

PEET LIMITED

**AUDIT
AND
RISK MANAGEMENT
COMMITTEE
CHARTER**

PEET LIMITED

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1 PURPOSE

- 1.1 The Audit & Risk Committee (the “Committee”) is a committee of the Peet Limited (Peet) Board. The Committee’s primary responsibilities within the governance structure of Peet and all controlled entities (the Peet Group) are to:
- . review the integrity of the Peet Group’s financial and external reporting;
 - . review and assess the external auditors’ activities, scope and independence;
 - . review the management processes for the identification of significant business risks and exposures and review and assess the adequacy of management information and internal control structures; and
 - . provide assurance that the Peet Group is adequately managing risk relating to corporate governance and is maintaining appropriate controls against conflicts of interest and fraud.
- 1.2 Further details on the duties and responsibilities of the Committee are outlined in Appendix A.

2 MEMBERSHIP AND TERM

- 2.1 The Committee shall consist of a minimum of three non-executive directors with a majority of independent directors.
- 2.2 The Chairman of the Board, while eligible to sit on the Committee, is not eligible to act as its chairperson.
- 2.3 “The term of appointment as a member is as determined annually by the Board, with Committee members generally being eligible for re-appointment subject to the composition requirements of the Committee.”
- 2.4 The effect of ceasing to be a director of the Board is the automatic termination of appointment as a member of the Committee.
- 2.5 The duties and responsibilities of a member of the Committee shall be in addition to those set out for a director of the Board.
- 2.6 Committee members will have a working familiarity with basic finance and accounting practices. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of the Peet Group. At least one member of the Committee should have accounting or related financial management expertise and at least one member should have a detailed understanding of the industry in which the Peet Group operates.
- 2.7 Committee members are appointed by the Board. Membership of the Committee is disclosed in the annual report.

3 CHAIRMAN OF THE COMMITTEE

- 3.1 The Chairman of the Committee is selected by the Chairman of the Board. The Committee Chairman must be a non-executive independent director.
- 3.2 Should the Chairman be absent from a meeting and no acting Chairman has been appointed, the members of the Committee present at the meeting shall choose one of the members of the Committee, other than the Chairman of the Board, to chair that particular meeting.

4 MEETINGS

- 4.1 The Committee may, with the approval of the Chairman, conduct meetings by telephone or video conference provided that all Committee members involved in the meeting are able to participate in discussion.
- 4.2 As a minimum, the Committee meets three times per annum. The current meeting schedule entails five meetings as detailed in Appendix B.
- 4.3 In addition, the Chairman will call a meeting of the Committee if so requested by any member of the Committee, by the external auditor or internal compliance officer or by the Chairman of the Board.
- 4.4 Scheduled meetings are broadly structured. Appendix C provides a guide to the timing and suggested content that could be considered for each meeting. In addition to the agenda items indicated in the table, any other relevant external auditor or internal compliance reports or significant correspondence that may arise between meetings are considered at the next scheduled meeting.
- 4.5 Without the presence of management, the Chairman of the Committee may meet at least annually with the external auditor and separately with the internal compliance officer. Additionally, the Committee may set aside time at each meeting involving the external auditor for private discussion with the external auditor.

5 ATTENDANCE AT MEETINGS AND QUORUM

- 5.1 All members of the Board have a right of attendance at meetings. However, no member of the Board is entitled to attend that part of a meeting at which an act or omission of that director or a contract, arrangement or undertaking involving or potentially involving that director or a related party of that director is being investigated or discussed.
- 5.2 Notwithstanding the above, if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested director, the Committee may invite that director to address the Committee. The Committee shall give fair consideration to that address. The director will not, however, be invited to take part in the deliberations following that address.
- 5.3 The Managing Director and/or the Company Secretary attend each meeting. Other Peet Group executives and/or parties external to the Peet may be invited to attend any meeting of the Committee.
- 5.4 The external audit engagement partner may be invited to attend meetings of the Committee.
- 5.5 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

6 SECRETARY

- 6.1 The Committee will appoint an employee from the Peet Group as secretary of the Committee. Currently, the Company Secretary of Peet acts as secretary of the Committee.

7 SCOPE, ACCESS AND AUTHORITY

- 7.1 The activities of the Committee are in relation to Peet. As directed by the Board, the Committee may also provide advice to other entities in the Peet Group, or related to the Peet Group.
- 7.2 The Committee has direct access to the Peet external auditor and internal compliance officer. It has the authority to seek any information it requires to carry out its duties from any officer or employee of the Peet Group and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the provision of such information.
- 7.3 The Committee has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.
- 7.4 Any officer or employee of the Peet Group has access to the Committee's Chairman.

