

**HARVEY NORMAN  
HOLDINGS LIMITED**

A.C.N 003 237 545

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AUSTRALIA

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25 October 2023

Company Announcements  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam,

**Re: 2023 Notice of Meeting and Proxy Form**

We enclose a copy of the:

1. 2023 Notice of Meeting (with attachments);
2. Proxy Form; and
3. Letter to Shareholders of Harvey Norman Holdings Limited.

If you have any queries, please do not hesitate to contact the writer.

This document was authorised to be provided to the ASX by Chris Mentis, Company Secretary of Harvey Norman Holdings Limited.

Yours faithfully,



**Chris Mentis**  
Company Secretary

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of Harvey Norman Holdings Limited ACN 003 237 545 (**Meeting**) will be held at Novotel Sydney Olympic Park, 11A Olympic Boulevard, Sydney Olympic Park, New South Wales 2127 on **Wednesday 29 November 2023 at 11am (AEDT)**.

Shareholders are invited to attend the Meeting in person. Shareholders who are unable to attend may listen to the Meeting live by telephone by dialling 1800 870 656 (within Australia) or +61 2 9009 0730 (dialling internationally) and providing their Voter Access Code (**VAC**). Shareholders who listen to the Meeting by telephone will not be able to ask questions, make comments or cast live votes whilst the Meeting is in progress. Instead, Shareholders may submit a question or make a comment prior to the Meeting (see below for further details).

Shareholders who are unable to attend the Meeting in person are encouraged to complete a proxy at [www.votingonline.com.au/hvnagm2023](http://www.votingonline.com.au/hvnagm2023) using their VAC, or by completing and returning the Proxy Form (see Attachment C).

If it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Meeting, including changing the venue, implementing capacity limits or moving to online participation, we will announce this on the Company's website [www.harveynormanholdings.com.au/2023agm](http://www.harveynormanholdings.com.au/2023agm) and via the ASX market announcement platform.

**This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

**Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited ABN 53 095 445 560 AFSL 246532 (Independent Expert) before considering the Proposed Security Arrangement the subject of Resolution 11 in this Notice of Meeting. The IER comments on the fairness and reasonableness of the Proposed Security Arrangement the subject of Resolution 11.**

**The Independent Expert is unable to provide an opinion as to fairness of the Proposed Security Arrangement, the subject of Resolution 11. The Independent Expert has determined that the Proposed Security Arrangement is reasonable.**

**If you have any queries in relation to this Notice of Meeting please contact the Share Registry of the Company on 1300 737 760 (within Australia) or +61 2 9290 9600 (dialling internationally) or email [enquires@boardroomlimited.com.au](mailto:enquires@boardroomlimited.com.au).**

## AGENDA

### Ordinary Business

#### Statements and Reports

1. To receive the Company's Financial Statements, the Directors' Declaration, the Directors' Report and Independent Audit Report for the year ended 30 June 2023.

Note: *Shareholders are not required to vote on this item of business.*

#### Remuneration Report

2. To adopt the Remuneration Report as included in the Directors' Report for the year ended 30 June 2023.

Note: *The vote on this resolution is advisory only and does not bind the Directors or the Company.*

#### Election of Directors

3. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Gerald Harvey, a Director who retires by rotation at the close of the Meeting in accordance with Article 63A of the Constitution of the Company and being eligible, be re-elected as a Director of the Company."*

4. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Chris Mentis, a Director who retires by rotation at the close of the Meeting in accordance with Article 63A of the Constitution of the Company and being eligible, be re-elected as a Director of the Company."*

5. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That Ms Luisa Catanzaro, a Director who retires by rotation at the close of the Meeting in accordance with Article 63A of the Constitution of the Company and being eligible, be re-elected as a Director of the Company."*

### Special Business

#### Grants of Performance Rights under Harvey Norman 2016 Long Term Incentive Plan

#### Grants of Performance Rights to Gerald Harvey and permit Gerald Harvey to acquire shares in the Company

6. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant up to 191,000 Performance Rights to Mr Gerald Harvey and permit Mr Gerald Harvey to acquire shares in the Company (whether by issue or by on-market purchase) under the Harvey Norman 2016 Long Term Incentive Plan, on the terms set out in the Explanatory Notes."*

**Grant of Performance Rights to Kay Lesley Page and permit Kay Lesley Page to acquire shares in the Company**

7. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant up to 535,000 Performance Rights to Ms Kay Lesley Page and permit Ms Kay Lesley Page to acquire shares in the Company (whether by issue or by on-market purchase) under the Harvey Norman 2016 Long Term Incentive Plan, on the terms set out in the Explanatory Notes."*

**Grant of Performance Rights to David Matthew Ackery and permit David Matthew Ackery to acquire shares in the Company**

8. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant up to 163,200 Performance Rights to Mr David Matthew Ackery and permit Mr David Matthew Ackery to acquire shares in the Company (whether by issue or by on-market purchase) under the Harvey Norman 2016 Long Term Incentive Plan, on the terms set out in the Explanatory Notes."*

**Grant of Performance Rights to John Evyn Slack-Smith and permit John Evyn Slack-Smith to acquire shares in the Company**

9. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant up to 163,200 Performance Rights to Mr John Evyn Slack-Smith and permit Mr John Evyn Slack-Smith to acquire shares in the Company (whether by issue or by on-market purchase) under the Harvey Norman 2016 Long Term Incentive Plan, on the terms set out in the Explanatory Notes."*

**Grant of Performance Rights to Chris Mentis and permit Chris Mentis to acquire shares in the Company**

10. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant up to 163,200 Performance Rights to Mr Chris Mentis and permit Mr Chris Mentis to acquire shares in the Company (whether by issue or by on-market purchase) under the Harvey Norman 2016 Long Term Incentive Plan, on the terms set out in the Explanatory Notes."*

**Proposed Security Arrangement**

11. To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*"That, for the purposes of section 208(1) of the Corporations Act and for all other purposes, approval be given for the Company to grant a security interest over certain unencumbered assets of the Company or a Subsidiary from time to time, in favour of the Custodian Trustee, to secure the Indemnity Obligation owed by the Company to each Eligible Person on the terms described in the Explanatory Notes."*

**INDEPENDENT EXPERT'S REPORT**

Shareholders should carefully consider the IER prepared for the purposes of Shareholder approvals required under section 208(1) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Security Arrangement the subject of Resolution 11.

The Independent Expert is unable to provide an opinion as to fairness of the Proposed Security Arrangement the subject of Resolution 11. The Independent Expert has determined that the Proposed Security Arrangement is reasonable.

A copy of the Independent Expert's Report is enclosed as Attachment B1 to this Notice of Meeting. Shareholders are urged to read the Independent Expert's Report in full and seek their own advice if they have any queries.

## ELIGIBILITY TO VOTE

For the purposes of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as Shareholders of the Company at **7pm (AEDT) on Monday 27 November 2023**.

## PROXIES

Each Shareholder who is entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote at the Meeting on the Shareholder's behalf. A proxy need not be a Shareholder of the Company and may be either an individual or a body corporate. Where two proxies are appointed by a Shareholder, the Shareholder may specify the proportion or number of votes which each proxy is entitled to exercise on a poll. If the appointment does not specify the proportion or number of Shareholder's votes, each proxy may exercise one half of the votes on a poll.

## CORPORATE REPRESENTATIVES

A body corporate which is a Shareholder or the proxy of a Shareholder may appoint an individual as its representative to exercise all or any of its powers that it could exercise at the Meeting. The representative should bring to the Meeting, original documentation evidencing their appointment, including any authority under which the appointment is signed. Any other people from the body corporate wishing to attend the Meeting should register as guests.

## PROXY DEADLINE

All proxies lodged at [www.votingonline.com.au/hvnagm2023](http://www.votingonline.com.au/hvnagm2023) or via a Proxy Form (and, if the Proxy Form is not signed by the Shareholder, the power of attorney or other authority (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority)), must be received by the Company at least 48 hours before the time for holding the Meeting – that is, by **11am (AEDT) on Monday 27 November 2023**. Proxy Forms and related documents may be lodged with the Company by the methods set out in the Proxy Form.

## SUBMISSION OF WRITTEN QUESTIONS OR COMMENTS PRIOR TO THE MEETING

Shareholders who are unable to attend the Meeting are able to submit a question or make a comment in writing prior to the Meeting, by emailing Boardroom at [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au). The questions or comments must be submitted by 11am (AEDT) Monday 27 November 2023.

## ATTACHMENTS

- A. Voting Exclusion Statement
- B. Explanatory Notes and Glossary
- B1. Independent Expert's Report relating to Resolution 11
- C. Proxy Form

Dated this 25<sup>th</sup> day of October 2023




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**Chris Mentis**  
Company Secretary

## ATTACHMENT A

### VOTING EXCLUSION STATEMENT

#### HARVEY NORMAN HOLDINGS LIMITED ACN 003 237 545 (COMPANY)

On 29 November 2023 at the Annual General Meeting of its Shareholders, for each of the following proposed resolutions:

#### Ordinary Business

**Resolution 2:** To adopt the Remuneration Report as included in the Directors' Report for the year ended 30 June 2023

The Company will disregard any votes cast on Resolution 2, in any capacity, by or on behalf of:

- (a) any key management personnel of the Company, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, details of whose remuneration are included in the Remuneration Report (Key Management Personnel); and
- (b) any associate or closely related party of any Key Management Personnel.

Closely related parties of Key Management Personnel are defined in the Corporations Act and include certain family members and any companies controlled by Key Management Personnel.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- the vote is not cast on behalf of any Key Management Personnel, or any closely related party of any Key Management Personnel; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (a) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or closely related party of any Key Management Personnel; and
  - (b) the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

#### Special Business

**Resolution 6:** Grant of Performance Rights to Gerald Harvey and permit Gerald Harvey to acquire shares in the Company

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- (a) Mr Gerald Harvey, Ms Kay Lesley Page, Mr David Matthew Ackery, Mr John Evyn Slack-Smith and Mr Chris Mentis; and
- (b) each associate of Mr Gerald Harvey, Ms Kay Lesley Page, Mr David Matthew Ackery, Mr John Evyn Slack-Smith and Mr Chris Mentis.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote on the resolution as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel.

**Resolution 7:** Grant of Performance Rights to Kay Lesley Page and permit Kay Lesley Page to acquire shares in the Company

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:

- (a) Ms Kay Lesley Page, Mr Gerald Harvey, Mr David Matthew Ackery, Mr John Evyn Slack-Smith and Mr Chris Mentis; and
- (b) each associate of Ms Kay Lesley Page, Mr Gerald Harvey, Mr David Matthew Ackery, Mr John Evyn Slack-Smith and Mr Chris Mentis.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote on the resolution as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel.



**Resolution 8:** Grant of Performance Rights to David Matthew Ackery and permit David Matthew Ackery to acquire shares in the Company

The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

- (a) Mr David Matthew Ackery, Mr John Evyn Slack-Smith, Mr Gerald Harvey, Ms Kay Lesley Page and Mr Chris Mentis; and
- (b) each associate of Mr David Matthew Ackery, Mr John Evyn Slack-Smith, Mr Gerald Harvey, Ms Kay Lesley Page and Mr Chris Mentis.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote on the resolution as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel..

**Resolution 9:** Grant of Performance Rights to John Evyn Slack-Smith and permit John Evyn Slack-Smith to acquire shares in the Company

The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of:

- (a) Mr John Evyn Slack-Smith, Mr Chris Mentis, Mr David Matthew Ackery, Mr Gerald Harvey and Ms Kay Lesley Page; and
- (b) each associate of Mr John Evyn Slack-Smith, Mr Chris Mentis, Mr David Matthew Ackery, Mr Gerald Harvey and Ms Kay Lesley Page.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the direction on the Proxy Form to vote as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

- (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel.

**Resolution 10:** Grant of Performance Rights to Chris Mentis and permit Chris Mentis to acquire shares in the Company

The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- (a) Mr Chris Mentis, Mr David Matthew Ackery, Mr John Evyn Slack-Smith, Mr Gerald Harvey and Ms Kay Lesley Page; and
- (b) each associate of Mr Chris Mentis, Mr David Matthew Ackery, Mr John Evyn Slack-Smith, Mr Gerald Harvey and Ms Kay Lesley Page.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the Proxy Form how the proxy is to vote on the proposed resolution;
- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the direction on the Proxy Form to vote as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel.

**Resolution 11:** Proposed Security Arrangement

The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of:

- (a) any Eligible Person, being any person who is or has been a director or officer of the Company or a Subsidiary (other than a Qualifying Person), or who believes or has reasonable grounds to believe that they are likely to become a director of the Company; and
- (b) any associate of any Eligible Person as described in paragraph (a) above.

However, the Company need not disregard a vote if:

- it is cast by a proxy or attorney appointed in writing for a person who is entitled to vote, in accordance with a direction on the proxy form how the proxy is to vote on the proposed resolution;

- it is cast by the person chairing the Meeting as proxy or attorney for a person who is entitled to vote, in accordance with the direction on the proxy form to vote on the resolution as the proxy or attorney decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

Further, the Company will disregard any votes cast by any Key Management Personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote on this Resolution, unless the proxy is the person chairing the Meeting and has been expressly authorised to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of any Key Management Personnel.

## ATTACHMENT B

### Explanatory Notes

#### Defined Terms

In these Explanatory Notes, capitalised terms are defined in the Glossary included at the end of these Explanatory Notes.

**Item 1** To receive the Company's Financial Statements, the Directors' Declaration, the Directors' Report and Independent Audit Report for the year ended 30 June 2023.

- 1.1 The 2023 Annual Report of the Company has been made available to Shareholders and is published on the Company's website ([www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au)).
- 1.2 The Chairman will allow a reasonable opportunity for the Shareholders as a whole at the Meeting to ask questions about, or make comments on, the management of the Company.
- 1.3 Shareholders will be given a reasonable opportunity to ask the auditor of the Company questions about the conduct of the audit or the content of the Independent Audit Report.
- 1.4 Shareholders are not required to vote on this item of business.

#### Resolution 2 – Adoption of Remuneration Report

- 2.1 Section 250R(2) of the Corporations Act provides that a resolution that the remuneration report be adopted must be put to the vote at the Meeting of the Company. This vote is advisory only and does not bind the Directors or the Company.
- 2.2 The Chairman will allow a reasonable opportunity for the Shareholders as a whole to ask questions about, or make comments on, the Remuneration Report.
- 2.3 If you appoint the Chairman as your proxy, the Chairman will not vote any undirected proxies in respect of Resolution 2.
- 2.4 If you appoint the Chairman as your proxy and you want your shares to be voted on Resolution 2, you should direct the Chairman how to vote on Resolution 2 by completing Step 2 in the Proxy Form.
- 2.5 Votes will not be counted in respect of Resolution 2 if you provide an undirected proxy, unless you nominate as your proxy the Designated Proxy Holder (as defined in the Proxy Form attached to the Notice of Meeting) or any person who is not:
  - (a) Key Management Personnel; or
  - (b) a closely related party of any Key Management Personnel.
- 2.6 The Designated Proxy Holder intends to vote undirected proxies **in favour of Resolutions 2 to 11 (inclusive)**.

#### Resolution 3 to 5 – Election of Directors

- 3.1 Article 63A of the Constitution of the Company provides that at every annual general meeting, one third of the Directors of the Company must retire from office and that no Director shall retain office for a period exceeding three years, without submitting himself or herself for re-election.
- 3.2 Mr Gerald Harvey, Mr Chris Mentis and Ms Luisa Catanzaro who retire at the end of the Meeting, submit themselves for re-election.
- 3.3 The Board (with the exception of each Director in relation to their own election) supports the re-election of Mr Gerald Harvey, Mr Chris Mentis and Ms Luisa Catanzaro.

### **Resolution 3 – Gerald Harvey *Executive Chairman***

- 3.4 In 1982, Mr Harvey was the co-founder, with Mr I.J. Norman, of Harvey Norman®. He became a director and chairman of the Company in 1987, and is employed by Yoogalu Pty Ltd, a controlled entity of the Company. Mr Harvey is executive chairman, or director, of each member of the Consolidated Entity, with a particular focus on property investments.

