

Penford Corporation

Executive Compensation and Development Committee Charter

STRUCTURE

The Executive Compensation and Development Committee (the “Committee”) shall consist of not less than three (3) directors, including a chairperson. All members of the Committee must be “independent” directors as such term is defined by applicable laws, regulations and the relevant listing authority.

RESPONSIBILITIES

The principal functions of the Committee are as follows:

COMPENSATION

- Review the competitiveness of the Company’s executive compensation programs to ensure (a) the attraction and retention of corporate officers; (b) the motivation of corporate officers to achieve the Company’s business objectives; and (c) to align the interest of key leadership with the long-term interests of the Company’s shareholders.
- Review trends in compensation, oversee the development of new compensation plans and when necessary, approve the revision of existing plans.
- Retain compensation consultants, outside counsel and other advisors as the Committee may deem appropriate. The Committee shall have the authority to retain, terminate, and approve fees and other retention terms for any such consulting firm, outside counsel and other advisor.
- Review the performance of executive management and approve the salaries and other compensation for corporate officers, provided that, as to the salary of the Chief Executive Officer, the Committee shall recommend an appropriate salary to the Board for approval. The Chief Executive Officer may not be present during such voting or deliberations with respect to his or her compensation.
- Review and approve compensation packages for new corporate officers and termination packages for corporate officers as needed.
- Work with management to set annual targets for the management bonus plan and recommend to the Board for final approval.

- Review and approve the awards made under the management bonus plan, and provide an appropriate report to the Board.
- Review and make proposals concerning long-term incentive plans, including the use of stock options and like compensation plans. The Committee shall oversee such plans, including making grants thereunder, in accordance with the terms of such plans. Such oversight shall also include the administration of option, restricted stock or similar awards made to Company directors in accordance with the terms of such plans.
- Review the disclosure to shareholders of the Company's compensation policies consistent with the requirements of the Securities and Exchange Commission

BENEFITS

- Review and report to the Board annually on the status of the retirement plans. The Committee shall have the authority to approve amendments to such plans. For those amendments that are legislatively required and/or have minimal impact on plan participants, plan assets, or the Company, the administrative committees of the respective plans may approve such amendments and report to the Committee. Any plan amendment which will have a material cost increase to the Company or the plans; or have a material effect on the Company's employees, requires Committee approval.
- Monitor the engagement of third parties to administer and invest the assets of the Company's qualified retirement plans, provided that the Administrative Committee appointed under the Penford Savings and Stock Ownership Plan ("Savings Plan") shall have the authority to select the investment funds available for participant directed investment under the Savings Plan from among the options made available by the trustee of the Savings Plan; review the performance of such third parties and the plan investments, and advise the Board regarding such matters.
- Review periodically the health and welfare and other fringe benefits for employees, and approve, in its discretion, any major modification or termination of any Welfare Benefits, as proposed by the Health and Welfare Committee. For this purpose, Welfare Benefits mean the various health and welfare benefits provided by the Company and its subsidiaries and which are subject to the Employee Retirement Income Security Act of 1974.
- Direct or undertake such other matters as may be required under the terms of the Company's retirement, savings and stock ownership, executive benefit and other benefit plans, or as may be required by the respective plans, applicable law or regulations.

DEVELOPMENT

- Review annually management's process plan for identifying and developing key managers of the Company.
- Review long-range planning for orderly succession of senior executives including contingency procedures for management succession in the event of the unexpected departure of senior executives and plans for emergency succession in the case of an unexpected disability of the CEO.
- Review significant organization changes affecting executive staffing.

ADEQUACY OF CHARTER

The Committee shall review the continued adequacy of this Executive Compensation and Development Committee Charter on a periodic basis and shall comply with any general procedures for Board committees as approved by the full Board.

Dated: October 28, 2008