

## BOARD CHARTER

### 1. Introduction

- 1.1 The Company is a public company, listed on the ASX.
- 1.2 The Company seeks to create and continue to build long term sustainable value for shareholders.
- 1.3 The Board has an overriding duty to act honestly, diligently and in accordance with the law, in the exercise of the powers and discretions of the Board.

### 2. Purpose and Role

- 2.1 The Board is responsible for:
  - (a) demonstrating leadership;
  - (b) establishing strategic objectives for the Company and monitoring the execution and implementation by management of the measures, targets and initiatives necessary to execute those strategic objectives (including the Company's values and performance generally);
  - (c) approving the Company's statement of values and code of conduct that underpin the desired culture within the Company;
  - (d) monitoring compliance with regulatory requirements, ethical standards and external commitments;
  - (e) appointing and reviewing the performance of the Chairman;
  - (f) appointing and reviewing the performance of the Chief Executive Officer;
  - (g) approving the appointment and replacement of other senior executives of the Company and the Company Secretary;
  - (h) approving operating budgets and major capital expenditure;
  - (i) overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
  - (j) overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have material effect on the price or value of the Company's securities;
  - (k) satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
  - (l) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;
  - (m) whenever required, challenging management and holding management to account;
  - (n) satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
  - (o) monitoring the effectiveness of the Company's governance practices.

## 2.2 Where:

- (a) the Board considers it appropriate in the circumstances; or
- (b) one or more directors consider it appropriate in the circumstances and subject to the approval of the Chairman or at least 2 non-executive directors,

the Board or director(s) may seek, at the Company's expense, independent professional advice from appropriately qualified and skilled advisers, to assist the Board or director(s) in performing their responsibilities.

## 2.3 In performing the responsibilities set out above the Board should act at all times:

- (a) in a manner designed to create and continue to build sustainable value for shareholders; and
- (b) in accordance with the duties and obligations imposed upon the Board by the Constitution and by law.

## 2.4 Management is responsible for:

- (a) implementing the Company's strategic objectives and instilling and reinforcing the Company's values;
- (b) operating within the values, code of conduct, budget and risk appetite set by the Board; and
- (c) providing the Board with accurate, timely and clear information on the Company's operations to enable the Board to perform its responsibilities (this includes both financial and non-financial information such as information relating to the Company's compliance with material legal and regulatory requirements, and any conduct that is materially inconsistent with the values or code of conduct of the Company).

# 3. Powers

## 3.1 In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- (a) appointment of the Chief Executive Officer and determination of the terms and conditions of employment (including remuneration) of the Chief Executive Officer;
- (b) appointment of senior executives to leadership roles in the business of the Company or any controlled entity of the Company or functions and reporting to the Chief Executive Officer, and appointment of Company Secretaries;
- (c) any matters in excess of any discretions that the Board may have from time to time delegated to the Chief Executive Officer and senior management; and
- (d) approvals of each of the following:
  - (i) the strategic objectives of the Company;
  - (ii) the remuneration and conditions of service including financial incentives for any executive directors;
  - (iii) significant changes to organisational structure and the appointment of such senior officers as the Board may determine;
  - (iv) the acquisition, establishment, disposal or cessation of any significant business of the Company;

- (v) the issues of any shares, options, equity instruments or other equity securities in the Company;
- (vi) any public statements which reflect significant issues of the Company policy or strategy of the Company; and
- (vii) any changes to delegations made by the Board.

## 4. Specific Responsibilities

4.1 The Board has a specific responsibility to:

- (a) monitor and assess the performance of management in executing the strategic objectives set by the Board;
- (b) set criteria for, and evaluate at least annually, the performance of the Chief Executive Officer;
- (c) review on a regular and continuing basis:
  - (i) executive succession planning (and in particular for the Chief Executive Officer); and
  - (ii) executive learning and growth activities.

## 5. Board Membership

5.1 The Board should comprise a combination of executive and non-executive Directors so that the Board is structured in such a way that the Board:

- (a) has a proper understanding of, and competence to deal with, the current and emerging issues of the business of the Company; and
- (b) can effectively review and challenge the performance of management and exercise independent judgement on relevant issues.

5.2 Non-executive Directors must satisfy the criteria for independence set out below.

5.3 A majority of the Directors must be ordinarily resident in Australia.

## 6. Independence of Directors

6.1 A Director is only to be regarded as independent if:

- (a) the Board determines that the Director does not have a material relationship with the Company, being a material relationship which could, or could reasonably be perceived to, materially interfere with the ability of the Director to exercise independent judgement and act in the best interests of the Company;
- (b) the Director is not, and has not been within the previous three years, an Employee (except as a Director);
- (c) the Director is not, and has not been within the previous three years employed by, or a partner in, any firm that in the past three years has been the external auditor of the Company; and
- (d) the Director is otherwise independent under the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

## 7. Meetings

7.1 Board meeting papers should be distributed to Directors prior to each meeting in sufficient time to enable Directors to read the papers and properly prepare for the meeting.

- 7.2 The Chairman will encourage open and constructive discussion amongst the Directors during each Board meeting, by maintaining an orderly process and allowing each Director a reasonable opportunity to ask questions and express their views.
- 7.3 Draft minutes of each Board meeting shall be prepared by the Company Secretary promptly following the meeting, for review by the Chairman. The draft minutes, after review by the Chairman, shall be tabled at the next Board meeting for final review and approval by the Board.
- 7.4 The non-executive Directors of the Company should meet at least twice each year for private discussion.

## **8. Board Committees**

- 8.1 The Board may from time to time establish Committees to assist the Board in carrying out the responsibilities of the Board and shall adopt Charters setting out matters relevant to the composition, responsibilities and administration of such Committees, and other matters that the Board may consider appropriate.
- 8.2 The Board shall as a minimum establish the following Committees and shall adopt Charters setting out matters relevant to the composition, responsibilities and administration of those Committees:
  - (a) an Audit and Risk Committee;
  - (b) a Remuneration Committee; and
  - (c) a Nomination Committee.

## **9. Board renewal, performance evaluation and Charter review**

- 9.1 The Board shall establish a policy and guidelines regarding Board renewal and succession planning, and for assessing the performance of the Board with the aim of maintaining a proactive and effective Board.
- 9.2 The policy and guidelines referred to in Section 9.1 shall set out a framework for the annual performance review of the Board, and each Board Committee referred to in Section 8.2.
- 9.3 The Board shall review this Charter on an annual basis.

## Definitions

Where used in this document, the following terms or expressions shall have the following meanings:

**Act** means the *Corporations Act 2001* (Cth).

**ASX** means ASX Limited ACN 008 624 691 or the exchanges operated by it.

**Board** means the board of directors of Harvey Norman Holdings Limited.

**Chairman** means the chairman of the Board.

**Chief Executive Officer** means the chief executive officer of the Company.

**Chief Financial Officer** means the chief financial officer of the Company.

**Committee** means a committee or sub-committee of the Board.

**Company** includes Harvey Norman Holdings Limited ACN 003 237 545 and each controlled entity of the Company.

**Company Secretary** means the secretary of the Company.

**Director** means each director, executive and non-executive, of the Company.

**Employee** includes each Director, Executive, employee of, or contractor to the Company.

**Executive** means each person who holds a position which makes that person an "*officer*" of the Company, as that term is defined in the Act.

Charter Owner	Board of Directors
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