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## CORPORATE SUSTAINABILITY REPORT

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Paul Zahra Chief Executive Officer and Managing Director

I am pleased to present David Jones' Corporate Sustainability Report for FY2012.

This is the second year that David Jones has consolidated its non-financial disclosures into one report, as the Company continues on its journey towards integrated sustainability reporting.

As David Jones prepares for its 175 year anniversary, I am proud that our business has been able to retain its standing as a good corporate citizen, despite the most challenging retail conditions in a generation. I remain personally committed to ensuring that we continue to strike a balance between shareholder returns and the long-term sustainability of our business and brand.

David Jones' commitment to sustainability reflects my own personal beliefs. As a member of the Chairman's Panel for the Great Barrier Reef Foundation, I believe that business has a role to play in protecting the world around us and preserving our natural heritage for future generations. I also believe we have an obligation to support charitable and community organisations in exchange for our social license to operate, and that we have a responsibility to ensure the safety and welfare of our employees.

This Corporate Sustainability Report illustrates the investment that David Jones continues to make in managing and reporting its social and environmental responsibilities. It provides an overview of the Company's performance in four key areas, including:

- our people;
- our commitment to occupational health and safety;
- our community; and
- our environment.

To consider other non-financial indicators of our Company's performance, we commenced a materiality assessment in 2012. By engaging our employees, customers and shareholders, and by conducting a peer review to assess best practice organisations in sustainability, we aim to identify and evaluate other non-financial issues that are both important to our stakeholders and material to David Jones.

As part of David Jones' commitment to continually improving our sustainability reporting, we have added an overview of sustainability statistics which have been cross-referenced to Global Reporting Initiative (GRI) indicators, to allow for more credible comparison between our company and other organisations.

I am proud of what we have achieved over the past year and am excited by the plans the business has in place to continue integrating sustainability into our broader corporate strategy. On behalf of the Board of Directors and Executive Committee, I commend this report to you and look forward to providing another update in next year's annual report.

Paul Zahra  
Chief Executive Officer and Managing Director

## DAVID JONES APPROACH TO SUSTAINABILITY

David Jones is committed to operating in an environmentally and socially responsible manner. To identify opportunities to enhance its current approach to sustainability and prepare the business for integrated reporting, David Jones commenced a materiality assessment in FY2012.

As part of this assessment, the following activities have been completed over the past 12 months.

- A desktop review of publicly available information to understand the approach that other organisations have taken to corporate sustainability and reporting. This sample includes Woolworths Limited, Wesfarmers Limited, Qantas Airways Limited, Westpac Banking Group and GPT Group. The sample also included a number of overseas retailers, including Marks and Spencer, John Lewis, Sainsbury's, Wal-Mart and Woolworths Holdings.
- Interviews and focus groups with regional managers, store management teams and front-line team members to help shape the environment strategy and determine the link between personal values and sustainability objectives.

- Engagement with customers and investors, through market research and focus groups, to help determine any shift in sentiment in relation to David Jones' philanthropic strategy and broader sustainability objectives.
- Discussions with industry associations (such as Sustainable Business Australia) to identify the macro-environmental trends in corporate sustainability and sustainable development.
- Meetings with sustainability consultants and practitioners to help develop a robust framework to be used in managing the materiality assessment.

This process will continue into FY2013 with additional market research; engagement with employees, customers, investors, sustainability practitioners and the community; and further peer review through press and media reports.

The aim of this assessment is to identify key trends in relation to sustainability and then evaluate the importance of these to stakeholders and the materiality to David Jones. David Jones has compiled the following statistics, based on disclosures currently made by the Company.