8 REPORTING

- 8.1 Proceedings of all meetings are minuted and signed by the Chairman or the chair of the Committee meeting. Minutes of all Committee meetings are circulated to the Board.
- 8.2 The Committee, through its Chairman, reports to the Board at the earliest possible Board meeting after each Committee meeting. The Chairman will summarise the issues discussed at the meeting. This is not required where all directors present at the subsequent Board meeting were present at the Committee meeting.
- 8.3 In addition, each year, where all the directors are not present at the relevant Committee meeting, the Chairman of the Committee submits two summary reports, either verbally or in writing, to the Board. The relevant report is submitted to the respective Board meeting that approves the:
- . half year financial statements; and
 - . the full year financial statements.
- 8.4 Through the above mechanisms, all matters relevant to the Committee's role and responsibilities will be reported to the Board.

9 PERFORMANCE AND FEES

- 9.1 The Committee's performance will be reviewed through the Board's periodical performance appraisal process.
- 9.2 Committee members are entitled to receive remuneration as determined from time to time by the Remuneration Committee.

10 PRIMARY DUTIES

The Committee assists the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Peet Group in the following areas.

10.1 Financial and External Reporting

- 10.1.1 The Committee is expected to review all audited Peet Group financial statements intended for publication prior to recommending their approval by the Board.
- 10.1.2 In undertaking reviews of financial and external reporting, the Committee will do so from the shareholder's perspective, with a view to ensuring the information is adequate for their needs.

10.2 Audit Activities, Audit Scope and Audit Independence

- 10.2.1 The key responsibility of the Committee in relation to the activities of external audit and internal compliance are to ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout the Peet Group in the most effective, efficient and comprehensive manner with due regard to the differing roles of external audit and internal compliance. The Committee is responsible for ensuring that the external auditor meets the required standards for auditor independence.

10.3 Risk Management and Internal Control Structure

- 10.3.1 Within the area of risk management and internal control, the Committee is responsible for monitoring and reviewing the effectiveness of the risk management and internal control structure implemented by management (including the processes supporting external reporting) and advise on significant changes to that structure so as to obtain reasonable assurance that the Peet Group's assets are safeguarded and that reliable financial records are maintained.

10.4 Corporate Governance and Integrity

- 10.4.1 The Committee is responsible for overseeing management's application of the Peet Corporate Governance Council Guidelines in respect of financial reporting and risk oversight.
- 10.4.2 The Committee provides assurance that the Peet Group is adequately managing risk relating to corporate governance and market integrity and is maintaining appropriate controls against conflicts of interest and fraud.

11 REVIEW OF CHARTER

- 11.1 The Committee's charter is reviewed periodically by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 11.2 Changes to the charter are recommended by the Committee and approved by the Board.

12 PUBLICATION OF CHARTER

- 12.1 Key features of the charter are outlined in the Corporate Governance section of the annual report to shareholders. The charter is also available at www.peet.com.au. The charter is also to be made available to shareholders of the Peet Group upon request.

APPENDIX A – INDICATIVE LIST OF COMMITTEE TASKS

An indicative list of tasks that the Committee may consider undertaking in order to satisfy the primary duties of the Committee.

Financial and External Reporting

- . Review the draft half-yearly and annual financial reports and statements prior to recommending their adoption by the Board, including (where applicable) the review of any management representations made in support of the financial statements, and discussion of the key issues inherent in preparing the financial statements. The review process includes determining that management and the external auditor are satisfied with the contents of the financial statements and the adequacy of disclosure therein and that the reports are consistent with committee members' information and knowledge.
- . Review the appropriateness of the Peet Group's accounting policies and principles.
- . In respect of unaudited monthly or quarterly reports or reports to regulators (if any), the Chairman may review these on the Committee's behalf before endorsement by the Board.
- . Review the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the Peet Group of financial information. These include, but are not limited to -
 - Australian Accounting Standards;
 - Corporations Act; and
 - ASX listing rules.
- . Reviewing any significant changes in accounting policies or principles or any changes in the application of those policies or principles compared with prior years, including considering the reasons for the changes and the views of the external auditor of the changes, and if thought appropriate, recommending that such changes be submitted to the Board for approval.
- . Enquiring into any significant difference of opinion between management and the external auditor concerning disclosures in the financial statements and how the matter was resolved, considering any material adjustments arising from the external or internal compliance issues and reviewing cases where management has sought advice on specific accounting matters from any other external advisers.
- . Comparing operating results with prior years and budgets, and obtaining explanations for significant variances.
- . Examining significant accounting accruals, provisions and estimates that may have a material impact or effect on the financial statements.
- . Determining that disclosures in the financial statements are appropriate and comply with all relevant legislation and accounting pronouncements by obtaining such representations from management as it considers necessary to obtain assurance regarding the major aspects of such disclosure and comparing disclosures made in the draft financial statements with those representations for reasonableness and accuracy.

