

CORPORATE EXPRESS AUSTRALIA LIMITED

Audit Committee Charter

[Amended by resolution of the Board on 9 December 2008]

1. OVERALL OBJECTIVES OF AUDIT COMMITTEE

1.1 The primary objective of the Audit Committee is to assist the Board of Directors to fulfil its corporate governance and oversight responsibilities relating to:

- Ø The financial reporting process**
- Ø The system of internal control and management of financial risk**
- Ø The internal and external audit process**
- Ø The company's process for monitoring compliance with laws and regulations and its own code of business conduct.**
- Ø The business risks faced by the Company, risk management procedures and controls and compliance**

1.2 Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this charter in order to facilitate decision making by the Board.

2. MEMBERSHIP

2.1 The Audit Committee will comprise no less than three members appointed by the Board, the majority of whom shall be independent non-executive Directors. Members will be appointed for a three year term of office. The Board will formally approve all changes to members and their remuneration.

2.2 Members will be financially literate, or become financially literate within a reasonable period of time after their appointment to the Audit Committee. At least one and preferably two members shall have a comprehensive financial background.

2.3 The Chairman of the Committee will be appointed by the Board from time to time. The Chairman of the Board of Directors should not be the Chairman of the Audit Committee.

3. AUTHORITY

3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.

3.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary, but only after consultation with the Chairman of the Board.

3.3 The Committee shall have unlimited access to both the internal and external auditors and to senior management of the Company.

4. MEETINGS

4.1 The Committee will hold at least three meetings per year [We have 4 scheduled for 2009, but in the absence of quarterly reporting, may only need three for following years]. A simple majority of Committee members will constitute a quorum. Meetings will normally be held to review the:

- Ø plan for both the internal and external audits**
- Ø proposed half yearly profit announcements and financial results**
- Ø proposed preliminary annual profit announcement**
- Ø annual financial statements prior to the Board approving the annual report.**

4.2 The Committee may call such additional meetings as the Chairman decides are necessary for the Committee to fulfil its duties. In addition, the Chairman is required to call a meeting of the Committee when requested to do so by a Committee member, the Chief Executive Officer, the Chief Financial Officer, the Board Chairman, the internal auditors or the external auditors.

4.3 The Company Secretary will be secretary to the Committee who shall be responsible, in conjunction with the Chair, for drawing up the agenda and circulating it, supported by explanatory documentation, to Committee members prior to each meeting. In preparing the agenda, the Chair and secretary shall consult with the internal and external auditors where appropriate. The secretary will also be responsible for keeping and circulating minutes. The minutes of meetings will be approved by the Committee and signed by the Chair.

4.4 It is expected that the Chief Executive Officer and the Chief Financial Officer will attend each meeting in order that, inter alia, the Committee may be made directly aware of the views of the Company's management. Representatives of the internal and external auditors will also attend at the discretion of the Committee. The Audit Committee may invite such other persons to its meetings as it deems necessary.

5. RESPONSIBILITIES

5.1 The Audit Committee shall:

- Ø evaluate the internal control environment**
- Ø oversee and appraise the coverage and quality of the audits conducted by the Company's internal and external auditors**
- Ø maintain, by scheduling regular meetings, open lines of communications among the Board, the internal auditor and the external auditor to exchange views and information, as well as confirm the auditors respective authority and responsibilities**

- Ø serve as an independent and objective party to review the financial information presented by management to shareholders, analysts and the general public;**
- Ø consider any other matters referred to it by the Board.**

The specific duties of the Audit Committee shall be:

5.2 Internal Control

5.2.1 Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities

5.2.2 Review the adequacy of the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown

5.2.3 Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management within an appropriate timeframe.

5.3 Financial Accounting Compliance

5.3.1 Evaluate the adequacy and effectiveness of the Company’s administrative, operating and accounting policies through active communication with management, internal auditors and external auditor

5.3.2 Require reports from management, the internal auditor and external auditor on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Company’s financial reporting process

5.3.3 Evaluate the adequacy of the Company’s management information and accounting control system by reviewing written reports from the internal and external auditors, and monitor management’s responses and actions to correct any noted deficiencies

5.3.4 Monitor the standard of corporate conduct in areas such as arms-length dealings and potential conflicts of interest. Evaluate the Company's exposure to fraud

5.4 External Reporting

5.4.1 Review all financial reports and any correspondence regarding the Company's financial reporting or related matters prior to their public release. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

5.4.2 Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively. Review significant transactions outside the Company's normal business.

5.4.3 Review the annual, and half year financial statements, announcement of results to the Securities Exchange with the Chief Executive Officer, the Chief Financial Officer and the external auditor, and recommend acceptance to the Board, with particular reference to:

- (i) the nature and impact of any changes to accounting policies and practices**
- (ii) major judgemental areas**
- (iii) outstanding contingent liabilities, including existing and potential legal actions against the Group or its Board of Directors**
- (iv) significant adjustments resulting from the audit**
- (v) compliance with accounting standards and the Corporations Law, Securities Exchange Listing Rules and other legislative and reporting requirements**

5.4.4 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations.

