

CORPORATE GOVERNANCE STATEMENT

In August 2007 the Australian Securities Exchange Corporate Governance Council ("ASX CGC") issued revised Corporate Governance Principles and Recommendations. Although the required effective date for disclosure under the Revised Principles and Recommendations is the year ending 30 June 2009, McPherson's Limited determined to make an early transition to the new Principles and Recommendations and commenced reporting by reference to them in the previous financial year.

This statement outlines the main Corporate Governance practices that were in place within the McPherson's Limited Group throughout the financial year ending 30 June 2009. Unless indicated otherwise, the Corporate Governance practices discussed in this statement are consistent with the practices adopted in the previous financial year. The practices are dealt with in this statement under the following headings:

- Board of Directors
- Nomination and Remuneration Committee
- Audit Risk Management and Compliance Committee
- Risk Management
- Internal Control and Compliance Framework
- Ethical Standards and Stakeholders
- Communication to Shareholders

Board of Directors

The Board of Directors is responsible to shareholders, and has a primary objective of achieving long-term growth in the value of McPherson's Limited shares.

The Board of Directors is also responsible for the overall Corporate Governance of McPherson's Limited and its subsidiary companies ("the Group") including establishing the Group's strategic direction, establishing goals for management, and monitoring the achievement of those goals.

The Board's role has been documented in a Board Charter and in a Retained and Delegated Authorities of the Board document. The Board Charter and Retained and Delegated Authorities document can be viewed on the Company's website.

The Board has an Audit Risk Management and Compliance Committee and a Nomination and Remuneration Committee to assist in the execution of its responsibilities.

The Board has established a framework for the management of the Group including an overall framework for risk management, internal control and compliance. The delegation of specific functions to senior executives is set out in the Board's Retained and Delegated Authorities document referred to above.

Board Evaluation

McPherson's has undertaken a review of its Board and individual Directors with respect to the year ended 30 June 2009. The process normally involves all Directors meeting with the Chairman to discuss the outcomes of the review.

Composition of the Board

The Directors of the Company in office at the date of this statement together with particulars of their qualifications, experience and special responsibilities are set out on pages 4 and 5 of the Annual Report.

The composition of the Board is determined using the following principles:

- The number of Directors must not be less than three and not more than 12. Directors may determine the size of the Board subject to this requirement.
- The Board is to be comprised of a majority of non-executive Directors.
- The Chairman of the Board is to be an independent non-executive Director.
- The roles of the Chairman and Chief Executive Officer are not to be exercised by the same person.
- The Board should comprise Directors with a broad range of expertise both nationally and internationally that is relevant to the strategic direction of the Group.

When a vacancy exists, through whatever cause, or where it is considered that the Company would benefit from the services of a new Director with particular skills, the Nomination and Remuneration Committee selects a panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of shareholders.

The terms and conditions of the appointment and retirement of Directors are set out in an agreement between the Company and Directors (called a "Director's Deed"). The Director's Deed also includes provisions relating to Directors' other rights and obligations. The Director's Deeds have been approved at an Annual General Meeting of shareholders.

The Company's Constitution stipulates that a Director may not hold office for a continuous period in excess of three years or past the third Annual General Meeting following the Director's appointment, whichever is the longer, without submitting for election or re-election at the next Annual General Meeting of members. This requirement does not apply to the Managing Director.

Independence of Directors

The Board has determined to follow the ASX CGC definition of independence and considers that a non-executive Director will be independent if they:

1. have not been a substantial shareholder of the Company, or an officer of or otherwise associated directly with, a substantial shareholder of the Company;
2. have not within the last three years been employed in an executive capacity of the Company or another Group member, or been a director after ceasing to hold such employment;
3. have not in the last three years been a principal of a material professional adviser or a material consultant to the Company (or Group) or an employee materially associated with the service provided;
4. are not a supplier or customer of a Company or other Group member or an officer or otherwise associated directly or indirectly with a material supplier; and
5. do not have a material contractual relationship with the Company or another Group member other than as a Director of the Company.

