

Directors' statement of corporate governance

Glanbia plc (the 'Company') has primary listings on the Irish and London Stock Exchanges.

1 The Directors' report on corporate governance

The Directors are committed to maintaining the highest standards of corporate governance which they see as fundamental to discharging their stewardship responsibilities. The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to the Company's shareholders. The Board applies integrity, principles of good governance and accountability throughout its activities and each Director brings independence of character and judgement to the role. All of the members of the Board are individually and collectively aware of their responsibilities to the Company's stakeholders.

The principal governance rules applying to Irish companies listed on the Irish and London Stock Exchanges are currently contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2006 ('the Combined Code').

This report describes the Board's approach to corporate governance and explains how it applies the Combined Code.

2 The Board of Directors ('the Board')

2.1 The composition of the Board

The Board consists of the Chairman (Mr L Herlihy); seventeen other non-executive Directors (including Mr J Callaghan, the Senior Independent Director) and three executive Directors (Mr J Moloney, the Group Managing Director, Mr G Meagher, the Deputy Group Managing Director and Group Finance Director and Mr K Toland, the CEO & President Glanbia USA & Nutritionals).

The Company is a subsidiary of Glanbia Co-operative Society Limited ('the Society'), an Irish industrial and provident society, which owns 54.6% of the issued share capital of the Company. Many of the members of the Society supply milk and trade with Irish subsidiaries of the Company.

The Society nominates from its Board of Directors, which is elected on a three-year basis, fourteen of the eighteen non-executive Directors for appointment to the Board of the Company. Mr M Walsh retired as a Director and Chairman of the Company on 28 May 2008 following his retirement as a Director and Chairman of the Society. Mr E Power also stepped down as a Director of the Company on the same date following his retirement as a Director of the Society. The Society nominated Mr A O' Connor and Mr R Prendergast to replace Mr E Power and Mr M Walsh and they joined the Board as non-executive Directors with effect from 28 May 2008. In addition, Mr L Herlihy and Mr J Fitzgerald were appointed Chairman and Vice-Chairman respectively on 28 May 2008.

Biographies of each of the Directors are set out on pages 38 and 39.

The Board considers that the Directors bring to the Company and its subsidiaries ('the Group') the range of skills, knowledge and experience, including international experience, necessary to lead the Group.

2.2 Directors' independence

The Board assesses and reviews the independence of each of the Directors at least annually having regard to the potential relevance and materiality of a Director's interests.

Following this assessment, the Board has determined that throughout the reporting period, Mr J Callaghan, Mr P Haran and Mr J Liston were independent. In particular, the Board reviewed the position of Mr J Callaghan in the context of the guidance in the Combined Code and determined that, notwithstanding his 11 years on the Board, he remains independent. In the same manner as the other non-executive Directors, he discharges his duties in a proper and consistently independent manner and constructively and appropriately challenges the executive Directors and the Board.

Fourteen of the remaining fifteen non-executive Directors are nominated by the Board of the Society for appointment to the Board of the Company. Additionally, Mr W Murphy who retired as Deputy Group Managing Director in 2005 remains on the Board as a non-executive Director. The Board recognises that these Directors do not meet the criteria for independence as specified in the Combined Code. The Board, however, considers that they are independent in character and judgement.

All of the non-executive Directors bring an independent perspective to their advisory and monitoring roles.

2.3 The role and operation of the Board

2.3.1 Board meetings and attendance

There were 11 scheduled meetings of the Board during 2008. Details of Directors' attendance at those meetings are set out in the table on page 46:

2.3.2 Operation of the Board

The Board is responsible for the leadership, direction and control of the Company and its subsidiary companies and is accountable to shareholders for financial performance.

2.3.3 Matters reserved for the Board

There is a schedule of matters which is dealt with exclusively by the Board. These include approval of annual and strategic business plans, capital expenditure, any change in Group strategy and any acquisition or disposal of Group assets, the recommendation and approval of any dividends and Group treasury and risk management policies.

2.3.4 The roles of executive and non-executive Directors

The executive Directors are responsible for proposing strategy and for making and implementing operational decisions. Non-executive Directors complement the skills and experience of the executive Directors, bring an independent judgement, and contribute to the formulation of strategy, policy and decision-making through their knowledge and experience of other businesses and sectors.