### **Resolution 4 – Chris Mentis *B.Bus., FCA, FGIA, Grad Dip App Fin, Executive Director, CFO & CoSec***

- 4.1 Mr Mentis joined Harvey Norman® as a Financial Controller in 1997. Mr Mentis became secretary of the Company in 2006 and a director of the Company in 2007. He is employed by Yoogalu Pty Ltd, and since 2007, has had overall Chief Financial Officer responsibility for, or is a director of, each member of the Consolidated Entity. Mr Mentis is a Fellow of the Chartered Accountants Australia & New Zealand (CA ANZ) and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting.

### **Resolution 5 – Luisa Catanzaro *B.Com., FCA, GAICD Non-Executive Director (Independent)***

- 5.1 Ms. Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020, became a member of the Audit & Risk Committee on 25 November 2020, and became a member of the Remuneration Committee on 24 June 2021. Ms Catanzaro has a Bachelor of Commerce from the University of NSW, is a Fellow of the CA ANZ and is also a Graduate of the Australian Institute of Company Directors. Ms Catanzaro has more than 30 years of professional experience in senior financial executive roles across a range of industries, including FMCG and agriculture sectors, and with ASX listed companies. Ms Catanzaro is currently a Non-Executive Director of ASX listed company, Ricegrowers Limited, from September 2018, where Ms Catanzaro is Chair of the Finance, Risk and Audit Committee and a member of the Remuneration, Nomination and Independent Committees. Since 14 January 2019, Ms Catanzaro has been a Non-Executive Director of Because Movement Foundation Limited, a registered charity. Since 20 August 2023, Ms Catanzaro has been a Non-Executive Director of the Museum of Contemporary Art Limited, where Ms Catanzaro is Chair of the Finance Committee.

### **Resolutions 6 to 10 – Grant of performance rights and acquisition of shares in the Company under the LTI Plan**

#### **2016 Long Term Incentive Plan**

- 6.1 In Resolutions 6 to 10 (inclusive), Shareholders are being asked to approve the grant of performance rights and acquisition of shares in the Company by Directors of the Company, details of which are set out below, under the Harvey Norman 2016 Long Term Incentive Plan (**LTI Plan**). An overview of the rules governing the LTI Plan is set out below.

#### **Remuneration Principles and Strategy**

- 6.2 The executive remuneration strategy of the Company is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders. A detailed illustration of how the remuneration strategy of the Company aligns with the strategic direction and links remuneration outcomes to performance is set out at pages 36 and 37 of the 2023 Annual Report.

#### **Responsibilities of the Remuneration Committee**

- 6.3 The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for executive Directors and non-executive Directors (**NEDs**).
- 6.4 The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. The Remuneration Committee engaged independent remuneration expert consultants

(**Consultants**) to provide analysis, observations and advice to the Remuneration Committee in relation to the design, level and composition of executive remuneration (**Expert Advice**). The Expert Advice was used by the Remuneration Committee to inform the decisions of the Remuneration Committee in relation to the design, level and composition of executive remuneration.

- 6.5 The Remuneration Committee comprises three NEDs, two of whom are independent NEDs (which includes the chairman of the Committee). Further information on the role, responsibilities and membership of the Remuneration Committee can be seen in the 2023 Annual Report, which is also accessible at [www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au).

### **Summary of the LTI Plan Rules**

- 6.6 The LTI Plan is part of the Company's executive remuneration framework, aimed at aligning executive remuneration with the creation of sustainable shareholder value over the long-term. The LTI plan is governed by the **LTI Plan Rules**.
- 6.7 Under the LTI Plan Rules, the Board in its absolute discretion, may invite executive directors of the Company and such other persons as the Board selects (**Participant**), to participate in the LTI Plan. On acceptance of the invitation, a Participant is granted performance rights (**Performance Rights**), each being a right to acquire one Share on payment of the exercise price (if any) and, if applicable, receive the Dividend Equivalent Amount (if any) on exercise, on the terms and conditions determined by the Board, including the Board having the discretion to make a cash equivalent payment instead of an allocation of Shares. The invitation to Participants will set out the terms of issue of any grant of Performance Rights, including such service conditions and financial and non-financial terms and conditions (**Conditions**) as the Board (after consideration of recommendations of the Remuneration Committee), determines from time to time.
- 6.8 The Board must not grant Performance Rights if the number of Shares which have been or would be issued in aggregate as a result of Performance Rights under the LTI Plan Rules, or offers over the previous 3-year period, would exceed 5% of the total number of Shares on issue at the date of when the invitation to accept the grant would otherwise be made.
- 6.9 Performance Rights:
- (a) will not carry any voting rights.
  - (b) will not carry any dividend rights.
  - (c) are non-transferable except in limited circumstances or with the consent of the Board.
  - (d) will not be quoted on the ASX.
- 6.10 In general, where a Participant resigns or is terminated for cause before a Performance Right vests, all unvested Performance Rights will lapse. Subject to the law and unless the Board (after consideration of the recommendations of the Remuneration Committee) determines otherwise, where a Participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board), the Participant's unexercised Performance Rights remain subject to the LTI Plan Rules and the grant terms as if the Participant's employment had not ceased.
- 6.11 If the Performance Rights vest and are exercised, the Participant may receive the Dividend Equivalent Amount, delivered as additional Shares which are equal in value to the amount of dividends that would have been paid to the Participant and re-invested into Shares on the ex-dividend date close price as if the Participant had been the owner of Shares until the date of exercise. No Dividend Equivalent Amounts are paid during a vesting period. A Participant has no entitlement to any Dividend Equivalent Amount for Performance Rights that do not vest.
- 6.12 The Company has established an employee share trust for the purpose of acquiring and holding Shares to be used to satisfy the entitlements of Participants in respect of their vested

Performance Rights. For this purpose, the Company may issue new Shares to the trust or procure (including by making contributions to the trust) that Shares are acquired on market to be held by the trust. Under the LTI Plan Rules, the Board also has the discretion to make it a term of the grant of Performance Rights that Shares awarded on the vesting of Performance Rights must be held in the trust for a restricted period before the Participant is entitled to deal with those Shares.

- 6.13 In the event of fraud, dishonesty or breach of obligations, the Board (after consideration of the recommendations of the Remuneration Committee) may make a determination, including lapsing Performance Rights, to ensure that no unfair benefit is obtained by a Participant.
- 6.14 In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has a discretion to determine whether any unvested Performance Rights should vest, lapse or become subject to different Conditions or whether any restricted period applying to resulting Shares should be lifted.
- 6.15 The LTI Plan and its rules are administered by the Board. Subject to the Listing Rules and applicable legal requirements, the Board has the right (after consideration of the recommendations of the Remuneration Committee) to:
- (a) make all determinations required under the LTI Plan Rules; and
  - (b) waive or modify the application of all or any of the LTI Plan Rules or any grant made under the LTI Plan Rules, including any Conditions,
- as the Board considers appropriate.
- 6.16 A copy of the LTI Plan Rules will be available for inspection at the Company's registered office during normal business hours, prior to the Meeting.

#### **Summary of Terms of Issue**

- 6.17 Each executive named in Resolutions 6 to 10 (inclusive) will be granted Performance Rights to acquire Shares in the Company, subject to the satisfaction of performance conditions and service conditions as determined by the Board (after consideration of the recommendations of the Remuneration Committee).
- 6.18 The Performance Rights will be granted in a single tranche (**Tranche FY24**) shortly after the Meeting and, subject to certain performance conditions and service conditions being met, will be exercisable between 1 January 2027 and 31 October 2038.
- 6.19 The number of Performance Rights proposed to be granted to each of the executive Directors is calculated as a proportion of the fixed remuneration of each respective executive Director based on the 10-day VWAP following the announcement of the results of the Company for the year ending 30 June 2023, and is set out in the following table:

Executive	Tranche FY24 Performance Rights
Gerald Harvey	191,000
Kay Lesley Page	535,000
John Eryn Slack-Smith	163,200
David Matthew Ackery	163,200
Chris Mentis	163,200

- 6.20 No amount is payable in respect of the grant of a Performance Right.
- 6.21 The exercise price for each Performance Right will be nil.

- 6.22 Performance Rights will not be listed on the ASX.
- 6.23 Dividends will not be paid on unvested Performance Rights.
- 6.24 If exercised, each vested Performance Right will convert into one Share. In addition, on exercising the vested Performance Rights, the Participant will receive a Dividend Equivalent Amount in relation to those exercised Performance Rights, delivered as additional Shares which are equal in value to the amount of dividends that would have been paid to the Participant and re-invested into Shares based on the close price on the ex-dividend date as if the Participant had been the owner of Shares from the grant date until the date of exercise. The Board retains a discretion to make a cash equivalent payment instead of an allocation of Shares.
- Application will be made to list any new Shares issued on the exercise of the Performance Rights on the ASX and such Shares will rank equally with other Shares and will not carry restrictions on trading (except as set out in the Company's share trading policy).
- 6.25 Unvested Performance Rights will lapse when one of the following events occur:
- (a) five years from the grant date or such earlier date specified by the Board;
  - (b) the Board determines the Performance Rights granted to a Participant should lapse, as a result of any fraud, gross misconduct or conduct by that Participant which brings the Company into disrepute; or
  - (c) the Board determines the relevant requirements in relation to Performance Rights granted to a Participant, including performance conditions and a service condition, have not been and are incapable of being, met.
- 6.26 Vested Performance Rights will be exercisable between 1 January 2027 and 31 October 2038.
- 6.27 Performance conditions will apply to the Performance Rights and are to be tested over a three-year period. Each Performance Right granted to a Participant is subject to a service condition.
- 6.28 The Board (after consideration of the recommendations of the Remuneration Committee) may at any time, reduce the number of exercisable Performance Rights if there is only partial achievement of the performance conditions.
- 6.29 The Board reserves the right to make adjustments to the number of Performance Rights, subject to the Listing Rules, if there is a bonus or rights issue or other reconstruction of capital before the Performance Rights are exercised.
- 6.30 Performance Rights are transferable only after satisfaction of all performance conditions and will carry no right to receive dividends or to vote.
- 6.31 Subject to the Listing Rules, Performance Rights may be exercised before their specified exercise date in limited circumstances such as a change of control in the Company e.g. a takeover offer is made to acquire the whole of the Company's Shares then the Performance Rights may be exercised, or where the Board exercises its discretion in accordance with the LTI Plan Rules.
- 6.32 A Performance Right will not entitle a Participant to participate in new issues of Shares without exercising the Performance Right. If there is a reorganisation of the capital of the Company, the rights attaching to a Performance Right may be changed by the Board (after consideration of the recommendations of the Remuneration Committee), subject to compliance with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- 6.33 If there is a pro rata issue (except a bonus issue) to Shareholders, the number of Performance Rights will be adjusted in accordance with the Listing Rules.



- 6.34 Shareholder approval is required under Listing Rule 10.14 for all issues of Performance Rights to directors of the Company. The Board (after consideration of the recommendations of the Remuneration Committee), has reviewed the overall remuneration arrangements of each executive director named in proposed Resolutions 6 to 10 (**Grantee**) and believes the Performance Right allocations proposed are reasonable having regard to the circumstances of the Company, the duties and responsibilities of each Grantee and market levels of remuneration of executives of similar sized organisations.
- 6.35 The Board (after consideration of the recommendations of the Remuneration Committee), considers the number of Performance Rights proposed to be granted to each Grantee is appropriate.

#### **Performance Conditions**

- 6.36 Performance conditions are deemed to be an essential component of all variable reward entitlements. The proposed allocation of Performance Rights will be subject to service conditions and financial performance conditions. The Board (after consideration of the recommendations of the Remuneration Committee), in its discretion, may impose additional non-financial performance conditions which must be satisfied as a condition of exercise of any Performance Rights by a Grantee, along with the service conditions and financial performance conditions.

#### **Financial Performance Conditions**

- 6.37 In this condition, the following terms have the following meanings:
- (a) **Aggregate APBT** means the aggregate of the amounts of the annual net profit before income tax of the consolidated entity for each of the Financial Years, but excluding any amounts accounted for in the financial statements of the consolidated entity for increments or decrements arising from any revaluation of land or buildings in the Financial Years;
  - (b) **Aggregate Net Assets** means the amount equivalent to the aggregate of the amounts of the net assets of the consolidated entity, excluding non-controlling equity interests, as at each of 30 June 2023, 2024 and 2025 as described in the annual report of the consolidated entity in respect of each of the Financial Years;
  - (c) **Financial Years** means the financial years ending 30 June 2024, 2025 and 2026;
  - (d) **RONA** means the following fraction expressed as a percentage:

$$\frac{\text{Aggregate APBT}}{\text{Aggregate Net Assets}}$$

- 6.38 RONA is a key financial metric link to performance. Full vesting of the Performance Rights is conditional upon achievement of RONA of at least 20%. If an amount of 15% is achieved, 50% of the Performance Rights will vest with a proportionate or partial vesting of the remaining 50% of the Performance Rights upon the achievement of RONA in the range of 15% to 20%.

#### **Non-Financial Conditions**

- 6.39 The Board (after consideration of the recommendations of the Remuneration Committee) may impose non-financial performance conditions consistent with the execution of the strategy of the Company and mitigation of risk. Any non-financial conditions must be satisfied along with the service conditions and financial performance conditions. The question as to whether any non-financial performance conditions have been satisfied will be determined by the Board (after consideration of the recommendations of the Remuneration Committee).

### **Service Conditions**

- 6.40 The service condition in respect of Performance Rights of a Participant will be deemed to be satisfied if at 31 December 2026:
- (a) the Participant has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workforce;
  - (b) the Company has not terminated the employment of the Participant for cause; and
  - (c) the Board has not determined that the Performance Rights should lapse as a result of any fraud, gross misconduct or conduct of the Participant which brings the Company into disrepute.
- 6.41 If the Participant dies before the Performance Rights are exercised, but the relevant performance condition has been satisfied and the conditions in paragraph 6.40 do not apply, the estate of the Participant may exercise the Performance Rights.
- 6.42 No Director may participate in deliberations by the Board about, or decisions of the Board in respect of, the remuneration of that Director.

### **Information required under Listing Rules**

#### **Listing Rules 10.14 and 10.15 – Acquisition of securities in the Company**

- 7.1 Shareholder approval is required under Listing Rule 10.14 for all grants of Performance Rights to Directors and acquisition of securities in the Company by Directors.
- 7.2 The Company is proposing to grant Performance Rights and permit executive Directors to acquire shares in the Company under the LTI Plan, as set out in Resolutions 6 to 10 (inclusive) and in the corresponding Explanatory Notes in this Attachment B.
- 7.3 *Listing Rule 10.14* provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme.
- Listing Rule 10.14.1* – a director of the company;
- Listing Rule 10.14.2* – an associate of a director of the company; or
- Listing Rule 10.14.3* – a person whose relationship with the company or a person referred to in the Listing Rule 10.14.1 or 10.14.2 is such that, in the ASX's opinion, the acquisition should be approved by its shareholders,
- unless that company obtains the approval of its shareholders.
- 7.4 The proposed grant of Performance Rights and subsequent acquisition of Shares under the LTI Plan falls within Listing Rule 10.14 and therefore requires the approval of the Company's Shareholders under Listing 10.14.
- 7.5 Resolutions 6 to 10 (inclusive) seek the required Shareholder approval for the purposes of Listing Rule 10.14.
- 7.6 If Resolutions 6 to 10. (inclusive) are passed, the Company will:
- (a) grant the Performance Rights to each executive Director; and
  - (b) permit each executive Director to acquire shares in the Company under the LTI Plan, and on the terms set out in the Explanatory Notes.
- 7.7 If Resolutions 6 to 10 (inclusive) are not passed:
- (a) the Company will not grant any Performance Rights to any Director; and
  - (b) no Director will be permitted to acquire shares in the Company under the LTI Plan; and

- (c) the Company instead will pay the cash equivalent amount of the value of the benefit that would have been received by each executive Director had the Performance Rights been granted.

