

JB Hi-Fi Limited – Audit & Risk Management Committee Charter

1. Introduction

- 1.1 The Audit and Risk Management committee (“ARM Committee”) is a committee of the Board of Directors of JB Hi-Fi Limited (“Company”) established under article 10.6 of the Company’s Constitution.
- 1.2 This Charter sets out the role, responsibilities, composition, authority and operation of the ARM Committee.
- 1.3 Meetings and proceedings of the ARM Committee will be governed by the provisions of the Company’s Constitution relating to meetings and proceedings of the Board, provided that they are applicable and not inconsistent with this Charter.

2. Powers

- 2.1 The ARM Committee will have unrestricted access to Management and the external auditors to fulfil its purpose and undertake its duties.

3. Role

- 3.1 The role of the ARM Committee is to assist the Board in its:
- (a) oversight of the reliability, adequacy and integrity of the financial management, financial reporting and disclosure, and related non-financial reporting and disclosure practices of the Company and its subsidiaries (the **Group**) and the Group’s financial reporting framework;
 - (b) oversight of the independence, performance, appointment and removal of the external auditor; and
 - (c) review of the Group’s policies on risk oversight and management, and in discharging its responsibility to satisfy itself that a sound system of risk management and internal control has been implemented to manage the material risks affecting the Group’s business, including compliance with all applicable laws.

4. Responsibilities

In carrying out its role, the ARM Committee will do the following, making recommendations to the Board where appropriate:

4.1 Financial Management, Financial Reporting and Disclosure, and related Non-Financial Reporting and Disclosure

- (a) review, with Management and the external auditor, the half year and the full year Financial Reports of the Group, including:
 - (i) significant accounting policies;
 - (ii) the appropriateness of Management’s judgments and accounting estimates;
 - (iii) adjustments arising from the audit or review; and
 - (iv) the disclosures included in those Reports,to consider whether those Reports reflect the understanding of the members of

the ARM Committee and otherwise provide a true and fair view of the financial position and performance of the Group;

- (b) review all reports and disclosures to be included in the Group's Half-Year Financial Report and Annual Report, including (as applicable) the Directors' Report, the Directors' Declaration and the Corporate Governance Statement;
- (c) following its review of the relevant Financial Reports and other reports/disclosures, recommend these to the Board for approval;
- (d) review and assess the management processes which support external reporting; and
- (e) review and assess the adequacy and effectiveness of internal financial controls and the integrity of financial systems;

4.2 External Auditor

- (a) review and oversee the implementation of the Company's external audit policy, a copy of which is annexed as Annexure A;
- (b) agree to the terms of engagement of the external auditor before the start of each audit and recommend the agreed terms of engagement to the Board;
- (c) review the external auditor's remuneration in order to be satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (d) review the external auditor's audit plan, audit results and findings;
- (e) review the scope and adequacy of the external audit and any additional procedures with the external auditor periodically;
- (f) enquire of the external auditor as to any specific points of divergence with Management;
- (g) monitor and examine Management's responses to the external auditor's findings and recommendations;
- (h) review representation letters from Management to the external auditors and the Board;
- (i) meet with the external auditor, without Management present, at least once each year;
- (j) ensure that the audit partner in charge of the external audit is rotated at least once every 5 years;
- (k) evaluate the effectiveness and performance of the external auditor annually;
- (l) review and monitor the independence of the external auditor;
- (m) review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor; and
- (n) review the fees payable to the external auditor for non-audit work.

4.3 Risk Management

- (a) at least annually, review the Group's Risk Management Framework to satisfy itself that the Group's Risk Management Framework continues to be sound, and recommend the Company's Risk Management Framework to the Board for approval;

- (b) assess whether Management has developed and implemented effective systems to manage the material risks affecting the Group's business;
- (c) review, monitor and assess the effectiveness of the risk management, internal control and compliance systems, and satisfy itself as to the integrity of those systems;
- (d) ensure that an up to date risk register, which describes the material risks facing the Group (including financial and non-financial matters), is maintained;
- (e) monitor management's performance against the Group's Risk Management Framework, including whether it is operating within the risk appetite set by the Board;
- (f) report to, and make appropriate recommendations to, the Board in relation to the Group's risk management and internal control system;
- (g) assess whether Management has developed and implemented appropriate workplace health & safety programs and policies and the effectiveness of those programs and policies;
- (h) review the Group's exposure to fraud and corruption, including overseeing the processes for the prevention, detection and investigation of fraud and corruption;
- (i) review, and make recommendations to the Board in relation to, any material incident involving fraud or other break down of the Group's internal controls;
- (j) review the effectiveness of the Group's incident management framework, including the crisis management and business continuity plans; and
- (k) review the appropriateness of the Group's insurance arrangements and make recommendations to the Board.

