



## *CHARTER OF THE BOARD OF DIRECTORS*

### GENERAL

#### 1. PURPOSE AND RESPONSIBILITY OF THE BOARD

By approving this Charter, the Board explicitly assumes responsibility for the stewardship of Patheon and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board's statutory responsibility to manage or supervise the management of Patheon's business and affairs.

#### 2. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

#### 3. DEFINITIONS AND INTERPRETATION

##### 3.1 Definitions

In this Charter:

- (a) "Board" means the board of directors of Patheon;
- (b) "CEO" means Patheon's chief executive officer;
- (c) "Chair" means the chair of the Board;
- (d) "Charter" means this charter, as amended from time to time;
- (e) "Director" means a member of the Board; and
- (f) "Patheon" means Patheon Inc.;
- (g) "Stock Exchanges" means, at any time, the Toronto Stock Exchange and any other stock exchange on which any securities of Patheon are listed for trading at the applicable time.

### 3.2 Interpretation

This Charter is subject to and shall be interpreted in a manner consistent with Patheon's articles and by-laws, the *Canada Business Corporations Act* (the "CBCA"), and any other applicable legislation.

## CONSTITUTION OF THE BOARD

### 4. ELECTION AND REMOVAL OF DIRECTORS

#### 4.1 Number of Directors

The Board shall consist of such number of Directors as the Board may determine from time to time, within the range set out in Patheon's articles at such time.

#### 4.2 Election of Directors

Directors shall be elected by the shareholders annually for a one year term, but if Directors are not elected at a meeting of shareholders, the incumbent directors shall continue in office until their successors are elected.

#### 4.3 Vacancies

The Board may appoint a member to fill a vacancy which occurs in the Board between annual elections of Directors, to the extent permitted by the CBCA.

#### 4.4 Ceasing to Be a Director

A Director will cease to hold office upon:

- (a) delivering a resignation in writing to Patheon and such resignation, if not effective upon receipt by Patheon, shall be effective in accordance with its terms;
- (b) being removed from office by an ordinary resolution of the shareholders;
- (c) his or her death;
- (d) becoming bankrupt; or
- (e) a court in Canada or elsewhere finding him or her to be of unsound mind.

### 5. CRITERIA FOR DIRECTORS

#### 5.1 Qualifications of Directors

Every Director shall be an individual who is at least 18 years of age, has not been determined by a court to be of unsound mind and does not have the status of bankrupt.

#### 5.2 Residency

At least 25% of the Directors shall be resident Canadians.

### 5.3 Independence of Directors

(a) At least two of the Directors shall not be officers or employees of Patheon or any of its affiliates.

(b) At least a majority of the Directors should be independent for the purposes of applicable regulatory and stock exchange guidelines, provided that, if this is not the case due to contractual obligations or otherwise, the Board shall ensure, in its reasonable judgment, that (i) any non-independent director is able to exercise the impartial judgement necessary for the director to fulfill his or her responsibilities as a director; and (ii) the appointment of the non-independent director is required in the best interests of the Corporation and its shareholders.

### 5.4 Other Criteria

The Board may establish other criteria for Directors as contemplated in this Charter.

## 6. BOARD CHAIR

### Chair to Be Appointed Annually

The Board shall appoint the Chair annually at the first meeting of the Board after a meeting of the members at which Directors are elected. If the Board does not so appoint a Chair, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

## 7. REMUNERATION OF DIRECTORS AND RETAINING ADVISORS

### 7.1 Remuneration

The remuneration to be paid to the Directors shall be such as the Directors shall from time to time by resolution determine and such remuneration may be in addition to the salary paid to any officer or employee of the Corporation who is also a Director. The Directors may also by resolution award special remuneration to any Director in undertaking any special services on Patheon's behalf other than the normal work ordinarily required of a director of a corporation. The confirmation of any such resolution or resolutions by the shareholders shall not be required. The Directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of Patheon.

### 7.2 Retaining and Compensating Advisors

Each Director shall have the authority to retain outside counsel and any other external advisors from time to time as appropriate with the approval of the chair of the Corporate Governance Committee.

## MEETINGS OF THE BOARD

## 8. MEETINGS OF THE BOARD

### 8.1 Time and Place of Meetings

Meetings of the Board shall be called and held in the manner and at the location contemplated in Patheon's by-laws.

