



labopharm

**Policy Governing Director Nominations,
Shareholder-Board Communications and
Director Attendance at Meetings (the “Policy”)**

Amended by the Board of Directors on January 26, 2010

LABOPHARM INC.

Policy Governing Director Nominations, Shareholder-Board Communications and Director Attendance at Meetings

The Board of Directors (the “Board”) of Labopharm inc. (the “Company”) has adopted this Policy Governing Director Nominations, Shareholder-Board Communications and Director Attendance at Meetings (the “Policy”) as proposed by the Corporate Governance and Nominating Committee (the “Committee”). The Company recognizes that its shareholders desire increased insight into the Company’s director nominations process and greater ease of communication with the Board of Directors, and the Company endeavors to apply this Policy to those ends.

1. IDENTIFYING AND EVALUATING DIRECTOR NOMINEES

1.1 Responsible Committee. The Committee is responsible for identifying individuals qualified to become members of the Board and its committees, and recommending candidates for the Board’s selection as director nominees for election at the next annual or other properly convened meeting of shareholders.

1.2 Process for Consideration of Nominees

1.2.1 Identification of Candidates. The Committee shall identify candidates for director nominees in consultation with management, through the use of search firms or other advisers, or through such other methods as the Committee deems to be helpful to identify candidates. The Committee will also consider director candidates recommended by shareholders.

1.2.2 Evaluation Process. Once candidates have been identified, the Committee shall confirm that the candidates meet all of the minimum qualifications for director nominees set forth in Sections 2 and 2.1 below. The Committee may gather information about the candidates through interviews, background checks, or any other means that the Committee deems to be helpful in the evaluation process. The Committee shall then meet as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. There shall be no difference in the manner by which the Committee evaluates director nominees, whether nominated by the Board or by a nominating shareholder.

1.2.3 Recommendation of Nominees to the Board. Based on the results of the evaluation process, the Committee shall recommend candidates for the Board’s selection as director nominees for election to the Board.

1.2.4 Recommendation of Nominees to Board Committees. The Committee shall also recommend candidates for the Board’s selection as nominees for appointment to the committees of the Board.

1.3 Procedures for Recommendation of Nominees by Shareholders. The Committee will consider director candidates who are recommended by shareholders of the Company. Shareholders, in submitting recommendations to the Committee for director candidates, shall follow the following procedures:

1.3.1 The Committee must receive any such recommendation for nomination by a date not later than the 120th calendar day before the date of the Company’s proxy statement was released to shareholders in connection with the previous year’s annual meeting.

1.3.2 Such recommendation for nomination shall be in writing and shall include the following information:

- a) Name of the shareholder, whether an entity or an individual, making the recommendation;
- b) A written statement disclosing such shareholder's beneficial ownership of the Company's securities;
- c) Name of the individual recommended for consideration as a director nominee;
- d) A written statement from the shareholder making the recommendation stating why such recommended candidate would be able to fulfill the duties of a director;
- e) A written statement from the shareholder making the recommendation stating how the recommended candidate meets the independence requirements applicable to the Company, and established by the Canadian Securities Administrators ("CSA") and any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company;
- f) A written statement disclosing the recommended candidate's beneficial ownership of the Company's securities; and
- g) A written statement disclosing relationships between the recommended candidate and the Company which may constitute a conflict of interest.

1.3.3 Nominations may be sent to the attention of the Committee via the method listed below:

Canada Post or Expedited Delivery Service:

Labopharm inc.
480 Armand-Frappier Blvd.
Laval, Québec, Canada H7V 4B4
Attn: Corporate Governance and Nominating Committee
c/o General Counsel and Corporate Secretary of Labopharm inc.

1.3.4 Once the Committee receives the recommendation of a candidate, such recommended director nominee shall be evaluated and if appropriate may be recommended to the Board pursuant to Sections 1.2.2 and 1.2.3 above.

2. DIRECTOR QUALIFICATIONS AND SKILLS

The Company seeks directors who possess the qualifications and skills described in this Section 2. Moreover, the Company evaluates each individual candidate in the context of the overall composition and needs of the Board, with the objective of recommending a group that can best manage the business and affairs of the Company and represents shareholder interests using its diversity of experience. The Committee will consider these and other qualifications, skills and attributes when recommending candidates for the Board's selection as nominees for the Board and as candidates for appointment to the Board's committees.

2.1 Board Qualifications

2.1.1 Independence. A majority of the members of the Board shall meet the independence requirements as decided by the Board of Directors, applicable to the Company, and promulgated by the CSA and any exchange upon which securities of the Company are traded or any governmental or regulatory body exercising authority over the Company (each a "Regulatory Body" and collectively the "Regulatory Bodies"), as in effect from time to time.

2.1.2 Minimum Qualifications. The Company requires its directors to possess certain minimum qualifications, including the following:

- a) Adequate Experience. A director must have substantial or significant business or professional experience or an understanding of pharmaceuticals, technology, finance, marketing, financial reporting, international business or other disciplines relevant to the business of the Company.
- b) No Conflicts of Interest. A director must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Board or of a Board committee.

