

# JB HI-FI

**JB Hi-Fi Limited**  
ABN 80 093 220 136

**All correspondence to:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia  
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[www.computershare.com](http://www.computershare.com)

15 September 2017

Dear Shareholder,

I have pleasure in inviting you to attend our Annual General Meeting and have enclosed the Notice of Meeting, which sets out the items of business. The Meeting will be held at the Computershare Conference Centre, 'Yarra Falls', 452 Johnston Street, Abbotsford, Victoria 3067 on Thursday, 26 October 2017 at 10.30am (AEDT).

If you are attending this Meeting, please bring this letter with you to facilitate your registration into the Meeting.

If you are unable to attend the Meeting, you are encouraged to complete the enclosed Proxy Form. The Proxy Form should be returned in the envelope provided or faxed to our Share Registry (Computershare Investor Services Pty Ltd) on 1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia) so that it is received by 10.30am (AEDT) on Tuesday, 24 October 2017. Alternatively, it can be faxed to the Company on (03) 8530 7611 by this time.

As an alternative to returning the Proxy Form, you can also vote online at [www.investorvote.com.au](http://www.investorvote.com.au) by following the instructions on your Proxy Form.

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's Share Registry.

Further detail about proxies and corporate representatives is set out in the Explanatory Notes to the Notice of Meeting.

I also enclose an Annual Report (if you indicated that you wanted to receive this document). Electronic copies of the Annual Report are also available from the Company's website: [www.jbhifi.com.au](http://www.jbhifi.com.au) or via [www.investorvote.com.au](http://www.investorvote.com.au).

I look forward to your attendance at the meeting.

Yours sincerely,



**Mr Greg Richards**  
Chairman

Encl:

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## **NOTICE OF ANNUAL GENERAL MEETING 2017**

Notice is hereby given that the Annual General Meeting of the shareholders of JB Hi-Fi Limited ("**Company**") will be held on Thursday 26 October 2017 at 10.30 am (AEDT) at the Computershare Conference Centre, 'Yarra Falls', 452 Johnston Street, Abbotsford, Victoria 3067.

### **AGENDA**

**Item 1 Financial and other Reports**

To receive and consider the Financial Report, the Directors' Report and Auditor's Report for the financial year ended 30 June 2017.

**Item 2 Remuneration Report**

To consider and, if thought fit, to pass the following non-binding resolution as an ordinary resolution:

"That the Remuneration Report (which forms part of the Directors' Report) for the financial year ended 30 June 2017 be adopted."

**Item 3 Election of Mr Mark Powell and re-election of Ms Beth Laughton and Ms Wai Tang**

To elect or re-elect Directors of the Company, each election to be voted on separately:

- (a) "That Mr Mark Powell, being a Director of the Company appointed since the last Annual General Meeting, who retires pursuant to the Company's Constitution and, being eligible offers himself for election, is elected as a Director of the Company."
- (b) "That Ms Beth Laughton, being a Director of the Company who retires by rotation pursuant to the Company's Constitution, and being eligible offers herself for re-election, is re-elected as a Director of the Company."
- (c) "That Ms Wai Tang, being a Director of the Company who retires by rotation pursuant to the Company's Constitution, and being eligible offers herself for re-election, is re-elected as a Director of the Company."

**Item 4 Approval of grant of Options to the Executive Director**

To approve the grant of options to the Executive Director, Mr Richard Murray.

"That approval be and is hereby given to the grant to Mr Richard Murray of 61,347 zero exercise price options over 61,347 shares in the Company, on the terms and conditions described in the Explanatory Notes."

**Item 5 Increase in Non-Executive Directors' Fees**

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

"That, pursuant to article 9.9 of the Company's Constitution and ASX Listing Rule 10.17, the total amount or value which may be provided in each financial year by the Company to its Non-Executive Directors for these services as Non-Executive Directors be increased by an amount of \$250,000 from \$1,250,000 to \$1,500,000."

**Item 6 Approval of financial assistance in connection with the acquisition of The Good Guys**

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, in accordance with section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the provision of financial assistance by The Good Guys Discount Warehouses (Australia) Pty Ltd (ACN 004 880 657) (**The Good Guys**), The Muir Finance Company Proprietary Limited (ACN 004 494 197) (**MFC**) and each subsidiary of The Good Guys and MFC, in connection with the acquisition by JB Hi-Fi (B) Pty Ltd (ACN 614 635 835), a subsidiary of the Company, of all the issued shares in The Good Guys and MFC, as described in the explanatory notes accompanying and forming part of this Notice of Annual General Meeting."

Dated this 15<sup>th</sup> day of September 2017.  
By order of the Board.



Doug Smith  
Company Secretary  
JB Hi-Fi Limited

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## **EXPLANATORY NOTES**

### **Voting entitlements**

The Board has determined, in accordance with the Company's Constitution and the Corporations Act 2001 (Cth), that all of the Company's Shares that are quoted securities at 7.00 pm (AEDT) on Tuesday 24 October 2017 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time ("**Entitlement Time**"). Only holders of ordinary shares in the Company as at the Entitlement Time are entitled to attend and vote at the Annual General Meeting.