8.2 Frequency of Board Meetings

Subject to Patheon's by-laws, the Board shall meet at least four times per year on a quarterly basis.

8.3 Quorum

In order to transact business at a meeting of the Board:

- (a) a majority of the number of directors shall be present; and
- (b) 25% of the Directors present must be resident Canadians (or, if this is not the case, a resident Canadian Director who is unable to be present and whose presence at the meeting would have resulted in the required number of resident Canadian Directors being present, must approve the business transacted at the meeting, whether in writing or by telephonic, electronic or other communication facility).

8.4 Secretary of the Meeting

The Chair shall designate from time to time a person who may, but need not, be a member of the Board, to be Secretary of any meeting of the Board.

8.5 Right to Vote

Each member of the Board shall have the right to vote on matters that come before the Board.

8.6 Invitees

The Board may invite any of Patheon's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

9. IN CAMERA SESSIONS

9.1 *In Camera* Sessions of Non-Management Directors

At the conclusion of each meeting of the Board, the non-management Directors shall meet without any member of management being present (including any Director who is a member of management).

9.2 *In Camera* Sessions of Independent Directors

To the extent that non-management Directors include Directors who are not independent Directors as contemplated in this Charter, the independent Directors shall meet at least once per year with only independent Directors present.

## DELEGATION OF DUTIES AND RESPONSIBILITIES OF THE BOARD

### 10. DELEGATION AND RELIANCE

#### 10.1 Delegation to Committees

The Board may establish and delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind Patheon, except to the extent that such authority has been specifically delegated to such committee by the Board.

#### 10.2 Requirement for Certain Committees

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable legal and Stock Exchange listing requirements and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate:

- (a) Audit Committee;
  - (b) Corporate Governance Committee (including responsibility for nomination matters);
- and
- (c) Compensation and Human Resources Committee.

#### 10.3 Composition of Committees

The Board will appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with listing requirements of the Stock Exchanges and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate and shall require the Corporate Governance Committee to make recommendations to it with respect to such matters.

#### 10.4 Review of Charters

On an annual basis, the Board will review the recommendations of the Corporate Governance Committee with respect to the charters of each committee of the Board. The Board will approve those changes to the charters that it determines are appropriate.

#### 10.5 Delegation to Management

(a) Subject to Patheon's articles and by-laws, the Board may designate the offices of Patheon, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of Patheon, except to the extent that the delegation of any powers is prohibited by the CBCA.

(b) Notwithstanding any delegation to management to manage the business and affairs of Patheon, management must seek Board approval in respect of all material transactions, including, (i) those transactions that could reasonably be expected to significantly affect the market price or value of Patheon's securities, (ii) changes in the authorized or issued capital of Patheon, (iii) any action that may lead to or result in a material change in the nature of the business of Patheon, and

(iv) the sale, lease, exchange or disposition of the entire undertaking or property or assets of Patheon or any substantial part thereof.

10.6 Reliance on Management

The Board is entitled to rely in good faith on the information and advice provided to it by Patheon's management.

10.7 Reliance on Others

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

10.8 Oversight

The Board retains responsibility for oversight of any matters delegated to any committee of the Board or to management.

## DUTIES AND RESPONSIBILITIES

11. RESPONSIBILITY FOR SPECIFIC MATTERS

11.1 Responsibility for Specific Matters

The Board explicitly assumes responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and the Stock Exchanges and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the management of Patheon's business and affairs.

11.2 Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to in Sections 12, 13 and 14, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

12. CORPORATE GOVERNANCE GENERALLY

12.1 Governance Practices and Principles

The Board shall be responsible for developing Patheon's approach to corporate governance.

12.2 Governance Principles

- (a) The Board shall review and approve, if appropriate, a set of governance principles and guidelines appropriate for Patheon (the "Governance Principles").
- (b) The Board shall review the Governance Principles at least annually and shall adopt such changes to the Governance Principles as it considers necessary or desirable from time to time.