Directors' statement of corporate governance (continued)

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
L Herlihy	11	11	3	3			4	4
J Fitzgerald	11	11	3	3			2	2
V Quinlan	11	10	3	3			4	3
J Moloney	11	11						
J Callaghan	11	11	3	3	2	2	4	4
H Corbally	11	11	3	3				
N Dunphy	11	11						
E Fitzpatrick	11	11						
J Gilsean	11	11						
P Gleeson	11	11						
P Haran	11	11	3	3	2	2	4	3
C Hill	11	11						
M Keane	11	11						
J Liston	11	10	3	3	2	2	4	4
G Meagher	11	11						
M Merrick	11	11						
W Murphy	11	11						
A O'Connor**	7	7						
M Parsons	11	11						
E Power*	4	4	2	2				
R Prendergast**	7	7						
K Toland	11	7						
M Walsh*	4	4			1	1	2	2

Column A indicates the number of meetings held during the period the Director was a member of the Board and /or the Committee.

Column B indicates the number of meetings attended during the period the Director was a member of the Board and /or the Committee.

*Retired 28 May 2008 **Appointed 28 May 2008

2.3.5 Information and training

All Directors receive monthly Group management accounts and reports and full Board papers are sent to each Director in sufficient time before Board meetings. Any further information required is available to all Directors on request.

Directors are provided with a comprehensive information pack on joining the Company and advised of their legal and other duties and obligations as a director of a listed company. In addition, all new Directors receive induction on their appointment covering such matters as the operation and activities of the Company and the Group, the role of the Board and the Group's corporate governance procedures. As part of this programme, major shareholders are offered an opportunity to meet new non-executive Directors.

Directors are also briefed, where appropriate, on changes to legislation, regulation or market practices, as well as receiving briefings from business groups throughout the year. During the year, Directors received regular presentations on different aspects of the Company's business.

All Directors have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as Directors. Committees are provided with sufficient resources to undertake their duties.

2.3.6 Outside appointments

Non-executive Directors may serve on a number of outside Boards, provided they continue to demonstrate the requisite commitment to discharge effectively their duties to the Company. The Nomination Committee keeps the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised. The Board is satisfied that the Chairman and each of the non-executive Directors commit sufficient time to the fulfilment of their duties as Chairman and Directors of the Company respectively.

The Board believes, in principle, in the benefit of executive Directors and members of the Executive Committee accepting non-executive directorships of other companies in order to widen their experience and knowledge for the benefit of the Company. Accordingly, executive Directors are permitted to accept external non-executive Board appointments, subject to the agreement of the Board, and are allowed to retain any fees received from that appointment. The Group Managing Director, Mr John Moloney, is a Director of The Irish Dairy Board Co-operative Limited for which he received fees of €12,000 which he retained. He has also been recently appointed a director of the publicly-quoted DCC plc.

2.3.7 Chairman, Vice-Chairmen, Group Managing Director, Senior Independent Director and Group Secretary

Separation of role of Chairman and Group Managing Director

The role of the Chairman, which is non-executive, is separate (and always has been separate) from the role of the Group Managing Director. The division of responsibilities between the Chairman and Group Managing Director have been clearly established, set out in writing and agreed by the Board.

Chairman

Mr L Herlihy was appointed Chairman of the Board on 28 May 2008. The Chairman is responsible for the efficient and effective working of the Board. He ensures that the Board agenda covers the key strategic issues confronting the Group and that Directors receive accurate, timely, clear and relevant information.

The Chairman is available to consult with shareholders throughout the year. The Board is kept informed of the views of shareholders through regular updates from the Chairman, the Group Secretary and the executive Directors, as well as through the inclusion in the Board papers of relevant reports and commentaries of, and exchanges with, shareholders and investor bodies.

While Mr L Herlihy holds a number of other directorships (see details on page 38) and farms at Headborough, Knockanore, Tallow, Co. Waterford, the Board considers that these do not interfere with the discharge of his duties to the Group.

Vice-Chairmen

The Company has two Vice-Chairmen, Mr J Fitzgerald and Mr V Quinlan.

Group Managing Director

The day to day management of the Group has been delegated to the Group Managing Director, Mr J Moloney, whose appointment to that position was effective from July 2001. His responsibilities include the formulation of strategy and related plans and, subject to Board approval, their execution. He is also responsible for ensuring an effective organisation structure, for the appointment and direction of the senior executive management and for the operational management of all the Group's businesses.