5.5 External Audit

5.5.1 Recommend to the Board annually or as otherwise determined by the Board, the appointment of the external auditor and the level of their fees

5.5.2 In respect of any audit specifically requested by the Company, discuss and agree with the external auditor before the audit/review commences the nature and scope of the audit/review procedures, and ensure co-ordination with internal audit. In respect of the usual statutory half and year end audits, discuss with the external auditor before the audit/review commences the nature and scope of the audit/review procedures, and ensure co-ordination with internal audit

5.5.3 Discuss issues arising before the release of the interim and final results, and any matters the external auditor may wish to discuss. The Audit Committee will meet at least once annually with the external auditor, in the absence of management, and on any occasion during the year as requested by either the Audit Committee or the external auditor.

5.5.4 Review reports prepared by external audit and management's response. Review all representation letters signed by management to the Board and be satisfied that a process has been followed so that the information provided is complete and appropriate.

5.5.5 Periodically assess the external auditor's independence by considering the relationships and services provided by the external auditor and others that may lead to actual or perceived lack of independence.

5.5.6 The external auditor may be permitted to provide non-audit services where their detailed knowledge of the Company's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management, must be approved by the Audit Committee.

5.5.7 The Audit Committee will require the external auditor to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the announcement of the results for each period.

5.5.8 The Audit Committee will recommend to the Board the appropriate disclosure, on a totally transparent basis, in the Financial Statements of the details of fees paid to the external auditor.

5.5.9 Review the relationship with external audit (refer Appendix A) and evaluate the overall effectiveness of external audit

5.6 Internal Audit

5.6.1 Recommend to the Board the appointment of the internal auditor

5.6.2 Approve the Internal Audit Charter (refer Appendix B) from time to time and update to reflect current best practice, review the overall internal audit strategy and detailed annual plans and, where the internal audit function is outsourced, fees.

5.6.3 Review the activities and resources of the internal audit function and ensure no unjustified restrictions or limitations are made

5.6.4 Support co-ordination between the internal and external auditors and management.

5.6.5 Monitor the progress of the internal audit program and, together with any additional investigative reviews, consider the implications for the control environment. Monitor the implementation of agreed action plans by management

5.6.6 Meet separately with the internal auditors to discuss any matters that the Committee or auditor believe should be discussed privately

5.6.7 Review the relationship with internal audit (refer Appendix B) and evaluate the overall effectiveness of internal audit

5.7 Other responsibilities

5.7.1 Perform other oversight functions as requested by the Board

5.7.2 Identify and direct any special projects or investigations deemed necessary

5.7.3 Review policies to avoid conflicts of interest and review past or proposed transactions between the Company and members of the Board and management.

6. REPORTING

The Committee shall:

6.1 BOARD REPORTING

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- Regularly update the Board about Committee activities and make appropriate recommendations
 - Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business

6.2 EXTERNAL REPORTING

- Disclose that the Audit Committee has at least one and preferably two members who have a comprehensive financial background.
- Disclose the fees received by the external auditor, including an analysis of non-audit services.

7. SELF ASSESSMENT

The Audit Committee will undertake an annual self assessment and consult with the Board regarding Committee effectiveness.

8. CHARTER REVIEW

The Audit Committee will institute a process to review the content of this Charter annually, and recommend changes to the Board for approval.

9. ACCESS TO CHARTER

The Audit Committee charter will be available, upon request, to all Board directors and Committee members, management, internal and external auditors, shareholders and other interested parties, as appropriate.

RELATIONSHIP WITH EXTERNAL AUDITORS**APPENDIX A**

The external auditor has an unrestricted right to discuss any issues they deem necessary with the Audit Committee, or if deemed appropriate by the external auditor, with the Board.

The Audit Committee will require the external auditor to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.

There will be a mandatory period of four years following resignation from an audit firm before a former partner or employee who was directly involved in the audit of Corporate Express Australia can become a director of Corporate Express Australia or take a position with Corporate Express Australia involving responsibility for fundamental management decisions. A two year waiting period will apply to a partner or employee not directly involved in our audit.

No more than one former audit partner may become a senior manager or director of Corporate Express Australia.

The lead audit partner will be required to rotate off the audit after their involvement for a maximum of 5 successive years (or 5 years in any 7 successive years) and there will be a period of at least 3 years before that partner may again be involved in the Company's audit.

Where the internal audit function is outsourced it will be provided by a firm other than the external audit firm.

These decisions reflect the current behaviours expected of the world's leading corporations and are consistent with the ethical values and integrity of the Company.