12.3 Governance Disclosure

- (a) The Board shall approve disclosure about Patheon's governance practices in any document before it is delivered to Patheon's shareholders or filed with securities regulators or with the Stock Exchanges.
- (b) If Patheon's governance practices differ from those recommended by Canadian securities regulators or the Stock Exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

12.4 Delegation to Corporate Governance Committee

The Board may direct the Corporate Governance Committee to consider the matters contemplated in this Section 12 and to report and make recommendations to the Board with respect to these matters.

13. RESPONSIBILITIES RELATING TO MANAGEMENT

13.1 Integrity of Management

The Board shall, to the extent feasible, satisfy itself:

- (b) as to the integrity of the CEO and other senior officers; and
- (c) that the CEO and other senior officers create a culture of integrity throughout the organization.

13.2 Succession Planning

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management.

13.3 Executive Compensation Policy

- (a) The Board shall approve the compensation of the CEO and shall consider and, if appropriate, approve the recommendations of the CEO with respect to the compensation of other members of senior management.
- (b) The Board may direct the Compensation and Human Resources Committee to consider the matters contemplated in this Section 13 and to report and make recommendations to the Board with respect to these matters.

14. OVERSIGHT OF THE OPERATION OF THE BUSINESS

14.1 Risk Management

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of Patheon's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

#### 14.2 Strategic Planning Process

The Board shall adopt a strategic planning process and shall approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of Patheon's business.

#### 14.3 Internal Control and Management Information Systems

The Board shall review the reports of management and the Audit Committee concerning the integrity of Patheon's internal control and management information systems. Where appropriate, the Board shall require management and the Audit Committee to implement changes to such systems to ensure integrity of such systems.

#### 14.4 Corporate Disclosure Policy

The Board shall review and, if determined appropriate, approve a corporate disclosure policy for Patheon for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. The Board shall consider, among other things, the recommendations of management and the Corporate Governance Committee with respect to this policy.

#### 14.5 Financial Statements

The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of Patheon to be delivered to shareholders. The Board shall approve such financial statements.

#### 14.6 Pension Plan Matters

The Board shall receive and review reports from management covering administration, investment performance, funding, financial impact, actuarial reports and other pension plan related matters.

#### 14.7 Code of Business Conduct

The Board will review and approve a Code of Business Conduct for Patheon. In adopting the Code of Business Conduct, the Board will consider the recommendations of the Corporate Governance Committee concerning its compliance with applicable legal and Stock Exchange listing requirements and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate.

#### 14.8 Compliance and Disclosure

The Board will monitor compliance with the Code of Business Conduct and recommend disclosures with respect thereto. The Board will approve, if determined appropriate, the disclosure of the Code of Business Conduct and of any waiver granted to a director or senior officer of Patheon from complying with the Code of Business Conduct.

15. NOMINATION OF DIRECTORS

15.1 Nomination and Appointment of Directors

(a) The Board shall nominate individuals for election as directors by the shareholders and shall require the Corporate Governance Committee to make recommendations to it with respect to such nominations.

(b) In selecting candidates for nomination as Directors, the Board shall:

(i) consider what competencies and skills the Board, as a whole, should possess; and

(ii) assess what competencies and skills each existing Director possesses.

(c) The Board shall consider recommendations made to it by the Corporate Governance Committee with respect to the size and composition of the Board.

16. BOARD EFFECTIVENESS

16.1 Position Descriptions

The Board shall review and, if determined appropriate, approve formal position descriptions for:

(a) individual Directors and for the Chair of the Board and for the Chair of each committee of the Board, and

(b) the CEO,

provided that in approving a position description for the CEO, the Board shall consider the input of the CEO and shall develop and approve corporate goals and objectives that the CEO is responsible for meeting (which may include goals and objectives relevant to the CEO's compensation, as recommended by the Compensation and Human Resources Committee).

16.2 Director Orientation and Continuing Education

The Board shall review and, if determined appropriate, approve the recommendations of the Corporate Governance Committee concerning:

(a) a comprehensive orientation program for new Directors; and

(b) a continuing education program for all Directors.

16.3 Board, Committee and Director Assessments

The Board shall review and, if determined appropriate, adopt a process recommended by the Corporate Governance Committee for assessing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis.

16.4 Annual Assessment of the Board

Each year, the Board shall assess its performance and effectiveness and that of its committees and individual directors in accordance with the process established by the Corporate Governance Committee.

Approved by the Board of Directors  
Patheon Inc.  
December 8, 2009