KEY PERFORMANCE INDICATOR	UNIT	FY2012	FY2011	COMMENTS
<b>OUR PEOPLE<sup>1</sup></b>				
Women in permanent workforce	%	78.3	79.5	
Women in stores' management positions	%	68.0	67.1	
Women in senior management positions	%	54.0	33.3	
Women in board positions <sup>2</sup>	%	14.3	22.2	
<b>OUR COMMITMENT TO SAFETY<sup>1</sup></b>				
Lost Time Injury Frequency Rate (LTIFR)		3.9	3.3	Injuries per million work hours
Number of Workers Compensation Claims		217	248	
Number of Medical Treatment Injuries		212	281	
<b>OUR COMMUNITY<sup>1</sup></b>				
Value of Donations	\$000	558	1,150	
Value of Donations as a % of EBIT	%	0.36	0.46	

KEY PERFORMANCE INDICATOR	UNIT	FY2012	FY2011	BASELINE POSITION <sup>3</sup>	COMMENTS
<b>OUR ENVIRONMENT<sup>1</sup></b>					
Greenhouse Gas Emissions (Scope 1)	tonnes	4,969	5,009	4,850	<i>FY2010</i> Total CO2 equivalents, within
Greenhouse Gas Emissions (Scope 2)	tonnes	92,838	101,602	120,675	<i>FY2006</i> Company's operational control
Electricity Consumption	MWh	100,578	107,996	127,340	<i>FY2006</i> Megawatt hours per annum
Energy Efficiency – based on trading hours	watts	51.56	54.59	73.03	<i>FY2006</i> Watts per sq.metre per hour
Energy Efficiency – based on total hours	watts	19.27	20.36	24.50	<i>FY2006</i> Watts per sq.metre per hour
Waste sent to landfill	tonnes	2,749	3,323	5,995	<i>FY2006</i> General waste
Waste diverted from landfill (recycling)	tonnes	1,669	1,747	1,350	<i>FY2006</i> Cardboard, paper and plastics

<sup>1</sup> The key performance indicators conform to the following GRI requirements: People (LA13), Safety (LA7), Community (SOI), Environment (EN16, EN3 and EN22).

<sup>2</sup> Jane Harvey was appointed to the Board of David Jones on 3 October 2012 and accordingly is not included in the statistics for FY2012.

<sup>3</sup> The baseline position reflects the date from when the Company commenced measuring the key performance indicators.

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## DAVID JONES IS COMMITTED TO MANAGING ITS OPERATIONS IN AN ENVIRONMENTALLY SUSTAINABLE MANNER

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### 1 COMMITMENT TO THE ENVIRONMENT

David Jones is committed to managing its own operations in an environmentally sustainable manner and will meet this commitment by:

- investing in efficiency measures and driving behavioural change to reduce the impact that the business has on the environment;
- embedding environmental sustainability into the corporate culture of the organisation; and
- developing robust management systems to ensure transparency and confidence in environmental reporting.

### 2 ENVIRONMENT STRATEGY

Concurrent to the development of the Company's Strategic Directions Plan, David Jones developed the next evolution of its environment strategy, outlining how the business plans to execute its environment policy in coming years.

David Jones' environment strategy comprises four strategic objectives, as outlined below.

1. Improve environmental outcomes, by
  - reducing greenhouse gas emissions,
  - protecting and conserving natural resources, and
  - optimising water use.
2. Motivate cultural change, by encouraging behavioural change and then by integrating sustainability into decision making at all levels of the organisation.
3. Engage with employees, customers and shareholders, to ensure that interested stakeholders are able to access information about David Jones' environmental impacts and initiatives, and ensure that the Company's approach to sustainability reflects stakeholder expectations.
4. Meet and, where viable, exceed the Company's mandatory and voluntary reporting obligations.

This section provides an overview of key developments in relation to the implementation of David Jones' environment strategy during FY2012.

#### 2.1 Improve environmental outcomes

To meet its aim of reducing greenhouse gas emissions, David Jones has continued to invest in its energy efficiency program. Over the past year, the business invested \$4.9 million in 34 capital projects, launched new policies and procedures for energy management, and developed additional reporting tools to identify opportunities to reduce consumption through behavioural change. In developing its environment strategy, the business has also reviewed 20 incremental efficiency projects to help determine its investment roadmap for future abatement projects.

The aim of these measures is to mitigate the risk posed by rising energy costs (including the impact of the carbon pricing scheme) by reducing the amount of greenhouse gas emissions generated as a result of electricity consumption. However, the energy efficiency program also provides an opportunity to enhance stakeholder engagement and corporate reputation.

