

Corporate Governance Report

pSivida's Corporate Governance Report

The Board of Directors of pSivida Corp. (the "Board") is responsible for the corporate governance of pSivida Corp. ("pSivida" or "the Company") and is committed to applying the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles") where practicable. This Corporate Governance Report should be read together with the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on 13 September 2017 and with ASX on 14 September 2017, as amended on 30 October 2017 (the "**10-K Filing**"), and its 2017 Proxy Statement filed with the SEC on 13 November 2017 and with ASX on 15 November 2017 (the "**2017 Proxy**"), copies of which may be accessed through the Company's website at <http://investors.psivida.com/sec.cfm>.

The Board guides and monitors the business and affairs of pSivida on behalf of the interests of its stockholders. It is a requirement of the Board that the Company maintains high standards of ethics and integrity at all times.

The following addresses pSivida's corporate governance in the context of the ASX's Corporate Governance Principles and should be read together with the 10-K Filing and the 2017 Proxy.

Principle 1: Lay solid foundations for management and oversight

pSivida's corporate governance policies and practices are set out on the Company's website at <http://investors.psivida.com/governance.cfm>. The following documents are available on the website:

- Audit Committee Charter;
- Compensation Committee Charter;
- Governance and Nominating Committee Charter;
- Science Committee Charter;
- Code of Business Conduct;
- Disclosure Policy;
- Communications Strategy;
- Securities Trading Policy;
- Communications with Directors Policy;
- Stockholder Nomination Policy; and
- Corporate Governance Guidelines.

The Corporate Governance section of pSivida's website was first made available from 1 July 2003 and the documents referred to above have been available from that date or, if created after such date, as of the date of creation. pSivida has undertaken a review of its corporate governance policies and practices since that date and is continuing to update its policies and practices to reflect developing corporate governance requirements and practices.

The Role of the Board and the Corporate Governance Guidelines

The Board's Duties

The role of the Board is to oversee and guide the management of pSivida with the aim of protecting and enhancing the interests of its stockholders. The Board has established four standing committees: the Audit and Compliance Committee, the Compensation Committee, the Governance and Nominating Committee, and the Science Committee. Each committee is comprised entirely of independent directors, and each committee has a written charter. While each committee has designated responsibilities, the committees act on behalf of the entire Board and regularly report on their activities to the entire Board. Details concerning the role and

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structure of the Board and each Board committee are contained in the Corporate Governance Guidelines and committee charters, available on the "Corporate Governance" section of the Company's website at <http://investors.psivida.com/governance.cfm>.

The role of management is to support the President and CEO and implement the running of general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Code of Business Conduct

Directors of the Company are also subject to pSivida's Code of Business Conduct. The Code of Business Conduct is considered by the Board to be an effective way to guide the behaviour of all directors and employees and demonstrates the Company's commitment to ethical and compliant practices.

Principle 2: Structure the Board to add value

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board shall be comprised of at least one director with the number of directors to be determined from time to time by vote of a majority of the directors then in office;
- the Board shall comprise directors with an appropriate balance of experiences, skills and characteristics;
- the Board shall meet regularly and follow meeting guidelines set down to ensure all directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items; and
- the Board's composition shall adhere to the standards of independence under the NASDAQ Stock Market ("NASDAQ") and the Australian Securities Exchange ("ASX") rules.

As of the date of this report, the Board comprises a non-executive, independent chairperson, the Chief Executive Officer and five non-executive, independent directors. Details of the directors are set forth in the 2017 Proxy.

Independence of Directors

The Board has reviewed the position and associations of each of the seven directors in office at the date of this report and considers that six of the directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

On 27 June 2017, Ms. Kristine Peterson was appointed as a director of the Board. Descriptions of Ms. Peterson's qualifications as a director to the Board may be found in the 2017 Proxy.

The Board considers that Dr. Mazzo, Mr. Rogers, Mr. Godshall, Dr. Barry, Dr. Duker and Ms. Peterson meet the criteria in Principle 2. None of them has any material business or contractual relationship with the Company, other than as a director, and none of them has any conflicts of interest that could interfere with the exercise of independent judgement. Accordingly, each of them is considered to be independent.

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Ms. Lurker is employed as President and Chief Executive Officer of the Company and so is not considered to be independent.

The pSivida Board had a majority of independent directors throughout the entire 2017 financial year. The Company was therefore in compliance with Best Practice Recommendation 2.1 for the year.

The directors will continue to monitor the composition of the Board to ensure its structure remains appropriate and consistent with effective management and good governance.

Nomination and Appointment of New Directors

The Governance and Nominating Committee has the following duties and responsibilities with respect to Board candidates and nominees:

- identifying, recruiting and interviewing candidates for Board membership;
- reviewing the background and qualifications of individuals being considered as director candidates;
- developing and recommending to the Board guidelines and criteria to determine the qualifications of directors;
- recommending to the Board the director nominees for election by the stockholders or appointment by the Board to fill any vacancies pursuant to the By-Laws of the Company;
- reviewing and considering candidates for election submitted by stockholders;
- reviewing the suitability for continued service as a director of each Board member when his or her term expires, and recommending whether or not the director should be re-nominated.

