

JB HI-FI

JB Hi-Fi Limited

ABN 80 093 220 136

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
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Enquiries (within Australia) 1300 850 505
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JBH

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



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14 September 2018

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, 25 October 2018 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, 23 October 2018. 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 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 or via www.investorvote.com.au.

I look forward to your attendance at the meeting.

Yours sincerely,

Mr Greg Richards
Chairman

Encl:

For personal use only

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NOTICE OF ANNUAL GENERAL MEETING 2018

Notice is hereby given that the Annual General Meeting of the shareholders of JB Hi-Fi Limited ("**Company**") will be held on Thursday 25 October 2018 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 2018.

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 2018 be adopted."

Item 3 Re-election of Mr Richard Uechtritz and Mr Stephen Goddard

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

- (a) "That Mr Richard Uechtritz, being a Director of the Company who retires by rotation pursuant to the Company's Constitution, and being eligible offers himself for re-election, is re-elected as a Director of the Company."
- (b) "That Mr Stephen Goddard, being a Director of the Company who retires by rotation pursuant to the Company's Constitution, and being eligible offers himself for re-election, is re-elected as a Director of the Company."

Dated this 14th day of September 2018.
By order of the Board.



Doug Smith
Company Secretary
JB Hi-Fi Limited

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 23 October 2018 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 23 October 2018:**

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

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

For Intermediary Online subscribers only (custodians) 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 2018 (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 2018 financial year has been a successful year for the Group, with management having delivered record revenue, EBIT and EPS. Notwithstanding this, the challenges faced by The Good Guys business and the JB Hi-Fi New Zealand business have resulted in Group executives earning a lower percentage of short term incentives than in recent years.

- **Fixed remuneration and remuneration packages:** To remain competitive in attracting and retaining key talent in FY2018 the Board considered the remuneration levels for Group executives with reference to external market benchmarks as well as the skills, experience, complexity and responsibilities of the executive roles, particularly given The Good Guys acquisition. This exercise indicated that Group executives were being paid below their market peers and as such, for Group executives (except for the newly appointed Managing Director – The Good Guys), the Company:
 - increased fixed remuneration between 0% and 14.6%, other than for the Group Chief Financial Officer, whose fixed remuneration was increased by 25% given it had been set low compared to market upon his appointment;
 - increased the short term incentive opportunity for the Group Chief Executive Officer to 100% of fixed annual remuneration and for other Group executives to 75% of fixed annual remuneration; and
 - adjusted the long term incentive opportunity to 75% of fixed remuneration for the Group Chief Financial Officer and Managing Director – JB Hi-Fi.
- **Short term incentive:** The Company's short term incentive plan rewards performance against both financial and non-financial measures. For FY2018, between 60% and 81% of the available short term incentive ("STI") was payable to each Group executive. To promote collaboration across the JB Hi-Fi and The Good Guys businesses, a large component (being at least 50% depending on role) of the STI was linked to FY2018 Group statutory EBIT, which was 131% of FY2017 statutory EBIT, resulting in this component of Group executive STIs being partially achieved at 71%. The measures also included individual quantitative and qualitative KPIs to balance Group outcomes against individual accountability. KPIs relating to The Good Guys business were not met, while outcomes against KPIs relating to the JB Hi-Fi New Zealand business were only partially met, impacting the STI outcomes for certain Group executives.
- **Long-term incentives:** All long-term incentives ("LTI") issued to Group executives in FY2018 were in the form of zero exercise price options and are subject to both service and performance based conditions. Given strong EPS growth in recent years, some of the options issued to Group executives in previous years vested in FY2018.
- **Fees for Non-Executive Directors:** Fees for non-executive directors were increased from the levels set in FY2017 as set out in the 2017 Remuneration Report.

2019 Executive remuneration – Key changes

Over FY2018, the Remuneration Committee and the Board reviewed the reward framework to consider what is fit for purpose for the Group going forward in a changing retail environment which is subject to macro-economic factors often beyond the control of the Group.

As a result of the difficulties in setting meaningful long term performance targets, for FY2019 the Group has simplified its Group executive reward framework to one that is fit for a retail business that is subject to many short term influences. The framework has changed by:

- introducing a minimum shareholding requirement for Group executives to create stronger alignment between executive reward values and shareholder outcomes;
- replacing previous short and long term incentives with a single simpler variable reward plan (“VRP”) which will allow for flexibility in setting performance targets to take into account changing trading conditions, providing a more motivating remuneration framework for Group executives; and
- reducing the overall amount of remuneration offered to Group executives (from what would have been offered had the previous structure been retained for FY2019), reducing the proportion of the reward paid in cash, and increasing the proportion of reward delivered in fully paid ordinary shares that are to be held over the long term under the new minimum shareholding requirement.

The case for change

It is increasingly difficult to set long term EPS growth targets that are seen as motivating by executives and considered challenging enough by shareholders in a volatile retail environment where it is difficult to confidently form a long term view on performance.

In the past, the success of meeting LTI targets (or not) has often been linked to macro-economic factors or share price volatility as often as the quality of company or executive performance. This has led to volatility in LTI vesting (generally near or close to 100% or not at all).

What's changing?