Application of the above definition of independence indicates that the independent Directors are Simon Rowell (Chairman) and John Clifford. The Board does not consider Alex Waislitz (who resigned as a Director effective 24 February 2009), Peter Landos (who was appointed to the Board as a Director on 24 February 2009) or David Allman to be independent for the following reasons:

1. Alex Waislitz was the Executive Chairman of the Thorney Investment Group which holds approximately 17.3% of the Company's shares.
2. Peter Landos is directly associated with the Thorney Investment Group.
3. David Allman is the Managing Director of the Company.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, which approval is not to be unreasonably withheld.

Nomination and Remuneration Committee

To assist in the execution of its responsibilities the Board has an established Nomination and Remuneration Committee. The Nomination and Remuneration Committee is comprised of two Directors, commensurate with the size of the Board, and is chaired by the Chairman of the Board. The names of Nomination and Remuneration Committee members and their attendance at meetings are detailed on page 6 of the Annual Report.

The Nomination and Remuneration Committee Charter, which is published on the Company's website, sets out the responsibilities of the Nomination and Remuneration Committee.

Key responsibilities include:

Nominations

- A process for determining the necessary and desirable competencies of Board members and the assessment of those competencies.
- The appointment of suitably qualified candidates to the Board in accordance with Board policy.
- A process for the evaluation of the Chief Executive Officer.

Remuneration

- The Company's recruitment, retention and termination policies and procedures for executive/senior management.
- Any report on executive remuneration, which is required pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the Annual Report.
- Non-executive Director remuneration.
- Staff incentive plans proposed by the Managing Director, including bonus, share and option plans, and the basis of their application amongst differing levels of staff.
- Salary, benefits and total remuneration packages of the Managing Director and senior staff reporting to the Managing Director.
- Employee succession planning to ensure the continuity and quality of management.

The Nomination and Remuneration Committee Charter requires that the Committee undertakes a regular self assessment process. Such a review was undertaken during the year ended 30 June 2009.

Remuneration Policy

The Group's remuneration policy and structure is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the successful achievement of the Group's strategies and goals.

Remuneration is accordingly set to the following principles:

- No individual may be involved directly in determining his/her remuneration. External advice in relation to remuneration will be sought, where appropriate.
- Remuneration disclosure to shareholders will at a minimum comply with the requirements of legislation and Accounting Standards and reflect all benefits including:
 - Base pay and benefits;
 - Short-term performance incentives;
 - Long-term incentives including options;
 - Post employment benefits including superannuation; and
 - Termination benefits.

- Incentive payments for executives are related to Company performance, individual performance against goals, market conditions and independent expert advice where appropriate and may include options over shares in the Company granted under the McPherson's Limited Employee Share/Option Purchase Plan at the discretion of the Board or the Nomination and Remuneration Committee.
- Remuneration for non-executive Directors is determined by the Board or the Nomination and Remuneration Committee within a maximum amount determined by shareholders from time to time at the Annual General Meeting. Non-executive Directors are not entitled to participate in any incentive scheme.
- Directors, and executives and other employees based in Australia, are eligible to participate in the acquisition of shares through share purchase plans operated by the Company from time to time on a salary sacrifice basis.

Prior to 2003 the Company paid retirement benefits to non-executive Directors however the policy was amended on 4 March 2003. Consequently the Company no longer pays retirement benefits to non-executive Directors appointed after the date of the change, other than statutory superannuation. The Directors' Deeds for non-executive Directors appointed before 4 March 2003 were amended so that they are now entitled to receive a retirement allowance equivalent to the aggregate remuneration received by them during the three years immediately prior to 4 March 2003. Retirement allowances for these Directors therefore cannot increase even though their remuneration may increase.

Where considered necessary, Directors may obtain independent advice on the appropriateness of remuneration packages.

The remuneration of certain senior executives may include the issue of options over ordinary shares under the McPherson's Limited Employee Share/Option Purchase Plan.

Details of options issued in previous years, including performance hurdles, are contained in the Remuneration Report in the Directors' Report. No options were issued during the year ended 30 June 2009. However, on 9 July 2009 the Company announced that subject to shareholder approval it was proposed to grant 1,500,000 options to Mr P.J. Maguire, who is to be appointed Managing Director of the Company when Mr D.J. Allman retires from that position. Further details of the proposed issue of options is contained in the Remuneration Report in the Directors' Report on pages 23 to 34 of the Annual Report.

