

Harvey Norman Holdings Limited

A.C.N. 003 237 545

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Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

RE: EXECUTIVE REMUNERATION

The Company has received requests from some shareholders to clarify aspects of the remuneration report regarding the remuneration of the CEO. The response of the Company can be accessed at www.harveynormanholdings.com.au/corporateCharter.htm

[A copy of the document is attached].

Yours faithfully
HARVEY NORMAN HOLDINGS LIMITED



Chris Mentis
Company Secretary

HARVEY NORMAN HOLDINGS LIMITED ABN 54 003 237 545

**RESPONSE TO REQUEST FOR CLARIFICATION OF THE 2014
REMUNERATION REPORT CONCERNING CEO REMUNERATION**

1. Information at the end of page 23 and start of page 24 of the 2014 Annual Report of the Company sets out the aims of the Board in determining remuneration of executives, and in particular, the target remuneration mix of the CEO, being approximately 60% fixed remuneration, 15% target STI opportunity and 25% target LTI opportunity.
2. The remuneration committee of the Board ("Remcom") met and considered the remuneration of the CEO by reference to 2 comparator groups and other information available to the Remcom.
3. The first comparator group ("Broader Comparator Group") comprised CEOs of Australian listed public companies included in the CRA Top 500 Director and Senior Executive remuneration report for 2013, where for each company in the 2013 year:
 - (a) the number of employees exceeded 5000;
 - (b) the market capitalization exceeded \$3 billion;
 - (c) the operating revenue exceeded \$2 billion;
 - (d) the operating profit after tax exceeded \$100 million.
4. The second comparator group ("Specific Retail Comparator Group") comprised CEOs from six Australian listed public companies that conducted Australian retail operations in 2013.
5. The Remcom also made reference to, and considered the table of executive salaries published by the Australian Financial Review on 5 December 2013.
6. The Remcom noted, and took into consideration the fact that the Company owns a substantial commercial property portfolio with a value exceeding \$2 billion dollars (see page 80 of the 2014 Annual Report). Control and stewardship of this portfolio falls within the ambit of responsibility of the CEO.
7. After reviewing information described above, and considering the circumstances of the Company, the Remcom determined that the fixed component of the remuneration of the CEO for the 2014 year would be \$2,100,000 (as set out on page 31 of the 2014 Annual Report).
8. The Remcom noted that the fixed remuneration of the CEO of the Company was:
 - (a) at the 56th percentile of the Broader Comparator Group;
 - (b) just below the average of the Specific Retail Comparator Group.
9. Subject to satisfaction of the performance conditions and service conditions (as set out in the 2014 annual report) the first tranche of the 2014 LTI plan will be paid in 2017, in cash.
10. The reason cash was preferred (to quasi-equity arrangements such as options or performance rights) in 2014 included the fact that the Remcom was of the opinion that there was substantial uncertainty regarding the tax treatment of equity awards under employee share plans.
11. It is the intention of the Remcom to recommend to the Board that the Company return to a policy of provision of long-term incentives by use of performance rights or options when there is more certainty about the taxation treatment.