

Penford Corporation
Governance Committee Charter

STRUCTURE

The Governance 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:

- To evaluate annually the performance and effectiveness of the board to ensure that the directors are fulfilling their responsibilities.
- To review the capability of each incumbent director as to health, availability to serve, conflicts of interest, and other factors relevant to qualifications prior to making the recommendation to the Board. A list of criteria for Board membership is set forth in Exhibit 1 to this Charter.
- To identify, evaluate and recommend candidates to fill Board vacancies occurring between annual shareholder meetings, taking into account the criteria for Board membership established by the Committee. In this role, the Committee will follow the procedures set forth below under “Process for Identifying and Evaluating Nominees.”
- To present to the Board at the October meeting each year, a list of those individuals recommended for nomination for election to the Board of Directors at the Annual Meeting of Shareholders.
- To present recommendations to the Board for replacement directors as necessary, including a review of the capability of each prospective nominee as to health, availability to serve, conflicts of interest, and other factors relevant to qualifications prior to making the recommendation to the Board.
- To make a recommendation as to the director who should act as Chairperson (and Vice Chairperson if the Committee so desires). Normally, this recommendation will be made at the meeting when officers are elected for the ensuing year.
- To review the composition of each Committee annually and to present recommendations for committee memberships to the Board as needed.
- To perform an annual review of the required financial literacy, experience and independence qualifications for the Audit Committee and report to the Board for ratification that the qualifications have been met and recommend one or more members to be designated as an Audit Committee Financial Expert.
- To periodically review the compensation paid to non-employee directors for annual retainers (including Board and Committee Chairs) and meeting fees and make recommendations to the Board for any adjustments. No member of the Committee shall act to fix such member’s own compensation except with respect to uniform compensation to directors for their services as such.
- To review the Directors and Officers Liability Insurance policy and management’s strategy for renewal.

- To review corporate governance developments both generally and specifically to proxy analysis and other external reviews of the Company performed by Institutional Shareholder Services and similar institutions and where appropriate to make recommendations to the Board, or other committees, regarding corporate governance matters and practices including the organization and legal structure of the Company.
- To review regularly the processes and procedures that it has developed for the Board.
- To discuss with management periodically the Company's performance as it affects employees and the communities in which it has facilities.
- The Committee shall approve policies relating to environmental, health and safety matters and will review with management semi-annually the status of any current and outstanding environmental, health and safety related issues. The Committee may engage consultants expert in such matters to assist management in installing and maintaining operational safeguards.

ADEQUACY OF CHARTER

The Committee shall review the continued adequacy of this Governance Committee Charter on a periodic basis and shall comply with the provisions in the General Procedures for Board Committees as approved by the full Board.

ATTENDANCE POLICY AT ANNUAL MEETING OF SHAREHOLDERS

Each director is expected to attend the annual meeting of shareholders in the absence of extenuating circumstances.

PROCESS FOR IDENTIFYING AND EVALUATING NOMINEES

The Committee may employ a variety of methods for identifying and evaluating nominees for director. The Committee will regularly assess the size of the Board, the need for particular expertise on the Board, the upcoming election cycle of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated or arise, the Committee will consider various potential candidates for director which may come to the Committee's attention through current Board members, the Company's executive officers, professional search firms, shareholders or other persons. These candidates will be evaluated at regular or special meetings of the Committee, and may be considered at any time during the year.

The Committee will consider candidates recommended by shareholders when the nominations are properly submitted in accordance with the procedures set forth in Exhibit 2 to this Charter. Following verification of the shareholder status of persons proposing candidates, the Committee will make an initial analysis of the qualifications of any candidate recommended by shareholders or others pursuant to the criteria summarized above to determine whether the candidate is qualified for service on the Board, before deciding to undertake a complete evaluation of the candidate. If a shareholder or professional search firm in connection with the nomination of a director candidate provides any materials, such materials will be forwarded to the Committee as part of its review. If the Committee determines that additional consideration is warranted, it may request the third-party search firm to gather additional information about the prospective nominee's background and experience and to report its findings to the Committee. Other than the verification of compliance with procedures and shareholder status, and the initial analysis performed by the Committee, the Committee will treat a potential candidate nominated by a shareholder like any other potential candidate during the review process. In connection with this evaluation, the Committee will determine whether to interview the prospective nominee, and if warranted, one or more members of the Committee, and others as appropriate, will interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Committee will make a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board will determine the nominees after considering the recommendation and report of the Committee.

