

CORPORATE GOVERNANCE STATEMENT

Outlined below are the main corporate governance policies and practices in place during the financial year ended 30 June 2009 and up to the date of the Directors' Report. Unless otherwise stated, these are consistent with the ASX Corporate Governance Council's principles and recommendations, and copies of relevant charters and policies are available at www.peet.com.au

Role of the Board

The Board of Directors is responsible for the overall corporate governance of the Peet Group. Under the Board charter, the Board's responsibilities include:

- setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Peet Group's objectives;
- appointing and removing the Managing Director and Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;
- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);

- 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.

Composition of the Board

Under the Constitution, the minimum number of directors is three. The maximum number of directors is to be fixed by the directors, but may not be more than 14, unless the Company in general meeting resolves otherwise. The Board currently comprises two executive directors and four non-executive directors.

Board Members

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Board of Directors section of this report.

The ASX Corporate Governance Council's principles recommend that boards consist of a majority of independent non-executive directors; however, while the Peet Board does not meet this recommendation, it does consist of a majority of non-executive directors, one of whom is Chairman.

The Board believes that the current composition has the necessary skills and motivation to ensure that the Company continues to perform strongly, notwithstanding that its overall composition does not meet ASX guidelines on independence.

Mr Tony Lennon, the Non-executive Chairman, is not independent but the Board strongly believes that, due to the wealth of experience in Peet's business sector and knowledge of the Peet Group business that he brings to the Board, he is the most suitable person to occupy the position of Chairman.

Mr Warwick Hemsley is a substantial shareholder in the Company and was Managing Director of the Company until his retirement from that role in August 2007. He remains on the Board as a Non-executive Director and is not considered independent.

Mr Stephen Higgs is deemed to be independent under the principles set out on page 20.

Mr Graeme Sinclair is deemed to be independent under the principles set out on page 20.

Directors' Independence

The Board of Peet defines an independent director as a non-executive director and:

- is not a substantial shareholder (as defined by the *Corporations Act 2001*) of the Company or an officer of a substantial shareholder who has a financial interest in the substantial shareholder;
- within the past three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the past three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other Group member, or an officer of a material supplier or customer who has a financial interest in the material supplier or customer;

- has no material contractual relationship with the Company or another group member other than as a director of the Parent Entity;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of more than 5% of annual turnover of the Company or Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Term of Office

Apart from the Managing Director, all directors are appointed for a term (maximum of three years) retiring in rotation.

Chairman and Managing Director

The roles of Chairman and Managing Director are strictly separated.

The Chairman is responsible for:

- leading the Board in its duties to the Peet Group;
- ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- facilitating effective discussions at Board meetings; and
- ensuring effective communication with shareholders.

The Managing Director is responsible for:

- policy direction of the operations of the Peet Group;
- the efficient and effective operation of the Peet Group;
- ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board; and
- ensuring all material matters affecting the Peet Group are brought to the Board's attention.

Independent Professional Advice

In fulfilling their duties, each director may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

Performance Assessment

The Board undergoes periodic formal assessments as and when considered appropriate, and informal self assessment on an annual basis.

The formal assessment process generally involves the appointment of an independent, third party consultant to facilitate the process and includes assessment of the Board's committees.

The formal assessment process generally includes the requirement for each director to complete a questionnaire and to be interviewed by the third party consultant on matters such as role, composition, procedures, practices and behaviour of the Board, its committees and their members.

This is then generally followed by a facilitated workshop at which the directors discuss the findings (in aggregate) from the questionnaires and interviews and agree on a program of actions.

The final part of the process generally involves individual feedback sessions facilitated by the independent third party consultant.

The most recent formal assessment process commenced during the 2009 financial year, with only the individual feedback sessions still to be completed.

Nomination Committee

No nomination committee currently exists.

Any changes to directorships will, for the time being, be considered by the full Board subject to any applicable laws. Accordingly, a separate nominations committee has not been established.

When a new director is to be appointed, the Board will review the range of skills, experience and expertise on the Board, identify its needs and prepare a short-list of candidates with appropriate skills and experience. Where necessary, advice will be sought from independent search consultants.

The Board will then appoint the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and the Company.