Senior Independent Director

Mr J Callaghan is the Senior Independent Director. As Senior Independent Director, Mr. Callaghan is available to shareholders if they have concerns which contact, through the normal channels, has failed to resolve. Mr Callaghan is also available to fellow non-executive Directors, either individually or collectively, to discuss any matters of concern in a forum that does not include executive Directors or the management of the Company. In the year under review, the Chairman hosted a meeting of the non-executive Directors, without the executive Directors present. The Senior Independent

Director in addition, held a meeting of non-executive Directors without the presence of the Chairman at which, among other things, the performance of the Chairman was discussed.

Group Secretary

Mr M Horan is the Group Secretary. All Directors have access to the advice and service of the Group Secretary who is responsible to the Board for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. Both the appointment and removal of the Group Secretary is a matter for the Board.

2.3.8 Board, Committee and Director performance evaluation

A formal evaluation of the performance and effectiveness of the Board and of the Audit, Remuneration and Nomination Committees was carried out this year, by an external party.

In completing the annual performance evaluation, each Director was met individually to discuss the performance of the Board and individual Directors. In advance of the meetings, a comprehensive questionnaire was circulated to Directors for their consideration and the Directors were encouraged to raise any other issues on Board matters during the meetings. Based on the verbal and written feedback from the Directors, a report was prepared for the Board summarising the outcome of the performance evaluation process and recommending a number of actions.

For the year under review, the Chairman concluded that all Directors continue to make an effective contribution to the Board.

The Chairman confirms that each of Mr J Callaghan, Mr H Corbally, Mr E Fitzpatrick, Mr J Gilsonan, Mr P Haran, Mr J Liston, Mr M Merrick, Mr W Murphy, Mr A O'Connor, Mr R Prendergast, Mr V Quinlan and Mr K Toland standing for re-appointment at this year's Annual General Meeting, continue to perform effectively and to demonstrate commitment to their roles. Mr J Callaghan, as Senior Independent Director, confirms that Mr L Herlihy, also standing for re-appointment at this year's Annual General Meeting, continues to perform effectively and demonstrates commitment to his role.

The Nomination Committee considered the nomination for the re-appointment of the non-executive Directors, Mr J Callaghan, Mr H Corbally, Mr E Fitzpatrick, Mr J Gilsonan, Mr L Herlihy, Mr W Murphy and Mr V Quinlan respectively, with particular rigour, as they have served as Directors for nine years or more, and were satisfied that their re-appointment as Directors for a further term was warranted having regard to their continuing contribution and valuable experience on the Board, which in the Board's view enhanced their effectiveness and commitment to their roles. Mr J Callaghan, Mr P Haran, Mr J Liston and Mr L Herlihy respectively excused themselves from the consideration of their own nomination for re-appointment.

Directors' statement of corporate governance (continued)

The Board also evaluated the performance of the Audit, Nomination and Remuneration Committees and has assessed that they continue to make an effective contribution to the Board.

2.3.9 Retirement of Directors

New Directors are subject to election at the first Annual General Meeting following their appointment, and Directors are subject to retirement and re-appointment by shareholders every three years. The re-appointment of non-executive Directors is not automatic. The Board has determined that non-executive Directors who have served for nine years or more will be asked to stand for re-appointment annually provided that the Board remains satisfied both with the Director's performance and that nine or more years' service does not compromise the Director's continuing independence.

2.3.10 Terms of appointment

The terms and conditions of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting of the Company.

2.3.11 Share ownership and dealing

In order to maintain investor confidence in the stock markets, quoted companies have an obligation to ensure that their Directors and employees, and anyone closely associated or connected to them, do not place themselves in positions where investors might suspect them of abusing inside information. For this reason, the Company issued revised rules, in early 2006, covering share dealings by Directors and employees who regularly, or even occasionally, have access to inside information.

The main principle underlying the rules is that no one should trade in shares of the Company while in possession of inside information about the Company. Likewise, no one should deal in the shares of the Company, if it would give rise to a suspicion that they are abusing inside information. As a safeguard against any actual or potential abuse of these rules, the Company has appointed as Compliance Officers, the Group Secretary and the Group Finance Director Designate from whom approval must be obtained, in advance, for any share dealings by persons to whom the rules apply.