5. Delegation

- 5.1 Each member of the ARM Committee is entitled to rely on information, or professional or expert advice, given or prepared by:
- (a) an employee of the Group whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
 - (b) a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence;
 - (c) another Director or Officer of the Group in relation to matters within the Director's or Officer's authority; or
 - (d) a committee of Directors on which the member did not serve, in relation to matters within the authority of the ARM Committee.

6. Membership

- 6.1 The ARM Committee shall consist of at least three members, all of whom are Non-Executive Directors. A majority of members of the ARM Committee must be independent Directors.
- 6.2 The ARM Committee will also have an independent chair who is not the chair of the Board, who shall be elected by the members of the ARM Committee.
- 6.3 Each member of the ARM Committee should be able to read and understand financial statements.

- 6.4 Additionally, at least one member of the ARM Committee should be a qualified accountant or other finance professional with experience of financial and accounting matters.
- 6.5 At least one member must have an understanding of the industry in which the Group operates.
- 6.6 The Board shall appoint the members of the ARM Committee and review such membership at times considered appropriate, including to ensure it is of sufficient size, independence and technical expertise to discharge its mandate effectively.
- 6.7 The ARM Committee will undertake an annual evaluation of its performance and report the results to the Board.

7. Meetings

- 7.1 The ARM Committee shall meet as often as is required to perform its functions, and at least quarterly.
- 7.2 Meetings of the ARM Committee may be held by members communicating with each other using any technology which enables them to simultaneously hear each other and participate in discussion. The quorum for meetings of the ARM Committee is two members. Any Board member who is not a member of the ARM Committee may attend meetings of the ARM Committee.
- 7.3 The external auditor must attend any meeting of the ARM Committee when requested by the ARM Committee. The ARM Committee may invite Management and/or others to attend ARM Committee meetings to provide such input and advice as required from time to time.
- 7.4 The Chairperson of the ARM Committee shall determine the agenda for each meeting of the ARM Committee, in consultation with Management, the external auditor and ARM Committee members, as required.
- 7.5 Any Board or ARM Committee member may require a matter to be put on the agenda for an ARM Committee meeting for consideration.
- 7.6 The ARM Committee must keep minute books in which it records the proceedings and resolutions of its meetings.
- 7.7 A resolution of the ARM Committee may be passed:
 - (a) at a meeting of the ARM Committee, if it is approved by a majority of the votes cast by members of the ARM Committee present and voting on the resolution;
or
 - (b) by circular resolution signed by all ARM Committee members.

8. Authority

- 8.1 The ARM Committee may conduct or authorise investigations into any matter within its scope of responsibility or matters delegated by the Board. The ARM Committee shall have the authority necessary and appropriate to enable it to discharge its duties and responsibilities, including but not limited to:
 - (a) select, retain, and terminate external accountants, external counsel or other experts as it deems appropriate;
 - (b) approve the fees and other retention terms of such external accountants, external counsel or other experts;
 - (c) seek the information and assistance it requires from employees or agents

of the Group or external parties (with or without Management present);
and

- (d) meet with the Group's Officers, external auditors, or external counsel as required,

without seeking approval of the Board or Management.

9. Reporting to the Board

9.1 The ARM Committee must report to the Board in relation to all matters relevant to the ARM Committee's role and responsibilities including:

- (a) an assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for Shareholder needs;
- (b) an assessment of the management processes which support external reporting;
- (c) procedures for the selection and appointment of external auditors and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or removal of the external auditor;
- (e) an assessment of the performance and independence of the external auditor, including whether independence is maintained having regard to provision of non-audit services;
- (f) material business risks facing the Group, including changes in risk; and
- (g) the results of its review of the effectiveness of the risk management and internal compliance and control systems.