Board Committees

The following committees serve the Board:

Remuneration Committee

The Remuneration Committee meets as frequently as required and during the year held three meetings. The Committee operates in accordance with its charter, which is available on the Company's website. Its primary function is, having received and considered proposals from senior management, to make recommendations to the Board on:

- the remuneration framework for directors, including non-executive directors;
- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- recruitment, retention and termination policies for senior management;
- incentive schemes;
- superannuation arrangements; and
- senior management succession plans.

The Remuneration Committee currently consists of two independent non-executive directors and the Non-executive Chairman.

The chairperson of the Remuneration Committee is the person appointed by the Board.

The members of the Committee during the year were:

- Mr SF Higgs (Chairman) – Independent Non-executive Director
- Mr GW Sinclair – Independent Non-executive Director
- Mr AW Lennon – Non-executive Chairman

Details of these directors' attendance at Remuneration Committee meetings are set out at item 12 in the Directors' Report.

Details of key management personnel remuneration is set out at item 14 in the Directors' Report.

As at the 30 June 2009, the Company's key management personnel comprised the non-director members of the Executive Team, who report directly to the Managing Director and Chief Executive Officer.

The process for evaluating the performance of the non-director Executive Team members generally involves an analysis of:

- a summary of the executives' highlights for the previous 12 months;
- an assessment against the Company's values and behaviours, which is considered a mandatory aspect of the day-to-day performance and an integral part of the Company's culture;
- an assessment against personal objectives and key performance indicators; and
- an assessment of personal skills and attributes.

During the year ended 30 June 2009, the non-director Executive Team members each underwent a performance evaluation process, (as described above) with the Managing Director and Chief Executive Officer.

The executive directors also form part of the Executive Team. Their performance was assessed by the Remuneration Committee and the Board based, primarily, on Group financial performance criteria.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to review and monitor the financial affairs of the Company and is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The Committee's primary responsibilities include the following:

- 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.

Under its charter, which is available on the Company's website, the Audit and Risk Management Committee consists of a minimum of three directors with a majority of independent directors. The Board selects the chairperson of the Audit and Risk Management Committee.

The current committee consists of two independent non-executive directors and the Non-executive Chairman.

At the discretion of the Committee, the external auditor and other members of the Board and management are invited to Audit and Risk Management Committee meetings as and when considered appropriate.

The Audit and Risk Management Committee will consider any matters relating to the financial affairs of Peet and any other matter referred to it by the Board.

The Audit and Risk Management Committee charter requires the committee to meet at least three times a year. The Committee held five meetings during the year and all the other directors were invited to these meetings, along with the Chief Financial Officer. The external auditors were invited to attend four of the five meetings.

The members of the committee during the year were:

- Mr GW Sinclair (Chairman) – Independent Non-executive Director
- Mr SF Higgs – Independent Non-executive Director
- Mr AW Lennon – Non-executive Chairman

The Company Secretary acts as secretary to the Committee and attends its meetings.

Details of these Directors' attendance at Audit and Risk Management Committee meetings are set out at item 12 in the Directors' Report.

Risk Management

The Board recognises the importance of managing the risks associated with Peet's business operations and has adopted a formal Risk Management Plan in keeping with its Risk Management Policy Statement, a copy of which is available in the corporate governance section of the Company's website (www.peet.com.au).

Management is responsible for the design and implementation of the risk management framework and internal control systems to manage the Company's material business risks and to report to the Board on whether those risks are being managed effectively. Individual business units are responsible for integrating the risk management framework within their business processes and systems.

The Audit and Risk Management Committee assists the Board in its risk management supervisory function, receives reports from management on the Company's material business risks and monitors the effectiveness of risk management and internal control policies.

While the identification, monitoring and reporting of risks occurs continually, management reviews the Risk Management Plan periodically to ensure its ongoing relevance.

The Risk Management Plan represents a component of the overall internal controls of Peet to assist in risk management. Other internal controls include:

- establishment of a Company-wide code of conduct;
- adoption of written policies and procedures;
- delegation of authority across the various levels of the Company;
- establishment of reporting systems to monitor compliance;
- appointment of a compliance officer; and
- a network disaster recovery plan.