The total remuneration to be paid by the Company to the Directors for each financial year is determined from time to time at the Annual General Meeting of shareholders. Any Director who serves on a committee or who devotes special attention to the business of the Group outside the scope of their ordinary duties may receive an additional payment commensurate with the extra duties performed.

Information regarding Directors' remuneration is set out in the Remuneration Report in the Directors' Report.

A summary of the process adopted for the performance evaluation of the Board, individual Directors and senior executives can be viewed on the Company's website. Evaluations consistent with this process took place during the year ended 30 June 2009.

Audit Risk Management and Compliance Committee

The purpose of the Audit Risk Management and Compliance Committee is to provide the Board with further assurance in relation to the:

- operation of the risk management, internal control and compliance systems;
- reliability of financial information prepared for use by the Board; and
- evaluation of the audit process.

The role of the Audit Risk Management and Compliance Committee is fully documented in a Charter, which is approved by, and considered for amendment by the Directors annually. The Charter is published on the Company's website. In accordance with this Charter, all members of the Committee must be non-executive Directors.

The Company's governance practices comply with all but two of the ASX CGC's revised Corporate Governance Principles and Recommendations. In relation to the two instances of technical non-compliance, the Company is satisfied that its substantive management of the relevant issues achieves an appropriate outcome, consistent with the objectives of those principles.

- The Board comprises four Directors, two of whom are independent Directors.
- The Audit Risk Management and Compliance Committee comprises two members: Simon Rowell and Peter Landos.
- Simon Rowell is the Chairman of both the Board and the Audit Risk Management and Compliance Committee.

Recommendation 2.1 suggests that the majority of a Board should comprise of independent Directors.

Recommendation 4.3 suggests that a company's audit committee should:

- have at least three members;
- consist of a majority of independent Directors; and
- not be chaired by the Chairperson of the Board.

The Board has determined, following due consideration of the ASX CGC Recommendations 2.1 and 4.3, that given the current circumstances and size of the Company and the depth of expertise and experience of its Directors, the composition of the Board and the Audit Risk Management and Compliance Committee is appropriate to the needs of the Company.

The Company understands the relevant issues associated with the current composition of the Board and its Audit Risk Management and Compliance Committee, and has considered the impact of its approach. The Board considers that the following aspects of the current arrangement continue to ensure the Board's effectiveness and the integrity of the Company's financial reporting:

- The Audit Risk Management and Compliance Committee is comprised only of non-executive Directors.
- These non-executive Directors have the experience and expertise to ensure the factually correct presentation of the Company's financial position and to ensure the independence and competence of the Company's external auditors.
- The Board and the Audit Risk Management and Compliance Committee may consult external advisors at the Company's expense if and as required.

The Board will continue to regularly review its composition, and the composition of its committees, to ensure that they remain appropriate to the needs of the Company and its shareholders.

The Chairman of the Board and any non-executive Director may attend the Audit Risk Management and Compliance Committee Meetings. The internal and external auditors, the Managing Director and the Chief Financial Officer are invited to Audit Risk Management and Compliance Committee meetings at the discretion of the Committee. The Committee is therefore able to meet without management being present. The Committee also ensures that it meets with the external auditors without management being present on at least an annual basis.

The Audit Risk Management and Compliance Committee makes recommendations to the Board in relation to the appointment of the external auditors, reviews the auditor's performance on an annual basis and ensures the audit engagement partner is rotated in accordance with the Corporations Act requirements.

The Company may use the services of an outsourced internal audit provider to assess the effectiveness of the Company's risk management, internal control and compliance system. The internal auditor is independent of the external auditor and is appointed by the Board on recommendation from the Committee. The Committee meets with the internal and external auditors during the year to consider all aspects of their respective audit functions.

The Audit Risk Management and Compliance Committee requests that the external auditor attend the Annual General Meeting to answer questions about the conduct of the audit, the independence of the auditor and the content of the audit report.