Implementation of the environment strategy enables similar opportunities for David Jones to reduce emissions from the consumption of natural gas and fuel, and reloads of synthetic gases used in refrigeration and air conditioning.

To help protect and conserve natural resources, the business refocused efforts on its waste minimisation programs through FY2012 while continuing to meet its obligations to the Australian Packaging Covenant (APC). In implementing its environment strategy in coming years, David Jones will retain its focus on waste management and engage its stakeholders in relation to sustainable packaging design, carry bags and paper-based processes and materials. The business also plans to continue consulting widely to manage other environmental impacts, including water consumption.

Additional information in relation to initiatives implemented in FY2012 is outlined in Section 3 of this report.

#### 2.2 Motivate cultural change

David Jones recognises that decisions made by individuals can affect the extent to which the Company impacts the environment. While investment in efficiency measures will remain central to David Jones' environment strategy, there is an opportunity to deliver short-term benefit and affect sustained cultural change by influencing these decisions.

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To help realise this opportunity, David Jones has developed and launched an internal campaign called "rethink." The campaign (comprising a logo, tagline and graphics package) aims to consolidate all environmental programs and communications under one banner, to help increase awareness of David Jones' environmental activities and engage employees on an emotional level, so as to influence discretionary decisions and prompt behavioural change.

Beyond the "rethink" campaign, David Jones also plans to implement a series of additional measures to help motivate cultural change, including:

- annual audits and benchmarking to identify best practice stores and processes, and use the Company's performance-based culture to drive incremental improvement;
- reward and recognition for good (and improving) results; and
- influencing established development programs and behavioural competencies, to ensure that individuals within the business have the necessary skills to support David Jones' transition to an environmentally sustainable business model.

### 2.3 Engage with stakeholders

Engaging with employees, customers and shareholders is a key component of David Jones' environment strategy.

Having initially focused on increasing the quantity and quality of information available to all stakeholders through David Jones' corporate website, the key focus in FY2012 has been to engage more broadly with its employees, through two-way communications and new environmental reporting, rewards and recognition.

Opportunities to enhance employee engagement, identified as a result of the "Your Say Our Future" survey in FY2011, have also been implemented. These measures include:

- The launch of the new Quarterly Environmental Scorecards, which rank stores' performance in three key areas: energy management, waste and recycling, and tote bag sales.

- The new "Friend of the Environment" Award, which was awarded for the first time at Company's annual conference in August 2012, to the team at Burwood (NSW) for best overall environmental performance in FY2012.
- A series of roundtable events held to commemorate World Environment Day in June 2012, which provided an opportunity for interested employees to engage directly with industry experts and discuss sustainability trends.
- Enhanced feedback mechanisms, which have enabled employees to provide suggestions about the ways in which David Jones could become more sustainable, including suggestion boards provided in the lead-up to this year's Earth Hour, which yielded 377 individual suggestions from employees.

### 2.4 Report performance

David Jones made the following disclosures in FY2012:

- The Company's second submission under the National Greenhouse and Energy Reporting (NGER) scheme, disclosing total energy consumption and emissions data to the Federal government.
- The annual update to the APC, confirming that all actions outlined in David Jones' own APC action plan for the 2011–12 period had been completed on schedule.

The business also made its second voluntary submission to the Carbon Disclosure Project (CDP) in FY2012. The CDP compiles carbon emissions data and information about how business is responding to risks and opportunities posed by climate change, by consolidating responses to its annual survey of more than 3,000 listed organisations in 60 countries.

Additional information about each of these disclosures has been made available on the "Community and Environment" webpage, at David Jones' corporate website.



**reduce reuse recycle rethink**

### 3 ENVIRONMENTAL MANAGEMENT

This section of the report provides an overview of David Jones' management of its environmental impacts and initiatives in its stores, support centre offices and fulfilment centre, for the FY2012 period.