7.8 *Listing Rule 10.15* requires that a notice of meeting to approve the issue of securities under Listing Rule 10.14 include the following information:

*Listing Rule 10.15.1 – Name of the person*

- (a) the names of all persons entitled to participate in the scheme are Gerald Harvey, Kay Lesley Page, David Matthew Ackery, John Evyn Slack-Smith and Chris Mentis;

*Listing Rule 10.15.2 – Which category in rules 10.14.1 – 10.14.3 the person falls within and why:*

- (b) each person identified in Resolutions 6 to 10 (inclusive) is a director of the Company and falls within Listing Rule 10.14.1;

*Listing Rule 10.15.3 – The number and class of securities proposed to be issued to the person under the scheme for which approval is being sought*

- (c) subject to satisfaction of all relevant Conditions:
- (i) the maximum number of Shares that may be acquired by each Grantee in respect of each Performance Right exercised by that Grantee is one Share plus the Dividend Equivalent Amount (if any);
  - (ii) the total number of Performance Rights proposed to be granted to each Grantee under the LTI Plan, in the financial year ending 30 June 2024 (Tranche FY24) is set out below:

Grantee	Tranche FY24 Performance Rights
Gerald Harvey	191,000
Kay Lesley Page	535,000
David Matthew Ackery	163,200
John Evyn Slack-Smith	163,200
Chris Mentis	163,200

**Listing Rule 10.15.4 – Details (including the amount) of the director's current total remuneration package**

- (d) set out below are the details (including the amount) of the total remuneration package of each Grantee for financial year 2023;

In \$AUD		SHORT-TERM BENEFITS				POST EMPLOYMENT	LONG TERM INCENTIVES	OTHER	Total Remuneration	% earned at risk
		Salary & Fees	Performance Cash Incentive	Other Short Term <sup>(a)</sup>	Non-Monetary Benefits <sup>(a)</sup>	Super-annuation	Performance Rights	Long Service Leave <sup>(a)</sup>		
Gerald Harvey	2023	739,308	-	10,400	-	25,292	278,747	-	1,053,747	26.5%
Executive Chairman	2022	716,032	-	10,400	-	23,568	296,208	-	1,046,208	28.3%
Kay Lesley Page	2023	2,120,446	780,834	-	24,262	25,292	779,765	-	3,730,599	41.8%
Executive Director/CEO	2022	2,048,090	1,018,625	-	28,342	23,568	828,263	-	3,946,888	46.8%
John Evyn Slack-Smith	2023	1,294,708	673,133	-	-	25,292	331,421	21,578	2,346,132	42.8%
Executive Director/COO	2022	1,226,432	878,125	-	-	23,568	399,353	20,441	2,547,919	50.1%
David Matthew Ackery	2023	1,276,708	673,133	18,000	-	25,292	331,421	21,578	2,346,132	42.8%
Executive Director	2022	1,208,432	878,125	18,000	-	23,568	399,353	20,441	2,547,919	50.1%
Chris Mentis	2023	945,834	565,432	-	38,874	25,292	284,144	15,764	1,875,340	45.3%
Executive Director/CFO	2022	881,354	737,625	-	45,078	23,568	326,546	14,689	2,028,860	52.5%
Michael John Harvey	2023	54,299	-	-	-	5,701	-	-	60,000	-
Non-Executive Director	2022	54,545	-	-	-	5,455	-	-	60,000	-
Christopher Herbert Brown	2023	144,796	-	-	-	15,204	-	-	160,000	-
Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
Kenneth William Gunderson-Briggs	2023	615,856	-	-	-	25,292	-	-	641,148	-
Non-Executive Director	2022	341,482	-	-	-	23,568	-	-	365,050	-
Maurice John Craven	2023	131,222	-	-	-	13,778	-	-	145,000	-
Non-Executive Director	2022	131,818	-	-	-	13,182	-	-	145,000	-
Luisa Catanzaro	2023	144,796	-	-	-	15,204	-	-	160,000	-
Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
<b>Total for the 2023 Financial Year</b>		<b>7,467,973</b>	<b>2,692,532</b>	<b>28,400</b>	<b>63,136</b>	<b>201,639</b>	<b>2,005,498</b>	<b>58,920</b>	<b>12,518,098</b>	<b>37.5%</b>
<b>Total for the 2022 Financial Year</b>		<b>6,899,095</b>	<b>3,512,500</b>	<b>28,400</b>	<b>73,420</b>	<b>189,135</b>	<b>2,249,723</b>	<b>55,571</b>	<b>13,007,844</b>	<b>44.3%</b>

The listed Parent Company, Harvey Norman Holdings Limited, does not have any employees.

- a. Short-term benefits includes car allowances paid (Other Short Term) and the cost of fully-maintained motor vehicles (Non-Monetary Benefits)
- b. Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2023 and 30 June 2022.

For the avoidance of doubt, the total remuneration package summarised above does not include the proposed Tranche FY24 grant.

**Listing Rule 10.15.5 – the Number of securities that have previously been issued to the person under the scheme and the average acquisition price (if any) paid by the person for those securities**

- (e) the number of Performance Rights and Shares previously issued or allocated under the LTI Plan to each Grantee is set out in the following table. All Performance Rights have been issued for nil consideration and the exercise price for Performance Rights (when vested and eligible for exercise) is nil;

Grantee	Total number of Performance Rights previously granted	Total number of Shares previously acquired on exercise of Performance Rights	Total number of Performance Rights previously granted that have lapsed
Gerald Harvey	704,600	241,375	77,125
Kay Lesley Page	1,784,200	564,675	138,825
David Matthew Ackery	819,500	350,450	92,550
John Evyn Slack-Smith	819,500	350,450	92,550
Chris Mentis	741,500	298,450	92,550

*Listing Rule 10.15.6 – Further information if securities are not fully paid ordinary shares*

- (f) Any securities acquired by a Grantee under the LTI Plan will be fully paid ordinary shares in the Company;

*Listing Rule 10.15.7 – The date or dates on or by which the entity will issue the securities to the person under the scheme. This must be no later than 3 years after the date of the meeting*

- (g) The Performance Rights will be granted in a single tranche as described below, and subject to satisfaction of the relevant performance conditions and service conditions (which relate to the financial years ending 30 June 2024, 2025 and 2026), vested Performance Rights are exercisable between 1 January 2027 and 31 October 2038. Any unvested Performance Rights will lapse five years from the grant date (if not prior);

Grantee	Tranche FY24 Performance Rights
Gerald Harvey	191,000
Kay Lesley Page	535,000
David Matthew Ackery	163,200
John Evyn Slack-Smith	163,200
Chris Mentis	163,200

- (h) it is intended the Performance Rights will be granted shortly following the Meeting, but in any event must be issued no later than 28 November 2026;

*Listing Rule 10.15.8 – The price at which the entity will issue the securities to the person under the scheme*

- (i) the price for each Performance Right and the exercise price of any Performance Right will be nil;

*Listing Rule 10.15.9 – A summary of the material terms of the scheme*

- (j) a summary of the material terms of the LTI Plan is set out in the Explanatory Notes in Attachment B to this Notice of Meeting

*Listing Rule 10.15.10 – A summary of the material terms of any loan that will be made to the person in relation to the acquisition*

- (k) no loan is proposed in relation to the grant of Performance Rights or the acquisition of Shares under the LTI Plan;

*Listing Rule 10.15.11 – Details of securities issued to be published in annual report and participation in scheme*

- (l) details of any securities issued under this scheme will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14;
- (m) any additional persons who become entitled to participate in the scheme after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14;

*Listing Rule 10.15.12 – A voting exclusion statement*

- (n) a voting exclusion statement is set out in Attachment A to this Notice of Meeting.

- 7.9 If Shareholder approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

- 7.10 The NEDs are not entitled to participate in the proposed grant of Performance Rights. The non-executive directors are Christopher Herbert Brown, Kenneth William Gunderson-Briggs, Luisa Catanzaro, Michael John Harvey and Maurice John Craven.

## **Part 2E of the Corporations Act**

- 8.1 The following information is provided in accordance with section 219 of the Corporations Act:

*The related parties to whom Resolutions 6 to 10 would permit the financial benefit to be given.*

- 8.2 The related parties to whom the proposed resolutions would permit financial benefits to be given are:

- (a) Gerald Harvey;
- (b) Kay Lesley Page;
- (c) David Matthew Ackery;
- (d) John Evyn Slack-Smith; and
- (e) Chris Mentis.

*The nature of the financial benefit*

- 8.3 The nature of the proposed financial benefits is described above in paragraphs 6.1 to 6.42.

*The recommendations of the directors of the company*

- 8.4 Each of the Directors of the Company recommends that Shareholders approve Resolutions 6 to 10 (inclusive) for the reasons set out below:

- (a) the Directors wish to maintain a remuneration plan for senior executive which involves pay for performance, consistent with good corporate governance;
- (b) the Directors believe that the maintenance of the plan will assist the Consolidated Group to attract and retain key employees who, in the opinion of the Board, are able by virtue of their experience and skills, to influence operational performance necessary to achieve sustained growth in shareholder wealth;
- (c) the Board believes that the proposed grant of the Performance Rights to the Grantees under the LTI Plan will align the remuneration of the senior executive team with the long-term strategic objectives of the Company by tying performance conditions to measures, targets and initiatives designed to execute and achieve the strategic objectives determined by the Board.

*The interest of each director in the outcome of Resolutions 6 to 10 (inclusive)*

### **Gerald Harvey**

- 8.5 Gerald Harvey is a director of the Company and has a relevant interest in Shares. Gerald Harvey is an employee of Yoogalu Pty Ltd, a controlled entity of the Company and an associate of Kay Lesley Page and may benefit directly from the outcome of Resolutions 6 and 7, and as such Gerald Harvey has an interest in the outcome of Resolutions 6 and 7.
- 8.6 If Resolution 6 is approved, Gerald Harvey will obtain a benefit by way of the grant to him of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.
- 8.7 If Resolution 7 is approved, Gerald Harvey and Kay Lesley Page will obtain a benefit by way of the grant to Kay Lesley Page of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

**Kay Lesley Page**

- 8.8 Kay Lesley Page is a director of the Company and has a relevant interest in Shares. Kay Lesley Page is an employee of Yoogalu Pty Ltd, a controlled entity of the Company and an associate of Gerald Harvey and may benefit directly from the outcome of Resolutions 6 and 7, and as such Kay Lesley Page has an interest in the outcome of Resolutions 6 and 7.
- 8.9 If Resolution 7 is approved, Kay Lesley Page will obtain a benefit by way of the grant to her of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.
- 8.10 If Resolution 6 is approved, Kay Lesley Page and Gerald Harvey will obtain a benefit by way of the grant to Gerald Harvey of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

**David Matthew Ackery**

- 8.11 David Matthew Ackery is a director of the Company and has a relevant interest in Shares. David Matthew Ackery is an employee of Yoogalu Pty Ltd, a controlled entity of the Company and may benefit directly from the outcome of Resolution 8, and as such David Matthew Ackery has an interest in the outcome of Resolution 8.
- 8.12 If Resolution 8 is approved, David Matthew Ackery will obtain a benefit by way of the grant to him of the Performance Rights and (subject to satisfaction of all relevant Conditions) the acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

**John Evyn Slack-Smith**

- 8.13 John Evyn Slack-Smith is a director of the Company and has a relevant interest in Shares. John Evyn Slack-Smith is an employee of Yoogalu Pty Ltd, a controlled entity of the Company and may benefit directly from the outcome of Resolution 9, and as such John Evyn Slack-Smith has an interest in the outcome of Resolution 9.
- 8.14 If Resolution 9 is approved, John Evyn Slack-Smith will obtain a benefit by way of the grant to him of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

**Chris Mentis**

- 8.15 Chris Mentis is a director of the Company and has a relevant interest in Shares. Chris Mentis is an employee of Yoogalu Pty Ltd, a controlled entity of the Company and may benefit directly from the outcome of Resolution 10, and as such Chris Mentis has an interest in the outcome of Resolution 10.
- 8.16 If Resolution 10 is approved, Chris Mentis will obtain a benefit by way of the grant to him of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

**Christopher Herbert Brown**

- 8.17 Christopher Herbert Brown is a director of the Company and has a relevant interest in Shares but otherwise Christopher Herbert Brown has no interest in the outcome of the proposed Resolutions 6 to 10 (inclusive).

**Michael John Harvey**

- 8.18 Michael John Harvey is a director of the Company and does not have any relevant interest in Shares. Michael John Harvey is an associate of Gerald Harvey and may benefit from the outcome of Resolution 6, and as such Michael John Harvey has an interest in the outcome of Resolution 6.
- 8.19 If Resolution 6 is approved, Michael John Harvey and Gerald Harvey will obtain a benefit by way of the grant to Gerald Harvey of the Performance Rights and (subject to satisfaction of all relevant Conditions) acquisition of Shares, as described above in paragraphs 6.1 to 6.42.

### **Kenneth Gunderson-Briggs**

- 8.20 Kenneth William Gunderson-Briggs is a director of the Company and has a relevant interest in Shares but otherwise Kenneth William Gunderson-Briggs has no interest in the outcome of the proposed Resolutions 6 to 10 (inclusive).

### **Maurice John Craven**

- 8.21 Maurice John Craven is a director of the Company and has a relevant interest in Shares but otherwise Maurice John Craven has no interest in the outcome of the proposed Resolutions 6 to 10 (inclusive).

### **Luisa Catanzaro**

- 8.22 Luisa Catanzaro is a director of the Company and does not have any relevant interest in Shares and does not have any interest in the outcome of the proposed Resolutions 6 to 10 (inclusive).

*Other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its directors*

### Taxation consequences

- 8.23 The grant of the Performance Rights to a Grantee constitutes the acquisition by that Grantee of a right under an employee share scheme. So far as each director in the Company is aware, there are no adverse taxation consequences for the Company, arising out of the grant of the Performance Rights. In particular, the grant of the Performance Rights should constitute a benefit constituted by the acquisition by the Grantee of a right under an employee share scheme, and accordingly will not constitute a "fringe benefit" for the purposes of the Fringe Benefits Tax Assessment Act 1986 (Cth).

### Benefits foregone by whoever would give the benefits

- 8.24 The Performance Rights will have a gross estimated aggregate value of \$4,931,683.45 (calculated to the time of grant of the Performance Rights under the LTI Plan using a 10-day VWAP from 31 August 2023 following the release of the FY2023 results of \$4.057 per share). This calculation assumes 100% achievement of the performance conditions.
- 8.25 So far as each of the Directors and the Company are aware, there are no other benefits foregone by any party.

### Dilution impact

- 8.26 As at 31 August 2023, a total of 1,246,006,654 shares in the Company were on issue.
- 8.27 The maximum number of Shares that may be acquired by each executive Director in respect of each Performance Right exercised by that executive Director is one Share plus the relevant Dividend Equivalent Amount (DEA), calculated as set out in paragraph 6.24. That is:

<b>Executive Director</b>	<b>Total number of Performance Rights to be granted in FY 2024</b>	<b>Maximum number of shares an executive Director can acquire in the Company under the LTI Plan from Tranche FY24</b>
Gerald Harvey	191,000	191,000 <i>plus</i> DEA
Kay Lesley Page	535,000	535,000 <i>plus</i> DEA
David Matthew Ackery	163,200	163,200 <i>plus</i> DEA
John Evyn Slack-Smith	163,200	163,200 <i>plus</i> DEA
Chris Mentis	163,200	163,200 <i>plus</i> DEA



- 8.28 Assuming all Performance Rights are exercised (upon satisfaction of all relevant Conditions) by each executive Director, then a total of 1,215,600 Shares plus the sum of the Dividend Equivalent Amount for each executive Director (as referred to in paragraph 8.27) may be issued to the executive Directors under the LTI Plan.
- 8.29 The dilution impact of the grant of Performance Rights under the LTI Plan is estimated to be 0.25%

Other relevant information

- 8.30 All other information which the Board considers is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors is as set out above in paragraphs 6.1 to 6.42.

**Resolution 11 – Proposed Security Arrangement**

- 9.1 In Resolution 11, Shareholders are asked to approve the Proposed Security Arrangement, pursuant to which the Company or a Subsidiary will grant a security interest over certain unencumbered assets of the Company or a Subsidiary in favour of the Custodian Trustee to secure the Indemnity Obligation owed by the Company to each Eligible Person. Details of the Proposed Security Arrangement are set out below.
- 9.2 A copy of the Trust Deed relating to the Trust will be available for inspection at the Company's registered office during normal business hours, prior to the Meeting.