The interests of the Directors and Secretary and their spouses and minor children in the share capital of the Company, the holding Society and subsidiary companies/societies are set out on pages 112 to 114.

2.3.12 Board succession planning

The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board considers the knowledge and experience necessary to allow it to meet the strategic vision for the Company and the Group.

2.4 The Board's Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities. The Committees and their membership are detailed on page 38 of this report. All Committees of the Board have written terms of reference dealing with their role and authority delegated by the Board and are available on the Group's website at www.glanbia.com. Membership of the Nomination, Audit and Remuneration Committees is comprised exclusively of non-executive Directors. The Group Secretary acts as secretary to each of these committees.

Nomination Committee

Fourteen non-executive Directors are nominated by the Board of the Society for appointment to the Board of the Company. For the remaining non-executive and executive Directors, the Nomination Committee of the Company leads the process for Board appointments.

The appointment to the Board of non-executive Directors nominated by the Society is subject to and co-terminus with their appointment as Directors of the Society and is further subject to their removal as Directors under the Articles of Association of the Company. The remaining non-executive Directors are appointed to the Board on the basis of a three-year term which may be renewed and are also subject to early removal under the Articles of Association.

The Nomination Committee did not use an external search consultancy or open advertising in the appointment of the new non-executive Directors, Mr A O'Connor and Mr R Prendergast, as they were nominated by the Board of the Society for appointment to the Board of the Company. The Nomination Committee uses industry and professional contacts to identify suitable candidates for the appointment of non-executive Directors other than those appointed by the Society.

The Nomination Committee also considers and recommends the appointment of the Chairman and Vice-Chairmen of the Company. It is the custom and practice that the Chairman and Vice-Chairmen of the Society are also Chairman and Vice-Chairmen of the Company.

The Chairman of the Company chairs meetings of the Nomination Committee except when it is dealing with the appointment of a successor to the Chairmanship.

The Chairman of the Nomination Committee reports to the Board after each meeting of the Committee.

Audit Committee

The main role and responsibilities of the Audit Committee are set out in written terms of reference which are available on the Group's website at www.glanbia.com and include:

- to monitor the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Group's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of non-executive Directors, or by the Board itself, to review the Group's internal control and risk management systems;
- to monitor and review the effectiveness of the Group's internal audit function;
- to make recommendations to the Board, and to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Irish professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- to review the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

In discharging its responsibilities the Audit Committee met three times during the period. It reviewed the interim and final results for the Group prior to their submission to the Board for approval. It approved the internal audit plan and reviewed progress against this plan at intervals during the year. The Chairman and Members of the Audit Committee received an executive summary of all audit reports issued by the internal audit department and maintains dialogue with the Group Head of Internal Audit on a regular basis.

Mr J Callaghan is Chairman of the Audit Committee and he reports to the Board after each meeting of the Committee.

Remuneration Committee

The Remuneration Committee determines, on behalf of the Board, the Group's framework of executive remuneration and the specific packages and conditions of employment for each of the executive Directors and certain senior executives, as decided by the Board. The Committee consults with the Group Managing Director regarding remuneration proposals and obtains internal

and external professional advice as deemed appropriate. The Remuneration Committee operates the Company's Share Option and Long Term Incentive Schemes.

The ordinary remuneration of the non-executive Directors is determined by the Remuneration Committee within the total amount approved by the Company's shareholders in general meeting from time to time.

The terms of reference of the Remuneration Committee, including its role and the authority delegated to it by the Board, are available on the Group's website at www.glanbia.com.

Mr J Liston is Chairman of the Remuneration Committee and formally reports to the Board after each meeting of the Committee.

US Advisory Board

The US Advisory Board was established to assist the Board in developing a greater awareness of activities and market trends in the relevant USA industry sectors. Mr L Herlihy, Group Chairman, is Chairman of the US Advisory Board. The membership of the Advisory Board currently comprises Mr J Callaghan, Senior Independent Director, Mr K Toland, executive Director, Mr J Fitzgerald and Mr V Quinlan, Vice-Chairmen, Mr M Walsh, Glanbia Group Chairman from 2005 to 2008 and Mr Joe McCullough, Mr Peter Rogers, Mr Wayne Seltzer and Ms Susan Davis, * USA based members. Mr J Moloney, Group Managing Director, also attends meetings of the US Advisory Board.