In defining its key focus areas (KFA) for environmental management, David Jones initially identified and classified all direct environmental impacts, as outlined below. Because none of these aspects meet the Company's standard materiality thresholds under its risk management methodology, David Jones has defined its KFA on the basis of its ability to influence outcomes in these areas and/or its obligation to disclose impacts in these areas.

Environmental Impacts and Key Focus Areas, by Strategic Goal	GENERATES GREENHOUSE GAS EMISSIONS	IMPACT ON NATURAL RESOURCES	IMPACT ON WATER RESOURCES	DISCLOSURE OBLIGATION	REGULATORY EXPOSURE	MATERIAL COST INCREASES
<b>Goal – Reduce Greenhouse Gas Emissions</b>						
Energy Consumption	✓			✓	✓	✓
Fuel Consumption	✓			✓	✓	
Synthetic Gas Reloads	✓			✓	✓	✓
Corporate Travel	✓			✓		✓
<b>Goal – Protect and Conserve Natural Resources</b>						
Waste Management and Recycling	✓	✓		✓	✓	✓
Packaging		✓		✓	✓	
Carry Bags		✓				✓
Office Supplies and Stationery		✓				✓
Catalogues and Collateral		✓	✓			
<b>Goal – Optimise Waste Use</b>						
Water Consumption			✓	✓		

#### 3.1 Energy Management

Like many retailers, electricity consumption represents David Jones' single-largest source of greenhouse gas emissions and the most significant opportunity to reduce environmental impacts. David Jones consumes electricity in all stores, offices and fulfilment centres, with natural gas also consumed in 25 stores for the purposes of heating and cooking.

ACTIVITY	FY2012 – BASE CONSUMPTION	FY2012 – ENERGY CONSUMPTION	FY2012 – GHG EMISSIONS (CO <sub>2</sub> e)
Electricity Consumption	100,578 MWh	362,082 GJ	92,830 tonnes
Natural Gas Consumption	18,080 GJ	18,080 GJ	928 tonnes
		380,162 GJ	93,758 tonnes

Consumption and emissions within David Jones' operational control

Since FY2006, the business has been actively managing its consumption and investing in energy efficiency projects to reduce usage and emissions to mitigate the impact of rising electricity tariffs and to meet stakeholder expectations.

Electricity consumption reduced 6.9% to 100.6 Gigawatt hours in FY2012, contributing to the first year-on-year decline in total energy costs since FY2004. The reduction in usage also reduced David Jones' Scope 2 greenhouse gas emissions to 92.8 kilo tonnes of carbon dioxide equivalents (CO<sub>2</sub>e), the equivalent to 49.7 tonnes per \$million of sales.

Since FY2006, David Jones has reduced consumption by 21.0%. Consequently, costs for FY2012 were \$4.1 million lower than would have been the case if David Jones had not taken action to mitigate the risk posed by rising energy prices.

These results can be attributed the 29.4% improvement in energy efficiency over the past six years, and an increase in compliance to energy business rules over the past six months.

Specific initiatives that have impacted these results include:

- New business rules for all facilities, outlined in policy and procedure documentation for energy management;
- Demonstrable behavioural change following implementation of environmental scorecards, weekly energy reporting and monthly desktop audits;
- Installation of energy efficient LED technology to replace 45,000 halogen spotlights in 23 stores, which reduced total usage by approximately 4.0% from the previous year;
- Major lighting upgrades at Wollongong (NSW), Warringah Mall (NSW) and Marion (SA), resulting in 17–31% reductions in total consumption in affected stores; and
- The continued rollout of the Building Management System (BMS) program with complementary efficiency measures for air conditioning. Since the initial implementation into 16 stores in FY2008, the BMS platform has now been installed into 28 stores, with plans for further expansion in FY2013.

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## 3.2 Waste Management

David Jones generates a range of waste materials from its operations, including: general waste (distribution packaging; consumer packaging; waste from kitchens, lunchrooms and washrooms) as well as hard rubbish from the disposal of end-of-life assets, collateral and electronic waste. The scope of this section of the report covers 29 sites where David Jones is responsible for the collection and management of waste materials.