- . Enquiring into current developments likely to affect the financial statements or financial reporting by reviewing industry developments, new or pending accounting and legislative pronouncements, disclosure requirements and taxation matters and proposed changes to the formats of financial statements, as they affect both current and future years.
- . Reviewing current and pending litigation which management or legal counsel believes is likely to have a material effect on the financial statements.

Audit Activities, Audit Scope and Audit Independence

- . The external auditor reports to the Committee, but is responsible to the Board of Directors, as representatives of the shareholders.

Selection and Appointment of External Auditor

- . Periodically the Committee will consider whether the audit should be tendered. In making this decision, the Committee will consider (among other things) the performance of the auditor and the independence of the auditor. The Committee's recommendation as to whether the audit should be tendered, or whether the auditor should be re-appointed, or left unchanged (as the case may be) will be put to the Board for their approval.
- . If a tender is undertaken, all work on the tender will be undertaken by the Committee. Any subsequent recommendation for the appointment of an external auditor will be put to the Board and then if a change is approved it will be put forward to shareholders for their approval.

Auditor Independence

- . Ensure that the external auditor meets the required standards for auditor independence. In carrying out its responsibilities, the Committee will be cognisant of the following:
 - It is mandatory that the audit engagement partner responsible for the audit be rotated at least every five years. At least two years must expire before the audit engagement partner can again be involved in the audit of the Peet Group.
 - Consider whether, taken as a whole, the various relationships between the Peet Group and the external auditor impairs or appears to impair the auditor's judgment or independence in respect of the company.
 - Review the economic importance of the company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of non-audit services) to the external auditor and assess whether the economic importance of the Peet Group to the external auditor impairs or appears to impair the external auditor in their judgment or independence in respect of the company.

- . Ensuring that the external auditor provides a declaration for the half year and full year accounts (addressed to the Board) that provides confirmation that the Auditor has maintained its independence in accordance with:
 - the Corporations Act;
 - the rules of the professional accounting bodies;
 - the auspices of this Charter; and
 - confirmation by the Auditor that it is, in its professional judgment, independent of the Peet Group.
- . Engage in active discussions with the external auditor in relation to disclosed relationships, and their potential impact on auditor independence.
- . Monitor the number of former employees of the external Auditor currently employed in senior positions in the Peet Group (if any) and assess whether this impairs or appears to impair the auditor's judgment or independence in respect of the company.
- . Confirming that the independence of the audit function is maintained by ensuring there are no unreasonable restrictions placed upon the external auditor or internal financial or compliance officers. Also, that while internal financial and compliance reports may go to the Managing Director, full and free access to the Committee is maintained to preserve objectivity.
- . Consider whether the provision of non-audit services is compatible with maintaining the auditor's independence.

Audit Fees and Services

In considering fees paid to the external auditor for the provision of non-audit services the Committee will be cognisant of the following:

- (a) The following services are inappropriate for the external auditor to provide at any time:
 - . Any services where the auditor would -
 - have a mutual or conflicting interest with Peet;
 - audit their own work;
 - function as management of Peet; and
 - act as an advocate of Peet;

and, in particular, the following services -

- bookkeeping or other services related to the accounting records or financial statements;
- financial information or Information Technology systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource;
- services, including recruitment of senior management;
- broker/dealer services, investment advisor, corporate finance or investment banking services; and
- legal or litigation support services.

(b) The following services may be appropriate -

- . regulatory Audit Services;
- . industry Audit Services;
- . taxation compliance and planning; and
- . due diligence (except where the external auditor has recently been or is engaged by the firm that is the subject of the due diligence).

(c) The Committee shall approve any proposed appointment in which the fee for any individual service rendered is to be greater than an amount to be determined by the Board.

(d) The Committee shall consider all fees paid to the external auditor at least annually. Similar information will be made available to shareholders in the annual report.

(e) Ensuring that the annual report for the financial year provides disclosure of the dollar amount of all non-audit services provided by the external audit firm to the Peet group, in accordance with applicable reporting standards.

General

- . Ensuring that the external auditor or a representative of the auditor attend the annual general meeting at which the auditor's report is tabled.
- . Periodically reviewing the method by which the external auditor communicates matters to management and the Board to confirm appropriateness and currency.
- . On an annual basis, reviewing their terms of engagement and recommending to the Board the appointment and remuneration of the external auditor.

- . Reviewing the audit plan of the external auditor by considering it in light of the terms of their engagement, areas of special concern to the external auditor or to the Board, the extent to which changes in internal accounting control have affected the plan and the co-ordination of planned internal work.
- . Assessing the performance of the external auditor by discussion with management, together with the Committee's own perceptions from its interaction with the auditor.
- . Review all representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
- . Satisfying itself that internal audit objectives, plans and resources provide for adequate support of the Committee's own goals and objectives.