The Audit Committee will meet at least once annually with the external auditors, in the absence of management, and on any occasion during the year as requested by either the Audit Committee or the external auditor. It is expected that the external auditor will immediately contact the Chairman of the Audit Committee if management has placed unreasonable restrictions on access by the external auditors or there are significant unresolved issues between management and the external auditor.

It is the responsibility of the Committee to periodically assess the external auditor's actual or perceived lack of independence. In this regard, the following guidelines have been agreed

- § The external auditor shall not provide services which are considered to be in conflict with the role of the statutory auditor.**
- § The external auditor will be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditor.**

INTERNAL AUDIT CHARTER**APPENDIX B**

Internal Auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(The International Standards for the Professional Practice of Internal Auditing, Institute of Internal Auditors)

The function of internal audit within Corporate Express Australia is to provide a high quality, responsive and effective value adding activity by way of:

- **evaluating the effectiveness of control systems and processes**
- **focusing internal control systems on specific business risks**
- **acting as a controls advisor**
- **monitoring compliance with policies, standards, laws and regulations.**

Internal audit will assist the Audit Committee, management and the external auditor to meet their various assurance obligations relating to best practice of corporate governance and the adequacy of internal controls within the organisation.

The function of Internal Audit shall be independent of the activities they audit.

Internal Audit will be available to undertake special investigative reviews as may be requested by management or the Audit Committee. These reviews will be in addition to the annual internal audit plan.

Internal Audit will have a dotted line reporting function directly to the Audit Committee, however, on a day to day basis, Internal Audit will report to the Chief Executive Officer with a dotted line to the Chief Financial Officer.

Together with Risk Management, Internal Audit will meet bi-annually to review the corporate business risk summary, which has been developed by management to provide a common risk platform to drive the company's assurance activities.

The CEO is responsible for ensuring the Internal Audit function has:

- **the support of all levels of management**

- full, free and unrestricted access to company functions, records, property and personnel
- direct access and freedom to report to the Chairman, CEO, CFO the Management Committee and the Audit Committee as appropriate.

The Internal Audit program will comprise:

- A strategic Internal Audit plan based on a business risk assessment of operations. The business risk analysis is to be prepared by Risk Management in conjunction with the Audit Committee and Risk Management Committee
- An annual Internal Audit plan is to be developed with reference to the strategic plan. This plan will include details of the areas audited within the current year, areas to be audited within the next two years and the scope, objectives, proposed timing and estimated duration of these audits.

Reviews will provide timely, independent and impartial advice as to:

- the reliability and integrity of information
- the existence and proper functioning of managerial and operating controls, systems and procedures as well as recommended improvements to them
- compliance with policies, plans and procedures as well as laws and regulations
- the safeguarding of assets
- the proper maintenance, development and protection of existing and proposed Information Systems operations
- fraud prevention strategies.

Before new systems and processes are implemented, Internal Audit will also act in the capacity of a controls advisor providing advice on control characteristics to be incorporated.

Internal Audit reports are required to be prepared for all audit examinations. Draft audit reports are to be presented to business unit management for review and comment. Responses from management are expected to be returned to Internal Audit within a reasonable timeframe, considered to be two weeks from the date of issue of the draft report. Management responses are to be included in the final audit report.

Internal Audit will revisit reviews where management has indicated that action will be taken in regard to specific findings and recommendations.

A quarterly Internal Audit status report will be submitted to the Audit Committee. This report will:

- include a summary of audits undertaken and the major audit findings;
- summarise the degree of completion of the annual audit plan;
- include any major issues or limitations in scope encountered;
- include explanations for any major deviations from the annual/strategic audit plans.

Internal Audit will put in place performance measures to enable the Audit Committee and Executive Management to evaluate the operations and performance of Internal Audit on a periodic basis.

In order to achieve a cost effective and efficient total audit service, Internal Audit will liaise with Corporate Express Australia's external auditor. The following minimum requirements apply:

- give full co-operation to the external auditor in the conduct of their duties.
- Internal Audit will meet regularly with the external auditor to discuss co-ordination of efforts. Internal Audit is to inform the external auditor of all major issues which could reasonably affect the scope of their external audit work
- the external auditor will have access to all Internal Audit working papers. Copies of all Internal Audit reports are to be issued to the external auditor on request.

The monitoring of Internal Audit performance is to include:

- Regular feedback to the Audit Committee on the value added by Internal Audits, and to assist in the monitoring of management attitudes towards the Internal Audit function.
- Rate of implementation of management action plans arising from each audit;
- Completion of the annual plan within the agreed resource budget;
- Customer feedback from ratings

An annual evaluation will be undertaken to determine the effectiveness of the Internal Audit services. In planning, conducting and reporting audits, internal audit will adopt best practice and will keep abreast of new developments in auditing as well as matters affecting Corporate Express Australia's activities.

The internal auditor shall establish quality assurance procedures and ensure that established standards and practices are followed, including the Standards for the Professional Practice of internal auditing issued by the Institute of Internal Auditors.