SHAREHOLDER COMMUNICATIONS

Any shareholder or interested party who wishes to communicate with the board of directors or any specific directors, including non-management directors, may write to:

Board of Directors
c/o Corporate Secretary
Penford Corporation
7094 South Revere Parkway
Centennial, Colorado 80112-3932

The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all members of the Board or certain specified individual directors. The Corporate Secretary will make copies of all such letters and circulate them to the appropriate director or directors. The Company generally will not forward communications that are primarily commercial in nature, relate to a topic other than corporate governance, or that request general information about the Company.

Dated: October 28, 2008

Exhibit 1

Board Membership Criteria

The qualifications criteria and skills of Board members are reviewed by the Committee in the context of the current composition of the Board. This assessment includes the following factors identified below and all other factors which the Committee deems in its best judgment relevant at the time.

Experience. Director candidates shall have experience in corporate governance, industry, finance, administration, operations and/or marketing and should be able to provide insights and practical wisdom based on their experience and expertise.

Diversity. Appropriate diversity on the Board will be considered.

Availability and Commitment. Directors are expected to prepare for, attend and participate in Board meetings and meetings of the Board committees on which they serve, to ask questions and require responsive answers, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities and duties as directors. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director. In this regard, service on other boards will be considered.

Absence of Conflicts of Interest. Candidates should not have any interests that would materially impair their ability to (i) exercise independent judgment, or (ii) otherwise discharge their duties to the Company and its shareholders.

Oversight. Directors are expected to have sound judgment, borne of management or policy-making experience that demonstrates an ability to function effectively in an oversight role.

Additional Qualifications. The Committee will ensure that the overall composition of the Board complies with the requirements of applicable laws, rules and regulations. Furthermore, the Committee will ensure that:

- each member of the Audit Committee is financially literate, as such qualification is interpreted by the Board in its business judgment;
- each member of the Governance Committee, the Audit Committee and the Compensation Committee is considered independent within the meaning of applicable laws, rules and regulations;
- each member of the Audit Committee meets the independence standards set forth in Rule 10A-3 of the Securities and Exchange Act of 1934, as amended; and
- at least one member of the Audit Committee is a person who satisfies the definition of an "audit committee financial expert" as set out in Item 401 of Regulation S-K.

Exhibit 2

Procedures for Shareholders to Recommend Director Candidates

Any shareholder wishing to nominate a candidate should provide the following information in a letter addressed to the Chairman of the Governance Committee, in care of the Company's Corporate Secretary no later than 120 days prior to the corresponding date on which the Company's annual proxy statement was mailed in connection with the most recent annual meeting:

- (i) the name and address of the shareholder recommending the person to be nominated,
- (ii) a representation that the shareholder is a holder of record of shares of Penford Corporation, including the number of shares held and the period of holding,
- (iii) a description of all arrangements or understandings between the shareholder and the recommended nominee,
- (iv) information as to any plans or proposals of the type required to be disclosed in Schedule 13D (i.e., plans involving acquisitions of Penford's securities and/or plans involving a potential merger or change of control transaction) and any proposals that the nominee proposes to bring to the Board of Directors if elected,
- (v) any other information regarding the recommended nominee as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the Securities Exchange Commission pursuant to the Securities Exchange Act of 1934 and
- (vi) the consent of the recommended nominee to serve as a director of Penford if so elected.

Additional information may be requested to assist the Committee in determining the eligibility of a proposed candidate to serve as a director. This may include requiring that a prospective nominee complete a director and officer questionnaire and provide any follow-up information requested. In addition, the notice must meet all other requirements contained in Penford's Bylaws, if any.