***Independent Expert's Report***

- 9.3 Part 2E of the Corporations Act requires a notice of meeting containing a resolution under section 208(1) of the Corporations Act to include all information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass Resolution 11, including a report on the Proposed Security Arrangement from an independent expert.
- 9.4 Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 208(1) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Security Arrangement the subject of Resolution 11.
- 9.5 **The Independent Expert is unable to provide an opinion as to fairness of the Proposed Security Arrangement, the subject of Resolution 11. The Independent Expert has concluded that the Proposed Security Arrangement is reasonable.**
- 9.6 A copy of the Independent Expert's Report is enclosed at Attachment B1 of this Notice of Meeting and is also available on the Company's website ([www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au)). If requested by a Shareholder, a paper copy of the Independent Expert's Report will be sent by post at no cost to the Shareholder.
- 9.7 Shareholders are urged to read the Independent Expert's Report in full and seek their own advice if they have any queries.

***Background***

- 9.8 Article 98(1) of the Constitution sets out the Indemnity Obligation of the Company owed to the directors or officers of the Company or a wholly-owned Subsidiary, being that, to the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company or a wholly-owned Subsidiary against:
- (a) any liability for costs and expenses incurred by that person in defending any Proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any Proceedings in which the Court grants relief to the person under the Corporations Act; and

- (b) any liability incurred by the person, as an officer of the Company or a wholly-owned Subsidiary, to another person (other than the Company or a related body corporate of the Company) unless the liability arises out of conduct involving a lack of good faith.

- 9.9 In addition to the obligations set out in the Article 98(1) of Constitution, the Company has entered into Deeds of Indemnity with its directors and certain officers which, amongst other things, re-iterate the Indemnity Obligations of the Company under the Constitution. It is common practise for listed companies to enter into a separate deed of indemnity with its directors and officers.
- 9.10 Historically, pursuant to Article 98(2) of the Constitution, the Company has obtained D&O Insurance from third party insurers to support and manage the potential risk associated with its Indemnity Obligation owed to the directors and officers of the Company or a Subsidiary, including a wholly-owned Subsidiary.
- 9.11 The Board has observed significant increases and general unpredictability in D&O Insurance costs across the market, in particular, rising premiums in respect of public companies.
- 9.12 The premium paid by the Company for the last purchased D&O Insurance policy for the period from 1 November 2019 to 31 October 2020 for \$75 million cover and liability limit was \$257,000. The quote provided to the Company for D&O Insurance for the following year for equivalent cover and liability limit was \$2,560,000. The Company has received a quote of \$2,100,000 to \$2,200,000 for premium payable for D&O Insurance for the period 1 November 2023 to 31 October 2024 for \$75 million cover and liability limit.
- 9.13 Each Director:
- (a) considers the cost of D&O Insurance in recent years to be a significant cost for the Company and an impost on its Shareholders;
  - (b) agrees that the Company, acting in good faith, should implement the Proposed Security Arrangement to secure its Indemnity Obligation to each Eligible Person, instead of obtaining D&O Insurance from a third party;
  - (c) agrees that the Company, acting in good faith, should implement the Proposed Security Arrangement to continue to support its Indemnity Obligations owed to Eligible Persons and attract and retain quality directors; and
  - (d) acknowledges that from time to time where there is a change in circumstances including the cost of D&O Insurance premiums or potential risks, it may be prudent for the Company, acting in good faith, to consider and, if appropriate, seek to obtain D&O Insurance from a third party.
- 9.14 Qualifying Persons are:
- (a) Excluded Persons, being Gerald Harvey, Kay Lesley Page, Michael John Harvey, and Christopher Herbert Brown; and
  - (b) the directors of the Custodian Trustee.
- Each Qualifying Person is excluded from being an Eligible Person.
- 9.15 Each Qualifying Person acknowledges and agrees that by implementing the Proposed Security Arrangement and whilst it remains operational:
- (a) each Qualifying Person will not benefit from the Proposed Security Arrangement or the Trust; and
  - (b) the Indemnity Obligation owed by the Company to each Qualifying Person will be unsecured.

### ***Proposed Security Arrangement***

- 9.16 In light of the significant cost and unpredictability of D&O Insurance premiums, the Company proposes to secure its Indemnity Obligation owed to each Eligible Person by implementing the Proposed Security Arrangement, instead of obtaining D&O Insurance from a third party insurer. Implementation of the Proposed Security Arrangement will not restrict or prevent the Company from seeking to obtain D&O Insurance if the Company chooses.
- 9.17 If approved by Shareholders, the Proposed Security Arrangement will be implemented as described in paragraphs 9.18 to 9.51 below.

### ***Trust, Beneficiaries and Excluded Persons***

- 9.18 The Company will establish a Trust known as the "HVN D&O Indemnity Trust", with Eligible Persons as the beneficiaries of the Trust.
- 9.19 An Eligible Person is a person who is, has been or, subject to the Corporations Act and the Listing Rules, in the future may be, a director or officer of the Company or a Subsidiary (other than a Qualifying Person).
- 9.20 Each Qualifying Person (being an Excluded Person or director of the Custodian Trustee) is excluded from being an Eligible Person and cannot benefit from the Proposed Security Arrangement or the Trust.

### ***Trustee, directors of the Custodian Trustee (HNIC) and joint appointors***

- 9.21 HNIC (the proposed Custodian Trustee), a wholly-owned Subsidiary, will be appointed to act as trustee of the Trust. The directors of the Custodian Trustee, as Qualifying Persons, are excluded from being Eligible Persons and cannot benefit under the Proposed Security Arrangement or the Trust.
- 9.22 Under the terms of the Trust Deed and the constitution of the Custodian Trustee, the board of directors of the Custodian Trustee must be comprised of a majority of independent directors.
- 9.23 An independent director is a director who is not a member of management of the Consolidated Entity and is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring independent judgement when fulfilling their duties as a director.<sup>1</sup>
- 9.24 For the purposes of the Proposed Security Arrangement, an independent director of the Custodian Trustee cannot be an Eligible Person or an Excluded Person.
- 9.25 The Custodian Trustee has been incorporated with its board of directors being:
- (a) Claire Estelle Bibby;
  - (b) Craig Michael Jackson; and
  - (c) Robert John Alexander Slocombe.
- 9.26 Each of Ms Bibby, Mr Jackson and Mr Slocombe are considered to be independent directors of the Custodian Trustee as each director satisfies the criteria referred to in paragraph 9.23 above. A biography of each director is set out in Table 1 below.

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<sup>1</sup> See Recommendation 2.3 of the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 4<sup>th</sup> Edition (February 2019).

**Table 1**

Directors of the Custodian Trustee	Biography
<p>Claire Estelle Bibby</p>	<p>Ms. Bibby is a senior lawyer and professional coach (PCC) with a local and international practice including commercial and corporate legal services, coaching of professionals and executives, keynote speaking and mediation.</p> <p>Ms. Bibby has been awarded the Excellence Award for Women in Law, General Counsel of the Year, Female Executive of the Year in Asia, Australia &amp; New Zealand and Mentor of the Year.</p> <p>Ms. Bibby is an Industry/Professional Fellow within the Faculty of Law at the University of Technology, Sydney. Ms. Bibby is also an Honorary Member of the Association of Corporate Counsel, an Entrepreneur Ambassador for Opportunity International, and a member of the Australian Financial Review's Business Leader's Panel, the SmartCompany's Readers Panel, the Harvard Business Review Advisory Council and International Coaching Federation. Ms. Bibby is also a Fellow of the Institute of Managers and Leaders Australia and New Zealand and a past Fellow of the Governance Institute of Australia.</p> <p>Ms. Bibby is an experienced non-executive director, currently sitting on multiple ASX-listed and public company boards including Arowana International, CommsGroup, Clime Investment Management and Magnis Energy Technologies, as well as unlisted and charity positions.</p>
<p>Craig Michael Jackson</p>	<p>Mr Jackson holds a Diploma in Commerce from the New South Wales Institute of Technology. He is a Fellow of the Institute of Chartered Accountants in Australia/New Zealand and a Fellow of the Australian Institute of Company Directors.</p> <p>Mr Jackson spent over 40 years as an Accounting Professional having been a Partner of KPMG, Andersen and EY. He held leadership roles in these firms in practice areas and served on the respective firms' governing boards. Mr Jackson was a Registered Company Auditor for 29 years.</p> <p>During his professional accounting career Mr Jackson held lead partner roles for international and domestic companies (ASX 100) in external audit, risk management and internal audit, performance improvement, corporate governance, acquisitions, divestments and new listings.</p> <p>Mr Jackson spent 6 years on the National Council of the Australian Institute of Company Directors and he was Chair of the Audit Committee throughout this time. Mr Jackson was awarded a Certificate of Appreciation for his service to the Institute.</p>

Directors of the Custodian Trustee	Biography
	<p>Mr Jackson is an experienced Company Director having served as Director and Committee Chair of unlisted and listed domestic and international companies. Mr Jackson's current Directorships include Paloma Rheem Global headquartered in Atlanta Georgia USA, NSW Ports, Kimbriki Environmental Enterprises (Chair) and Bowel Cancer Australia (Chair). Mr Jackson is a former Director of numerous companies and served as Director and Chair of the Audit and Risk Committee of Amaysim Limited. He also served for 9 years on the Sydney University Accounting Foundation.</p>
Robert John Alexander Slocombe	<p>Mr. Slocombe holds a Master of Science and Technology from the University of New South Wales and a Master of Business – Finance and Funds Management from the University of Technology Sydney.</p> <p>Mr. Slocombe joined the Royal Automobile Club of Western Australia in September 2014 as the Chief Operating Officer and was later appointed the Chief Executive Officer in March 2019.</p> <p>Mr. Slocombe is also a director and chairman of BetterLabs and holds a number of non-executive director roles including the Royal Flying Doctor Service (Western Australia), The myHomecare Group Australia and St Ives Retirement Living. Mr. Slocombe is also the chairman of the Audit and Risk Committee of St Ives Retirement Living.</p> <p>Mr. Slocombe has extensive experience in financial services and banking, including roles at Westpac, St George, Challenger Financial Services and AMP Bank.</p> <p>During his time in Sydney, Mr. Slocombe volunteered for the State Emergency Service and was awarded the NSW State Emergency Service Long Service Medal in 2010.</p> <p>Mr. Slocombe is also a Fellow of the Australian Institute of Management (WA), a member of the Faculty of Business and Law Advisory Council at Curtin University and a member of the senate of Fédération Internationale de l'Automobile.</p>

- 9.27 The appointor of the Trust is Gerald Harvey, Kay Lesley Page, Michael John Harvey and Christopher Herbert Brown (being the Excluded Persons), who must act jointly and unanimously when exercising the powers of the appointor under the Trust Deed.
- 9.28 Pursuant to the Trust Deed, the appointor may remove or replace the Custodian Trustee or appoint an additional trustee of the Trust or appoint a succeeding appointor of the Trust. Any replacement Custodian Trustee or additional trustee appointed by the appointor must satisfy the criteria set out in the Trust Deed including:
- (a) a new trustee or an additional trustee of the Trust must not be appointed unless such appointment has been approved by:
    - (i) Shareholders; or
    - (ii) a court of competent jurisdiction; and

(b) where it is a corporate trustee, having a majority of independent directors.

- 9.29 If the Proposed Security Arrangement contemplated in Resolution 11 is approved by Shareholders, any future appointment of a new Custodian Trustee or additional trustee will be subject to Shareholder approval.
- 9.30 Under the Trust Deed, an external administrator of the Custodian Trustee or a shareholder (or ultimate holding company) of the Custodian Trustee (being the Company for the time being) is not entitled to appoint a new Custodian Trustee under any circumstances.

### ***Income and Vesting of the Trust***

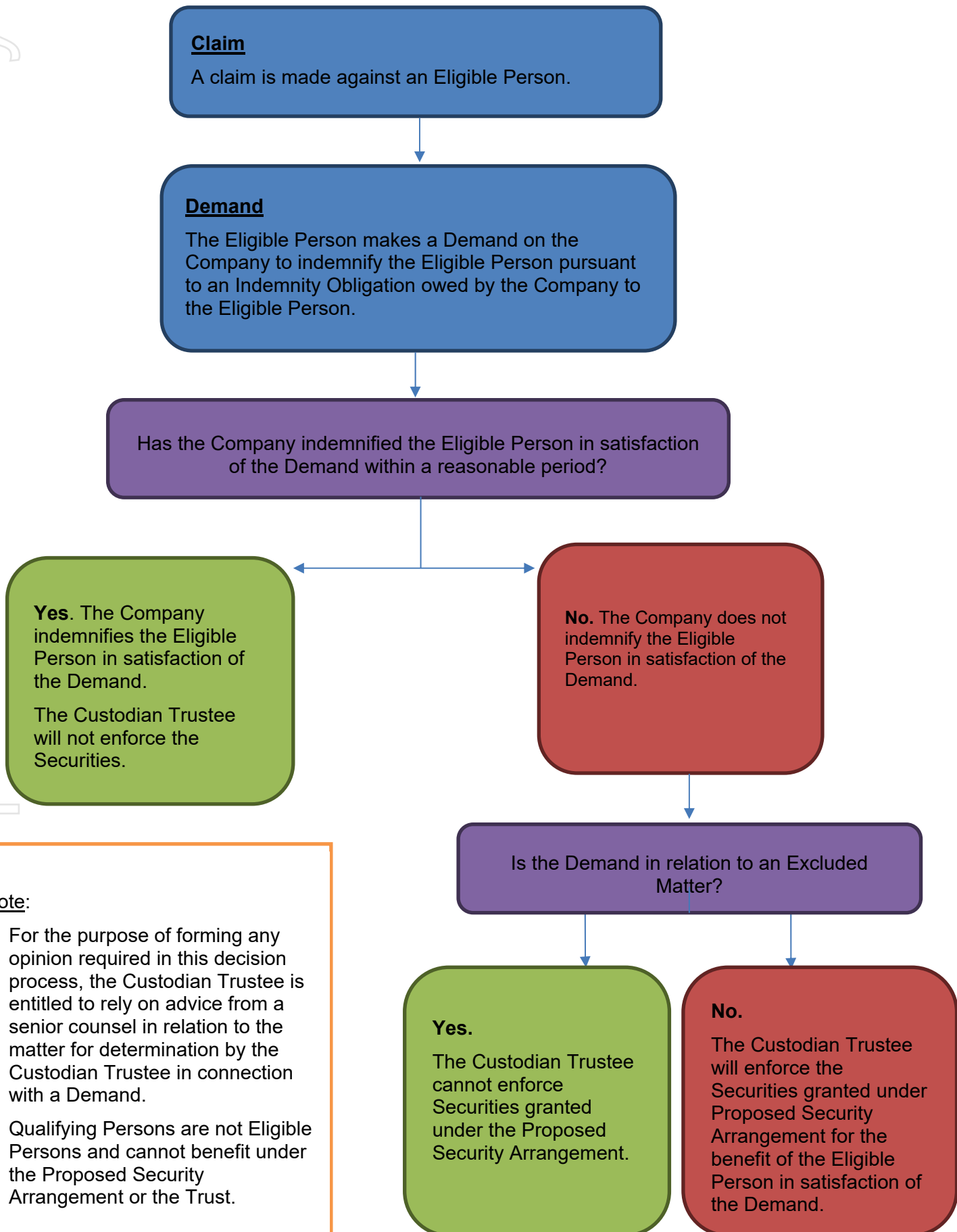
- 9.31 Under the Trust Deed, the trustee may accumulate the Trust income to form part of the capital of the Trust. Where the Trust income is not accumulated, it will be held for the Charity.
- 9.32 Whilst the Company or a Subsidiary will grant a security interest over certain unencumbered assets to be held by the Custodian Trustee, the Company and each relevant Subsidiary as owners of those assets, will retain legal title to those assets and be entitled to receive any income generated or yielded from those assets.
- 9.33 From the Vesting Day, the Securities will be released, and the capital of the Trust shall be held in trust for the Charity.