To address the inherent difficulty in setting LTI targets in a volatile retail environment, the Group has combined the existing Group executive STI and LTI structure into a single VRP.

Under the VRP, performance will be assessed at the end of each financial year against a scorecard of robust measures. 75% of the rewards under the plan for each executive are dependent on financial targets and the remaining 25% of the scorecard are based on robust strategic measures approved by the Board and aligned with the Group's long term corporate plans. The financial targets in the scorecard are predominantly based on Group EPS, with some executives also having targets relating to the financial performance of the particular business for which that executive is responsible.

For FY19, for the Group financial component of the VRP, the performance range is in line with the Group's historical incentive ranges i.e. commencing rewards when performance exceeds the previous year's earnings performance and paying maximum reward at 10% earnings growth.

The Board intends on generally applying this consistent performance range under the VRP going forward. Within this range the % of the incentive payable will be set taking account of Board approved annual budgets and longer term corporate plans. Being able to reassess the actual expected level of growth when setting the targets each year will ensure that the targets within these ranges will be meaningful and challenging given prevailing economic conditions.

The award will be delivered:

- 25% in cash at the end of the one-year performance period; and
- 75% in restricted shares, to be released progressively in equal tranches over years 2, 3 and 4.

This is a significant reduction from the proportion of cash available annually to executives under the previous STI and LTI plans. When combined with the Group's new minimum shareholding requirements, the grant of restricted shares will ensure that a significant proportion of the value of Group executive rewards will be aligned with long term share price and shareholder outcomes.

In view of the move to an annual performance period rather than the current 3 and 4 year periods applicable to the LTI, Group executive opportunity levels under the VRP have been made at a 20% discount to the LTI opportunity levels that would have been offered had the previous structure been retained. The amount of discount reflects relative STI and LTI outcomes over recent years.

The VRP provides for stronger shareholder alignment than the Group's previous STI/LTI program, by granting the majority of the reward as shares that carry dividend rights but are restricted over the medium to longer term and which are subject to share price risk and clawback. This encourages Group executives to think and act like shareholders and to make decisions in the long term interests of the Group.

As a result of the adoption of the Variable Reward Plan for FY2019 there will be no grant of share options to the Group CEO and other Group executives in August 2018. Accordingly, unlike recent years, a resolution is not required at the 2018 AGM in relation to the grant of share options to Richard Murray for the current financial year. Instead, at the Company's 2019 AGM, shareholders will be asked to approve the issue to Richard of any restricted shares earned by him under the Variable Reward Plan based on FY2019 performance.

Given Terry Smart received a one-off 3 year grant of LTI on re-joining the Group in April 2017, he will not participate in the new VRP. Instead, he will be able to earn an STI in FY19 based on the same scorecard structure as other Group executives under the VRP. 20% of his STI will be deferred into shares for 12 months after issue. No additional LTI will be granted to Terry in FY19.

Minimum shareholding guidelines

Building Group executive shareholdings is a priority of the Board in the context of executive retention, and to ensure Group executives are invested in the long term success of the Group. In conjunction with introducing the VRP, a minimum shareholding requirement for senior executives has been introduced, being 1.5 x fixed pay for the CEO and 1.0 x fixed pay for the other Group executives. This level of shareholding will be required to be built over 5 years from the introduction of the VRP (or appointment, if later).

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 2018 and 2019 Annual General Meetings, the Corporations Act requires a resolution whether to spill the Board to be put to the 2019 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. Re-election of Directors

Mr Uechtritz and Mr Goddard retire by rotation in accordance with the Company's Constitution and offer themselves for re-election as Directors.

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

(a) Mr Richard Uechtritz
Non-Executive Director

Richard has over 30 years' experience in retailing. He was co-founder of Australia's two leading photo chains, Rabbit Photo and Smiths Kodak Express. He was also a director of Kodak (Australasia) Pty Ltd. Richard led the management buy-in of JB Hi-Fi in July 2000 and was CEO and Managing Director until his resignation from these positions in May 2010. Richard re-joined the Board in April 2011 as a non-executive director. He is also a non-executive director of Seven Group Holdings Limited.

(b) Mr Stephen Goddard
Non-Executive Director
MSC. BSC (Hons)

Stephen was appointed to the Board in August 2016 and is a member of the Audit and Risk Management Committee. Stephen has more than 30 years' retail experience having held senior executive positions with some of Australia's best known retailers. These include Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. Stephen is currently a non-executive director and Chair of the Audit and Risk Management Committee of both GWA Group Limited and Accent Group Limited and a non-executive director of Nick Scali Limited. He was previously a non-executive director and Chair of the Audit and Risk Management Committees of Pacific Brands and Surfstitch Group Ltd.

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

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ABN 80 093 220 136

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SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

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
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(outside Australia) +61 3 9473 2555

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(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to 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: 999999

SRN/HIN: I9999999999

PIN: 99999

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 10.30 am (AEDT) on Tuesday, 23 October 2018

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 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** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

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.



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I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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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, 25 October 2018 at 10.30 am (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 Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is 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 Item 2 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	Re-election of Mr Richard Uechtritz as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3b	Re-election of Mr Stephen Goddard as a Director	<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 / / _____

J B H

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Computershare