



## Corporate Governance Statement

The Board of Directors of Peplin, Inc (the **Company**) was responsible for the corporate governance of the consolidated entity during the 2008 financial year. The Board of Directors guides and monitors the business and affairs of the Company on behalf of stockholders and CDI holders. The Company is committed to implementing the highest standards of corporate governance.

In setting standards, the Company has considered the ASX Corporate Governance Council's (**Council**) Principles of Good Corporate Governance and Best Practice Recommendations dated March 2003 (**Recommendations**). The Company continues to develop and improve corporate governance processes and standards and the Company's practices are largely consistent with ASX guidelines and to the extent applicable, NASDAQ guidelines. Formal written policies or disclosure practices have been disseminated throughout the organisation and measures are in place to achieve compliance. The Company is committed to implementing the highest standards of corporate governance.

The Company followed the Recommendations during the reporting period except as noted below. As of 15 August 2008, Mr. Tom Wiggans, the Chairman of the Board, replaced Mr. Michael Aldridge as Chief Executive Officer. Accordingly, Mr. Tom Wiggans now serves as Chairman and Chief Executive Officer of the Company, which departs from Recommendations 2.2 and 2.3. In addition, Mr. Wiggans is a member of the Company's audit committee, which departs from Recommendation 4.3.

Details of the Company's current corporate governance procedures are generally described in the Form 10 Registration Statement (**Form 10**), as amended, which is available on Peplin's and the ASX websites, including under the headings "Item. 5 Directors and Executive Officers" and "Item 6. Executive Compensation".

Set out in the attached Schedule is an overview of the main corporate governance practices adhered to by the Company.

Copies of the Company's codes of conduct, charters, and policy statements and other relevant corporate governance information or material are available on the Company's website at [www.peplin.com](http://www.peplin.com).

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## Schedule

### Principle 1 – Lay solid foundation for management and oversight

In accordance with the Council's recommendations in respect of Principle 1, "Lay solid foundation for management and oversight", the Board recognises the need to clearly delineate its roles and those of management. In its board charter, the Board has formalised a list of those responsibilities reserved to itself and has delegated certain authority to management via a Board-approved delegated authorities manual. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

### Principle 2 - Structure the Board to add value

#### *Board experience, skill and independence*

Directors are appointed to the Board based on the specific governance skills required by the company and on the independence of their decision-making and judgment. The skills, experience and expertise of each Director currently in office is included under the heading "Item. 5 Directors and Executive Officers" of the Form 10. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

The Board is comprised of a majority of independent directors. After reviewing all of the relevant transactions or relationships between each director (and his or her family members) and the Company, our senior management and our independent registered public accounting firm, our board of directors affirmatively determined that the directors as at the date of this statement, other than Mr. Tom Wiggans and Dr. Eugene Bauer, are independent directors for the purposes of the Council's criteria outlined in the Recommendations, as well as the applicable listing standards of the NASDAQ Global Market.

Whilst Mr. Jim Scopa is a general partner of MPM Capital, a substantial shareholder in Peplin, the Board of Directors believes this does not compromise Mr. Scopa's ability and willingness to operate independently and objectively as a director and, as a result, the board has determined him to be independent notwithstanding his position with MPM Capital.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each non-executive Director as at the date of this statement is as follows:

JV Funder	1 week
C Hirst	8 years
GW Pace	4 years
JP Scopa	2.5 years
MR Spooner	4.5 years

### *Chairperson and independence*

During the reporting period, Mr. Tom Wiggins, the Chairman of the Board, was an independent director. However, Mr. Wiggins replaced Mr. Aldridge as Chief Executive Officer effective as of August 15, 2008. Accordingly, Mr. Tom Wiggins now serves as Chairman and Chief Executive Officer of the Company. The Board of Directors has taken the view that it is in the best interests of the Company and its stockholders that Mr. Tom Wiggins serve in such capacities after giving regard to the skills and experience of Mr. Wiggins including his successful service in this capacity with Connetics Corporation, a NASDAQ listed dermatology company based in Palo Alto, California. This view departs from Recommendations 2.2 and 2.3.

### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee consists of four directors, Dr. Hirst, Dr. Pace, Mr. Scopa and Mr. Spooner. Dr. Pace serves as the chair of the Nominating and Corporate Governance Committee. Each of these directors is independent.