The names and qualifications of Audit Risk Management and Compliance Committee members and their attendance at meetings are detailed on pages 4 to 6 of the Annual Report. The Committee is required to undertake a process of self

assessment annually, to assess the effectiveness of the Committee. Such a review was undertaken during the year ended 30 June 2009.

Risk Management

McPherson's aims to use risk management systems to support its business activities and safeguard shareholder value. The Board has adopted a risk policy which:

- uses a proven risk management approach to ensure appropriate focus is given to the identification, evaluation, treatment, monitoring, pricing and reporting of all significant risks to the Board;
- ensures that managing risk is an integral part of business planning and management processes;
- informs, skills and motivates management and staff to enable them to implement effective risk management practices; and
- maintains a cost/benefit focus when developing risk treatment strategies, such as insurance.

The Company's Risk Management Policy and Internal Control Framework can be viewed on the Company's website.

As indicated below, in accordance with the risk management policy, management has reported to the Board as to the effectiveness of the Company's management of material business risks.

Further information regarding major financial risks is contained in Note 2 to the Financial Statements, which can be found on pages 53 to 60 of the Annual Report.

Internal Control and Compliance Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has established an internal control framework that can be described under the following headings:

- Financial reporting – a comprehensive budgeting system is in place with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly for internal use by Directors and management.
- ASX disclosure and compliance – the Group reports to shareholders on an annual basis and to the ASX half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with the continuous disclosure requirements of the ASX Listing Rules. The Company Secretary has primary responsibility for making recommendations to the Chairman and Managing Director on whether information is price sensitive. Further details are included in the Company's Communications Policy which can be viewed on the Company's website.

- CEO and CFO assurance – the Managing Director and Chief Financial Officer have made the following certification to the Board in connection with the full year financial statements:
 - 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 which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.
- Quality and integrity of personnel – the Group's personnel policies are detailed in a Policies & Procedures Manual, compliance with appropriate sections of which is mandatory by all operating units.
- Environmental controls – the Group has a specific policy under the terms of which it is mandatory for all business units within the Group to operate in a manner which complies with all applicable environmental laws, regulations and permits.
- Operating unit controls – financial controls and procedures including information systems controls are detailed in the Policies & Procedures Manual.
- Functional specialty reporting – the Group has identified a number of key areas which are subject to regular reporting to the Board including environmental, employee safety, legal and insurance matters.
- Investment appraisal – the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed justification and review procedures and levels of authority and due diligence requirements.

Ethical Standards and Stakeholders

The Policies & Procedures Manual maintained by the Group has a section on Ethics and Business Conduct that prescribes the standards in accordance with which each employee of the Group is expected to act. The Ethics and Business Conduct policy covers issues such as professional conduct, dealing with customers, suppliers and competitors, dealing with the community and other employees and computer network usage.

All Directors, managers and employees are required to maintain the standards of ethical conduct established by the Group in accordance with the Ethics and Business Conduct policy. The policy is posted on the Company's website.

A separate policy also exists which provides clear guidelines for Directors and employees intending to deal in McPherson's Limited securities, and this policy is also published on the

Company's website. In summary, the policy states that providing an individual is not in possession of unpublished price sensitive information, trading in the Company's securities is permitted, apart from the following periods during which trading in company securities is prohibited:

1. the period commencing one month before the end of the half year (i.e. from 30 November) until the day following the day on which the Company's half year results are announced; and
2. the period commencing one month before the end of the full financial year (i.e. from 31 May) until the day following the day on which the Company's full year results are announced.

Communication to Shareholders

The Board informs shareholders of all major developments affecting the Company's state of affairs. The Company has a policy entitled the Communications Policy to ensure compliance with the ASX Listing Rules disclosure requirements in relation to accountability for disclosure to the markets, for other shareholder communications and encouraging shareholder participation at Annual General Meetings.

McPherson's has established a website which provides information to investors including:

- announcements to the market for the past three years;
- half yearly and annual financial data for the past three years; and
- Corporate Governance policies including the policy entitled Communications Policy.

The Board seeks to encourage participation of shareholders at the Annual General Meeting to ensure a high level of accountability. Important issues are presented as single resolutions.