The minutes of each meeting of the ARM Committee will ordinarily be included in the papers for the next full meeting of the Board following the ARM Committee meeting.

10. Adoption of this Charter

10.1 This Charter has effect from [6 February 2020].

ANNEXURE A – EXTERNAL AUDIT POLICY

1. External Auditor Appointment

- 1.1 The ARM Committee is responsible for making recommendations to the Board on the appointment, reappointment or removal and remuneration of the external auditor.
- 1.2 If it becomes necessary to replace the external auditor for performance or independence reasons, the ARM Committee will consider various criteria in making its recommendation regarding a new external auditor, including:
- (a) the auditor being registered as an auditor or authorised audit company under the Corporations Act;
 - (b) the independence of the external audit firm from the Group and the ability of the external audit firm to maintain independence throughout the engagement;
 - (c) the arrangements that are proposed regarding lead audit engagement partner rotation and succession planning;
 - (d) professional competency, experience and integrity of key audit personnel; and
 - (e) remuneration and cost effectiveness.
- 1.3 In the event it becomes necessary to appoint a new external auditor:
- (a) the ARM Committee will construct a shortlist of candidates that meet its selection criteria and ascertain their willingness to act;
 - (b) interested candidates will be required to submit a proposal addressing the ARM Committee's criteria as well as a statement that they are independent in accordance with Division 3 of Part 2M.4 of the Corporations Act;
 - (c) the ARM Committee will interview candidates to assess their suitability;
 - (d) the ARM Committee will subsequently meet to determine its preferred candidate, approve the auditor's engagement letter and fees and make a recommendation to the Board; and
 - (e) the Company Secretary will arrange meetings of the Board and the Shareholders (including all required notices) to vote on resolutions for the resignation or removal of the existing external auditor and the appointment of the new external auditor.

2. External Auditor Performance Assessment

- 2.1 The ARM Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit.
- 2.2 In evaluating the performance of the external auditor, the ARM Committee will use a number of criteria, including:
- (a) comprehensiveness of the audit approach and methodology;
 - (b) understanding of the Group's business;
 - (c) competency of the audit team;

- (d) level of service;
 - (e) nature of the relationship with Management and the ARM Committee;
 - (f) remuneration and cost effectiveness;
 - (g) quality and timeliness of communications; and
 - (h) overall performance.
- 2.3 The ARM Committee will consult with Management in regard to the performance of the external auditor and will review and evaluate any recommendations made by Management to replace the external auditor.

3. External Auditor Independence

- 3.1 The external auditor must remain independent of the Group at all times and comply with the auditor independence requirements of the Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants Australia.
- 3.2 The ARM Committee will review the external auditor's independence based on the external auditor's relationships and services with the Group and other organisations. The review and assessment will be carried out annually.
- 3.3 In reviewing the external auditor's independence the ARM Committee will:
- (a) ask the external auditor to:
 - (i) provide a declaration testifying to its independence before the directors approve the half-year and full year accounts;
 - (ii) actively engage in discussions with the ARM Committee concerning any relationships or services that may compromise the objectivity and independence of the external auditor;
 - (b) consider whether the external auditor's provision of non-audit services to the Group is compatible with maintaining independence of the external auditor; and
 - (c) report to the Board describing any non-audit services rendered by the external auditor during the most recent financial year, the fees paid for those non-audit services in aggregate and by each service, and explaining why the provision of those non-audit services is compatible with the independence of the external auditor.

4. Provision of Non-Audit Services by External Auditor

- 4.1 The ARM Committee is responsible for reviewing any actual, potential and perceived conflicts in relation to the provision of non-audit related services by its external auditor.
- 4.2 In order for the external auditor to be eligible to undertake any non-audit services assignment, the external auditor must not as a result of the assignment:
- (a) create a mutual or conflicting interest with the Group;
 - (b) audit their own work;
 - (c) act in a management capacity or as an employee;
 - (d) act as an advocate for the Group.
- 4.3 The ARM Committee must review and approve all material engagements of the

external auditor to perform non-audit related services to ensure that there is no conflict of interest.

5. Rotation of Lead Audit Partner

- 5.1 The role of lead external audit engagement partner is not to be performed by the same person for a period longer than five consecutive years. There is a minimum two-year period before an audit partner is allowed back onto the audit team.