

Audit, Business Risk and Compliance Charter

Adopted by the Board on 18 February 2004 and
Amended by the Board on 27 June 2007

The Board of Pacific Brands Limited has established an Audit, Business Risk and Compliance Committee (the Committee). The purpose for which the Committee has been established and the powers of the Committee are set out in this document.

1. Role and Objectives

The primary role of the Committee is to monitor and review, on behalf of the Board, the effectiveness of the control environment in the Pacific Brands Limited group (the Group) in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators, including:

- Overseeing the Group's discharge of its responsibilities with respect to:
 - the financial statements, financial report and annual report;
 - legal/regulatory compliance;
 - protection of Group capital; and
 - risk management systems,
- Overseeing the Group's relationship with external auditors; and
- Determining the independence of the external auditors.
The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance and nomination of the external auditors.

2. Membership of the Committee

Unless otherwise determined by the Board, the Committee comprises a minimum of three non-executive directors. It is intended that a majority of the Committee at any time will be independent directors such that they are independent of management and free of any conflicts, business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement.

The Chair should be an independent director and not the Chair of the board of directors. The Board will appoint the Chair of the Committee.

The current members of the Committee are:

- Max G Ould (Chair);
- Andrew Cummins;
- Dominique Fisher
- Pat Handley
- Maureen Plavsic

Other non-executive directors who are not Committee members may attend meetings of the Committee should they wish. Selected members of management may attend meetings of the Committee by invitation.

All persons appointed to the Committee will be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities.

The Board will review the membership and charter of the Committee annually, in accordance with paragraph 6.

3. Administrative matters

It is intended that the Committee will meet at least 3 times each year, or as often as the Committee members deem necessary in order to fulfil their role and objectives set out in this Charter.

Except as set out in this Charter, the Committee is subject to the Board's general policy for engaging or seeking advice from financial and legal advisers.

The Company Secretary will attend all Committee meetings as minute secretary. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director.

4. Reporting

It is intended that a report of the actions of the Committee and/or a copy of the minutes of the Committee meeting will be included in the Board papers for the Board meeting next following a meeting of the Committee.

The Chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.

5. Responsibilities and functions

5.1 Overview

The Committee's key responsibilities and functions are to:

- Oversee the Group's relationship with the external auditor (including forming a policy on the provision of non-audit services and the rotation of external auditor personnel on a regular basis) and the external audit function generally;
- Oversee the adequacy of the control processes in place in relation to the preparation of financial statements and reports;
- Oversee the adequacy of the Group's financial controls and systems; and
- Oversee the process of identification and management of business, financial and commercial risks (other than credit and trading (financial market) risk).

5.2 Audit

The Committee's specific function on audit is to review and report to the Board that:

- The system of control, which management has established, effectively safeguards the assets of the Group;
- Processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- Processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- Recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- Approving the audit plan of the external auditors;
- Monitoring the effectiveness and independence of the external auditor;
- Obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- Providing recommendations to the Board as to the role of the internal auditor/internal audit function, if any;
- Reviewing and appraising the quality of audits conducted by the Group's external auditors and confirming their respective authority and responsibilities;
- Monitoring the relationship between management and the external auditors;
- Evaluating the adequacy, effectiveness and appropriateness of the Group's administrative, operating and accounting control systems and policies;
- Reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- Overseeing the Group's financial reporting and disclosure processes and the outputs of that process;
- Determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices;
- Reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes.

5.3 Risk and Compliance

The Committee's specific function with respect to risk management is to review and report to the Board that:

- The Company's ongoing risk management program effectively identifies all areas of potential risk;
- Adequate policies and procedures have been designed and implemented to manage identified risks;
- A regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- Proper remedial action is undertaken to redress areas of weakness.

The following are intended to form part of the normal procedures for the Committee's risk responsibility:

- Evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
- Evaluating the structure and adequacy of the Group's Business Continuity Plans;
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis;
- Reviewing and making recommendations on the strategic direction, objectives and

- effectiveness of the Group's financial and operational risk management policies;
- Overseeing the establishment and maintenance of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;
- Reviewing the Group's main corporate governance practices for completeness and accuracy;
- Overseeing the proper evaluation of the adequacy and effectiveness of the Group companies' legal compliance control systems; and
- Providing recommendations as to the propriety of related party transactions.

6. Review

The Board will, at least once in each year:

- Review the membership and charter of the Committee to determine its adequacy for current circumstances. Where necessary, the Board, upon the recommendation of the Committee, may by resolution, alter the responsibilities, functions or membership of the Committee. The Committee may also recommend to the Board the formal adoption of the revised charter for future operations of the Committee; and
- Oversee the preparation of any report or other disclosures to be included in the Group's annual report or other communications to shareholders relating to the external auditors and the Group's financial statements.