The Nominating and Corporate Governance Committee has adopted a charter. Additional information on the Nominating and Corporate Governance Committee is contained in the Form 10 under the heading "Committees of the Board of Directors".

## **Principle 3 - Promote ethical and responsible decision making**

### *Code of conduct*

The Board of Directors has adopted a written Code of Business and Ethics for directors, officers and employees. The code sets forth specific ethical policies and principles that apply to our directors, officers and employees. Additional information on the Code of Business and Ethics is contained in the Form 10 under the heading "Code of Business and Ethics".

### *Security Trading Policy*

In addition to the Code of Business and Ethics, the Board of Directors has adopted a specific policy regarding trades in the Company's securities by directors, officers and company personnel. The policy imposes restrictions on when the directors and employees can trade in the Company's securities.

## **Principle 4 - Safeguard integrity in financial reporting**

### *CEO and CFO attestation*

In accordance with Recommendation 4.1, the Chief Executive Officer and Chief Financial Officer attested to the Board of Directors that the Company's financial report for the last financial year presented a true and fair view of the Company's financial condition and operational results.

### *Audit Committee*

The Audit Committee currently consists of three directors, Dr. Hirst, Mr. Spooner and Mr. Wiggins. On the basis that Mr. Wiggins assumed the role of Chief Executive Officer in August 2008, the Company no longer complies with Recommendation 4.3 which requires that the Audit Committee should consist of only non-executive directors.

It is an SEC requirement that the Audit Committee include a designated financial expert who satisfies defined criteria including experience with US GAAP financial reporting. The Board of Directors has resolved to keep Mr. Wiggins on the audit committee for all or part of the next financial year until a replacement audit committee financial expert that is an independent non-executive director can be found. Mr. Spooner serves as the chair of the Audit Committee.

The Company has adopted an audit committee charter intended to satisfy applicable SEC requirements.

Additional information on the Audit Committee is contained in the Form 10 under the heading "Committees of the Board of Directors".

### **Principle 5 – Make timely and balance disclosure**

The Company has in place procedures to ensure that all market participants have equal opportunity to access information about the Company and its activities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX.

### **Principle 6 – Respect the rights of stockholders**

In addition to the Company's continuous disclosure, the Company provides stockholders with regular updates through PEPtalk of the Company's progress across all areas of the business.

The Company also makes available a telephone number and email address for stockholders to make enquiries of the Company.

In accordance with Recommendation 6.2, the Company requested that its external auditor, Ernst & Young, attend the annual general meeting in October.

### **Principle 7 – Recognise and manage risk**

#### *Risk monitoring and management*

The Company has in place a risk management framework. Risks faced by the Company are regularly identified, monitored and managed.

#### *CEO and CFO*

In making the attestation required by Recommendation 4.1, the Chief Executive Officer and Chief Financial Officer confirmed that it was based on a sound system of risk management and internal compliance and controls. The Chief Executive Officer and Chief Financial Officer further confirmed that the Company's risk management and internal compliance and control system are operating effectively in all material respects.

**Principle 8 – Encourage enhanced performance**

The Company has a Compensation Committee, which has responsibility for monitoring and making recommendations on the Board and executives' performance.

The Compensation Committee reviews the performance and compensation of the Chief Executive Officer and other executive officers on a calendar-year basis towards the end of each calendar year, usually in December.

Additional information is contained in the Form 10 under the headings "Committees of the Board of Directors" and "Item 6. Executive Compensation".

**Principle 9 – Remunerate fairly and responsibly**

The Form 10, under the headings "Director Compensation" and "Item 6. Executive Compensation", provides disclosure in relation to the Company's remuneration policies, including details of the principles used to determine the nature and amount of remuneration and the details of the remuneration and incentive awards for each director and key executive.

As stated above, the Company has a Compensation Committee. The Compensation Committee currently consists of three directors, Dr. Pace, Mr. Scopa and Mr. Spooner. Mr. Scopa serves as the chair of the Compensation Committee.

In accordance with Recommendation 9.4, the Company's 2007 Incentive Award Plan was approved by stockholders in October 2007.

**Principle 10 – Recognise the legitimate interests of stakeholders**

As stated above, the Board of Directors has adopted a written Code of Business and Ethics for directors, officers and employees.