The effective diversion of waste material from landfill represents a significant opportunity for retailers to improve environmental outcomes. In the time since David Jones launched its waste minimisation program in FY2007, the business has reduced the amount of waste sent to landfill by 54.1%. In FY2012, David Jones reduced landfill emissions by a further 574 tonnes (to 2,749 tonnes) and recycled 1,669 tonnes of cardboard and plastics.

Recent results can be attributed to a renewed focus on waste and recycling programs over the past year, including:

- new business rules for managing the waste stream, including an expansion of the policy to include more environmentally-sound disposal methods for more materials;
- regular waste management audits conducted in stores, which aim to measure and improve adherence to these rules;
- the outcome of shared benchmarking analysis conducted in FY2011, which aimed to align all parts of the business with best practice stores and processes; and
- improvements in recycling rates following disclosure of the benchmarking analysis and launch of the environmental scorecards, leveraging the Company's performance-based culture to drive continuous improvement.

These improvements have been supported by the broader business. Over the past five years, David Jones has also:

- Donated 210 pallets of end-of-life visual merchandising props to charities and not-for-profit organisations;

- Recycled 123 tonnes of metal fixtures and fittings;
- Collected 16,970 mattresses from customer homes, for recycling and reuse; and
- Recycled 46.5 tonnes of e-waste, defined as end-of-life phones, monitors, desktop computers, laptops, printers, photocopiers and fax machines.

Reductions in waste volumes and increases in recycling rates have contributed to a reduction of \$800,000 in waste management costs. Work will continue in FY2013, with the aim of minimising the amount of recyclable materials sent to landfill, which currently represent 30–40% of waste collections.

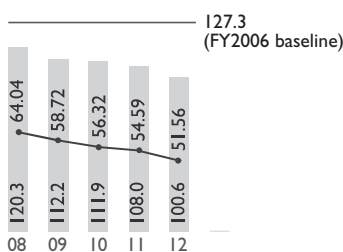
## 3.3 Packaging

After an eight-year association with the NPC, David Jones committed itself to the new APC in FY2011 with the submission of a two-year action plan for the 2011–12 period. Subject to other priorities, the business aims to submit a subsequent four-year action plan to the APC in March 2013.

As a signatory to the APC, David Jones has an obligation to conduct packaging reviews of its own-brand merchandise and to collaborate with its branded suppliers to improve life-cycle impacts of packaging. The obligation covers all distribution and consumer packaging, as well as carry bags and packaging associated with e-commerce and David Jones' Gift Registry.

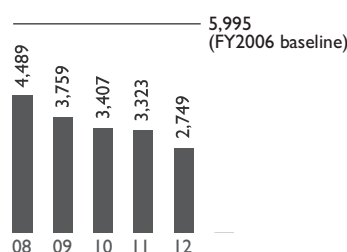
In its annual update to the APC, submitted in March 2012, David Jones confirmed that all actions due for completion by that time had been successfully completed, including development of a policy and procedure document, outlining how the business plans to apply the APC's *Sustainable Packaging Guidelines* to the design of its own-brand products.

In relation to carry bags, David Jones conducted reviews of its plastic bags and reusable tote bags over the past year. To encourage more customers to adopt alternatives to plastic, the business launched a new sustainable tote (made from cotton and



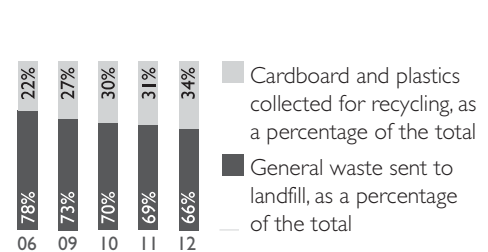
### Electricity Consumption / Energy Efficiency (FY2008–FY2012)

Annual GWh against the FY2006 baseline and watts per square metre, per average trading hour



### Waste to Landfill (FY2008 – FY2012)

Annual weight (tonnes) of general waste sent to landfill against the FY2006 baseline



### Recycling Rates (FY2009–FY2012)

Breakdown of total waste material collected (general waste to landfill compared to recycling) against the FY2006 baseline

jute) and plans to launch two new bags in FY2013: a tote bag made from recycled plastic bottles and a premium tote.