### ***Scope of Indemnity, Demands, Role of Custodian Trustee***

- 9.34 Under the Trust Deed the Custodian Trustee is charged with administering the Trust, and:
- (a) the Company or a Subsidiary from time to time will grant to the Custodian Trustee a security interest over certain unencumbered assets of the Company or a Subsidiary to secure the Indemnity Obligation owed by the Company to each Eligible Person (**Securities**);
  - (b) the Securities will be held as part of the trust fund of the Trust for the benefit of each Eligible Person; and
  - (c) the Custodian Trustee has exclusive management and control of the trust fund, free of the control of the Company or Eligible Persons, to the same extent as though the Custodian Trustee is the absolute beneficial owner of the trust fund and not subject to any obligation to the Company or Eligible Persons except as expressly contained in the Trust Deed or the Security Deed.
- 9.35 Under the Trust Deed, the Custodian Trustee has a range of powers to fulfil its responsibilities as trustee, including power to enforce, sell or release Securities (subject to the Security Deed), invest and earn income for the Trust Fund, operate a bank account and appoint an attorney.
- 9.36 If:
- (a) the Custodian Trustee receives notice that the Company has refused to comply with, or make timely payment of, a Demand in respect of an Indemnity Obligation owed by the Company to an Eligible Person; and
  - (b) the Custodian Trustee is of the reasonable opinion that:
    - (i) the Eligible Person is entitled to the benefit of the Securities in respect of some or all of the amount sought in the Demand; and
    - (ii) the subject matter of the claim is not an Excluded Matter,
 then the Custodian Trustee must enforce the Securities to satisfy the amount payable in respect of the Demand.
- 9.37 The Custodian Trustee may rely on advice from a senior counsel where it is required to form an opinion in connection with any matter relating to a Demand.

9.38 Diagram 1 below illustrates the decision process for the Custodian Trustee described above.

**Diagram 1:**



**Baseline amount of security**

- 9.39 The last purchased D&O Insurance policy by the Company for the period from 1 November 2019 to 31 October 2020 was for \$75 million cover and liability limit. The Company is of the view that for the purposes of the Proposed Security Arrangement, it is reasonable to have an initial baseline amount of security which is equivalent to the level of cover and liability limit under its last D&O Insurance policy, namely an initial baseline amount of security of \$75 million.
- 9.40 The Company obtained independent actuarial advice to inform its decision regarding the establishment of the Trust and the proposed mix of assets comprised in the Securities for the initial baseline amount of security.
- 9.41 The independent actuarial advice received by the Company includes a recommendation that security be given over initial assets with a total value which exceeds the initial baseline amount, so to act as a buffer for changes in market value and/or the cost of liquidating the asset. Guided by this recommendation, the Company proposes to provide security over initial assets with a total value of \$134,575,055.41 so that if the security interest is exercised, the liquidated assets will more than likely yield \$75 million. This is predicated on the asset mix, including the type of assets and the proportion of each asset type, and applying factors (which would apply to an insurer offering D&O insurance) such as asset risk charges and asset concentration risk charges, which informs the timing of, and anticipated yield from, liquidating the assets if the security interest is enforced by the Custodian Trustee.
- 9.42 Details of the initial assets of the Company or its Subsidiary proposed to form part of the Securities to be held by the Custodian Trustee for an initial baseline amount of \$75 million are set out in Table 2 below. These assets have a total value of \$134,575,055.41.



**Table 2**

	Asset	Value	Valued as at	Owner <sup>2</sup> of asset
<b>Cash</b>				
(a)	Moneys in the amount of \$2 million, in aggregate, standing to the credit of HNSI in a specified ADI Account.	\$2 million	Not Applicable	HNSI
<b>Real Property</b>				
(b)	Lot 508 Main North Road, Smithfield, South Australia (Folio ID: 508/91206)	\$46,590,621.66 (Fair Value <sup>3</sup> )	30 June 2023	Calardu Munno Para
(c)	30-32 Bowden Street, Alexandria, New South Wales (Folio ID: 100/876407)	\$54,134,146.71 (Fair Value <sup>3</sup> )	30 June 2023	Calardu Alexandria WH
<b>Equity</b>				
(d)	13 parcels of listed equities	\$31,850,287.04 (Market Value <sup>4</sup> )	30 June 2023	HNSI

**Actuarial Audits and Funding**

- 9.43 Under the Trust Deed, in each financial year that the Proposed Security Arrangement is operational, the Company will engage an independent actuarial auditor to undertake an Actuarial Audit of the assets, activities and operations of the Custodian Trustee and provide an Audit Report to the Custodian Trustee. The independent actuarial auditor may also provide actuarial advice or recommendations to the Custodian Trustee regarding the Trust, including in relation to any variation to the baseline amount of security, the sufficiency of the Securities and any adjustments in the amount of the Securities granted by the Company to the Custodian Trustee under the terms of the Trust Deed, including any replacement of Securities following an enforcement by the Custodian Trustee to satisfy payment of a valid Demand, as referred to in paragraph 9.36 above.
- 9.44 The Custodian Trustee will present each Audit Report and any actuarial advice or recommendations of the independent actuarial auditor to the Board.

<sup>2</sup> Each is a wholly-owned Subsidiary.

<sup>3</sup> "Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. The Board assesses the fair value of each freehold investment property as at the balance date. This assessment is informed by:

- the information and advice contained in the last independent external valuation report for that property prepared by an external, professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the property being valued (**Independent Valuer**);
- the information and advice contained in the last internal valuation report for that property (which was informed by the immediately preceding independent external evaluation report for that property);
- the last management review for that property; and
- other information and professional or expert advice given or prepared by reliable and competent persons in relation to that property.

The Company's entire freehold investment property portfolio in Australia is valued by an Independent Valuer at least once every two (2) years on a rotational basis.

<sup>4</sup> Determined by the market price quoted on the ASX on the relevant date.

- 9.45 After considering the Audit Report and any actuarial advice or recommendations of the independent actuarial auditor, the Board will determine whether to vary the baseline amount of security and, if appropriate, the assets offered as Securities.
- 9.46 Any Director who is an Eligible Person will have an interest in any deliberations or decisions concerning the Proposed Security Arrangement, including any variation to the baseline amount of security or adjustment to the assets offered as Securities, so will not participate in those deliberations or decisions by the Board concerning the Proposed Security Arrangement. Further, where required under the Corporations Act or Listing Rules, Shareholder approval will be sought prior to implementation of any increase to the baseline amount of security or variation to or replacement of the assets offered as Securities under the Proposed Security Arrangement.
- 9.47 All administration costs associated with managing the Trust, including all costs and expenses in relation to the annual audits and reports and any adjustment to the Securities, will be borne by the Company. The Company will also reimburse the Custodian Trustee for any expenses incurred in relation to the Trust and indemnify the Custodian Trustee for all costs incurred in administering the trust fund or any action taken by the Custodian Trustee in accordance with the Trust Deed. The annual administration costs for managing the Trust are estimated as \$151,290 per annum (noting that there may be additional costs in the event of a claim made under the Proposed Security Arrangement).
- 9.48 The independence of the actuarial auditor appointed to undertake the annual Actuarial Audit will be assessed based on the requirements of the Corporations Act and any other relevant law and, if relevant, guided by applicable regulatory guidelines.

#### ***Indemnity Obligation and External Administration***

- 9.49 Under the Proposed Security Arrangement, each Indemnity Obligation in respect of each Eligible Person will be secured. In this situation, if the Company becomes subject to external administration, an Eligible Person with a valid claim which has arisen before (or relates to events or circumstances occurring prior to) the date of the external administration, will have a right to require the Custodian Trustee to enforce that claim against the Securities as set out in the Trust Deed.
- 9.50 Without the Proposed Security Arrangement, each Indemnity Obligation will be unsecured. In this situation, if the Company becomes subject to external administration, an Eligible Person with a valid claim arising or relating to events before the external administration will have an unsecured claim against the Company and the Indemnity Obligation will rank equally with any claims of other unsecured creditors. It will be a matter for the external administrator to determine the priority of claims by the secured and unsecured creditors in accordance with applicable laws in the usual course of an external administration.

#### ***D&O Insurance***

- 9.51 If the Securities as contemplated by the Proposed Security Arrangement are no longer required, for example, where the Company decides to obtain D&O Insurance, then the Custodian Trustee will release the Securities in accordance with the terms of the Security Deed.

#### ***Independent Expert's Report***

- 9.52 The Independent Expert concludes that the Proposed Security Arrangement is reasonable for shareholders but is unable to provide an opinion on whether the Proposed Security Arrangement is fair.
- 9.53 In considering fairness, the Independent Expert adopted the position that the Proposed Security Arrangement is fair if the benefits of the Proposed Security Arrangement from the perspective of Shareholders is equal to or greater than the benefits gained by the Eligible Persons. The Independent Expert considers that it is likely that both the benefits to the Eligible Persons and the net benefit to Shareholders is relatively small. As it is difficult to

reliably estimate in monetary terms the benefits to Shareholders and Eligible Persons, the Independent Expert is unable to conclude as to whether the Proposed Security Arrangement is fair.

- 9.54 To determine whether the Proposed Security Arrangement is reasonable, the Independent Expert has considered whether the advantages of the Proposed Security Arrangement exceed the disadvantages from the perspective of the Shareholders. In the opinion of the Independent Expert, the advantages outweigh the disadvantages, and the Independent Expert concludes that the Proposed Security Arrangement is reasonable.
- 9.55 A summary of the Independent Expert's opinion is set out in paragraphs 12 - 16 of the IER, with the advantages and disadvantages for Shareholders summarised at paragraph 17 of the IER. A full copy of the IER is enclosed at Attachment B1 of this Notice of Meeting or can be accessed as set out in paragraph 9.6. Shareholders are urged to read the full report and seek their own advice if they have queries.

## Part 2E of the Corporations Act

- 10.1 The following information is provided in accordance with section 219 of the Corporations Act:

*The related parties to whom Resolution 11 would permit the financial benefit to be given.*

- 10.2 The related parties (as defined under section 228 of the Corporations Act) to whom Resolution 11 would permit a financial benefit to be given are each of the following current Directors, being Eligible Persons entitled to the benefit of the security interest held by the Custodian Trustee under the Proposed Security Arrangement (**Eligible Directors**):
- (a) David Matthew Ackery;
  - (b) Chris Mentis;
  - (c) John Evyn Slack-Smith;
  - (d) Luisa Catanzaro;
  - (e) Maurice John Craven;
  - (f) Kenneth William Gunderson-Briggs.
- 10.3 In respect of any new director appointed to the Board, the Company will seek Shareholder approval for that new director to be an Eligible Person and to receive a financial benefit under the Proposed Security Arrangement.
- 10.4 The following directors are **Excluded Persons** and not entitled to benefit under the Proposed Security Arrangement:
- (a) Gerald Harvey
  - (b) Kay Lesley Page
  - (c) Michael John Harvey
  - (d) Christopher Herbert Brown.
- 10.5 The directors of the Custodian Trustee are not entitled to benefit under the Proposed Security Arrangement.

*The nature of the financial benefits*

- 10.6 The nature of the proposed financial benefits is for each Eligible Person to have the benefit of a secured Indemnity Obligation by way of the Securities which will be held on trust by the Custodian Trustee under the Proposed Security Arrangement. Details of the Proposed Security Arrangement are set out above in paragraphs 9.18 to 9.51 (inclusive).

*The recommendations of the directors of the company*

- 10.7 Each Director of the Company recommends that Shareholders approve Resolution 11 for the reasons set out below:
- (a) The significant cost and unpredictability of D&O Insurance premiums in recent years is an impost on Shareholders, which has led the Company to develop the Proposed Security Arrangement as an alternative option to obtaining D&O Insurance from a third party insurer.
  - (b) The Proposed Security Arrangement is expected to save the Company substantial premium and brokerage costs in the current financial year.
  - (c) The Proposed Security Arrangement will provide the Company with an ongoing alternative to obtaining D&O Insurance, without restricting or preventing the Company from seeking to obtain D&O Insurance in the appropriate circumstances or conditions.
  - (d) The Proposed Security Arrangement will enable the Company to continue to support the Indemnity Obligation owed by the Company to each Eligible Person and attract and retain quality directors.
  - (e) Under the Proposed Security Arrangement, the Custodian Trustee will take security over unencumbered assets of the Company or Subsidiaries from time to time to secure the Indemnity Obligation owed by the Company to each Eligible Person.
  - (f) Each financial year an independent actuary will undertake an Actuarial Audit of the assets, activities and operations of the Custodian Trustee and provide an Audit Report to the Custodian Trustee. The independent actuarial auditor may also provide actuarial advice to the Custodian Trustee. The Custodian Trustee will present to the Board for its consideration the Audit Report and any actuarial advice or recommendations, including in relation to the sufficiency of the Securities and any adjustments in the amount of the Securities granted by the Company to the Custodian Trustee under the terms of the Trust Deed. Shareholder approval will be sought before any adjustment is made to the Securities.

*The interest of each director of the Company in the outcome of Resolution 11*

- 10.8 Each Eligible Director (as listed in paragraph 10.2) is a related party of the Company and may benefit directly from the outcome of Resolution 11 and as such, each Eligible Director has an interest in the outcome of Resolution 11.
- 10.9 If Resolution 11 is approved, each Eligible Director will obtain a benefit by way of a secured right of indemnity in respect of the Indemnity Obligation owed to the Eligible Director by the Company, with the Securities held on trust for the benefit of the Eligible Director by the Custodian Trustee on the terms of the Trust Deed and the Security Deed. This will be instead of each Eligible Director having the benefit of a D&O Insurance policy from a third party insurer.
- 10.10 The Eligible Directors abstained from voting on the Proposed Security Arrangement at the relevant Board meeting of the Company.
- 10.11 The voting exclusion statement set out in Attachment A will apply to each Eligible Director and their associates.
- 10.12 Each Excluded Person (as listed in paragraph 10.4) is a Director of the Company and is not entitled to benefit from the Proposed Security Arrangement. Each Excluded Person has no interest in the outcome of the Resolution 11 other than in their capacity as a Shareholder or relevant interest holder of the Company (as applicable).
- 10.13 Each Excluded Person acknowledges and agrees that if the Proposed Security Arrangement is implemented and for so long as it remains operative:

- (a) each Excluded Person will not benefit from the Proposed Security Arrangement or the Trust; and
- (b) the Indemnity Obligation owed by the Company to each Excluded Person will be unsecured.

*Other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its directors*

#### Taxation consequences

- 10.14 No adverse or detrimental tax consequences or costs are anticipated in connection with the Proposed Security Arrangement the subject of Resolution 11.

#### Benefits foregone by whoever would give the benefits

- 10.15 Under the Proposed Security Arrangement, the Company or its Subsidiaries will grant a security interest over the assets in Table 2 in paragraph 9.42 to be held by the Custodian Trustee and, for the duration of the Proposed Security Arrangement, the assets over which a security interest is granted will not be available for the Company to use as collateral in other circumstances (if required). However, the Company does not anticipate such circumstances arising and it is noted that the Company has other substantial assets available to offer as collateral if required.
- 10.16 So far as each Director and the Company is aware, there are no other benefits foregone by any party.

#### Other relevant information

- 10.17 All other information which the Board considers is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors is set out in these Explanatory Notes and the accompanying IER.

