

HARVEY NORMAN HOLDINGS LIMITED A.C.N. 003 237 545 (the "Company")

AUDIT COMMITTEE CHARTER

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1. Standing Rules for Board Committees

1.1 The Standing Rules for Board Committees apply to the Audit Committee, and are incorporated into this Charter, save as expressly varied by this Charter.

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

"**Act**" means the *Corporations Act 2001 (Cth)*;

"**ASX**" means the Australian Securities Exchange;

"**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**" means Harvey Norman Holdings Limited A.C.N. 003 237;

"**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;

"**Internal Audit**" includes all personnel and resources of the Company engaged in the internal audit function of the Company.

2. Purpose

2.1 The Audit Committee is established by the Board.

2.2 The purpose of the Audit Committee is to assist the Board in reviewing financial reporting and the appropriate application of accounting policies for the Company.

2.3 The Audit Committee is also responsible for:

- (a) nominating the external auditor to the Board and approving the terms and conditions of engagement of the external auditor;
- (b) evaluating the performance and independence of the external auditor;
- (c) providing advice to the Board to assist the Board to determine if any proposed provision of non-audit services by the external auditor would, or is likely to compromise the independence of the external auditor;
- (d) reviewing and approving the annual audit plan of the external auditor;

3. Powers of the Audit Committee

- 3.1 The Audit Committee has power to investigate any matter brought to the attention of the Audit Committee with unrestricted access to all books, records, premises and employees of the Company and controlled entities of the Company and the authority to engage independent counsel and other advisers as the Audit Committee determines necessary to carry out the duties of the Audit Committee, and all other matters that may be delegated by the Board to the Audit Committee from time to time.
- 3.2 The Audit Committee has unrestricted access to Internal Audit and to the external auditors in order to fulfil the purpose and undertake the duties of the Audit Committee.

4. Functions

- 4.1 The function of the Audit Committee is oversight, apart from matters relating to the appointment and review of the external auditor. Members of the Audit Committee are not full time employees of the Company and generally do not represent themselves to be, and are not expected to be, experts in the fields of accounting or auditing. The Audit Committee has no responsibility to personally conduct accounting or auditing reviews or procedures.
- 4.2 Management of the Company is responsible for the preparation, presentation, reliability and integrity of the accounting policies, financial reporting and disclosure practices of the Company to ensure compliance with accounting standards and applicable laws and regulations.
- 4.3 Internal Audit is responsible for conducting independent reviews of the system of internal controls of the Company.
- 4.4 The external auditors are responsible for planning and carrying out each audit and review, in accordance with law and applicable auditing standards.

5. Duties of the Audit Committee

- 5.1 The Audit Committee will:
 - (a) With respect to the external auditor:
 - (i) select, evaluate and replace as necessary the external auditor;
 - (ii) review and agree the annual audit engagement letter;
 - (iii) review and approve the annual audit plan (including co-ordination with Internal Audit);
 - (iv) determine any categories of non-audit services that may be provided by the external auditor;

- (v) review and provide oversight of audit reports prepared and issued by the external auditor on the financial statements and activities of the Company and consolidated entities;
 - (vi) consider and review reports and all other written communication between the external auditor and management;
 - (vii) review, and if necessary, resolve any disagreements between the external auditor and management regarding the financial reporting of the Company and consolidated entities;
 - (viii) discuss with the external auditor any relationship that may impact the objectivity and independence of the external auditor;
 - (ix) ensure that the external auditor prepares and delivers an annual and half-yearly statement as to the independence of the external auditor which includes details of all relationships with the Company;
 - (x) annually review the effectiveness of the external auditor; and
 - (xi) annually review the independence, fitness and propriety, and qualifications of the external auditor including rotation of lead audit partner.
- (b) With respect to Internal Audit:
- (i) assist the Board to select, and replace as necessary, the head of Internal Audit;
 - (ii) assist the Board to review and approve the annual internal audit plan;
 - (iii) assist the Board to approve the annual budget for Internal Audit;
 - (iv) receive from Internal Audit summaries of significant reports to management prepared by Internal Audit, the management response, and recommendations of Internal Audit;
 - (v) review assessments by Internal Audit of the effectiveness of internal controls and procedures;
 - (vi) review the activities, staffing and organisational structure of the Internal Audit function;
 - (vii) assess the effectiveness of Internal Audit; and
 - (viii) assist the Board to evaluate the performance of the head of Internal Audit.
- (c) With respect to financial reporting:
- (i) assist the Board to determine the appropriateness, integrity and reliability of accounting policies, financial reporting and disclosure practices;
 - (ii) assist the Board to monitor compliance with applicable accounting standards and any other requirements relating to the preparation and presentation of financial results;
 - (iii) assist the Board to review compliance with accounting standards and critical accounting policies and any proposed changes to such policies with the external auditor and management;

- (iv) assist the Board to review financial reports and any recommendation to the Board for adoption, in the light of the certifications provided by the Chief Executive Officer and the Chief Financial Officer on annual and half-yearly financial reports pursuant to the *Corporations Act 2001* (and other regulatory requirements as applicable), and review the processes that were used to reach the opinion provided in the certifications; and
 - (v) assist the Board to review the form of opinion that the external auditor proposes to render.
- (d) With respect to handling accounting and other complaints:
- (i) assist the Board to review the effectiveness of the process of management for informing employees of the existence of the Whistleblower Policy and Code of Conduct;
 - (ii) assist the Board to ensure procedures for the receipt, retention and treatment of any complaints regarding accounting, internal accounting controls or auditing matters are established and maintained;
 - (iii) assist the Board to ensure Employees can make confidential, anonymous submissions regarding questionable accounting or auditing matters;
- (e) Assist the Board to review minutes of any other material audit committees (as the Audit Committee determines) within the Company and controlled entities of the Company and respond to issues raised as deemed appropriate by the Audit Committee;
- (f) assist the Board to discuss and review the policies of the Company with respect to risk assessment and risk management, to the extent necessary to fulfil the purpose and duties of the Audit Committee.

6. **Eligibility for Membership**

- 6.1 The Audit Committee shall be structured so that the Audit Committee consists of:
- (a) only non-executive Directors;
 - (b) a majority of independent Directors;
 - (c) at least three (3) members; and
 - (d) an independent chairperson, who is not the Chairman of the Company.
- 6.2 In addition to any criteria set out in the Board Charter, the following rules apply to eligibility for membership of the Audit Committee:
- (a) each member of the Audit Committee must be appropriately financially literate (as such qualification is interpreted by the Board in the business judgment of the Board); and
 - (b) at least one member of the Audit Committee must have financial expertise, with substantial experience as a public accountant or auditor.

7. **Meetings**

- 7.1 The Audit Committee will meet at least four times annually, and more frequently if the Audit Committee deems necessary.

- 7.2 Representatives of management, Internal Audit, and of the external auditor may be invited to attend part or all of any meeting of the Audit Committee. The Audit Committee may request any person (other than a member) to withdraw from any part of the meeting, and may request any officer or employee of the Company or the external auditor to attend a meeting. The Audit Committee will meet at least annually with the external auditor, in the absence of management. The Audit Committee Chairman may also meet privately with the external auditor, and discuss any judgements by the external auditor about the quality of the accounting principles. The Audit Committee will request the external auditor to advise the Audit Committee whether any officer of the Company attempted, in the opinion of the external auditor, to improperly influence or mislead any member of the external audit team.
- 7.3 The Audit Committee will meet regularly with Internal Audit, in the absence of other management. The Audit Committee Chairman will also meet privately with the head of Internal Audit.