

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

**RISK MANAGEMENT POLICY AND INTERNAL CONTROL FRAMEWORK**

**Risk Management Strategy and Framework**

The Company has established a comprehensive risk management strategy and framework.

The Board is ultimately responsible for determining the risk appetite of the Company and approving and reviewing the risk management strategy and policy of the Company.

The Board has established separate committees, with separate functions, to provide assistance to the Board in fulfilling the corporate governance and oversight responsibilities of the Board. Those committees include the Risk Committee and Audit Committee.

The Risk Committee has power to approve, review, vary and amend principles, policies, strategies, processes and control frameworks for the management of risk for the Company and controlled entities. The powers and functions of the Risk Committee are set out in the Risk Committee Charter.

The identification, analysis, evaluation, treatment and mitigation of risk is primarily the responsibility of management of the Company and controlled entities, including the Chief Executive Officer and the Chief Risk Officer, subject to the powers and functions of the Risk Committee and the Risk Committee Charter.

The Audit Committee provides assistance to the Board in fulfilling the corporate governance and oversight responsibilities of the Board to verify and safeguard the integrity of the financial reporting of the Company. The powers and functions of the Audit Committee are set out in the Audit Committee Charter, and are separate from the powers and functions of the Risk Committee.

At least twice a year, the Board considers the major risks to the Company identified by management or the Board and any recommendations made by the Audit Committee or the Risk Committee, or both, to the Board.

**Risk Profile and Management of Risks**

Risks include opportunities, and threats to the execution of the strategic objectives of the Company.

The risk management framework and internal control systems of the Company include all principles, policies, strategies, processes and controls necessary to provide reasonable assurance to the Board that:

- (a) the strategic objectives of the Company can be achieved;
- (b) risks are identified, monitored, managed and treated;
- (c) resources are acquired in a cost-effective manner, adequately protected and managed effectively;

- (d) significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- (e) the operations of the Company are carried out in accordance with law.

The risk management framework of the Company is based on the Joint Standards Australia/Standards New Zealand, *AS/NZS 4360:2004, Risk Management*, standard for risk management. The risk management framework is subject to continual evaluation, by executive management, and where necessary, the Board, to enable the Company to respond to changing circumstances, opportunities and threats.

It is the responsibility of executive management to ensure that the principles, policies, strategies, processes and control frameworks for the management of risk which have been approved by the Risk Committee are adopted and implemented in practice by each business unit of the Company and controlled entities. Using this methodology, the risk management operating procedures of each business unit are aligned to and consistent with the risk management framework approved by the Risk Committee.

The function of internal audit within the Company includes the provision of objective appraisals of the system of risk management and internal compliance and control of the Company, to the Board, for review. The Audit Committee, subject to the Audit Committee Charter, reviews the mission, charter and resources of the internal audit function and discusses the scope of, and objective appraisals made by, the internal audit function, with the internal auditor, including the internal audit plan, work program and quality control procedures.