2.1.3 Other Qualities and Skills. The Company also considers the following qualities and skills, among others, in its selection of directors:

- a) Economic, technical, scientific, academic, financial, accounting, legal, marketing, or other expertise applicable to the business of the Company;
- b) Leadership or substantial achievement in their particular fields;
- c) Demonstrated ability to exercise sound business judgment;
- d) Integrity and high moral and ethical character;
- e) Potential to contribute to the diversity of viewpoints, backgrounds, or experiences of the Board as a whole;
- f) Capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency;
- g) Ability to work well with others;
- h) High degree of interest in the business of the Company;
- i) Dedication to the success of the Company;
- j) Commitment to responsibilities of a director; and
- k) International business or professional experience.

2.2 Committee Qualifications

2.2.1 Audit Committee. All members of the Audit Committee shall meet the independence and audit committee requirements promulgated by the Regulatory Bodies, as in effect from time to time. All members shall be financially literate and at least one member may qualify as an "audit committee financial expert" as required by U.S. securities legislation.

2.2.2 Compensation Committee. All members of the Compensation Committee shall meet the independence and compensation committee requirements promulgated by the Regulatory Bodies, as in effect from time to time.

2.2.3 Corporate Governance and Nominating Committee. All members of the Corporate Governance and Nominating Committee shall meet the independence and nominating and corporate governance committee requirements promulgated by the Regulatory Bodies, as in effect from time to time.

2.2.4 Other Committees. Members of other committees shall meet such requirements as set forth by the Regulatory Bodies and the Board as the Board deems necessary.

- 2.3 Limits on Other Board Memberships and Commitments.** The Company expects that a director's existing and future commitments will not materially interfere with such director's obligations to the Company.

The Company recognizes that directors should limit the number of boards on which they serve so that they can give proper attention to each board responsibility. However, the philosophy of the Company is not to set an invariant limit on the number of boards on which a director may serve. In the event a director wishes to join the board of another company, it is expected that the director will advise the Committee of his or her intention and the Committee will update the Board.

The Company also recognizes that interlocking board relationships should be limited. In accordance, the Company expects that two directors should not be together members of the board of another public company without prior approval of the Board.

- 2.4 Incumbents.** For candidates who are incumbent directors, the Company considers the following factors, among others, when considering such individuals as director nominees: such director's past attendance at meetings and participation in and contributions to the activities of the Board. If such incumbent director has had a significant change in status, such as an employment change, the Company shall also take this event into consideration.
- 2.5 Amendments.** Together with the Board, the Committee shall review and assess the adequacy of this Policy periodically, as well as in response to rules promulgated by the Regulatory Bodies. The Company will disclose any material changes to these policies as required by the Regulatory Bodies.

3. SHAREHOLDER FEEDBACK

- 3.1** The President and Chief Executive Officer ("CEO") and the Chief Financial Officer shall make reasonable efforts to engage in regular interaction with major shareholders of the Company.
- 3.2** The CEO, or in his absence or inability to act, the Chief Financial Officer, shall report to the Corporate Governance and Nominating Committee, periodically when warranted and not less than once annually, on significant investor communication issues encountered, including but not limited to complaints or concerns expressed by shareholders or analysts about the quality or timeliness of the Company's public reporting or the availability of Company spokespersons to respond to analyst or investor enquiries, and on measures taken to address the concerns.
- 3.3** The CEO and the Chief Financial Officer shall regularly review the processes and measures for receiving shareholder feedback and response to shareholder concerns.

4. SHAREHOLDER-BOARD COMMUNICATIONS

The Board provides to every shareholder the ability to communicate with the Board, as a whole, and with individual directors on the Board through an established process for shareholder communication (as that term is defined by the rules of the SEC) ("Shareholder Communication") as follows:

- 4.1** For Shareholder Communication directed to the Board as a whole, shareholders may send such communication to the attention of the Chairman of the Board via the method listed below:

Canada Post or Expedited Delivery Service:

Labopharm inc.
480 Armand-Frappier Blvd.
Laval, Québec, Canada H7V 4B4
Attn: Chairman of the Board of Directors

- 4.2 For shareholder communication directed to an individual director in his or her capacity as a member of the Board, shareholders may send such communication to the attention of the individual director via the method listed below:

Canada Post or Expedited Delivery Service:

Labopharm inc.
480 Armand-Frappier Blvd.
Laval, Québec, Canada H7V 4B4
Attn: [Name of Individual Director]

The Company will forward any such Shareholder Communication to each director, and the Chairman of the Board in his or her capacity as a representative of the Board, to whom such Shareholder Communication is addressed to the address specified by each such director and the Chairman of the Board.

5. DIRECTOR ATTENDANCE AT ANNUAL MEETINGS

Each member of the Board is expected to make every reasonable effort to attend meetings of the shareholders of the Company. Attendance by every member of the Board is strongly encouraged at such meetings and failure to attend will be reported in the Company's filings with the Regulatory Bodies' rules and regulations.