During the year the Audit and Risk Management Committee and the Board received a comprehensive report from an independent third party consultant on the Company's policies for managing and monitoring material business risks and recommendations to consider for implementation.

Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the various Compliance Plans and functions governing the various Managed Investment Schemes for which Peet acts as Responsible Entity and Custodian.

The members of the Compliance Committee during the year were:

- Mr D Rundle (external member) – was a practising accountant for over 40 years, including 11 years in public practice. In more recent times he has been involved in property development, including being a member of the Unit-holders Advisory Committee of managed investment schemes managed by Peet.
- Mr A Hicks (external member) – former partner of the firm currently known as RSM Bird Cameron. Mr Hicks spent his entire working life in public practice and is a Fellow of both CPA Australia and Institute of Chartered Accountants of Australia.
- Mr W Hemsley (Non-executive Director) – please refer to information on Board of Directors of Peet Limited.

Peet's Compliance Officer acts as secretary to the Committee and attends its meetings.

The Compliance Plans of the Managed Investment Schemes have been lodged with the Australian Securities and Investments Commission (ASIC) and are subject to ongoing review.

The Committee meets at least quarterly and is required to report breaches of the *Corporations Act 2001*, the Parent Entity's Australian Financial Services Licence and the various Managed Investment Schemes' Constitutions and Compliance Plans to the Board, which is then required to report to ASIC any significant breach of obligations.

External Auditors

The Company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed periodically and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers was appointed as the external auditor in 1998. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The current lead audit partner, David J Smith, was first appointed for the 2008 financial year's audit.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in item 16 of the Directors' Report and in note 25 to the Financial Report.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Promotion of Ethical and Responsible Decision Making

Code of conduct

The Board believes that the success of the Peet Group has been, and will continue to be, enhanced by a strong ethical culture within the organisation. As the Peet Group grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their employment with the Peet Group.

The Company has documented the requirements to ensure that all legal and other compliance obligations to legitimate stakeholders are fully met. The various charters and policies are periodically reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

Share trading guidelines

Employees

Employees, other than directors or senior management, may buy or sell Peet shares on the ASX in the period of 60 days commencing immediately following:

- the announcement of half-yearly results;
- the announcement of annual results; or
- the holding of the Annual General Meeting,

except where an employee is in possession of price sensitive information or where the Company is in possession of price sensitive information and has, during the 'window' set out above, notified the employee that they may not buy or sell shares during all or part of any such period.

Employees, other than directors or senior management, may also buy or sell Peet's shares during the period that Peet has a current prospectus or other form of disclosure document on issue pursuant to which persons may subscribe for shares.

During other periods

Outside of the 'window' period, all employees, other than directors or senior management, must receive clearance for any proposed dealing in Peet's shares on the ASX by informing and receiving approval from the Managing Director prior to undertaking a transaction.

Directors and senior management

Unless there are unusual circumstances, as determined by the Board, approval will not be given to enable directors and senior management to trade in Peet's shares outside the 'windows' discussed above.

Additionally, before directors and senior management can deal in Peet's shares during the windows previously mentioned, they must follow these procedures:

- a director of Peet (including the Managing Director) must notify the Chairman and Company Secretary prior to undertaking a transaction;
- the Chairman must notify the Board or the next most senior director, prior to undertaking a transaction; and
- senior management must notify the Managing Director prior to undertaking a transaction.

Short-term dealing

Employees may not deal in Peet's securities on a 'short-swing' basis, except in circumstances of special hardship, with the Managing Director's approval. That is, employees may not buy and then sell securities within a three-month period. In addition, employees may not enter into any other short-term dealings (for example, forward contracts) except with the approval of the Managing Director.

Hedging of unvested securities

The Company's guidelines for dealing in securities prohibits directors and employees from entering into schemes to protect the value of unvested entitlements under any equity based remuneration scheme.

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 2001* and the 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 fulfil 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 Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX.

Information is made available to shareholders as follows:

- the annual and half-yearly financial reports are lodged with the ASX, with the annual report made available for distribution to shareholders;
- announcements of annual and interim results, broker/analyst presentations and other price sensitive information 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 prior to the commencement of the AGM.

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