Risk Management and Internal Control Structure

- . Consider any reports to the Board of the the major operational risks facing Peet.
- . Annually assess the performance and objectivity of the internal functions. Critically evaluate internal activities including planning documentation, progress against plan, resources and reports produced.
- . Reviewing management's processes and results in identifying, assessing and monitoring risks associated with the Peet Group's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risks.
- . Consider any other business risks as directed by the Board or that are not dealt with by a specific committee of the Board.
- . Considering and assessing the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of the external auditor and internal reports to management on internal controls (including information technology controls), and action taken or proposed resulting from those reports.
- . Meet with internal compliance officer without management present.
- . From time to time, the Committee may need to request, or if approved by the Board, to direct, a special project or investigation into an issue or significant transaction that falls within the ambit of the Committee's overall responsibilities.
- . Consider any risk issues raised as a result of reviews undertaken by external parties, such as Real Estate and Business Agents Board (REBA), Australian Securities and Investment Commission (ASIC), Australian Taxation Office, or others.

Corporate Governance and Integrity

- . Review procedures and controls to ensure Peet complies with its corporate governance obligations and goals including in relation to trading in Peet Shares by Peet employees and directors.
- . Reviewing and monitoring related party transactions and assess their propriety.
- . Enquiring into actual or potential conflicts of interest, including reviewing contracts, arrangements or undertakings that may involve related parties and, more generally, monitoring significant transactions to ensure they are at arm's length.
- . Reviewing any investigation of significant misconduct or fraud and significant instances of employee conflict of interest.

APPENDIX B – INDICATIVE MEETING TIMETABLE

Meeting	Timing
Meeting A	A date that coincides with the audit planning phase - currently December.
Meeting B	A date that coincides with the completion of the half-year review by the external auditor - currently February.
Meeting C	A date that coincides with an update on year end planning - currently May/June.
Meeting D	A date that coincides with the completion of the statutory financial audit undertaken by the external auditor- currently August.
Meeting E	A date that coincides with the completion of the statutory annual report – currently September.

APPENDIX C – INDICATIVE GUIDE TO MEETING CONTENTS

Item	Meeting				
	A - Dec	B - Feb	C - May	D - Aug	E - Sep
1. Consider and recommend the appointment of the external Auditor including the associated fees.			√		
2. Review the Audit scope and objectives for the external Audit program for the ensuing year.			√		
3. Review the nature of non-Audit services provided by the external auditor and related fees.	√	√	√	√	√
4. Review the results and findings of the statutory financial Audit including review of the draft Audit opinion, review of any management representation letter sent to the external auditor or Board, discussion of the adequacy of internal financial controls and noting consideration of any changes to the external Audit program since the Committee's earlier review.				√	
5. Review and where necessary approve the status of the internal and external Audit programs.	√	√	√	√	√
6. Consider and review the adequacy of the management information and internal control systems, including information technology controls and security, and business continuity plans.	√	√	√	√	√
7. Consider any other issues that may impact the half-yearly or year-end financial statements or that otherwise require resolution prior to finalisation of Half-Yearly or Annual Accounts.	√	√	√	√	√
8. Make enquiries in relation to matters of corporate conduct, including consideration of any management report highlighting actual or potential conflicts of interest or significant transactions with related parties.	√	√	√	√	√
9. Review and make recommendations to the Board concerning any proposed changes to the Charter.	√	√	√	√	√
10. Review and note significant changes to the internal controls.	√	√	√	√	√

Item	Meeting				
	A - Dec	B - Feb	C - May	D - Aug	E - Sep
11. Review the Auditors independence statement provided for the Board by the external auditor for - their reappointment; - the half year review; and - year end audits.		√		√	
12. Review the draft half-yearly Appendix 4D and accompanying market announcement prior to recommending their adoption by the Board, including (where applicable) the review of any management representations made in support of the half-yearly financial statements, and discussion of the key issues inherent in preparing the financial statements.		√			
13. Review the draft year end preliminary financial results (Appendix 4E) and accompanying market announcement prior to recommending their adoption by the Board, including review of management representations, and other supporting documentation and discussion of the key issues inherent in preparing the financial statements.				√	
14. Review the draft year end Annual Report and accompanying market announcement (if any) prior to recommending their adoption by the Board, including review of management representations, and other supporting documentation and discussion of the key issues inherent in preparing the financial statements.					√
15. Review the corporate governance practices relating to audit committee and risk for input into the Corporate Governance Statement to be included in the annual report.				√	√
16. Review the management processes for the identification of significant business risks and exposures including an assessment of the steps management has taken to minimise such risk.	√	√	√	√	√
17. Review the Annual summary to the Board of the major operational risks facing Peet.	√				