* Mr J McCullough, was previously Chief Executive Officer of CRH Americas Products and Distribution. He joined CRH in 1979 and has held a number of senior management positions with that company.

Mr P Rogers, was previously President of Nabisco Foods Americas and held a variety of other senior positions in food companies.

Mr W Seltzer recently retired as Chief Executive Officer of Seltzer Companies, Inc.

Ms S Davis is Chairperson of Susan Davis International, a Washington D.C. based public affairs agency.

3 Remuneration policy

Remuneration policy is based on attracting, retaining and motivating executives to ensure that they perform in the best interests of the Group and its shareholders. Performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors. The Remuneration Committee obtains external advice on remuneration in comparable companies as necessary and has given full consideration to the Combined Code.

Currently the components of the remuneration package for executive Directors are basic salary and benefits, performance-related annual bonus, participation in the 2002 Long Term Incentive Plan ('the 2002 LTIP'), participation

Directors' statement of corporate governance (continued)

in the 2008 Long Term Incentive Plan ('the 2008 LTIP') and participation in a defined benefit pension scheme. Executive Directors also participated in the share option scheme of the Company which expired in August 1998.

Basic salaries and benefits

The basic salaries of executive Directors are reviewed annually having regard to personal performance, competitive market practice or where a change of responsibility occurs. Benefits-in-kind consist principally of a company car. No fees are payable to executive Directors for their attendance at Board meetings.

Performance-related annual bonus

The Group operates a performance-related bonus scheme for executive Directors, senior executives and other management. Payments under the scheme for executive Directors depend on the achievement of pre-determined goals for Group performance and an assessment of individual performance against agreed objectives.

Long Term Incentive Plans

The 2002 LTIP

In 2002 shareholders approved the introduction of the 2002 LTIP for selected Group employees in order to further align the interests of key Group personnel with those of shareholders. Under the 2002 LTIP options cannot be exercised before the expiration of three years from the date of grant and can only be exercised if a predetermined performance criterion for the Company has been achieved. The performance criterion is that there has been an increase in the adjusted earnings per share of the Company of at least the increase in the Consumer Price Index plus 5% compounded over a three-year period.

To encourage participating executives to hold the shares issued to them on the exercise of their options, share awards specified as a percentage of the shares held will be made on the second and fifth anniversaries of the exercise of the option. The number of shares which may be the subject of such awards may not exceed 20% and 10% of the number of shares so held on the respective anniversaries.

Benefits under the 2002 LTIP are not pensionable.

Review of compensation arrangements

Arising from a review in 2007 carried out by the Remuneration Committee with the assistance of external advisers, Mercer Limited, it was concluded that the Group should introduce a new Long Term Incentive Plan. Accordingly, the 2007 Long Term Incentive Plan ('the 2007 LTIP') was approved by the Board in May 2007 for selected senior managers only. As the 2007 LTIP was not approved by shareholders in general meeting, executive Directors are not entitled to participate.

At the Annual General Meeting held in May 2008, the introduction of the 2008 LTIP was approved for both executive Directors and senior managers. Details of both LTIPs are provided below.

The 2008 LTIP

The 2008 LTIP has been designed so that any rewards will be dependent on the growth in the Company's EPS (earnings per share) and the Company's TSR (total shareholder return) performance (the 'EPS condition' and the 'TSR Performance Condition', respectively). The vesting of 50% of the shares which are the subject of an award will be subject to the EPS condition and the remaining 50% shall be subject to the TSR Performance condition. EPS is the adjusted consolidated earnings or profit made by the Company divided by the number of shares outstanding (as shown in the Annual Report). TSR represents the change in capital value of a listed/quoted company over a period, plus dividends, expressed as a plus or minus percentage of the opening value.