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes cast on certain resolutions by certain persons who are prohibited from voting on those resolutions. Details of any voting exclusions applicable to a specific resolution are set out in the Explanatory Notes for the resolutions below.

### **Proxies**

A shareholder entitled to attend and vote at the Annual General Meeting has the right to appoint a proxy, who need not be a shareholder of the Company. A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To be effective, the Proxy Form must be deposited at the Company's Share Registry (details below) by **10.30 am (AEDT) on Tuesday 24 October 2017**:

#### *By Mail*

Computershare Investor Services Pty Limited  
GPO Box 242, Melbourne Victoria 3001

#### *By Fax*

1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia)

#### *Online*

[www.investorvote.com.au](http://www.investorvote.com.au)

To use this facility please follow the instructions on your enclosed Proxy Form.

For Intermediary Online subscribers only (custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com).

Alternatively, the Proxy Form may be faxed to JB Hi-Fi Limited on (03) 8530 7611 by the time specified above.

Further information about the appointment of proxies is set out on the Proxy Form. In particular, please note that specific laws apply to voting on resolutions regarding the remuneration of key management personnel (as named in the Remuneration Report). To ensure that your vote counts, please carefully consider the proxy appointment instructions on the Proxy Form.

### **Corporate Representatives**

A shareholder or proxy that is a corporation and entitled to attend and vote at the Annual General Meeting may appoint an individual to act as its corporate representative.

Evidence of appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with the Company's Share Registry prior to commencement of the Meeting. A form of this certificate may be obtained from the Company's Share Registry.

## Agenda Items

### 2. Remuneration Report

The Directors' Report for the year ended 30 June 2017 (which is contained in the Company's Annual Report) contains a Remuneration Report, which sets out the policy for the remuneration of key management personnel (which includes the Directors and certain senior executives).

The Corporations Act requires that a resolution be put to a vote that the Remuneration Report be adopted. The vote is advisory only and does not bind the Company or its Directors. However, when considering the future remuneration arrangements of the Company, the Remuneration Committee and the Board will take into account feedback from its shareholders in relation to the Company's remuneration strategy, including the discussion and vote on this resolution.

The Company's remuneration strategy recognises the need to appropriately reward, incentivise and retain key employees. The Company aims to achieve this by setting competitive remuneration packages that include a mix of fixed remuneration and short and long term incentives.

As set out in the Annual Report, the 2017 financial year has been a successful year for the JB Hi-Fi Group, with the Group having successfully completed the acquisition of The Good Guys and management having delivered record revenue, EBIT and EPS. These achievements have been reflected in FY2017 executive remuneration.

- **Fixed remuneration and remuneration packages:** Fixed remuneration for Group executives (comprising base salary, motor vehicle allowances and superannuation) increased by between 3.0% (Richard Murray) and 14.3% (Nick Wells). Total remuneration packages increased by between 3.1% (Peter Green) and 14.3% (Nick Wells), the latter reflecting the fact that the Group Chief Financial Officer was promoted on a relatively low remuneration package and that the Board is now starting to bring his remuneration package into line with his peers. Richard Murray's total remuneration package increased by 10.9%, primarily as a result of increased long term incentives, all of which contain 3, 4 and 5 year performance conditions, with fixed remuneration and short term incentives increasing by 3.0%. Remuneration increases were set with reference to external benchmarking and changes of roles and responsibilities during FY2017. Remuneration packages for Richard Murray and Nick Wells remained significantly lower than the FY2014 remuneration packages for their predecessors.
- **Short term incentive:** The Company's short term incentive plan rewards performance against both financial and non-financial measures. For FY2017, all STI performance conditions were achieved, resulting in 100% of the available short term incentive ("STI") being payable to each Group executive. The Board notes that this is the first year in which 100% of available STIs will be paid to all Group executives since FY2009. 20% of the short term incentive earned by each Group executive for FY2017 is "deferred" and issued in shares which are subject to a restriction on sale/disposal for 1 year after issue (up from 10% in FY2016).
- **Long-term incentives:** All long-term incentives ("LTI") issued to Group executives in FY2017 are in the form of zero exercise price options and are subject to both service and performance based conditions. Some of the options issued to Group executives in previous years vested in FY2017.
- **Fees for Non-Executive Directors:** Fees for non-executive directors were increased from the levels set in FY2015 to take account of inflation.

