

AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

REMUNERATION COMMITTEE CHARTER

1 Objectives

1.1 Purpose

The primary function of the Board Remuneration Committee (Committee) is to assist the board of directors of Australian Pharmaceutical Industries Limited (Board) in fulfilling its oversight responsibility by ensuring that Australian Pharmaceutical Industries Limited (API) has coherent remuneration policies and practices that fairly and responsibly attract, retain and reward executives having regard to performance, the law and the highest standards of governance.

The Committee will:

- Review and, subject to the terms of this Charter, approve executive remuneration policy;
- Make recommendations to the Board in relation to the remuneration of the Managing Director and non-executive Directors;
- Review and make recommendations to the Board on corporate goals and objectives relevant to the remuneration of the Managing Director, and the performance of the Managing Director in light of these objectives;
- Approve remuneration packages for API's Senior Executives;
- Review and make recommendations to the Board in relation to approving any and all equity based plans;
- Review and make recommendations to the Board on retirement, superannuation and termination policies;
- Review and make recommendations to the Board on fringe benefits policies;
- Approve all merit recognition expenditure; and
- Oversee general remuneration practices across the API Group.

The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in this Charter.

2 Composition

2.1 Membership

The Committee membership and the Chairman of the Committee will be as determined from time to time by the Board. The Committee will consist of three non-executive Directors of API.

The Chairman of the Committee will be an independent non-executive Director of the Company.

A majority of the members of the Committee must be independent directors and free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgement as a member of the Committee.

The Chairman of the Board may attend meetings, ex officio.

3 Meetings

3.1 *Number of Meetings*

The Committee will meet at least two times a year, or more frequently as circumstances dictate. In addition to the members of the Committee, such Executives and/or external parties as the Chairman and members of that Committee think fit may be invited to attend meetings from time to time. The Managing Director of API may attend Committee meetings but will have no voting rights and must not be present during discussions on his own remuneration or where the Committee determines. Other Directors of the Board are entitled to attend Committee meetings and copies of the papers will be sent to other Directors at the same time as Committee members.

A quorum of any meeting will be two members.

3.2 *Secretarial*

The secretary of the Committee will be the Group Secretary or his designated representative. The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board.

The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the API constitution, this Charter or any resolution of the Board.

4 Responsibilities and Duties

Without limiting its role, specific duties and responsibilities of the Committee include the following:

4.1 *Executive remuneration policy*

Approve, subject to the terms of this Charter, the broad policy for the remuneration of the Managing Director, group executives and other executives who report directly to the Managing Director, including incentive arrangements, superannuation rights and any amendments to that policy proposed from time to time by management.

Review the ongoing appropriateness and relevance of the executive remuneration policy. In particular, the Committee will aim to ensure that:

- processes are in place to ensure that all applicable provisions regarding disclosure of remuneration, including superannuation, as set out in relevant laws and regulations are fulfilled;
- the policy motivates executives to pursue the long term growth and success of API within an appropriate control framework;
- the policy demonstrates a clear relationship between individual performance and remuneration; and
- the policy involves an appropriate balance between fixed and variable remuneration, reflecting the short and long term performance objectives appropriate to API's circumstances and goals.

Review and recommend to the Board on the recruitment, retention and termination policies and procedures for the Managing Director, group executives and other executives who report directly to the Managing Director.

4.2 *Managing Director*

Review and make recommendations to the Board on the entire specific contractual and remuneration arrangements for the Managing Director having regard to the executive remuneration policy, including:

- fixed remuneration levels;
- short term remuneration targets and outcomes (including performance targets);
- superannuation arrangements;
- any termination payments to be made and notice periods; and
- long term incentive awards to be made to the Managing Director.

Evaluate and make recommendations to the Board on the performance of the Managing Director in light of his or her goals and objectives.

Determine the outcome of any performance hurdles in relation to any equity based plan (LTIP) in which the Managing Director may participate, and provide written notification to the Managing Director of any such performance determination.

4.3 *Non-executive Directors*

Review and make recommendations to the Board on remuneration policies for non-executive Directors on the Board and non-executive Directors of subsidiary boards. In making its recommendations, the Committee will take into account the non-executive Directors' remuneration principles, as approved by the Board from time to time.

4.4 *Group executives*

Approve the entire specific individual contractual and remuneration arrangements for Group executives and other executives who are direct reports of the Managing Director having regard to the executive remuneration policy, including:

- fixed remuneration levels;
- short and long term remuneration targets and outcomes (including performance targets);
- superannuation arrangements;
- any termination payments to be made and notice periods; and
- long term incentive awards to be made to each individual.

Review and make recommendations to the Board on the performance of the Group executives in light of their individual goals and objectives.

Determine the outcome of any performance hurdles in relation to any equity based plan (LTIP) in which the Group executives may participate, and provide written notification to the Group executives of any such performance determination.

4.5 *Long Term Incentive Plan (LTIP) Equity based*

The Committee will review the design of the LTIP for approval by the Board including:

- Assess and consider the provision of 'financial assistance', as that term is defined in the Corporations Act (Cth), relating to any invitation under any Equity Plan;
- Keep all plans under review in the light of legislative, regulatory and market developments;
- Approve awards of long-term incentives to Group executives;

- Review and approve total proposed awards under each plan, including the allotment and issue of shares and/or the approval of the acquisition of API shares for the purpose of any equity plan;
- Review and keep under review performance hurdles for each LTIP grant; and
- Exercise the discretions of the Board as permitted in the rules of the LTIP (but not to the exclusion of the Board or of any other person or persons to whom some or all of these powers and discretions may be delegated) and do all acts and things and make all such determinations that are required, necessary or desirable to be made in relation to the administration of the LTIP.

4.6 *General remuneration across the API Group*

The Committee will:

- Approve the size of bonus / incentive pools as part of API's annual plan based on consideration of pre-determined business performance indicators;
- Review and note annually the remuneration trends across the API Group;
- Monitor and advise the Board on any major changes in employee benefit structures throughout the API Group; and
- Approve remuneration arrangements outside of policy relating to individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications.

5 Reporting

The Committee will regularly update the Board about Committee activities and make appropriate recommendations. The Chairman of the Committee will report to the Board, at the Board meeting next following a meeting of that Committee, on any matters under consideration by it within the Charter.

At the discretion of the Chairman and members of the Committee, any relevant matters deemed to be of major importance will be referred to the Board for its attention.

The Committee will prepare any reports required by law or listing rules or requested by the Board including relevant remuneration sections of the annual report and other shareholder documents for approval by the Board.

6 Other Responsibilities

This Charter will be reviewed at least annually and changes required will be recommended to the Board for approval. The Committee will annually review its own performance. To the extent the Committee deems necessary, the Committee may retain independent legal, accounting or other advisors.

7 Delegation to Act

Where the Chairman of the Committee, after consulting with the Managing Director, is of the opinion that an approval is required promptly in relation to a particular person's remuneration and that approval cannot conveniently await a decision by the Committee, that approval may be given by the Chairman of the Committee, provided that the proposal is endorsed by the Managing Director. Every approval so given shall be recorded in writing and reported by the Chairman to the Committee at the next meeting of the Committee.

Approved by the Board on: 03 April 2007