

**PEDIAPHARM INC.  
COMPENSATION, CORPORATE GOVERNANCE AND  
NOMINATING COMMITTEE CHARTER**

**General**

The purpose of this document is to provide assistance to the Board in fulfilling its fiduciary responsibility and obligations with respect to establishing the charter and terms of reference of the Compensation, Corporate Governance and Nominating Committee of Pediapharm Inc. (the "Corporation").

**Purpose**

The purpose of the Committee is to:

1. provide evaluations and recommendations to the Board concerning management structure, compensation of the key management personnel, and to review and monitor management's compensation plan for the Corporation's officers and employees for the next year;
2. assist the Board of Directors of the Corporation ("Board") in the discharge of the Board's duties with respect to adopting and ensuring compliance with the code of business ethics and governance policies of the Corporation;
3. identify suitable Board candidates and recommend those candidates to the Board for nomination, as well as the size of the Board; and
4. make recommendations as to members and size for the various committees of the Corporation.

**Structure and Authority**

The Board shall annually from the members of the Board appoint a Compensation, Corporate Governance and Nominating Committee which shall be composed of not less than three members of the Board. A majority of members of the Compensation, Corporate Governance and Nominating Committee shall be independent directors as defined in National Instrument 58-101-Disclosure of Corporate Governance Practices (the "National Instrument"). The Board may remove a member of the Compensation, Corporate Governance and Nominating Committee at any time in its sole discretion by resolution of the Board.

Each member of the Committee shall serve on the Committee so long as he/she shall continue to be a Director. The Board may fill vacancies in the Committee by election subject to new members satisfying the above stated requirements. The Board may appoint the Chair of the Committee to serve in that capacity at the option of the Board.

The Committee shall have the power to fix its quorum at not less than a majority of its members and to determine its own rules of procedures subject to any regulations imposed by the Board and subject to the codes defined in the National Instrument.

Each member will have skills and/or experience which are relevant to the contribution in carrying out the mandate of the Committee. The Committee shall have the sole authority to retain and terminate any advisors (legal, accounting or otherwise) to be used to assist in carrying out the Committee's duties and responsibilities.

The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the board may from time to time determine.

Following each Committee meeting, the Chair of the Committee shall report to the Board on the activities, findings and recommendations of the Committee.

### **Duties and Responsibilities**

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

#### ***Compensation Matters***

1. To review annually and recommend for approval to the Board the compensation philosophy and policy for the Corporation;
2. Review the overall compensation plan for the Corporation and salaries and compensation of the Corporation's officers for recommendation to the Board;
3. Monitor implementation of the compensation plan of the Corporation;
4. Conduct annually for approval of the Board the performance appraisal of the CEO and review the CEO's performance reviews of other senior managers;
5. Review annually and recommend for approval to the Board grants of stock options;
6. Review annually the Corporation's employee incentive and benefit plans and review and recommend for approval to the Board any amendments thereto;
7. Review management's reports to the Committee on human resource issues;
8. Review annually and recommend for approval to the Board, the executive compensation disclosure of the Corporation in its Management Information Circular;
9. Review annually and recommend for approval to the Board, the compensation arrangements for the directors of the Corporation and the Chairman of the Board in keeping with general industry standards; and
10. Review and approve any management contracts, change of control agreements, indemnity agreements, and significant consulting contracts.

#### ***Nominating and Corporate Governance Matters***

1. Set the criteria for Board members, identify individuals qualified to become board members and, at the direction of the Board, either select or recommend that the Board select the director nominees for the next Annual General Meeting of Shareholders.
2. When making recommendations to the Board for Board nominees, the Committee shall consider:
  - the competencies and skills that the Board considers to be necessary for the Board;
  - the competencies and skills that the Board considers each existing director to possess;
  - the competencies and skills each new nominee will bring to the Board; and

- whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.
3. Develop and recommend a set of corporate governance principles applicable to the Corporation, including the implementation of a Code of Business Conduct, whistle blower protection and the monitoring of the content of such code on an ongoing basis.
  4. Assess annually the size of the Board and the performance of the Board as a whole, the various committees of the Board (including the Committee) and the contribution of individual Directors, and make any necessary recommendations to the Board in relation thereto.
  5. Make recommendations to the Board as to the members of the various committees of the Board, taking into account the eligibility for membership on such committees based upon applicable laws, rules and regulations.
  6. Ensure the provision of appropriate orientation for new Directors and availability of continuing education programs for all Directors.
  7. Ensure that the Board can function independently of management and ensure that the Chairs of the various committees of the Board shall have unimpeded access to management.
  8. Ensure that there is an adequate process administered by the Corporation's Audit Committee to allow all levels of employees to bring "whistle blower" issues to such Committee which are not being adequately dealt with by management.
  9. Ensure that the Board is made aware of current and evolving legislation, regulations and guidelines relating to applicable corporate governance issues pertaining to the Corporation.
  10. Prepare, review and approve the annual corporate governance report to be made in the proxy circular prepared in connection with the Annual Meeting as may be required under applicable securities laws and the rules of any stock exchange on which the Corporation's shares are listed.

### **Meetings and Minutes**

1. The time and place of meetings of the Committee and the procedures at such meetings shall be determined from time to time by the members thereof, provided that:
  - (i) a quorum shall be a majority of the members present in person or by telephone or other telecommunications device that permit all persons participating in the meeting to speak and hear each other;
  - (ii) the Committee shall meet at least semi-annually;
  - (iii) notice of the time and place of and an agenda and related materials respecting every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time listed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called;

2. Agendas and related materials shall be developed by the management of the Corporation and distributed in a timely manner.
3. The Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee. The CEO or his designate shall be available to attend all meetings of the Committee upon invitation by the Committee. Human resources staff and such other staff as may be required to provide information to the Committee shall be available to attend meetings upon invitation by the Committee.
4. Minutes of the meetings shall be prepared by the Secretary of the Corporation.
5. Minutes of all meetings of the Committee shall be provided to the Board. Oral reports by the Chairman on recent matters not yet minuted are to be provided to the Board at its next meeting.
6. Supporting schedules and information reviewed by the Committee will be available for examination by any director of the Corporation upon request to the Chairman of the Committee.

**Other**

If, in order to properly discharge its functions, duties and responsibilities, it is necessary in the opinion of the Committee, that the Committee obtains the advice and counsel of external advisors, the Committee shall, upon approval of the Board, be authorized to engage the necessary advisors.