In setting FY2018 Group executive remuneration packages, the Company has decided to make the following changes:

- **FY2018 remuneration packages:** The Group's executive remuneration packages will be more heavily geared towards "at risk" remuneration (long and short term incentives) and less toward fixed remuneration than their FY2017 remuneration packages.
- **Increased STI performance hurdles:** As a result of a number of one-off expenses in FY2017, relating to the transaction and implementation costs associated with The Good Guys acquisition and the impairment of fixed assets and goodwill of the New Zealand business, statutory EBIT in FY2017 was lower than underlying operating EBIT. As the Board uses statutory EBIT to measure performance, higher performance hurdles for the Group quantitative element of executive STI will apply for FY2018 being 23% - 34% statutory EBIT growth (compared to 0% - 10% for the FY2017 STI). These hurdles are equivalent to 0% - 10% growth from FY2017 underlying EBIT (adjusted to include a full 12 months of The Good Guys' earnings) and are consistent with STI hurdles in recent years.
- **Increased LTI performance hurdles:** For the same reasons, higher performance hurdles for LTI will apply being 9% - 15% compound annual statutory EPS growth (compared to 4% - 8% for the FY2017 LTI grant). These hurdles are equivalent to approximately 5% - 10% compound annual underlying EPS growth, an increase from the hurdles of 4% - 8% compound annual growth applying to the FY2017 LTI grant.
- **Revised vesting schedule for LTI:** LTI granted in FY2018 will vest a half each on the third and fourth anniversary of grant (compared to the FY2017 grant which vest a third each on the third, fourth and fifth anniversary of grant).
- **Fees for Non-Executive Directors:** The Board recognises the need to remain competitive in the market in order to continue to attract and retain talented directors and has therefore decided to increase non-executive director fees for the 2018 financial year.

As a result of provisions in the Corporations Act known generally as the "two strikes rule", shareholders should note that the result of the vote on this Item may affect next year's Annual General Meeting. If 25% or more of the votes cast are "against" the adoption of the Remuneration Report at the 2017 and 2018 Annual General Meetings, the Corporations Act requires a resolution whether to spill the Board to be put to the 2018 AGM. The Directors therefore encourage shareholders to apply the same level of diligence as for the binding resolutions below in casting their vote on this Item 2.

**The Board recommends that shareholders vote in favour of this non-binding resolution.**

The Corporations Act prohibits any votes being cast on Item 2 by or on behalf of a person who is disclosed in the Remuneration Report as a member of the key management personnel of the Company (which includes the Directors and the Chairman) or a closely related party of that member. However, such a person may cast a vote on Item 2 if they do so as a proxy for a person who is permitted to vote and either:

- (i) the proxy is appointed by writing that specifies the way in which the proxy is to vote on the resolution; or
- (ii) the proxy is the Chairman and the appointment of the Chairman does not specify the way in which the Chairman is to vote on the resolution but expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of the key management personnel of the Company.

### 3. Election and Re-election of Directors

Mr Mark Powell has been appointed as a Director by the Board, and has also been a member of the Company's Audit & Risk Management Committee, with effect from 13 March 2017. In accordance with the Company's Constitution, Mr Powell holds office until the conclusion of the Annual General Meeting unless elected at the Meeting. Mr Powell therefore offers himself for election as a Director.

Ms Laughton and Ms Tang retire by rotation in accordance with the Company's Constitution and offer themselves for re-election as Directors.

A profile of each candidate seeking election or re-election as a Director, and any other information that the Company believes to be relevant to the decision on whether or not to elect or re-elect such person, is set out below.

#### **(a) Mr Mark Powell**

##### **Non-Executive Director**

##### **BSc (Hons), MSc, MBA (Distinction), BApp. Theol, MA (Hons)**

Mark was appointed to the Board on 13 March 2017 and is a member of the Audit & Risk Management Committee. Mark has over 25 years' executive experience in retail, logistics and wholesale distribution in the UK, Spain, North America, Australia and New Zealand. This includes being UK Logistics Operations Director for Tesco Plc, running Wal-Mart Canada's logistics operations and CEO of Warehouse Stationery in NZ. Mark also spent five years as Group CEO for The Warehouse Group, New Zealand's largest listed retail group which includes Noel Leeming, NZ's largest technology and appliances retailer. Most recently he was an advisor to the board of The Good Guys for 18 months prior to its acquisition by JB Hi-Fi. He is also currently 'CEO-in-residence' at Massey Business School and involved on a voluntary basis with several not-for-profit organisations.

As recommended by the ASX Corporate Governance Principles and Recommendations, the Company has conducted checks as to Mark's character, experience, education, criminal record and bankruptcy history, and no material adverse information has been revealed by these checks.

#### **(b) Ms Beth Laughton**

##### **Non-Executive Director**

##### **B.Ec, FAICD, FCA**

After qualifying as a Chartered Accountant, Beth spent over 25 years in corporate finance, providing mergers and acquisition advice and arranging equity funding for companies in a range of industries including specialty retail. For 12 years her primary focus was on information technology, telecommunications and entertainment. She is also a member of the Board of GPT Funds Management Limited and Chair of its Audit, Compliance & Risk Management Committee. Beth was previously a member of the Defence SA Advisory Board and its Audit & Risk Management Committee, a non-executive director of Port Adelaide Maritime Corporation, a non-executive director and Chair of the Audit Committee of both Sydney Ferries and CRC Care Pty Ltd, and a non-executive director and member of the Audit Committee of the ASX listed Australand Property Group companies. Beth was appointed to the JB Hi-Fi Board in May 2011, became Chair of the Audit & Risk Management Committee in June 2012 and is also a member of the Company's Remuneration Committee.