To help reduce the impact of plastic bags, the business will launch an awareness campaign under the "rethink" brand to ensure that employees provide the most appropriate bag for each transaction. The business will also continue to engage its suppliers to ensure that its range of bags is fit-for-purpose.

### 3.4 Transport and Travel

David Jones generates greenhouse gases as a result of transportation activities from its fulfilment centre and as a result of corporate travel.

ACTIVITY	FY2012 – BASE CONSUMPTION	FY2012 – GHG EMISSIONS (CO2e)
Fuel Consumption from Direct Transport	84,801 litres	228 tonnes
Emissions from Corporate Travel*	7,557,221 km	909 tonnes
		1,083 tonnes

\* Data relates only to travel booked through approved corporate travel provider

Unlike local and international peers, David Jones does not operate a centralised distribution centre, resulting in relatively low emissions from direct transportation activities. Since load efficiency measures were implemented in FY2009, the business has sustained its 15% reduction in fuel consumption and greenhouse gas emissions from transportation have remained constant at a range between 200–250 tonnes.

The Company also monitors its corporate travel profile, relying on information provided by its airline partners to track emissions from interstate and overseas flights. In FY2012, greenhouse gas emissions from travel totalled 909 tonnes.

### 3.5 Refrigerant Gases

David Jones requires refrigerant gases for the operation of chilled water plant for air conditioning in 27 stores, major refrigeration plant in five Foodhall stores and refrigeration equipment in a further 12 stores, which operate cafes.

ACTIVITY	FY2012 – RELOADS OF REFRIGERANT GAS	FY2012 – GHG EMISSIONS (CO2e)
Reloads – Air Conditioning Plant and Equipment	953 kg	1,241 tonnes
Reloads – Refrigeration Plant and Equipment	805 kg	2,573 tonnes
	1,758 kg	3,814 tonnes

As a result, reloads of synthetic gases represent 3.9% of total emissions, which is relatively high in comparison to other retailers. This variance can be attributed to the use of R404a in David Jones' Foodhall stores and to the use of R134a in major air conditioning plant.

Through its service providers, David Jones implemented changes to maintenance procedures for air conditioning and commercial refrigeration over the past 12 months, reducing greenhouse gas emissions from refrigerant gases to 3,814 tonnes of CO2e.

### 3.6 Water Management

Subject to other business and environmental priorities, David Jones aims to develop a water management plan that ensures the efficient and sustainable use of water resources.

In comparison to other retailers and to other companies operating in more water-intensive industries, David Jones is a relatively small consumer of water. Benchmarking analysis estimates water consumption to be in the range of 400–600 mega litres per annum, based on the square meter consumption in those buildings that are directly metered.

## 4 ENVIRONMENTAL GOVERNANCE PRINCIPLES

David Jones' management will continue to ensure oversight of sustainability issues, initiatives and disclosures by:

- updating the Company's risk matrix to reflect the changing macro environment and stakeholder expectations;
- providing updates to the Chief Executive Officer and Managing Director, and Executive Committee; and
- conducting external verification on an annual basis, to ensure confidence in environmental disclosures.

## 5 ENVIRONMENTAL REGULATION

David Jones takes a responsible approach in relation to the management of environmental matters.

The Company is subject to and has complied with the reporting and compliance requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth)* (NGER Act). No environmental breaches have been notified to the Company Entity by any government agency.

The NGER Act requires David Jones to report its annual greenhouse gas emissions and energy use. David Jones has implemented systems and processes for the collection and calculation of the data required, and will submit its annual report to the Greenhouse and Energy Data Officer in compliance with the requirements of the NGER Act.

## 6 FY2013 PRIORITIES

Execution of David Jones' environmental strategy will continue through FY2013 with the implementation of incremental efficiency and cultural measures, and development of action plans to ensure continuity of delivery across the business.

The business will also focus on engagement measures that, over time, have the potential to drive cultural change and ensure that environmental sustainability is integrated in tactical and strategic decision making, across the business.