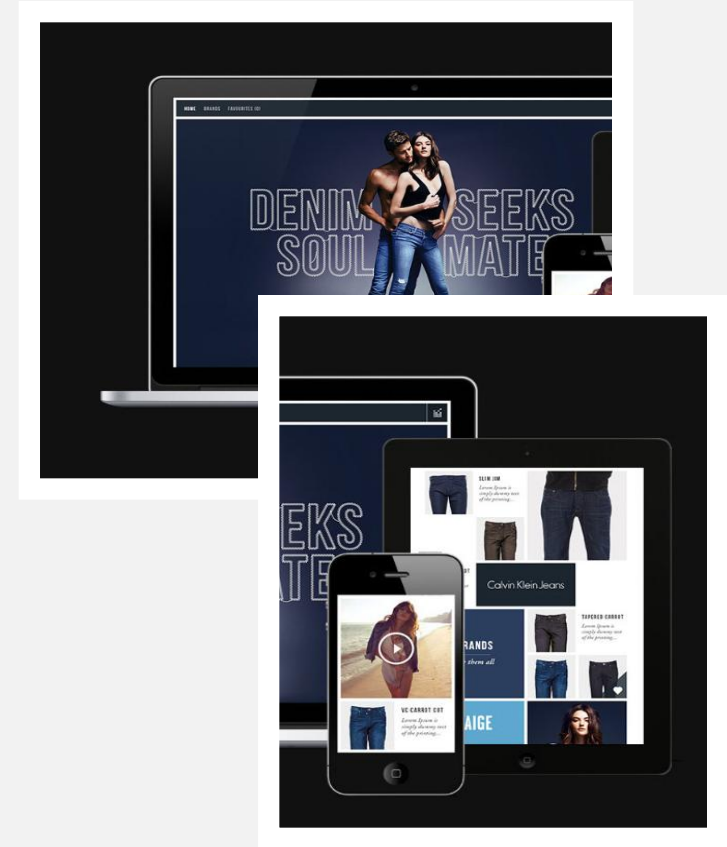
## LTI

- New rolling 3 year plan
- Total Shareholder Return (TSR) and an Earnings per Share (EPS) performance measure
- Limited to CEO and Executive Committee members



# REMUNERATION – FY2013 OUTCOMES

- A balance of financial and non-financial measures
- The achievement of financial targets in a difficult retail environment
- Significant progress made in transforming the Company under the Future Strategic Direction Plan





# KEY NON FINANCIAL KPI'S AND ACHIEVEMENTS

- A significant improvement in customer service metrics
- Rapid transformation into an Omni Channel Retailer
- Roll out of a new Point of Sale system to all stores
- Significant progress in the Cost Price Harmonisation program
- Addressing underperforming categories and the execution of the RBMA with Dick Smith Electronics





# REMUNERATION – FY2013

- No STI in FY11 and in FY12 payment was limited to 3 Executive Committee members and ~\$240,000
- Importance of incentivising and retaining key talent
- No LTI vesting in FY2013 or FY2014, with next vesting date being September 2015





# REMUNERATION – FY2014

## Proposed FY2014 STI Plan:

- Introduction of a customer experience measure
- STI deferral – 25% of an Executive’s annual incentive outcome to be deferred for 12 months

## Proposed FY2014 LTI Plan:

- No changes from FY2013 LTI Plan
- Allocation remains limited to members of the Executive Committee
- Performance measures remain unchanged – 50% EPS, 50% TSR
- EPS Baseline excludes impact of Dick Smith transaction



# FIXED REMUNERATION – FY2014

- Implemented a 17% reduction in the base fee for each of the Non-executive Directors, the Chairman, and the Chairman of the Audit Committee
- No increase in fixed remuneration for members of the Executive Committee



# ORDINARY BUSINESS – ITEM 4

Allocation of Performance Rights under the  
FY2014 – FY2016 Executive Long Term  
Incentive Plan to Paul Zahra





# ALLOCATION OF PERFORMANCE RIGHTS TO PAUL ZAHRA

- In October, David Jones announced Paul Zahra's intention to step down as CEO and Managing Director upon commencement of a successor
- Extensive national and international search for a replacement may take time
- Paul Zahra continues with the unqualified support of the Board
- Paul Zahra is entitled to all terms and conditions of his employment





# ALLOCATION OF PERFORMANCE RIGHTS TO PAUL ZAHRA

- The performance rights do not vest into shares if Paul Zahra is not employed in September 2016
- The Board and CEO have complete understanding that no concessions will be made regarding the terms and conditions that apply to the FY2014–FY2016 LTI grant



# DAVID JONES LIMITED 2013 ANNUAL GENERAL MEETING

22 November 2013

WAS IS ALWAYS SINCE 1838  
*David Jones*  
DAVID JONES