The Board notes that GPT Funds Management Limited is the responsible entity for the GPT Wholesale Shopping Centre Fund and that this Fund has ownership interests in a number of shopping centres in which the Company currently leases stores. The Board is of the opinion that Beth is an independent director on the basis that individual leasing arrangements at both the Company and GPT are generally determined at a managerial level rather than Board level. In addition, the Company's internal protocols provide that Beth would be excluded from any discussion and decision making where any conflict of interest arises between Beth's role as a director of the Company and her role as a director of GPT Funds Management Limited.



**(c) Ms Wai Tang**  
**Non-Executive Director**  
**BAppSC, MBA, GAICD**

Wai was appointed to the Board on 14 September 2015 and is a member of the Company's Audit & Risk Management Committee and Remuneration Committee. Wai has extensive retail industry experience and knowledge gained through senior executive and board roles. Her former senior executive roles included Operations Director for Just Group and Chief Executive Officer of the Just Group sleepwear business, Peter Alexander. Prior to joining the Just Group, Wai was General Manager of Business Development for Pacific Brands. Wai was co-founder of the Happy Lab retail confectionery concept. Wai is also a non-executive director and member of the Audit Committee and the Risk & Compliance Committee of Vicinity Limited, and a non-executive director of Kikki K, the Melbourne Festival and Visit Victoria. Wai's former directorships include Speciality Fashion Group and the Melbourne Fashion Festival.

The Board notes that Vicinity Limited has ownership interests in a number of shopping centres in which the Company currently leases stores. The Board is of the opinion that Wai is an independent director on the basis that individual leasing arrangements at both the Company and Vicinity Limited are generally determined at a managerial level rather than Board or Board Committee level. In addition, the Company's internal protocols provide that Wai would be excluded from any discussion and decision making where any conflict of interest arises between Wai's role as a director of the Company and her role as a director of Vicinity Limited.

**The Board has considered the skills, experience, knowledge and independence of each candidate and recommends (with each director abstaining in respect of their own election) that shareholders vote in favour of these resolutions.**

**4. Approval of grant of Options to Executive Director – 2017**

The Board believes that a significant portion of the Executive Director's and senior management's remuneration should be linked to sustained growth in long term shareholder wealth. In that regard, the Company operates an equity based incentive plan as part of its long term remuneration strategy.

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. Accordingly, shareholder approval is sought for the grant to the Executive Director, Mr Richard Murray, of 61,347 zero exercise price options ("Zepos"). As detailed in the Explanatory Notes for Item 2 and in Appendix 1, each of the Zepos is subject to both performance hurdles and a service based vesting condition.

Subject to the approval for the grant of these Zepos by shareholder resolution, the grant of Zepos to Mr Murray will not be included in any 15% calculation for the purposes of ASX Listing Rule 7.1 (by virtue of the application of Listing Rule 7.2 Exception 14).

The Zepos to be granted to Mr Murray will be granted pursuant to and subject to the JB Hi-Fi Executive Option Plan (JB Plan). The key terms of the Zepos to be granted to Mr Murray are summarised in the Table set out in Appendix 1.

**The Board (with Mr Murray abstaining), recommend that shareholders vote in favour of this Item 4.**

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Item 4 by or on behalf of Mr Murray and any of his associates. In addition, the Corporations Act provides that a member of the Company's key management personnel (including the Directors and the Chairman) who are disclosed in the Remuneration Report, and their closely related parties, are not permitted to cast a vote as a proxy on Item 4.



However, these restrictions will not apply where:

- a vote is cast by a person as a proxy for a person who is permitted to vote, in accordance with a direction on the proxy form; or
- the appointment does not specify the way in which the proxy is to vote on the resolution and (i) the proxy is the Chairman voting in accordance with a direction on the proxy form to vote as the proxy decides; and (ii) the appointment expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of members of the key management personnel of the Company.

#### 5. Increase in Non-Executive Directors' Fees

Pursuant to article 9.9 of the Company's Constitution and ASX Listing Rule 10.17, the approval of shareholders is sought to increase the total amount or value of the remuneration which may be provided in each financial year by the Company to its Non-Executive Directors for their services as Non-Executive Directors to \$1,500,000.

This is an increase of \$250,000 over the present maximum aggregate amount of \$1,250,000 per annum, which was approved by Shareholders at the Company's Annual General Meeting on 12 October 2011.

