

PEET LIMITED

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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OVERVIEW

In March 2003, the ASX Corporate Governance Council published the 'Principles of Good Corporate Governance and Best Practice Recommendations' ('guidelines').

This document sets out in Part A, a brief summary of the requirements of those guidelines.

Part B of this document describes progress by Peet Limited (Peet) in addressing those guidelines. It is structured along the same lines as the Council's guidelines, with sections dealing in turn with each of the Council's 10 corporate governance principles.

PART A

In brief, the ten 'Principles of Good Corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council are as follows:

A company should:

- 1 Lay solid foundations for management and oversight
 - . Recognise and publish the respective roles and responsibilities of board and management.
- 2 Structure the board to add value
 - . Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
- 3 Promote ethical and responsible decision-making
 - . Actively promote ethical and responsible decision-making.
- 4 Safeguard integrity in financial reporting
 - . Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
- 5 Make timely and balanced disclosure
 - . Promote timely and balanced disclosure of all material matters concerning the company.
- 6 Respect the rights of shareholders
 - . Respect the rights of shareholders and facilitate the effective exercise of those rights.
- 7 Recognise and manage risk
 - . Establish a sound system of risk oversight and management and internal control.

- 8 Encourage enhanced performance
- . Fairly review and actively encourage enhanced board and management effectiveness.
- 9 Remunerate fairly and responsibly
- . Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
- 10 Recognise the legitimate interests of stakeholders
- . Recognise legal and other obligations to all legitimate stakeholders.

PART B

Following a constructive review of Peet's own governance practices, many of Peet's existing practices have been placed into formal charters, policies and procedures.

The various codes, policies and charters referred to in this statement will all be posted on the Peet website, www.peet.com.au, and shareholders and other interested readers are welcome to refer to them.

The Board will keep its corporate governance practices under review.

1 Lay solid foundations for management and oversight

The ASX Corporate Governance Council states that a company should "*Recognise and publish the respective roles and responsibilities of board and management.*"

Peet has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Managing Director. The division of functions is reviewed annually.

Specifically, the Board is responsible for:

- . setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- . ensuring there are adequate resources available to meet Peet Group objectives;
- . appointing and removing the managing director and overseeing succession plans;
- . approving and monitoring financial reporting and capital management;
- . approving and monitoring the progress of business objectives;
- . ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licences;
- . ensuring that adequate risk management procedures are in place;
- . ensuring that the Peet Group has appropriate corporate governance structures in place including standards of ethical behaviour and a culture of corporate and social responsibility; and
- . ensuring that the Board is and remains appropriately skilled to meet the changing needs of the company.

The Chairman is responsible for leading the Board in those duties, while the Managing Director is responsible for the efficient and effective operation of the Peet Group, including bringing material matters to the attention of the Board.

The roles of Chairman and Managing Director are separated and under Board policy, the Managing Director may not act as Chairman, or hold the position of Chairman while being the Managing Director.

2 Structure the board to add value

The ASX Corporate Governance Council states that a company should *“Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.”*

The Council guidelines imply that the ideal is to have a Board consisting of a majority of independent non-executive directors; however, the Peet Board has agreed to an interim policy.

Such policy will permit the appointment of five directors; three non-executive directors (of whom 2 will be independent) and two executive directors, one of whom is the Managing Director.

The Board may review this requirement from time to time.

Independent advice:

Peet directors may also seek external professional advice at the expense of the company on matters relating to their role as directors of Peet. However, they must first request approval from the Chairman, which must not unreasonably be withheld. If permission is withheld, the matter may be referred to the whole Board.

3 Promote ethical and responsible decision making

The ASX Corporate Governance Council states that a company should *“Actively promote ethical and responsible decision-making”*.

Peet has adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision making by directors, executives and employees.

The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Peet. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the company. Specific obligations regarding fitness for office also apply to Peet directors and management.

Peet has comprehensive policies and procedures in place for observing these requirements.

Peet also has formal guidelines that set the parameters for directors, executives and employees for dealing in the securities of Peet and prohibit insider trading. Any dealing in the securities of Peet must only be in accordance with the guidelines.

The policy specifies blackout periods during which dealing in Peet shares is prohibited.

Any non-compliance with the guidelines for dealing in securities will be regarded as serious misconduct, which may entitle Peet to terminate the employment of any employee found to be in breach.

There are also policies that apply specifically to staff within Peet who may encounter confidential price sensitive information relating to Peet.

4 Safeguard integrity in financial reporting

The ASX Corporate Governance Council states that a company should *“Have a structure to independently verify and safeguard the integrity of the company’s financial reporting”*.

Peet believes its practices in this regard are in accordance with this principle.

Peet has a highly structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Managing Director and Chief Financial Officer (CFO) provide assurance, as statutorily required, to the Board for each half-year and full-year result.

Peet’s Audit and Risk Management Committee is constituted in accordance with the guidelines, and its responsibilities and composition requirements are set out in the Audit and Risk Management Committee Charter.