## Glossary

Term	Meaning
<b>Actuarial Audit</b>	an actuarial audit undertaken by an independent actuarial auditor of the assets, activities and operations of the Custodian Trustee and the Trust
<b>ADI</b>	is short for authorised deposit-taking institution and has the same meaning as in the <i>Banking Act 1959</i> (Cth)
<b>ADI Account</b>	an account within the ordinary meaning of that term, kept by a person (whether alone or jointly with one or more other persons) with an ADI that is payable on demand or at some time in the future (as agreed between the ADI and the person or persons)
<b>AEDT</b>	Australian Eastern Daylight Time
<b>AFSL</b>	Australian Financial Services Licence
<b>Annual Report</b>	the annual report of the Company for the financial year ending 30 June 2023
<b>Article</b>	an article of the Constitution
<b>ASX</b>	the Australian Securities Exchange
<b>Audit Report</b>	an audit report provided by an independent actuarial auditor to the Custodian Trustee in respect of each Actuarial Audit
<b>Board</b>	the board of directors of the Company
<b>Calardu Alexandria WH</b>	Calardu Alexandria WH Pty Limited ACN 128 892 839 (a wholly-owned Subsidiary) in its capacity as trustee of the Calardu Alexandria WH Trust ABN 82 359 636 511
<b>Calardu Munno Para</b>	Calardu Munno Para Pty Limited ACN 092 876 705 (a wholly-owned Subsidiary) in its capacity as trustee of the Calardu Munno Para Trust ABN 13 540 408 307
<b>Charity</b>	Windgap Foundation Limited ABN 14 050 095 077 (or if that organisation no longer exists or no longer has deductible gift recipient status, then such other organisation that in the opinion of the Custodian Trustee performs substantially the same functions as Windgap Foundation Limited ABN 14 050 095 077)
<b>Company</b>	Harvey Norman Holdings Limited ACN 003 237 545
<b>Conditions</b>	as defined in paragraph 6.7 of the Explanatory Notes
<b>Consolidated Entity</b>	the Company and all controlled entities of the Company
<b>Constitution</b>	the Articles of Association of the Company (as amended)
<b>Consultant</b>	as defined in paragraph 6.3 of the Explanatory Notes
<b>Consumer Law</b>	the <i>Competition and Consumer Act 2010</i> (Cth), including the Australian Consumer Law contained in schedule 2 of the <i>Competition and Consumer Act 2010</i> (Cth)
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Custodian Trustee</b>	the trustee of the Trust from time to time, being HNIC for the time being

Term	Meaning
<b>D&amp;O Insurance</b>	directors and officers liability insurance
<b>Deed of Indemnity</b>	a deed of indemnity between the Company and the directors and officers of the Company or its Subsidiaries, under which the Company indemnifies the director or officer
<b>Demand</b>	a demand made by an Eligible Person upon the Company or a Subsidiary in respect of an Indemnity Obligation
<b>Designated Proxy Holder</b>	has the meaning given to it the Proxy Form
<b>Director</b>	a director of the Company
<b>Dividend Equivalent Amount or DEA</b>	as defined in paragraph 6.24 of the Explanatory Notes
<b>Eligible Directors</b> and each is an <b>Eligible Director</b>	each of the following Directors, being Eligible Persons entitled to the benefit of the security interest held by the Custodian Trustee under the Proposed Security Arrangement:  (a) David Matthew Ackery (b) Chris Mentis (c) John Evyn Slack-Smith (d) Luisa Catanzaro (e) Maurice John Craven (f) Kenneth William Gunderson-Briggs
<b>Eligible Persons</b> and each is an <b>Eligible Person</b>	any person who is, has been or, subject to the Corporations Act and Listing Rules, in the future may be, a director or officer of the Company or a Subsidiary (other than a Qualifying Person) and has the benefit of an Indemnity Obligation
<b>Excluded Matter</b>	any matter in respect of which the Corporations Act or any Relevant Law prohibits the Company indemnifying a director or officer
<b>Excluded Persons</b> and each is an <b>Excluded Person</b>	each of Gerald Harvey, Kay Lesley Page, Michael John Harvey and Christopher Herbert Brown
<b>Expert Advice</b>	as defined in paragraph 6.4 of the Explanatory Notes
<b>Explanatory Notes</b>	the explanatory notes set out in Attachment B to the Notice of Meeting
<b>Financial Years</b>	as defined in paragraph 6.37 of the Explanatory Notes
<b>Grantee</b>	as defined in paragraph 6.34 of the Explanatory Notes
<b>HNIC</b>	HNIC Pty Limited ACN 656 003 486, a wholly-owned Subsidiary, acting in its capacity as trustee of the Trust
<b>HNSI</b>	HNSI Pty Limited ACN 660 784 305, a wholly-owned Subsidiary

Term	Meaning
<b>Indemnity Obligation</b>	any obligation of the Company to indemnify a person arising from any of the following: (a) a statutory obligation to provide an indemnity to a director or officer of the Company or a Subsidiary; or (b) a contractual obligation to provide an indemnity to a director or officer of the Company or a Subsidiary, provided that the indemnity does not relate to an Excluded Matter
<b>Independent Expert</b>	Lonergan Edwards & Associates Limited ABN 53 095 445 560 AFSL No. 246532
<b>Independent Expert's Report, Independent Expert Report or IER</b>	the independent expert report prepared by the Independent Expert for the purposes of Part 2E of the Corporations Act, a copy of which accompanies the Explanatory Notes in this Notice of Meeting
<b>Key Management Personnel</b>	key management personnel of the Company, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, details of whose remuneration are included in the Remuneration Report
<b>Listing Rules</b>	the ASX Listing Rules
<b>LTI Plan or Harvey Norman 2016 Long Term Incentive Plan</b>	the 2016 Long Term Incentive Plan (as amended), implemented by the Company, on the terms and conditions approved by the shareholders of the Company at the Company's annual general meeting held on 24 November 2015
<b>Meeting</b>	the 2023 Annual General Meeting of the Company
<b>NEDs</b>	as defined in paragraph 6.3 of the Explanatory Notes
<b>Notice of Meeting</b>	this notice of meeting in respect of the Meeting
<b>Participant</b>	as defined in paragraph 6.7 of the Explanatory Notes
<b>Performance Rights</b>	as defined in paragraph 6.7 of the Explanatory Notes
<b>Proceedings</b>	has the meaning ascribed to that term in Article 98(3)(a) of the Constitution, being any proceedings, whether civil or criminal, in which it is alleged that the person has done or omitted to do some act, matter or thing in his or her capacity as such an officer or in the course of acting in connection with the affairs of the Company or otherwise arising out of the officer's holding such office (including proceedings alleging that he or she was guilty of negligence, default, breach of trust or breach of duty in relation to the Company)
<b>Proposed Security Arrangement</b>	the proposed arrangement whereby a security interest is granted over certain unencumbered assets of the Company or a Subsidiary from time to time, in favour of the Custodian Trustee to secure the Indemnity Obligation owed by the Company to Eligible Persons, the subject of Resolution 11
<b>Proxy Form</b>	the proxy form in respect of the Meeting, set out in Attachment C to the Notice of Meeting



Term	Meaning
<b>Qualifying Persons</b> and each is a <b>Qualifying Person</b>	Excluded Persons and the directors of the Custodian Trustee
<b>Relevant Law</b>	the Consumer Law and any other relevant statutes which are applicable in respect of the indemnification of directors and officers by a company
<b>Remuneration Committee</b>	the remuneration committee of the Company, a sub-committee of the Board
<b>Remuneration Report</b>	the 2023 Remuneration Report as set out in the 2023 Annual Report of the Company
<b>RONA</b>	as defined in paragraph 6.37 of the Explanatory Notes
<b>Securities</b>	the security interest granted over certain unencumbered assets of the Company or a Subsidiary in favour of the Custodian Trustee from time to time to secure the Indemnity Obligation owed to each Eligible Person
<b>Security Deed</b>	any agreement between the Company or a Subsidiary (as grantor) and the Custodian Trustee (as secured party) for the Securities, which sets out the rights, powers and responsibilities of the parties
<b>Share</b>	an ordinary share in the Company
<b>Shareholder or member</b>	a member of the Company
<b>Subsidiary</b>	a subsidiary of the Company within the meaning of the Corporations Act
<b>Tranche FY24</b>	as defined in paragraph 6.18 of the Explanatory Notes
<b>Trust</b>	the trust to be settled on the terms set out in the Trust Deed and summarised in the Explanatory Notes, also known as the HVN D&O Indemnity Trust
<b>Trust Deed</b>	the deed of settlement between the Custodian Trustee and the Company to create the Trust
<b>VAC</b>	means the Voter Access Code of each Shareholder of the Company
<b>Vesting Day</b>	the first to occur of: (a) the eightieth (80th) anniversary of the date of the Trust Deed; and (b) the date the Custodian Trustee appoints as the Vesting Day in accordance with the Trust Deed.

**ATTACHMENT B1**

**Independent Expert's Report**

For personal use only

# LONERGAN EDWARDS & ASSOCIATES LIMITED

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## Private and Confidential

The Directors  
Harvey Norman Holdings Limited  
A-1 Richmond Road  
Homebush West NSW 2140

Sent by email: chris.mentis@au.harveynorman.com

12 September 2023

**Subject: Transaction involving related parties and persons of interest**

Dear Directors

### Introduction

- 1 Harvey Norman Holdings Limited (Harvey Norman or the Company) has an obligation to indemnify certain people, provided the indemnity does not relate to an Excluded Matter<sup>1</sup>, arising from one or both of:
  - (a) an obligation under Article 98(1) of Harvey Norman's Constitution to provide an indemnity to a director or officer of the Company or a wholly-owned subsidiary<sup>2</sup>
  - (b) an obligation under Deeds of Indemnity to provide an indemnity to each director and certain officers of the Company or a subsidiary<sup>3</sup>.
- 2 For consistency with Attachment B of the Harvey Norman Notice of Annual General Meeting (Explanatory Notes), we have adopted the same defined term "Indemnity Obligation", namely:

*"any obligation of the Company to indemnify a person arising from any of the following:*

  - (a) *a statutory obligation to provide an indemnity to a director or officer of the Company or a Subsidiary; or*

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<sup>1</sup> An Excluded Matter is any matter in respect of which the *Corporations Act 2001* (Cth) (Corporations Act), the *Competition and Consumer Act 2010* (Cth), including the Australian Consumer Law contained in Schedule 2 of the *Competition and Consumer Act 2010* (Cth), or any other relevant statutes which are applicable in respect of the indemnification of directors and officers by a company prohibits the Company indemnifying a director or officer.

<sup>2</sup> As set out in paragraph 9.8 of the Explanatory Notes.

<sup>3</sup> As set out in paragraph 9.9 of the Explanatory Notes.

#### Authorised Representatives:

Hung Chu • Martin Hall • Grant Kepler\* • Julie Planinic\* • Jorge Resende • Nathan Toscan • Wayne Lonergan • Craig Edwards

(b) *a contractual obligation to provide an indemnity to a director or officer of the Company or a Subsidiary,*

*provided that the indemnity does not relate to an Excluded Matter”<sup>4</sup>*

- 3 Until 31 October 2020, the Company had Directors & Officers (D&O) insurance from third party insurers for this purpose, in line with their agreements with officers and directors. However, due to the rising cost of D&O insurance premiums the Company has chosen to self-insure rather than take out D&O insurance since 1 November 2020.
- 4 Harvey Norman is proposing to create a security interest over certain unencumbered assets owned by it or its subsidiaries (the Secured Assets) which will be held by the Custodian Trustee (which will be a wholly owned subsidiary of Harvey Norman, initially HNLC Pty Ltd) as custodian / trustee (of the HVN D&O Indemnity Trust) in respect of any future indemnity claims by Eligible Persons, who are the past, present and future directors and officers of Harvey Norman and its subsidiaries (other than the Qualifying Persons), who have the benefit of an Indemnity Obligation (the Proposed Security Arrangement). If the Proposed Security Arrangement is approved, the existing Deeds of Indemnity will be amended to remove any obligation on Harvey Norman to maintain D&O insurance.
- 5 The Qualifying Persons are the Excluded Persons (being Gerald Harvey, Kay Lesley Page, Michael John Harvey and Christopher Herbert Brown) and the directors of the Custodian Trustee.

#### Scope

- 6 The Proposed Security Arrangement involves related parties, since some of the Eligible Persons are directors of Harvey Norman. Accordingly, pursuant to Chapter 2E of the Corporations Act, the Proposed Security Arrangement must be approved by Harvey Norman shareholders (not associated with the Eligible Persons) before it can be implemented.
- 7 Accordingly, the Directors of Harvey Norman have requested that Lonergan Edwards & Associates Limited (LEA) set out our independent opinion on whether we consider the Proposed Security Arrangement is “fair” and “reasonable” to the Harvey Norman shareholders not associated with the Eligible Persons.

#### Basis of assessment

- 8 In preparing our report, we have considered the Regulatory Guides issued by the Australian Securities & Investments Commission (ASIC), particularly Regulatory Guide 111 – *Content of expert reports* (RG 111) and Regulatory Guide 76 – *Related party transactions* (RG 76).
- 9 Due to the unique nature of the Proposed Security Arrangement we have considered carefully the approach which should be adopted to determine whether the Proposed Security Arrangement is “fair” and “reasonable” to Harvey Norman shareholders.
- 10 Importantly, it should be noted that the Proposed Security Arrangement involves the granting of security interests over the Secured Assets only. It does not involve a decision regarding

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<sup>4</sup> We are advised that the term “contractual obligation” is intended to cover both the Deeds of Indemnity and the Harvey Norman Constitution (which is a contract between the Company and its shareholders), as well as any future contractual obligations that may arise over time. The reference to “statutory obligation” is intended to cover any obligations that may arise from laws or regulations, including future laws or regulations.

whether Harvey Norman should take out D&O insurance. Accordingly, the basis upon which we have assessed whether the Proposed Security Arrangement is “fair” and “reasonable” reflects this position.

- 11 We have therefore adopted the following approach to determine whether the Proposed Security Arrangement is “fair” and “reasonable” to Harvey Norman shareholders:

#### **Fairness**

- (a) we have adopted the position that the Proposed Security Arrangement would be fair to Harvey Norman shareholders if the benefits of the Proposed Security Arrangement from the perspective of Harvey Norman shareholders is equal to or greater than the benefits gained by the Eligible Persons
- (b) under RG 111, fairness is a quantitative test. However, given the nature of the Proposed Security Arrangement, it is difficult to reliably quantify the benefit of the Proposed Security Arrangement to shareholders and the Eligible Persons in monetary terms. Consequently, for the purposes of forming an opinion on fairness we will conclude that the Proposed Security Arrangement is “fair” if the benefits to Harvey Norman shareholders are likely to exceed the benefits gained by the Eligible Persons

#### **Reasonableness**

- (c) the Proposed Security Arrangement is considered reasonable if the advantages of the Proposed Security Arrangement exceed the disadvantages from the perspective of Harvey Norman shareholders, or if the expert believes that there are sufficient reasons for shareholders to approve the Proposed Security Arrangement
- (d) further, if the Proposed Security Arrangement is “fair”, under RG 111 it is also “reasonable”.

#### **Summary of opinion**

- 12 In our opinion, it is difficult to reliably estimate in monetary terms the benefits of the Proposed Security Arrangement for Harvey Norman shareholders and for the Eligible Persons. This is principally because:

- (a) the extent to which the Proposed Security Arrangement will enhance Harvey Norman’s ability to attract and retain quality directors cannot be quantified (even though one would expect the impact to be positive)
- (b) the value attributed by Eligible Persons to the security being provided under the Proposed Security Arrangement is also difficult to quantify, in part because the current Eligible Persons (and any potential additions to that group) are likely to place different values on the benefit depending on their individual circumstances and tolerance for risk. This is particularly the case given that it is reasonable to expect that Harvey Norman (based on its current financial position) will be able to meet any future indemnity claim even if the Proposed Security Arrangement is not approved and implemented. Given this, in our view the value of the benefits being provided to the Eligible Persons as a result of the Proposed Security Arrangement is not significant (but this value is positive).

- 13 We consider it likely that both the benefits to the Eligible Persons and the net benefits to Harvey Norman shareholders are relatively small. However, as it is difficult to reliably estimate in monetary terms the benefits of the Proposed Security Arrangement for Harvey Norman shareholders and for the Eligible Persons we are unable to conclude whether the Proposed Security Arrangement is fair.
- 14 In our opinion the advantages of the Proposed Security Arrangement outweigh the disadvantages. As a result, we consider that the Proposed Security Arrangement is reasonable.
- 15 One of the key advantages underlying our view that the Proposed Security Arrangement is reasonable is that, in the absence of taking out D&O insurance, in our opinion it is commercially justifiable for the Eligible Persons to be provided with security over certain assets of Harvey Norman or its subsidiaries to ensure that they will be indemnified for certain legal liabilities and costs which may be incurred by a director or officer in the performance of their duties for the Company or its subsidiaries. We also note that the difference (if any) between the benefits to Harvey Norman shareholders and the benefits to the Eligible Persons will be small relative to the size of Harvey Norman.
- 16 Overall, we therefore consider that:
- (a) whilst the benefits of the Proposed Security Arrangement to both Harvey Norman shareholders and the Eligible Persons are relatively small, we are not able to reliably estimate the value of either benefit and consequently we cannot provide a reliable opinion on whether the Proposed Security Arrangement is fair to Harvey Norman shareholders
  - (b) the Proposed Security Arrangement is reasonable.