No fees are paid to the Executive Director for his services as a Director. The remuneration for services as an Executive Director is not included in the maximum aggregate amount for the purpose of this Resolution.

The Company does not intend to use the increased maximum amount immediately and the Non-Executive Director fees paid for FY2018 are expected to total approximately \$1,100,000. However, the proposed increase in the maximum total amount or value of remuneration:

- provides scope to appoint additional Non-Executive Directors to the Board; and
- accommodates potential increases in future fees payable to each Non-Executive Director if appropriate based on a review of fees paid by comparable companies at that time and, where appropriate, recommendations by external remuneration consultants.

**Given the interests of the Non-Executive Directors in this item, the Board as a whole makes no recommendation in relation to this Item 5.**

The Chairman intends to vote any proxies held by him in respect of this item, in favour of this Item 5 (unless the appointer directs him otherwise).

#### **Exclusion from Voting on Item 5**

In accordance with the Listing Rules, the Company will disregard any votes cast on Item 5 by or on behalf of a Director of the Company or any of their associates. In addition, the Corporations Act provides that a member of the Company's key management personnel (including the Directors and the Chairman) who are disclosed in the Remuneration Report, and their closely related parties, are not permitted to cast a vote as a proxy for a person on Item 5.

However, these restrictions will not apply where:

- a vote is cast by a person as a proxy for a person who is permitted to vote, in accordance with a direction on the proxy form; or
- the appointment does not specify the way in which the proxy is to vote on the resolution and (i) the proxy is the Chairman voting in accordance with a direction on the proxy form to vote as the proxy decides; and (ii) the appointment expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of members of the key management personnel of the Company.

## 6. Approval of financial assistance in connection with the acquisition of The Good Guys

This section of the Explanatory Memorandum relating to proposed Item 6 ("Financial Assistance") (the **Resolution**) contained in the accompanying Notice is given to shareholders of the Company for the purpose of section 260B(4) of the Corporations Act.

### 6.1 Background

Under a Master Sale & Purchase Deed dated 13 September 2016 (**Master Sale & Purchase Deed**) and certain other related sale agreements, JB Hi-Fi (B) Pty Ltd (the "Purchaser"), a wholly owned subsidiary of the Company, acquired (among other things) all of the issued shares in:

- The Good Guys Discount Warehouses (Australia) Pty Ltd ("The Good Guys"); and
  - The Muir Finance Company Proprietary Limited ("MFC"),
- (the **Acquisition**).

The companies listed in the below table are subsidiaries of The Good Guys and MFC:

| Company   | ACN             |
|---|-----------------|
| The Muir Electrical Service Co Pty Ltd          | ACN 000 155 706 |
| Muir Group Employee Share Plan Pty Ltd          | ACN 063 903 391 |
| The Muir Electrical Company Proprietary Limited | ACN 004 453 945 |
| M.E.W. (Australia) Pty Ltd                      | ACN 152 719 036 |

The Good Guys (in its own capacity and as trustee of The Good Guys Discount Warehouses (Australia) Trust and various individual store trusts (as set out in part 3 of Schedule 2 of the Master Sale & Purchase Deed)), The Good Guys' subsidiaries, MFC, MFC's subsidiaries and The Muir Electrical Company Proprietary Ltd as trustee of The Muir Investment Unit Trust are collectively the "**Acquired Subsidiaries**" and each is an "**Acquired Subsidiary**".

### 6.2 Banking Facilities

In order to assist in funding the purchase price of the Acquisition, the Company entered into an Eighth Amendment Deed dated 13 September 2016 to amend and restate the Syndicated Facility Agreement originally dated 21 October 2005 between, among others, the Company, JB Hi-Fi Group Pty Ltd (ACN 093 114 286), the Purchaser and National Australia Bank Limited (ABN 12 004 044 937) as facility agent for certain financial institutions (**Amended Facility Agreement**).

One of the terms of the Amended Facility Agreement requires the Company to procure that each of the Acquired Subsidiaries accede to the Syndicated Facility Agreement as a guarantor by executing a guarantor accession deed (**Accession Deed**). In addition to executing the Accession Deed, the Company and the Acquired Subsidiaries may also enter into various documents in connection with the refinancing, replacement, renewal or variation of all or any part of the facilities referred to in the Amended Facility Agreement from time to time, whether by debt, equity, hybrid instrument or otherwise (including subsequent refinancings, replacements, renewals or variations thereafter) (**Refinanced Debt Facilities**).

If the resolution is passed and the Acquired Subsidiaries accede as additional guarantors, each Acquired Subsidiary will guarantee the obligations of the Company and each other guarantor under the Finance Documents and also provide certain undertakings, representations and warranties consistent with a facility of this nature, including:

- (i) an undertaking not to grant or permit a security interest over any of its assets;
- (ii) undertakings not to acquire or dispose of assets; and
- (iii) undertakings not to incur financial obligations,

in each case subject to agreed exceptions. The execution by each of the Acquired Subsidiaries of an Accession Deed as required under the Amended Facility Agreement, and the subsequent entry by the Acquired Subsidiaries into any of the transactions listed or contemplated above (together, the **Financial Assistance**) will have the effect of the Acquired Subsidiaries financially assisting the Acquisition for the purposes of Part 2J.3 of the Corporations Act.