Under the EPS condition, there must be an increase in the adjusted consolidated earnings per share of the Company of at least the increase in the Consumer Price Index plus 5% compounded over a three year period. The benefit which a participant can receive under the 2008 LTIP will depend on the annualised percentage increase in the Company's EPS over the performance period. There will be three pre-defined levels of EPS performance, which will govern the percentage level of vesting that may occur under an award. The 2008 LTIP will provide that at the lowest level, no part of an award may vest unless the Company's EPS performance over the performance period achieves at least the annualised percentage increase in the Consumer Price Index plus 5% compounded over the performance period. Where the Company's EPS performance over the performance period equals the annualised percentage increase in the Consumer Price Index plus 5% compounded over the performance period, then 25% of the award shall vest. Where the Company's EPS performance over the performance period equals or is greater than the annualised percentage increase in the Consumer Price Index plus 10% compounded over the performance period, then 50% of the award shall vest. Where the Company's EPS performance over the performance period is between the thresholds of the annualised percentage increase in the Consumer Price Index plus 5% and the annualised percentage increase in the Consumer Price Index plus 10% compounded, then a pro rata vesting on a straight line basis shall apply.

Under the TSR Performance Condition, the Company's TSR performance will be compared against the TSR performance of a peer group of food companies. The benefit which a participant can receive under the 2008 LTIP will depend on how well the Company's TSR performance compares against this peer group over the performance period. There will be three pre-defined levels of TSR performance, which will govern the percentage level of vesting that may occur under an award. The 2008 LTIP provides that at the lowest level, no part of an award may vest unless the Company's TSR performance over the performance period achieves at least the median TSR performance of the peer group of food companies. Where the Company's TSR performance equals the median TSR performance of the peer group, then 15% of the award shall vest. Where the Company's TSR performance is equal to or above the top 25% of TSR performance of the peer group, then 50% of the award shall vest. Where the Company's TSR performance is between the median and top

25% of TSR performance of the peer group, then a pro rata vesting on a straight line basis shall apply.

The first awards under the 2008 LTIP were made in August 2008 to executive Directors, senior managers and the Group Secretary, immediately following the publication of the interim results for 2008. Details of the awards are provided on page 94 to 95.

The 2007 LTIP

The 2007 LTIP corresponds with the 2008 LTIP with the exception that Directors were excluded from participating as it did not receive shareholder approval. Awards under the 2007 LTIP were made in August 2007 and detailed in note 24.

Share options

Options outstanding under the Company's 2002 LTIP as at 3 January 2009 amounted to 2,258,000 ordinary shares (29 December 2007: 2,467,000) as set out hereunder. There were no options outstanding under the Company's 1988 Share Option Scheme as at 3 January 2009 (29 December 2007: 325,000).

	No of ordinary shares	Price range	Dates exercisable
2002 LTIP	2,258,000	€1.55 - €4.25	2009 – 2017

Share awards

As at 3 January 2009, share awards had been granted under the Company's 2002 LTIP over 118,600 ordinary shares (29 December 2007: 134,600).

As at 3 January 2009, share awards had been granted under the Company's 2007 LTIP over 169,500 ordinary shares (29 December 2007: 183,500).

As at 3 January 2009, Share Awards had been granted under the Company's 2008 LTIP over 583,000 ordinary shares (29 December 2007: Nil).

Share trust

As detailed in Note 27 to the financial statements at 3 January 2009, 570,054 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes.

Pension benefits

Pension benefits for executive Directors are calculated on basic salary only. Benefits, which are agreed on appointment, are designed to provide a percentage of basic salary at retirement for full service.

Directors' emoluments and attributable pension benefits

Details of Directors' emoluments and attributable pension benefits are set out in Note 9 and details of share options are included in Note 43 to the financial statements.

Service contracts

No Director has a service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceed one year's salary and benefits-in-kind.

4 Internal control

The Turnbull Guidance sets out best practice on internal control for Irish and UK listed companies to assist them in assessing the application of the Combined Code's principles and compliance with the Combined Code's provisions with regard to internal control.

The Group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the Group and the business environment in which it operates. These, or their equivalent, have been in place for the year covered in this Annual Report and financial statements and up to the date of its approval and are themselves regularly reviewed by the Board and accord with the Turnbull guidance which the Board has fully adopted.