### Summary of advantages and disadvantages

- 17 We summarise below the advantages and disadvantages of the Proposed Security Arrangement from the perspective of Harvey Norman shareholders:

#### Advantages

- (a) the Proposed Security Arrangement should enhance Harvey Norman's ability to attract and retain quality directors and officers
- (b) if the Proposed Security Arrangement is implemented Harvey Norman will have an alternative method of meeting its obligations to its directors and officers (other than taking out D&O insurance)

#### Disadvantages

- (c) some ongoing costs will be incurred, estimated at some \$0.15 million per annum. However, these are immaterial (in comparison with Harvey Norman's historical profitability, for instance it had net profit after tax and non-controlling interests of \$540 million in the year ended 30 June 2023). We note that there were one-off fees and costs incurred prior to seeking shareholder approval, but these are sunk costs that cannot be avoided
- (d) if the Proposed Security Arrangement is implemented the Security Assets can no longer be offered as first ranking security in connection with any current or future borrowings.

Whilst this is a disadvantage, we note that the release in July 2022 of assets then valued at some \$125 million (and valued at 30 June 2023 at some \$134.6 million) from the security granted to a secured lender has not affected borrowing costs or borrowing capacity to date. Harvey Norman has advised that it does not anticipate that the unavailability of the Secured Assets will adversely affect the current borrowing capacity of Harvey Norman.

## General

- 18 This report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual Harvey Norman shareholders. Accordingly, before acting in relation to the Proposed Security Arrangement, Harvey Norman shareholders should have regard to their own objectives, financial situation and needs. Harvey Norman shareholders should also read the Notice of Meeting that has been issued by Harvey Norman in relation to the Proposed Security Arrangement.
- 19 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether Harvey Norman shareholders should vote for, or against the Proposed Security Arrangement. This is a matter for individual Harvey Norman shareholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If Harvey Norman shareholders are in doubt about the action they should take in relation to the Proposed Security Arrangement or matters dealt with in this report, shareholders should seek independent professional advice.
- 20 For our full opinion on the Proposed Security Arrangement and the reasoning behind our opinion, we recommend that Harvey Norman shareholders read the remainder of our report.

Yours faithfully



Martin Hall  
Authorised Representative



Craig Edwards  
Authorised Representative

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# I Background

## Overview

- 21 Harvey Norman is a publicly listed company on the ASX. As at 11 September 2023 its market capitalisation was some \$5.0 billion.
- 22 In Australia a subsidiary of Harvey Norman (a franchisor) grants separate franchises to independent franchisees to use the Harvey Norman®, Domayne® or Joyce Mayne® trade marks in Australia and to conduct the retail business of the franchisee online or at or from a store within a particular branded complex, pursuant to the terms of a franchise agreement.
- 23 Other non-franchised segments of the Harvey Norman business include:
  - (a) offshore company-operated retail stores trading under the Harvey Norman® brand in New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Croatia and Slovenia
  - (b) retail and wholesale trading operations in Australia which are wholly owned, controlled or jointly controlled by subsidiaries of Harvey Norman and do not include any Harvey Norman®, Domayne® or Joyce Mayne® franchisee.
- 24 Harvey Norman also owns a large property portfolio, valued at some \$4.05 billion in the financial statements at 30 June 2023. This portfolio includes many of the sites on which franchisees operate in Australia, as well as many other properties.
- 25 As at 30 June 2023, Harvey Norman had total assets of some \$7.7 billion, or some \$6.4 billion if right of use assets<sup>5</sup> are excluded. In contrast, total liabilities as at 30 June 2023 were some \$3.2 billion (including some \$1.3 billion of liabilities in relation to leases).
- 26 Harvey Norman had a reported net profit after tax and non-controlling interests (NCI) of some \$540 million for the year ended 30 June 2023 (some \$472 million excluding AASB 16 net impact and net property revaluations).

## Indemnity obligations and D&O insurance

- 27 As set out in paragraphs 9.8 and 9.9 of the Explanatory Notes, Harvey Norman has an obligation to indemnify directors and officers of Harvey Norman and its subsidiaries for certain legal liabilities and costs, provided that these do not relate to an Excluded Matter, which may be incurred by a director or officer in the performance of their duties for Harvey Norman or its subsidiaries in that capacity (this is referred to as its Indemnity Obligation). Until 31 October 2020, Harvey Norman had D&O insurance from third party insurers for this purpose, in line with its agreements with officers and directors.
- 28 However, due to the rising cost of D&O insurance premiums Harvey Norman has chosen to self-insure rather than take out D&O insurance since 1 November 2020.
- 29 As a result of not taking out D&O insurance, Harvey Norman is not fulfilling the requirements of its agreements with its directors and officers. Accordingly, Harvey Norman has developed the Proposed Security Arrangement as an alternative method of providing security that its Indemnity Obligation will be met.

<sup>5</sup> Representing the right to use leased properties and other leased assets (which are recognised as assets under Australian Accounting Standard AASB 16 – *Leases* (AASB 16)).

## II Proposed Security Arrangement

### Overview

- 30 The arrangements associated with the granting of this security interest are described in detail in the Explanatory Notes provided by the Company and shareholders should refer to that material for a full explanation. However, for the purpose of our report we have set out an overview of the key elements.
- 31 Harvey Norman proposes to create a security interest over the Secured Assets which will be held by the Custodian Trustee, initially HNIC Pty Ltd (a wholly owned subsidiary of Harvey Norman), as custodian / trustee (of the HVN D&O Indemnity Trust) in respect of any future indemnity claims by Eligible Persons, other than the Qualifying Persons<sup>6</sup> (Proposed Security Arrangement). In the event of Harvey Norman refusing to honour its Indemnity Obligations, or being unable to meet its Indemnity Obligations (e.g. due to insolvency), the Proposed Security Arrangement would enable the Eligible Persons to claim against the Secured Assets to meet any indemnity claims. That is, the Eligible Persons would effectively become secured creditors of Harvey Norman in the event of any unpaid indemnity claim.
- 32 The Secured Assets comprise a combination of cash, shares and real property, as set out in paragraph 9.42 of the Explanatory Notes, with a total value at 30 June 2023 of some \$134.6 million. The quantum of Secured Assets has been decided by the Harvey Norman Board (with Eligible Directors excluded from the decision), based on advice from an independent actuary that there should be a buffer to ensure that on liquidation of the Secured Assets the proceeds could meet a claim of \$75 million. The D&O insurance policy last purchased by the Company for the 12 months ended 31 October 2020 provided a level of cover and liability limit of \$75 million<sup>7</sup>.
- 33 We are advised that the Eligible Directors (being David Matthew Ackery, Chris Mentis, John Evyn Slack-Smith, Luisa Catanzaro, Maurice John Craven, and Kenneth William Gunderson-Briggs) have agreed with Harvey Norman that the Proposed Security Arrangement would be an acceptable alternative to the Company taking out D&O insurance and their Deeds of Indemnity will therefore be amended to remove reference to D&O insurance if the Proposed Security Arrangement is approved.

### Key effects

- 34 The full details of the Proposed Security Arrangement are set out in the Explanatory Notes, but the key effects are:
- (a) the Custodian Trustee will get a security interest over the Secured Assets (a combination of cash, shares and real property, with a total value at 30 June 2023 of some \$134.6 million)
  - (b) Harvey Norman or its subsidiaries will continue to own the Secured Assets, but cannot sell these assets nor use these assets to secure borrowings

<sup>6</sup> Being the Excluded Persons (Gerald Harvey, Kay Lesley Page, Michael John Harvey and Christopher Herbert Brown) and the directors of the Custodian Trustee.

<sup>7</sup> For each subsequent year after implementing the Proposed Security Arrangement, the Custodian Trustee will have the power to make a recommendation to the Harvey Norman Board as to the amount of security assets and the Board will decide whether to implement any change, subject to any shareholder approval which may be required.

- (c) the Custodian Trustee can exercise its security interest (claim against the Secured Assets) to ensure payment of a future indemnity claim against Harvey Norman by any of the Eligible Persons<sup>8</sup>
- (d) this effectively makes the Eligible Persons secured (rather than unsecured) creditors in respect of indemnity claims
- (e) Harvey Norman will pay the costs of the Custodian Trustee each year, which the Company has estimated as some \$151,290 per annum<sup>9</sup>.

### **Basis of assessment**

- 35 In preparing our report, we have considered the Regulatory Guides issued by ASIC, particularly RG 111 and RG 76.
- 36 Due to the unique nature of the Proposed Security Arrangement we have carefully considered the approach which should be adopted to determine whether the Proposed Security Arrangement is “fair” and “reasonable” to Harvey Norman shareholders.
- 37 Importantly, it should be noted that the Proposed Security Arrangement involves the granting of security interests over the Secured Assets only. It does not involve a decision regarding whether Harvey Norman should take out D&O insurance. Accordingly, the basis upon which we have assessed whether the Proposed Security Arrangement is “fair” and “reasonable” reflects this position.
- 38 We have therefore adopted the following approach to determine whether the Proposed Security Arrangement is “fair” and “reasonable” to Harvey Norman shareholders:

#### **Fairness**

- (a) we have adopted the position that the Proposed Security Arrangement would be fair to Harvey Norman shareholders if the benefits of the Proposed Security Arrangement from the perspective of Harvey Norman shareholders is equal to or greater than the benefits gained by the Eligible Persons
- (b) under RG 111, fairness is a quantitative test. However, given the nature of the Proposed Security Arrangement, it is difficult to reliably quantify the benefit of the Proposed Security Arrangement to shareholders and the Eligible Persons in monetary terms. Consequently, for the purposes of forming an opinion on fairness we will conclude that the Proposed Security Arrangement is “fair” if the benefits to Harvey Norman shareholders are likely to exceed the benefits gained by the Eligible Persons

#### **Reasonableness**

- (c) the Proposed Security Arrangement is considered reasonable if the advantages of the Proposed Security Arrangement exceed the disadvantages from the perspective of Harvey Norman shareholders, or if the expert believes that there are sufficient reasons for shareholders to approve the Proposed Security Arrangement.

<sup>8</sup> We note that the inclusion of future directors as Eligible Persons is subject to applicable Corporations Act and Australian Securities Exchange (ASX) Listing Rule requirements.

<sup>9</sup> We note that there may be additional costs for the Custodian Trustee in the event of an indemnity claim (e.g. obtaining advice, etc).

Further, if the Proposed Security Arrangement is “fair”, under RG 111 it is also “reasonable”.

## **Fairness**

39 As noted above, our opinion on the fairness of the Proposed Security Arrangement involves comparing:

- (a) the benefits to Harvey Norman shareholders
- (b) the benefit gained by the Eligible Persons.

### **Benefits to Harvey Norman shareholders**

40 The main benefits to Harvey Norman shareholders from the Proposed Security Arrangement are as follows:

- (a) the Proposed Security Arrangement should enhance Harvey Norman’s ability to attract and retain quality directors and officers
- (b) if the Proposed Security Arrangement is implemented Harvey Norman will have an alternative method of fulfilling the requirements of its agreements with its directors and officers (other than taking out D&O insurance).

41 The Proposed Security Arrangement would also involve additional costs, which need to be considered in assessing the overall benefit to Harvey Norman shareholders.

### **Impact on recruitment and retention**

42 We have received advice from a recruitment consultant that:

*“the provision of security over Company assets to secure self-insurance of director and officer liability is likely to have a positive impact on recruitment and retention of directors; and*

*self-insurance of director and officer liability that is not secured by assets of the Company, is likely to have a negative impact on recruitment and retention of directors”*

43 The existence of a positive benefit on recruitment and retention from the Proposed Security Arrangement is in line with reasonable expectations.

44 However, quantifying the effect is not practical, because:

- (a) the decisions of each potential or actual Eligible Person about joining or staying with Harvey Norman will be complex and depend on a large number of factors, of which the D&O indemnity will only be one. Hence measuring the likely impact of the proposed change on who would or would not be recruited (or retained) is virtually impossible
- (b) furthermore, while the work of the directors and officers of Harvey Norman will affect the performance of the company, measuring the likely difference in outcomes due to changes in who is or is not recruited or retained is virtually impossible.

- 45 However, Harvey Norman is a large company, with net profit after tax and NCI of some \$540 million for the year ended 30 June 2023. Hence even a small shift in performance could have a substantial monetary value.

***Alternative method of meeting obligations***

- 46 Harvey Norman has a contractual obligation to indemnify directors and officers of itself and its subsidiaries for certain legal liabilities and costs (provided that it does not relate to an Excluded Matter) which may be incurred by a director or officer in the performance of their duties for the Company or its subsidiaries in that capacity.

- 47 We are instructed that Harvey Norman's agreements with its directors include the following clause:

*"The Company must act in good faith to ensure that, to the maximum extent permitted by law, insurance is effected and maintained which indemnifies the Director from any Liability, or costs and expenses in connection with any proceedings or investigation, incurred by the Director as a result of any matter arising out of, or reasonably incidental to, the performance of the Director's duties or functions whilst acting as a director."*

- 48 We are advised that the Eligible Directors have agreed that the Proposed Security Arrangement would constitute an acceptable method of meeting Harvey Norman's indemnity obligations in lieu of D&O insurance (and their Deeds of Indemnity will be amended accordingly, if the Proposed Security Arrangement is approved).

- 49 Accordingly, the Proposed Security Arrangement would give Harvey Norman an alternative method of meeting its obligations.

- 50 In the absence of taking out D&O insurance, in our opinion it is commercially justifiable for the Eligible Persons to be provided with security over certain assets of Harvey Norman or its subsidiaries to ensure that they will be indemnified in line with their contractual agreements.

- 51 However, it is not possible to reliably estimate the benefit to Harvey Norman from this flexibility. The current directors and officers appear to have accepted the current (unsecured Indemnity Obligation) situation since 31 October 2020, when Harvey Norman ceased its previous D&O insurance, although we are advised that the possibility of providing a security arrangement for the Indemnity Obligation has been discussed for some time.

- 52 Nevertheless, putting in place an agreed alternative to the current contractual obligations for D&O insurance would provide a benefit to Harvey Norman.

- 53 We note that the financial effects of not purchasing D&O insurance (i.e. self-insuring this exposure) are not part of our consideration of the benefits of the Proposed Security Arrangement to Harvey Norman, since shareholder approval is not required for self-insurance. Furthermore, we note that under the Proposed Security Arrangement (as noted in paragraph 9.51 of the Explanatory Notes) Harvey Norman could elect to purchase D&O insurance and obtain a release of the Secured Assets.

### **Costs**

- 54 Harvey Norman will pay the costs of the Custodian Trustee under the Proposed Security Arrangement. We are advised that these expected costs are some \$151,290 per annum<sup>10</sup>.
- 55 These costs, while not trivial, are small relative to the profitability of Harvey Norman, which reported net profit after tax and NCI of some \$540 million for the year ended 30 June 2023.

### **Summary of benefits to Harvey Norman**

- 56 In summary, the Proposed Security Arrangement will provide benefits to Harvey Norman. However, these benefits cannot be reliably quantified. It will also incur some ongoing costs, but these costs are small relative to the profitability of Harvey Norman.

### **Benefits to the Eligible Persons**

- 57 The benefits to the Eligible Persons from the security being provided under the Proposed Security Arrangement arises from the increase in certainty that Harvey Norman will meet its indemnity obligations to them.
- 58 The value of this benefit is difficult to quantify. This is due to two main factors:
- (a) it is reasonable to expect that Harvey Norman (based on its current financial position) will be able to meet any future indemnity claim even if the Proposed Security Arrangement is not approved and implemented. Accordingly, the increase in probability of payment due to the Proposed Security Arrangement is likely to be small
  - (b) the current Eligible Persons (and any potential additions to that group) are likely to place different values on the benefit depending on their individual circumstances and tolerance for risk.
- 59 To illustrate the current capacity of Harvey Norman to meet indemnity claims, we note that as at 30 June 2023, Harvey Norman had total assets of some \$7.7 billion, or some \$6.4 billion if right of use assets<sup>11</sup> are excluded. In contrast, total liabilities as at 30 June 2023 were some \$3.2 billion (including some \$1.3 billion of liabilities in relation to leases). In this context, a potential liability of \$75 million<sup>12</sup> would only represent some 1.7% of net assets of \$4.5 billion, which is not a material proportion.
- 60 Given this, in our view the value of the benefit being provided to the Eligible Persons as a result of the Proposed Security Arrangement is not significant (but is positive).