### *6.3 Why Shareholder approval is required*

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in it or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B of the Corporations Act.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of each of the Acquired Subsidiaries at a general meeting by either:

- (i) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (ii) a resolution agreed to, at a general meeting by all ordinary shareholders.

In addition, because each Acquired Subsidiary became a subsidiary of a listed Australian holding corporation immediately after the Acquisition, the Financial Assistance must be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporation Act.

The giving of Financial Assistance has been, or will be approved by a unanimous resolution of the shareholders of each Acquired Subsidiary. Accordingly, it is proposed that the Financial Assistance now be approved by special resolution of the shareholders of the Company.

### *6.4 Effect of the Financial Assistance*

The major effect of the Financial Assistance on each Acquired Subsidiary is that it will guarantee all amounts payable under the Amended Facility Agreement and may guarantee amounts payable under the Refinanced Debt Facilities. The operations of the Acquired Subsidiaries will also become restricted by the representations and undertakings given in the Amended Facility Agreement (and/or potentially under the Refinance Debt Facilities), which are similar to those which the Company and other companies in the JB Hi-Fi group of companies are already subject to.

### *6.5 Reasons for giving the Financial Assistance*

The principal advantage to the Company (and, indirectly, to each of the Acquired Subsidiaries) of the Financial Assistance is to ensure that the Company's existing subsidiaries continue to have the benefit of the facilities provided under the Amended Facility Agreement (which, include facilities for working capital and general corporate purposes). This is expected to provide greater flexibility for the JB Hi-Fi Group. If the resolutions to approve the Financial Assistance are not passed and the Acquired Subsidiaries do not accede as additional guarantors, a default event will occur under the Amended Facility Agreement. One outcome of this would be to give the Financiers the right to cancel the Company's ability to draw down funds under the Amended Facility Agreement and declare any funds drawn down previously as immediately due and payable. If this were to happen, the Company may have to negotiate alternative financing and would expect to incur additional costs and transaction fees.

#### *6.6 Disadvantages of giving the financial assistance*

If the Financial Assistance is provided by the Acquired Subsidiaries it is unlikely to have an adverse effect on the Company.

However, it should be noted that there are potential disadvantages and risks associated with each Acquired Subsidiary providing the Financial Assistance. In providing the Financial Assistance, each of the Acquired Subsidiaries becomes liable to pay the Financiers any amounts outstanding under the Amended Facility Agreement (and/or potentially under the Refinanced Debt Facilities), in the event that the Company defaults in its payment obligations.

Nevertheless, in such a case, each of the Acquired Subsidiaries will maintain their right of contribution against the other guarantors and their right of subrogation against the Company and, accordingly, the giving of Financial Assistance should not materially prejudice any Acquired Subsidiary, its shareholders or any Acquired Subsidiary's ability to pay its creditors.

#### *6.7 Directors' recommendation*

**The Directors unanimously recommend that the shareholders of the Company vote in favour of the resolution contained in Item 6 of the Agenda in this Notice of Annual General Meeting.**

#### *6.8 Notice to ASIC*

A copy of this Notice of Annual General Meeting was lodged with the ASIC before being sent to the shareholders of the Company, as required by section 260B(5) of the Corporations Act.

#### *6.9 Disclosure*

The Directors consider that these Explanatory Notes contain all information known to the Company that would be material to the decision of the Company's shareholders on how to vote on the Financial Assistance resolution, other than information that would be unreasonable to require the Company to set out because the Company has previously disclosed that information to shareholders.