While acknowledging its responsibility for the system of internal control, the Board is aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Key features of the systems of internal control are:

- a Code of Conduct that defines a set of agreed standards and guidelines for corporate behaviour;
- an organisational structure with clearly defined lines of responsibility and delegation of authority;
- appropriate terms of reference for Board committees with responsibility for policy areas;
- a formal schedule of matters specifically referred to the Board for its decision;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reports against actual results, analysis of variances, review of key performance indicators and regular re-forecasting;
- clearly defined guidelines for capital expenditure, including detailed budgeting, appraisal and post-investment review;
- a Group financial management manual that clearly sets out the accounting policies and financial control procedures to be followed by business units;
- a treasury risk management policy approved by the Board which ensures that foreign exchange and interest rate exposures of the Group are managed within defined parameters;
- a Group-wide risk assessment process which is maintained by business unit management reporting to the Group Executive and Board as required;
- a Group Internal Audit function operating globally which monitors and supports the internal financial control system and reports to the Audit Committee and management. Internal Audit work is focused on the areas of greatest risk to the Group determined on the basis of a risk management approach to audit; and

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- the Audit Committee, a formally constituted committee of the Board comprising non-executive Directors only, meets with internal and external auditors to satisfy itself that control procedures are in place and are being followed.

The Board has reviewed the effectiveness of the current system of internal control specifically for the purpose of this statement.

In judging the effectiveness of the Group's controls, the Board monitors the reports of the Audit Committee and management. Without diminishing its own responsibilities the Board has delegated certain acts to the Audit Committee. These include detailed reviews of key risks inherent in the business and of the systems for managing these risks. The Chairman of the Audit Committee reports to the Board after each meeting of the Committee.

The Directors, through the use of appropriate procedures and systems, have also ensured that measures are in place to secure compliance with the Company's obligation to keep proper books of account. These books of account are kept at the registered office of the Company.

5 Relations with auditors

PricewaterhouseCoopers have been appointed as auditors of the Company.

The Company has in place a formal policy on Auditor Relationship and Independence with which the external auditors are required to comply, to ensure that the independence of the auditors is not impaired by the nature of non-audit work. This policy provides that the Group shall not retain its independent auditors to provide services other than audit and audit-related services other than in exceptional circumstances.

The following services are prohibited unless approved under the terms of the Policy:

- Bookkeeping or other administrative services related to the Group's accounting records or financial statements;
- Financial information systems design and implementation;
- Internal audit services;
- Management functions;
- Executive searches for the Group Managing Director or Group Finance Director;
- Legal services.

6 Relations with shareholders

During the year the Company has continued to promote dialogue with its major institutional shareholders. The Company has dialogue with institutional shareholders during the year and immediately following the announcement of the half year and full year results. The Company presents these results to investors and analysts. The Chairman discusses governance and strategy with major shareholders. Non-executive Directors are offered an opportunity to attend meetings with major shareholders. The Senior Independent Director has also attended meetings with major shareholders. The Company responds to enquiries from all shareholders and welcomes their attendance at the Annual General Meeting.

The Group's website, www.glanbia.com, provides the full text of the Annual and Interim Reports and presentations to analysts and investors through the Investors section. Stock Exchange announcements are also made available, in the Investors section of the website, after release to the Stock Exchange.

7 Annual General Meeting

The Notice of the 2008 Annual General Meeting was despatched to shareholders not less than 20 business days before the meeting. Separate resolutions were proposed at the meeting on each substantially separate issue, including a resolution to receive and consider the 2007 financial statements and the reports of the Directors and auditors thereon. The level of proxy votes for and against and withheld was announced after each resolution had been passed on a show of hands.

It is Group policy for all Directors to attend the Annual General Meeting. The Chairmen of the Audit, Nomination and Remuneration Committees attend the Annual General Meeting and are available to answer relevant questions.

8 Corporate Social Responsibility

As the Group grows and develops as a leading international cheese and nutritional ingredients group, so also does our commitment to conducting our business in a way that is economically, socially and environmentally sustainable.

During 2008 we made further progress in our corporate citizenship objectives under the four pillars of Community, Environment, Workplace and Marketplace, more particular details of which are summarised in our corporate social responsibility statement on pages 29 to 31.

9 Accountability and audit - Our responsibilities Financial reporting

Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 44. The external auditors' report details the respective responsibilities of Directors and auditors.

Going concern

After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation and existence for the foreseeable future, and accordingly they continue to adopt a Going Concern basis in preparing the financial statements.

10 Compliance

The Board believes that, except in relation to the composition of the Board, as explained above, the Company has complied throughout the financial period with the principles and provisions of the Combined Code.