



## ***CHARTER OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE***

This charter governs the operations of the Compensation and Human Resources Committee of Patheon Inc. (the “Corporation”).

### **1. OBJECTIVES**

1.1 The Committee has four major objectives:

- (a) The Committee shall monitor, evaluate and, where necessary, make recommendations to the Board for purposes of ensuring that policies and programs relating to executive and director compensation are: (a) appropriate in light of individual executive responsibility and performance and the achievement of the Corporation’s objectives; and (b) will permit the Corporation to attract and retain the services of experienced and highly qualified executives and members of the Board.
- (b) The Committee shall review and make recommendations to the Board about or approve (where specifically authorized to do so) (a) the specific employment contract and compensation arrangements with the Corporation’s Chief Executive Officer (“CEO”); and (b) the compensation and incentive programs for the executive officers and senior management of the Corporation.
- (c) The Committee shall ensure that there are effective succession plans in place for the CEO and other senior executives of the Corporation.
- (d) The Committee shall administer the Corporation’s Incentive Stock Option Plan, Restricted Share Unit Plan, Performance Share Unit Plan, and Deferred Share Unit Plan (each such Plan hereafter referred to as a “Plan of the Corporation”) and recommend to the Board for approval the grant of options or units, as applicable, under each such Plan of the Corporation.

## **2. CONSTITUTION**

### **2.1 Membership**

The Committee shall consist of not fewer than three members, each of whom shall be a Director of the Corporation. None of the members of the Committee shall be a full-time employee of the Corporation or of any of its affiliates.

### **2.2 Chair**

The Board shall appoint the Chair of the Committee from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

### **2.3 Annual Appointment of Members**

The appointment of members of the Committee and the designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

### **2.4 Continuance of Existing Mandate**

If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.

### **2.5 Quorum**

A quorum of the Committee shall be a majority of its members.

### **2.6 Secretary**

The Chair of the Committee may designate from time to time a person to be the Secretary of the Committee. The Secretary may, but need not, be a member of the Committee.

### **2.7 Committee Procedures**

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee.

## 2.8 Consultants

The Committee may retain, at the Corporation's expense, such consultants or advisors as it may require to assist it and may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

## 3. RESPONSIBILITIES

### 3.1 Responsibilities Relating to Compensation

The functions and responsibilities of the Committee shall include the following:

- (a) review management proposals regarding compensation policies and compensation programs for the members of the Board and the CEO;
- (b) review, at least annually, the Corporation's executive and management compensation policies and programs to ensure that they are competitive for the purpose of attracting and retaining qualified executives, reasonably related to personal and corporate performance, have the appropriate balance between short-term incentives and long-term incentives and are of general benefit to the Corporation and, where appropriate, recommend to the Board or approve (where specifically authorized to do so) any amendments to existing policies or programs, or the establishment of new policies or programs;
- (c) review, periodically, the fees and other compensation arrangements in place for members of the Board to ensure that they are competitive for the purpose of attracting and retaining the services of experienced and highly qualified independent directors and, where appropriate, recommend to the Board any amendments to such fees and compensation arrangements;
- (d) review and recommend to the Board, as appropriate, any employment contract between the Corporation and the CEO;
- (e) recommend to the Board an appropriate compensation package for the CEO, based on a review of compensation practices for CEOs in the same or other appropriate industries, the Corporation's compensation policies and programs, the goals and objectives of the CEO and the CEO's performance;
- (f) review and, if appropriate, recommend approval to the Board, or approve (where specifically authorized to do so), the CEO's recommendation for the material elements of the compensation programs for all other executive officers and senior management of the Corporation;

- (g) review and, if appropriate, approve (i) the establishment of an annual cash incentive plan for non-CEO executive officers and senior management of the Corporation; (ii) an amendment to any existing annual cash incentive plan, including the amendment of any performance criteria thereunder; and (iii) any payment under an existing annual cash incentive plan; and (iv) any other discretionary annual cash incentive payment;
- (h) assure itself that the Corporation's executive and director compensation programs have been administered in accordance with their terms; and
- (i) review all executive compensation disclosure before the Corporation publicly discloses this information.

### 3.2 Responsibilities Relating to Succession Plan

The Committee shall review, at least annually, the succession plans for the CEO and other senior executives of the Corporation and shall provide any recommendations to the Board as appropriate.

### 3.3 Responsibilities Relating to each Plan of the Corporation

The Committee shall be responsible for the administration of each Plan of the Corporation and shall consider and recommend to the Board any amendments to each such Plan which the Committee considers necessary or desirable from time to time. It shall, from time to time, designate the persons who are considered Eligible Persons, Eligible Directors, or Participants (as defined by the applicable Plan of the Corporation) and shall recommend to the Board for approval the grant of options (and shares to be covered by such options) or units to such Eligible Persons, Eligible Directors, or Participants, as applicable, from time to time.

### 3.4 Authority

Except as otherwise provided in this charter, the Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority.

### 3.5 Consultation with the Board

The Committee shall report to the Board at the Board's next meeting on the proceedings of any meeting of the Committee, all recommendations to the Board made by the Committee at such meeting and any approvals given by the Committee at such meeting.

4. **GENERAL**

4.1 Subject to by-laws, etc.

The provisions of this charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of the *Canada Business Corporations Act* and any other applicable legislation.

4.2 Annual Review of Charter

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

Approved by the Board of Directors  
Patheon Inc.  
March 5, 2009