

ACERUS PHARMACEUTICALS CORPORATION
(“ACERUS”)

CHARTER OF THE COMPENSATION COMMITTEE

General

In accordance with applicable laws and the by-laws of Acerus, and further to a delegation of authority from the Board of Directors, the Compensation Committee (the “Committee”) has adopted this form of written mandate. The Committee shall periodically review and, if necessary, revise this mandate from time to time in order to meet Acerus’ needs and satisfy any applicable legal or regulatory requirements and/or other best practices.

Duties and Responsibilities

In furtherance of its obligations, the Committee shall be responsible for the following:

- reviewing and approving corporate goals and objectives relevant to CEO compensation, designing and implementing a process for CEO evaluation, evaluating the CEO's performance in light of these goals and objectives and, either as a committee or together with other independent directors, determining and approving the CEO's compensation level based on this evaluation, taking into consideration: (a) Acerus’ performance and relative shareholder return; (b) the value of similar incentive awards to CEOs at comparable companies; and (c) the awards given to the CEO of Acerus in past years.
- recommending to the Board of Directors non-CEO compensation, incentive-based plans and equity-based plans;
- approving and monitoring insider trading and share ownership policies;
- monitoring the administration of Acerus’ executive officer incentive and other compensation plans and reporting to the Board of Directors annual on whether incentives and bonuses awarded or paid to the CEO and other executive officers have been awarded or paid in accordance with applicable plans;
- reviewing, approving and receiving regular reports from management with respect to Acerus’ insider trading policy and any share ownership policy of Acerus;
- reviewing compensation disclosure in public documents, and producing for inclusion in the Committee's annual report on executive compensation for inclusion in the company's information (proxy) circular, in accordance with applicable rules and regulations; and
- performing any other activities consistent with this Charter.

Constitution

The Committee shall consist of at least three members of the Board of Directors (chosen thereby), each of which shall be independent (as such term is defined under applicable securities laws). The Committee

shall select a chair from among its members from time to time. The Committee may form and delegate authority to such sub-committees as it determines appropriate from time to time.

Access to Management and Outside Advisors

Committee members shall have access to members of senior management and are encouraged to raise any questions or concerns directly with senior management. The Committee may invite any member of senior management, outside advisor or other person to attend any of their meetings.

The Committee may retain an outside advisor at the expense of Acerus at any time and have the authority to determine the advisor's fees and other retention terms.

Performance Assessment

On an annual basis, the Committee shall assess how well it has performed the responsibilities and duties set out in this mandate.

Schedule A

CEO Evaluation Process

CEO Performance Evaluation is the responsibility of the Compensation Committee (CC). The process is intended to provide board members with complete information regarding the performance of the CEO for the purpose of clarifying goals and reinforcing or modifying expectations and behaviour. Feedback from this process will provide input to recommendations for CEO compensation.

The following process and tools are proposed for immediate consideration by the CC in order to adjust and submit to the board. The process could be implemented in the 4 Q 2013.

The specific objectives of the process are to:

- Assess the performance of the CEO regarding the attainment of personal and corporate objectives, including the alignment of CEO's priorities and performance, and the mission, vision and goals of the organization;
- Identify opportunities for the development of the CEO;
- Enhance the relationship between CEO and the board;
- Ensure effective governance.

Criteria for Evaluation

It is proposed that the process use the following criteria for Evaluation:

1. CEO performance objectives as determined by the board annually.
2. Effectiveness in five dimensions of performance:
 - Leadership: Is the CEO influencing others and shaping the corporate culture in order to sustain industry leading performance?
 - Strategy: Is the CEO developing and executing strategy aligned with direction from the board?
 - People management: Is the CEO attracting, selecting talent effectively? Are management systems in place that ensure effective governance? Is succession being planned?
 - Relationships with stakeholders: How well does the CEO engage with the company's board of Directors, partners, suppliers, and other stakeholders?
 - Results Driven: Does the CEO demonstrate initiative and positive energy to work toward goals with tenacity and resilience?

The Process:

The proposed process for the CEO Evaluation includes:

1. The Chairman with input from the board, collaborates with the CEO to develop performance objectives aligned with the Strategic Plan.
2. The CC members integrate the objectives developed by the Chairman and CEO and approved by the board into the evaluation form and prepare the evaluation tools which include competencies developed by the CC and the CEO.
3. The CC communicates the process and timeline of the assessment sharing process to the board.
4. The CEO will be invited to complete a self-evaluation and submit this to the CC.
5. The Chairman provides comments and members of the board are offered the opportunity to provide their assessments using the proposed evaluation form. All comments are collected and summarized by the CC members to reflect full board involvement. The CC and the Chairman will discuss the sharing of perceptions and coordinate the delivery of feedback to the CEO in the appraisal interview.
6. Up to two CC members and the Chairman will participate in an appraisal interview, together or apart, with the CEO for the purpose of comparing their perceptions with the CEO Self-Evaluation. In their in-depth interview(s) CC members will probe for evidence of effective performance and opportunities for personal development on the part of the CEO. Each year at least one of the CC members will be retained in the process to ensure continuity.
7. A meeting of the CC and Chairman will be convened in which notes from interviews are compared and an initial assessment will be consolidated and submitted to the board in a confidential memo. This memo will highlight the CC's summary of strengths and weaknesses, recommendations for improvement and CEO development and the assessment of overall performance.
8. The CC assessment and recommendations including input from the Chairman will be sent to the board members and the CC will convene an executive session of the board to discuss the results and recommendations. The board discusses the, goals and a merit recommendation. The board will the approve a merit recommendation and or adjustment to compensation and establish preliminary performance goals set for the new year. Following input from the board, the CC will finalize the assessment for delivery to the CEO.
9. The Chairman and/or a representative the CC will meet with the CEO to discuss the results of the appraisal process, provide feedback including recommended performance improvements and development plans and explain board decisions. The CEO is invited to comment on the preliminary performance goals for the new year and may suggest modifications.
10. The Chairman and or a representative the CC will communicate and discuss suggested modifications to the board and request final approval for the goals and compensation of the CEO.

11. A final communication is made by the CC to the CEO and the appraisal documentation, including goals and compensation for the new year is recorded in the CEO's confidential file.