### **Conclusion on fairness**

- 61 In our opinion, both the benefits to Harvey Norman and the benefits to the Eligible Persons are relatively small and also difficult to quantify.

<sup>10</sup> We note that there are likely to be additional costs for the Custodian Trustee in the event of an indemnity claim (e.g. obtaining advice, etc).

<sup>11</sup> Representing the right to use leased properties and other leased assets (which are recognised as assets under AASB 16).

<sup>12</sup> Being the exposure deemed by Harvey Norman as appropriate to insure under the prior D&O policy and also the claim amount that the Harvey Norman Board targeted when setting the quantum for the Secured Assets.



- 62 In these circumstances, we consider that there is no reliable basis to determine which of the benefits is larger.
- 63 Accordingly, we have not provided an opinion on whether the Proposed Security Arrangement is fair.

### **Reasonableness**

- 64 To assess reasonableness, we have considered the advantages and disadvantages of the Proposed Security Arrangement, as well as whether there are sufficient reasons for shareholders to grant approval.

### **Advantages**

- 65 The advantages of the Proposed Security Arrangement are:
- (a) the Proposed Security Arrangement should enhance Harvey Norman's ability to attract and retain quality directors and officers
  - (b) if the Proposed Security Arrangement is implemented Harvey Norman will have an alternative method of meeting its obligations to its directors and officers (other than taking out D&O insurance).

### ***Attract and retain directors and officers***

- 66 We have received advice from a recruitment consultant that:

*"the provision of security over Company assets to secure self-insurance of director and officer liability is likely to have a positive impact on recruitment and retention of directors; and*

*self-insurance of director and officer liability that is not secured by assets of the Company, is likely to have a negative impact on recruitment and retention of directors"*

- 67 While, as noted above, it is not possible to quantify this benefit, it is nevertheless an advantage for Harvey Norman.

### ***Alternative method of meeting obligations***

- 68 Harvey Norman has a contractual obligation to indemnify directors and officers of it and its subsidiaries for certain legal liabilities and costs (provided that it does not relate to an Excluded Matter) which may be incurred by a director or officer in the performance of their duties for the Company or its subsidiaries in that capacity.
- 69 We are advised that the Eligible Directors have agreed that the Proposed Security Arrangement would constitute an acceptable method of meeting Harvey Norman's indemnity obligations in lieu of D&O insurance. Accordingly, the Proposed Security Arrangement would give Harvey Norman an alternative method of meeting its obligations.
- 70 In the absence of taking out D&O insurance, in our opinion it is commercially justifiable for the Eligible Persons to be provided with security over certain assets of Harvey Norman or its subsidiaries to ensure that they will be indemnified in line with their contractual agreements.

### **Disadvantages**

71 The Proposed Security Arrangement will have some disadvantages for Harvey Norman:

- (a) additional ongoing costs
- (b) inability to use the Security Assets as first ranking security in connection with any current or future borrowings.

### ***Additional costs***

72 Implementing the Proposed Security Arrangement will incur some additional ongoing costs, estimated at some \$0.15 million per annum<sup>13</sup>.

73 However, these ongoing costs are not material (in comparison with Harvey Norman's historical profitability, for instance it had net profit after tax and non-controlling interests of \$540 million in the year ended 30 June 2023).

74 We note that there were also one-off fees and costs incurred prior to seeking shareholder approval, but these are sunk costs that cannot be avoided, hence these costs are not relevant to the shareholders' decision about approval for the Proposed Security Arrangement.

### ***Reduction in ability to use assets as security for borrowings***

75 If the Proposed Security Arrangement is implemented the Security Assets can no longer be offered as first ranking security in connection with any current or future borrowings.

76 Whilst this is a disadvantage, we note that the release in July 2022 of assets then valued at some \$125 million (and valued at 30 June 2023 at some \$134.6 million) from the security granted to a secured lender has not affected borrowing costs or borrowing capacity to date. Harvey Norman has advised that it does not anticipate that the unavailability of the Secured Assets will adversely affect the current borrowing capacity of the Company.

77 Accordingly this potential disadvantage has had no impact on borrowing to date and there is no current expectation that it will do so.

### **Summary of advantages and disadvantages**

78 While it is not possible to quantify the advantages of the Proposed Security Arrangement, in our opinion these advantages outweigh the disadvantages, which are either immaterial (costs) or have had no impact on borrowing (reduction in assets available as security).

79 We also note that the difference (if any) between the benefits to Harvey Norman shareholders and the benefits to the Eligible Persons will be small relative to the size of Harvey Norman.

80 Accordingly, we consider that the Proposed Security Arrangement is reasonable.

<sup>13</sup> We note that there are likely to be additional costs for the Custodian Trustee in the event of an indemnity claim (e.g. obtaining advice, etc).



## Conclusion

81 Overall, we consider that:

- (a) whilst the benefits of the Proposed Security Arrangement to both Harvey Norman shareholders and the Eligible Persons are relatively small, we are not able to reliably estimate the value of either benefit and consequently we cannot provide a reliable opinion on whether the Proposed Security Arrangement is fair to Harvey Norman shareholders
- (b) the Proposed Security Arrangement is reasonable.

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## Appendix A

### A Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### Financial Services Guide

- 3 LEA has been engaged by Harvey Norman to provide general financial product advice in the form of an IER in relation to the Proposed Security Arrangement. The *Corporations Act 2001 (Cth)* (Corporations Act) requires that LEA include this Financial Services Guide (FSG) with our IER.
- 4 This FSG is designed to assist retail clients in their use of the general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### General financial product advice

- 5 The IER contains general financial product advice only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 6 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$155,000 plus GST.
- 7 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 8 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of

## Appendix A

performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

- 9 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 10 If you have a complaint, please raise it with us first. LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

- 11 We will endeavour to satisfactorily resolve your complaint in a timely manner. Please note that LEA is only responsible for the preparation of this IER. Complaints or questions about the Notice of Meeting should not be directed toward LEA as it is not responsible for the preparation of this document.
- 12 If we are not able to resolve your complaint to your satisfaction within 30 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

### Compensation arrangements

- 13 LEA has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of the Corporations Act.

## Appendix B

### B Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Martin Hall and Mr Craig Edwards, who are each authorised representatives of LEA. Mr Hall and Mr Edwards have over 33 years and 28 years experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of Harvey Norman to accompany the Notice of Meeting to be sent to Harvey Norman shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Security Arrangement is fair and reasonable and in the best interests of Harvey Norman shareholders.
- 4 LEA expressly disclaims any liability to any Harvey Norman shareholder who relies or purports to rely on our report for any other purpose and to any other party who relies or purports to rely on our report for any purpose whatsoever.

#### Interests

- 5 At the date of this report, neither LEA, Mr Hall nor Mr Edwards have any interest in the outcome of the Proposed Security Arrangement. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 6 LEA has not had within the previous two years, any business or professional relationship with Harvey Norman nor any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Security Arrangement.
- 7 LEA had no part in the formulation of the Proposed Security Arrangement. Its only role has been the preparation of this report.

#### Indemnification

- 8 As a condition of LEA's agreement to prepare this report, Harvey Norman agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Harvey Norman which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 9 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.

## Appendix C

### C Glossary

Term	Meaning
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Custodian Trustee	The trustee of the HVN D&O Indemnity Trust from time to time, initially HNIC Pty Ltd (a wholly owned subsidiary of Harvey Norman)
D&O	Directors & Officers (insurance)
Eligible Directors	David Matthew Ackery, Chris Mentis, John Evyn Slack-Smith, Luisa Catanzaro, Maurice John Craven, and Kenneth William Gunderson-Briggs
Eligible Persons	Each of the past, present and future directors and officers of Harvey Norman and its subsidiaries (other than a Qualifying Person), who has the benefit of an Indemnity Obligation
Excluded Matter	Any matter in respect of which the Corporations Act, the <i>Competition and Consumer Act 2010</i> (Cth), including the Australian Consumer Law contained in Schedule 2 of the <i>Competition and Consumer Act 2010</i> (Cth) or any other relevant statutes which are applicable in respect of the indemnification of directors and officers by a company prohibits the Company indemnifying a director or officer
Excluded Persons	Gerald Harvey, Kay Lesley Page, Michael John Harvey and Christopher Herbert Brown
Explanatory Notes	Attachment B (Explanatory Notes) to the Harvey Norman Notice of Annual General Meeting
FSG	Financial Services Guide
FY	Financial year
Harvey Norman / the Company	Harvey Norman Holdings Ltd
HVN D&O Indemnity Trust	Trust established to hold security over the Secured Assets for the benefit of the Eligible Persons in respect of the Indemnity Obligation
IER	Independent expert's report
Indemnity Obligation	Any obligation of the Company to indemnify a person arising from a statutory or contractual obligation to provide an indemnity to a director or officer of the Company or a subsidiary, provided that the indemnity does not relate to an Excluded Matter
LEA	LonerGAN Edwards & Associates Limited
NCI	Non-controlling interest
Proposed Security Arrangement	Proposal under which the Secured Assets will be held by the Custodian Trustee in respect of any future indemnity claims by Eligible Persons (other than the Qualifying Persons), who have the benefit of an Indemnity Obligation
Qualifying Persons	Excluded Persons and the directors of the Custodian Trustee
RG 76	Regulatory Guide 76 – <i>Related party transactions</i>
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Secured Assets	Certain assets owned by Harvey Norman or its subsidiaries over which a security interest will be provided in respect of any future indemnity claims by Eligible Persons, as set out in paragraph 9.42 of the Explanatory Notes

**ATTACHMENT C**

**Proxy Form**

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## All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11.00am (AEDT) on Monday 27 November 2023**

### TO VOTE ONLINE

**STEP 1:** VISIT <https://www.votingonline.com.au/hvnagm2023>

**STEP 2:** Enter your Postcode OR Country of Residence (if outside Australia)

**STEP 3:** Enter your Voting Access Code (VAC):

### BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Designated Proxy Holder as your proxy, mark the box. If you wish to appoint someone other than the Designated Proxy Holder as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Designated Proxy Holder will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities, your vote on that item will be invalid.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

This form **must** be signed as follows:

**Individual:** this form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person.

**Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11.00am (AEDT) on Monday 27 November 2023**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** <https://www.votingonline.com.au/hvnagm2023>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 8, 210 George Street  
Sydney NSW 2000 Australia

# Harvey Norman Holdings Limited

ACN 003 237 545

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Harvey Norman Holdings Limited** (Company) and entitled to attend and vote hereby appoint:

☐

The Designated Proxy Holder (mark box)

**\*\* Designated Proxy Holder means Geoffrey David Stein, or in his absence, Peter Joseph Wright**

**OR** if you are **NOT** appointing the Designated Proxy Holder as your proxy, please write the name of the person or body corporate (excluding the registered security holder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Designated Proxy Holder as my/our proxy at the Annual General Meeting of the Company to be held at Novotel Sydney Olympic Park, 11A Olympic Boulevard, Sydney Olympic Park, New South Wales 2127 on **Wednesday 29 November 2023 at 11.00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Designated Proxy Holder authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Designated Proxy Holder as my/our proxy or the Designated Proxy Holder of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 2, 6, 7, 8, 9, 10 and 11 I/we expressly authorise the Designated Proxy Holder to exercise my/our proxy in respect of Resolutions 2, 6, 7, 8, 9, 10 and 11 even though each of these Resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

The Designated Proxy Holder intends to vote undirected proxies **in favour of all Resolutions.**

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
<b>Res 2</b>	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 7</b>	Grant of Performance Rights to Kay Lesley Page and permit Kay Lesley Page to acquire shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 3</b>	Re-election of Director – Mr Gerald Harvey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 8</b>	Grant of Performance Rights to Matthew David Ackery and permit Matthew David Ackery to acquire shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 4</b>	Re-election of Director – Mr Chris Mentis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 9</b>	Grant of Performance Rights to John Evyn Slack-Smith and permit John Evyn Slack-Smith to acquire shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 5</b>	Re-election of Director – Ms Luisa Catanzaro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 10</b>	Grant of Performance Rights to Chris Mentis and permit Chris Mentis to acquire shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 6</b>	Grant of Performance Rights to Gerald Harvey and permit Gerald Harvey to acquire shares in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 11</b>	Grant a security interest over certain assets of the Company to secure the Indemnity Obligation owed to each Eligible Person	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2023



**HARVEY NORMAN  
HOLDINGS LIMITED**

A.C.N 003 237 545

A1 RICHMOND ROAD  
HOMEBUSH WEST, N.S.W 2140  
LOCKED BAG 2  
SILVERWATER DC, NSW 1811  
AUSTRALIA

Telephone: (02) 9201 6111  
Facsimile: (02) 9201 6250

25 October 2023

[Shareholder name]  
[Shareholder address]

Voter Access Code: [voter access code]

**Notice of Annual General Meeting**

Dear Shareholder

**2023 Annual General Meeting**

The 2023 Annual General Meeting of Harvey Norman Holdings Limited ACN 003 237 545 (**Company**) (**Meeting**) will be held at Novotel Sydney Olympic Park, 11A Olympic Boulevard, Sydney Olympic Park, New South Wales 2127 on **Wednesday 29 November 2023 at 11:00am (AEDT)**.

We are pleased to be hosting the Meeting at the Novotel Sydney Olympic Park and Shareholders are invited to attend and vote in person. If you are unable to attend, you may listen to the Meeting live by telephone by dialling 1800 870 656 (within Australia) or +61 2 9009 0730 (dialling internationally) and providing your Voter Access Code (which is found at the top of this letter) (**VAC**).

Shareholders who listen by telephone will not be able to ask questions, make comments or cast live votes whilst the Meeting is in progress. Instead, Shareholders may submit a question or make a comment prior to the Meeting by sending an email to the Share Registry of the Company, Boardroom Pty Limited (**Share Registry**) at [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au).

If you are unable to attend the Meeting, you may lodge a proxy at [www.votingonline.com.au/hvnagm2023](http://www.votingonline.com.au/hvnagm2023). To login, you must have your VAC and your postcode or country code. Proxies, questions and comments must be received by **11:00am (AEDT) Monday 27 November 2023**.

If it becomes necessary or appropriate for the Company to make alternative arrangements for the holding or conduct of the Meeting, including changing the venue, implementing capacity limits or moving to online participation, we will announce this on the website of the Company ([www.harveynormanholdings.com.au/2023agm](http://www.harveynormanholdings.com.au/2023agm)) and via the ASX market announcement platform.

**Notice of Meeting**

The Notice of Meeting and accompanying Proxy Form, Explanatory Notes and Attachments (**Meeting Materials**) are now available online at the website of the Company ([www.harveynormanholdings.com.au/2023agm](http://www.harveynormanholdings.com.au/2023agm)) and the website of the Share Registry ([www.investorserve.com.au](http://www.investorserve.com.au)). A complete copy of the Meeting Materials has also been lodged with the ASX.

The Company will not be mailing hard copies of the Meeting Materials by post to Shareholders, except where Shareholders have specifically elected to receive a hard copy by post by contacting the Share Registry.

The Company will be emailing an electronic version of the Meeting Materials to Shareholders who have provided email address details to the Share Registry.

### Shareholder Communication Preferences

If you would like to receive electronic communications from the Company in the future, please update your communication preferences online at [www.investorserve.com.au](http://www.investorserve.com.au). If you have not yet registered, you will need your Shareholder information including SRN/HIN details.

If you are unable to access the Meeting Materials online please contact the Share Registry at [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au) or 1300 737 760 (within Australia) or +61 2 9290 9600 (Outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

### Important dates

Below are important dates for Shareholders regarding the Meeting:

Notice of Meeting available at <a href="http://www.harveynormanholdings.com.au/2023agm">www.harveynormanholdings.com.au/2023agm</a>	Wednesday 25 October 2023
First day to lodge a proxy or to submit questions or comments before the Meeting	Wednesday 25 October 2023
Last day to lodge a proxy or to submit questions or comments before the Meeting	Monday 27 November 2023 11:00am (AEDT)
Meeting at Novotel Sydney Olympic Park, 11A Olympic Boulevard, Sydney Olympic Park, New South Wales 2127	Wednesday 29 November 2023 11:00am (AEDT)  In person registration will commence from 10:00 am (AEDT)

This document was authorised to be provided to the ASX by the Board of Directors of the Company.

Yours faithfully,



**Chris Mentis**  
Company Secretary