5 Make timely and balanced disclosure

The ASX Corporate Governance Council states that a company should *“Promote timely and balanced disclosure of all material matters concerning the company.”*

Peet’s disclosure responsibilities are codified through a formal policy covering authority for disclosure approval, ‘awareness’ and ‘materiality’ of information or events, and the obligation to report these matters to designated managers.

The policy details the disclosure process, including the required reporting to the ASX and announcements to the media.

The policy specifically recognises the company’s obligation to respond to market speculation and avoid a false market in Peet’s securities.

The Managing Director has ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the Board, CFO and Company Secretary.

It is intended to ensure that disclosure includes availability of materials on the Peet website and provision of all information necessary for investors to make informed decisions about an investment in Peet.

6 Respect the rights of shareholders

The ASX Corporate Governance Council states that a company should *“Respect the rights of shareholders and facilitate the effective exercise of those rights”*.

Continuous Disclosure Policies and Shareholder Communication

The Company places a high priority on communication with Shareholders and is aware of the obligations it has under the Corporations Act and the Australian Stock Exchange (ASX) Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company’s securities.

The Company has adopted policies, which establish procedures to ensure that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of material price sensitive information.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information is communicated to shareholders as follows:

- The Annual and Half-yearly Financial Reports are lodged with the ASX, with the Annual Report distributed to shareholders;
- Announcements of annual and interim results, broker/analyst presentations and other price sensitive information are made to the ASX; and
- Addresses made by the Chairman and Managing Director to the Annual General Meeting (AGM).

Shareholders are entitled to attend the AGM and receive a notice of such meeting together with an explanatory memorandum of proposed resolutions (as appropriate). If shareholders cannot attend the AGM they are entitled to lodge a proxy in accordance with the Corporations Act, 2001 and Peet's Constitution.

A transcript of the addresses made by the Chairman and the Managing Director to the AGM is released to the ASX.

Additionally, all ASX announcements and other media releases are accessible via the Company's website.

7 Recognise and manage risk

The ASX Corporate Governance Council states that a company should *"Establish a sound system of risk and oversight and management and internal control"*.

Peet takes this responsibility seriously and has put in place appropriate means of risk management.

The Audit and Risk Management Committee has responsibility for reviewing the risk management framework and policies within Peet.

Peet's Risk Management plan is periodically work-shopped and updated. This process is overseen by the Company Secretary and involves the input of the Compliance Officer and Senior Management across the Peet Group (The Risk Management Working Committee).

The Audit and Risk Management Committee will receive periodic reports from the Risk Management Working Committee, detailing risk management matters, compliance with existing statutory requirements, as well as adherence to internal policies.

The Audit and Risk Committee will assess the adequacy of Peet's ongoing risk management resources and systems.

The Managing Director and CFO are required to state to the Board, in writing, that to the best of their knowledge the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

8 Encourage enhanced performance

The ASX Corporate Governance Council states that a company should *"Fairly review and actively encourage enhanced board and management effectiveness"*.

Peet's Board has put in place measures to implement this principle.

Board Assessment

The Board undergoes periodic formal assessment processes, including assessment of the Board's Committees. An independent, third party consultant may be used to facilitate the assessment.

The assessment process currently used by the Board requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behavior of the Board and its members. Senior executives having most direct contact with the Board may also be invited to complete similar questionnaires. Responses to the questionnaires are confidential and provided direct to the consultant, with the results in aggregate then being communicated to the Chairman of the Board.

The Board as a whole then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board, as a whole.

The Chairman of the Board may also meet individually with each Board member to discuss their performance.

As Peet expands and matures as a listed Company, the Board Assessment process will be appropriately refined.

The Board has access to the resources of the Company Secretariat and also approves the appointment or removal of the Company Secretary on the advice of management. The Secretariat is responsible for providing reference files and Board papers to each director, ensuring that management provides content in adequate detail. The Company Secretary is also responsible and accountable to the Board on all Peet governance matters.

Employee Assessment (including management)

The current assessment framework involves employees and managers being reviewed half-yearly by their direct supervisor. The process involves formal discussions during which employees are provided feedback on their performance and a review of ongoing key performance indicators take place.

Further refinement to the employee assessment process is currently taking place with a view to that process helping to drive the performance of the Company.

9 Remunerate fairly and responsibly

The ASX Corporate Governance Council states that a company should *"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined"*.

Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment to executive compensation
- Capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has economic profit as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

10 Recognise the legitimate interests of stakeholders

The ASX Corporate Governance Council states that a company should *"Recognise legal and other obligations to legitimate stakeholders"*.

Peet has a diverse range of stakeholders and has a number of measures in place that recognise their interests.

With respect to the main business activity, being real estate development and project management, Peet has adopted the "REBA Code of Conduct" as issued by the Real Estate & Business Agents Supervisory Board of Western Australia. This code and a detailed "Procedures Manual" provide a guide to compliance with legal requirements and ethical responsibilities.

The Manual also sets a standard for employees dealing with Peet's obligations to other external stakeholders. The Codes applies equally to staff, executives and directors.

Peet's Manual formally addresses the privacy of information given to Peet, conflict escalation, occupational health and safety and various other Human Resource related matters.