**Appendix 1: Summary of Options to be granted to R Murray**

| <b>Number and value of Zepos granted</b>      | <p>61,347 Zepos</p> <p>Each Zepto is to acquire one share in the Company.</p> <p>The value of the grant is \$1,300,000, based upon the fair value of the Zepos using the Black Scholes pricing model incorporating the 10 day VWAP commencing on the day after the date of release of the Company's FY2017 full year results (15 August 2017 - 28 August 2017) which was \$24.87.</p>  |   |                          |    |     |     |      |
|---|--|---|--------------------------|----|-----|-----|------|
| <b>Issue date</b>                             | <p>Subject to shareholder approval, the effective grant date will be 29 August 2017 (being the day after the valuation referred to above) and will therefore occur no later than 12 months from the date of the 2017 Annual General Meeting.</p>   |   |                          |    |     |     |      |
| <b>Price payable on grant or exercise</b>     | <p>No amount will be payable in respect of the grant, or on the exercise, of the Zepos.</p>  |   |                          |    |     |     |      |
| <b>Vesting</b>                                | <ul style="list-style-type: none"> <li>• One half of the Zepos (the "First Tranche") will generally be eligible to vest and become exercisable on the day after release of the Company's FY2020 financial results, provided that Mr Murray remains employed by the Company at this time (effectively 3 years after grant).</li> <li>• One half of the Zepos (the "Second Tranche") will generally be eligible to vest and become exercisable on the day after release of the Company's FY2021 financial results, provided that Mr Murray remains employed by the Company at this time (effectively 4 years after grant).</li> </ul> <p>Vesting of the Zepos is subject to the performance hurdles being satisfied (details below).</p>   |   |                          |    |     |     |      |
| <b>Performance hurdles</b>                    | <p>The vesting of the Zepos is subject to performance hurdles related to earnings per share ("EPS"). The Board considers EPS growth to be an appropriate performance measure as it drives longer term shareholder return and is a performance metric within management's control to deliver.</p> <p>The following vesting schedule will apply:</p> <table border="1" data-bbox="467 1276 1312 1423"> <thead> <tr> <th>Compound annual statutory EPS growth achieved</th> <th>Portion of grant vesting</th> </tr> </thead> <tbody> <tr> <td>9%</td> <td>50%</td> </tr> <tr> <td>15%</td> <td>100%</td> </tr> </tbody> </table> <p>Where compound annual statutory EPS growth is between 9% and 15%, the remaining 50% will vest on a linear basis.</p> <p>These hurdles are equivalent to approximately 5% - 10% compound annual underlying EPS growth, an increase from the hurdles of 4% - 8% compound annual growth applying to the FY2017 LTI grant. The Board believes that these increased hurdles are appropriately challenging in light of both underlying consensus forecasts and the earnings outlook for the Group.</p> <p>The base statutory EPS figure is 154.3 cents, being the EPS figure for the financial year ending 30 June 2017.</p> <p>The First Tranche will be tested against the EPS hurdle in August 2020 following the release of the Company's FY2020 financial results.</p> <p>The Second Tranche will be tested against the EPS hurdle in August 2021 following the release of the Company's FY2021 financial results.</p> | Compound annual statutory EPS growth achieved | Portion of grant vesting | 9% | 50% | 15% | 100% |
| Compound annual statutory EPS growth achieved | Portion of grant vesting   |   |                          |    |     |     |      |
| 9%  | 50%  |   |                          |    |     |     |      |
| 15%   | 100%   |   |                          |    |     |     |      |

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| <b>Performance Hurdles (contd)</b>                 | <p>For the First Tranche, if the EPS hurdle is not achieved based on FY2020 performance, the First Tranche may be aggregated with the Second Tranche and be retested in the following financial year on a cumulative EPS growth target. The Second Tranche is not eligible for any retesting.</p> <p>The following table demonstrates how the EPS growth target is tested (and, if applicable, compounded for a retest) based on Zepos granted in August 2017 and expiring in August 2022 and judged against an EPS hurdle of (i) 9% and (ii) 15%.</p> <table border="1" data-bbox="464 478 1317 894"> <thead> <tr> <th>Year</th> <th>Aug 2017</th> <th>Aug 2018</th> <th>Aug 2019</th> <th>Aug 2020</th> <th>Aug 2021</th> <th>Aug 2022</th> </tr> </thead> <tbody> <tr> <td><b>Zepos tested</b></td> <td>Grant</td> <td>n/a</td> <td>n/a</td> <td>Test for First Tranche required - based on FY2020 results</td> <td>Test for Second Tranche and retest for First Tranche as necessary - based on FY2021 results</td> <td>No retest. - Zepos expire in Aug 2022</td> </tr> <tr> <td><b>9% EPS growth</b></td> <td>Base EPS = 154.3</td> <td>n/a</td> <td>n/a</td> <td>Required EPS = 199.8</td> <td>Required EPS = 217.8</td> <td>n/a</td> </tr> <tr> <td><b>15% EPS growth</b></td> <td>Base EPS = 154.3</td> <td>n/a</td> <td>n/a</td> <td>Required EPS = 234.7</td> <td>Required EPS = 269.9</td> <td>n/a</td> </tr> </tbody> </table>   | Year     | Aug 2017 | Aug 2018  | Aug 2019  | Aug 2020                              | Aug 2021 | Aug 2022 | <b>Zepos tested</b> | Grant | n/a | n/a | Test for First Tranche required - based on FY2020 results | Test for Second Tranche and retest for First Tranche as necessary - based on FY2021 results | No retest. - Zepos expire in Aug 2022 | <b>9% EPS growth</b> | Base EPS = 154.3 | n/a | n/a | Required EPS = 199.8 | Required EPS = 217.8 | n/a | <b>15% EPS growth</b> | Base EPS = 154.3 | n/a | n/a | Required EPS = 234.7 | Required EPS = 269.9 | n/a |
|--|---|----------|----------|---|---|---------------------------------------|----------|----------|---------------------|-------|-----|-----|---|---|---------------------------------------|----------------------|------------------|-----|-----|----------------------|----------------------|-----|-----------------------|------------------|-----|-----|----------------------|----------------------|-----|
| Year   | Aug 2017  | Aug 2018 | Aug 2019 | Aug 2020  | Aug 2021  | Aug 2022                              |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |
| <b>Zepos tested</b>                                | Grant   | n/a      | n/a      | Test for First Tranche required - based on FY2020 results | Test for Second Tranche and retest for First Tranche as necessary - based on FY2021 results | No retest. - Zepos expire in Aug 2022 |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |
| <b>9% EPS growth</b>                               | Base EPS = 154.3  | n/a      | n/a      | Required EPS = 199.8                                      | Required EPS = 217.8  | n/a                                   |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |
| <b>15% EPS growth</b>                              | Base EPS = 154.3  | n/a      | n/a      | Required EPS = 234.7                                      | Required EPS = 269.9  | n/a                                   |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |
| <b>Expiry</b>                                      | <p>Zepos will expire 5 years after the effective date of the grant (28 August 2022) if they have not been exercised.</p>  |          |          |   |   |                                       |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |
| <b>Exercise period and cessation of employment</b> | <p>Once vested, Zepos may be exercised at any time up until their expiry subject to the following.</p> <p>The term of each Zepto ("Exercise Period") will be determined as follows, unless the Company determines otherwise:</p> <ul style="list-style-type: none"> <li>(i) Any unvested Zepto lapses upon the earlier of: <ul style="list-style-type: none"> <li>(a) the holder ceasing to be employed by the Company or a related body corporate for any reason (other than in the circumstance set out in (c) below);</li> <li>(b) 5 pm on 28 August 2022;</li> <li>(c) where a holder ceases to be engaged by the Company by reason of death or disability of the holder or a family member and the Board waives any unsatisfied vesting conditions and/or makes a determination that some or all of the unvested Zeptos may continue to be held, 6 months after the holder ceases to be employed; and</li> <li>(d) immediately on the occurrence of a change of control of the Company (being when a person or entity becomes entitled to be the registered holder of 100% of the shares in the Company); and</li> </ul> </li> <li>(ii) Any vested Zepto, if unexercised, will expire on the earlier of: <ul style="list-style-type: none"> <li>(a) the holder ceasing to be employed by the Company or a Related Body Corporate for a "bad leaver" cause as specified under the JB Plan (including for example, where the holder commits a serious breach of contract with the Company or is convicted of a criminal offence which might injure the reputation of the Company);</li> <li>(b) immediately on the occurrence of a change of control of the Company (being when a person or entity becomes entitled to be the registered holder of 100% of the shares in the Company); and</li> <li>(c) 5 pm on 28 August 2022.</li> </ul> </li> </ul> |          |          |   |   |                                       |          |          |                     |       |     |     |   |   |                                       |                      |                  |     |     |                      |                      |     |                       |                  |     |     |                      |                      |     |


|   |   |
|---|---|
| <b>Trading restrictions</b>                           | Any shares allocated following exercise of the Zepos will be subject to the trading restrictions set out in the Company's Securities Trading Policy   |
| <b>Corporate actions</b>                              | There are no participation rights or entitlements inherent in the Zepos and holders will not be entitled to participate in new issues of capital offered to shareholders during the Exercise Period.  |
| <b>Other required information – ASX Listing Rules</b> | Mr Murray is the only director currently entitled to participate in the JB Plan.<br>In accordance with the approval received from shareholders at the 2016 Annual General Meeting, the Company has granted 48,096 zero exercise price options over 48,096 shares to Mr Murray in accordance with that prior approval. |




# JB HI-FI

JB Hi-Fi Limited  
ABN 80 093 220 136

## Lodge your vote:

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

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



### Your access information that you will need to vote:

**Control Number:**

**SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10.30am (AEDT) on Tuesday, 24 October 2017**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

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

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of JB Hi-Fi Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of JB Hi-Fi Limited to be held at the Computershare Conference Centre, "Yarra Falls", 452 Johnston Street, Abbotsford, Victoria on Thursday, 26 October 2017 at 10.30am (AEDT) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 4 & 5 (except where I/we have indicated a different voting intention below) even though Items 2, 4 & 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 4 & 5 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|         |  | For                      | Against                  | Abstain                  |
|---------|--|--------------------------|--------------------------|--------------------------|
| Item 2  | Adoption of Remuneration Report  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 3a | Election of Mr Mark Powell as a Director   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 3b | Re-election of Ms Beth Laughton as a Director  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 3c | Re-election of Ms Wai Tang as a Director   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 4  | Approval of grant of Options to Executive Director - Mr Richard Murray               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 5  | Increase in Non-Executive Directors' Fees  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 6  | Approval of financial assistance in connection with the acquisition of The Good Guys | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_

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