The Governance and Nominating Committee shall have the following duties and responsibilities with respect to the composition and procedures of the Board as a whole:

- monitoring the independence (within the meaning of the NASDAQ listing requirements) of Board members and the overall Board composition;
- reviewing periodically the size of the Board and to recommend to the Board any appropriate changes;
- making recommendations on the frequency and structure of Board meetings and on the practices of the Board;
- recommending to the Board the directors to be appointed to each committee of the Board, including the Governance and Nominating Committee;
- overseeing an annual self-evaluation of the Board and its committees to determine whether the Board and its committees are functioning effectively;
- performing such other duties and responsibilities as may be assigned to the Governance and Nominating Committee by the Board or as designated in plan documents; and
- forming and delegating authority to subcommittees, comprised of one or more members of the Governance and Nominating Committee, when the Governance and Nominating Committee deems appropriate.

New directors receive a formal letter of appointment that formalizes his or her duties and remuneration entitlements.

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Induction and Training

New directors undergo an induction process in which they are given a full briefing on the Company and the Company is committed to continuing development of its Directors and executives.

Performance Review

The Corporate Governance Guidelines and the Governance and Nominating Committee Charter contain the process for annual performance evaluations of the directors.

Board Members' Rights to Independent Advice

The Board has procedures to allow directors, in the furtherance of their duties as directors or members of a Board Committee, to seek independent professional advice at the Company's expense.

pSivida's Board Committees

The Board has established the following standing committees to advise and support the Board in carrying out its duties:

- Audit and Compliance Committee;
- Governance and Nominating Committee;
- Compensation Committee; and
- Science Committee.

Audit and Compliance Committee

Please see the discussion in the 2017 Proxy.

Governance and Nominating Committee

Please see the discussion in the 2017 Proxy.

Compensation Committee

Please see the discussion in the 2017 Proxy.

Science Committee

Please see the discussion in the 2017 Proxy.

A copy of each Committee's charter has been posted to the Corporate Governance section of the Company's website referenced above.

Diversity

The Board recognises that both gender and other forms of diversity are important. The Board seeks to promote gender diversity of its Board and the Company and facilitates a range of diversity initiatives throughout the Company.

The Company is made up of individuals with diverse skills, backgrounds, and perspectives. Diversity is recognised, respected and valued by the Company.

At this stage, the Board does not have a formal diversity policy as recommended by the ASX Corporate Governance Council's Principles and Recommendations. The Board believes that the Company is not yet of a size where it is appropriate to implement a formal Diversity Policy or to implement measurable objectives for achieving gender diversity. However, the Governance and

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Nominating Committee considers diversity as a factor when considering the current composition of the Board and new appointments.

Principle 3: Promote ethical and responsible decision-making

The pSivida Code of Business Conduct (the "Code") was adopted on 30 June 2003 and has since then been updated and is available on the Company's website. The Code covers a broad range of issues and refers to those practices necessary to maintain confidence in pSivida's integrity, including procedures in relation to:

- compliance with the law;
- adherence to corporate governance policies;
- financial records;
- safeguarding resources;
- contributions to political parties, candidates or campaigns;
- occupational health and safety;
- confidential information;
- conflict of interest;
- insider trading;
- fair business practices and purchasing;
- equal opportunity;
- corporate bribery or improper payments;
- membership in industry and professional associations;
- compliance with securities laws; and
- amendments and waivers of the Code

Securities Trading by pSivida Directors and Employees

pSivida's Securities Trading Policy was adopted on 30 June 2003 and has since then been updated and amended as of 14 December 2017 and is available on the Company's website. This policy sets out the Company's guidelines for directors, officers, and employees dealing in securities of pSivida.

Principle 4: Safeguard integrity in financial reporting

The Audit and Compliance Committee is responsible for the annual appointment of the independent registered public accounting firm, and for assisting the Board in oversight of the Company's financial reporting, audit and legal and regulatory compliance processes. More specifically, the Audit and Compliance Committee's responsibilities include:

- appointing, overseeing and, if necessary, replacing the independent registered public accounting firm, including evaluating the effectiveness and independence of the firm at least annually, approving or pre-approving all audit and non-audit services provided by the firm and establishing hiring policies for employees or former employees of the firm, and also including resolving any disagreements between management and the firm regarding financial reporting;
- reviewing with the independent registered public accounting firm the scope of, plans for and any difficulties with audits and the adequacy of staffing and compensation;
- reviewing with the independent registered public accounting firm matters required to be communicated to audit committees in accordance with Public Company Accounting Oversight Board (United States) (PCAOB) Auditing Standard No. 1301 Communications With Audit Committees;

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- reviewing with management and the independent registered public accounting firm the Company's internal controls, financial and critical accounting policies (including effects of alternate generally accepted accounting principles (GAAP) methods and off-balance sheet structures, if any), risk assessment and management policies;
- reviewing with management and the independent registered public accounting firm the Company's annual and quarterly financial statements and financial disclosure, and preparing the Audit and Compliance Committee report for inclusion in the Company's annual proxy statement;
- reviewing, or establishing standards for, the substance and presentation of information included in earnings press releases and other earnings guidance;
- reviewing material pending legal proceedings and other contingent liabilities;
- implementing appropriate control processes for accounting, disclosures and reporting, review and approval of intercompany, related party and significant unusual transactions;
- establishing procedures for receipt, retention and treatment of complaints, including the confidential and anonymous submission of concerns by employees regarding accounting, internal accounting controls or auditing matters;
- receiving from management a report of any significant deficiencies and material weaknesses in the design or operation of the Company's internal controls, and any fraud involving management or other employees who have a significant role in the Company's internal controls;
- presenting to the Board annually an evaluation of the Audit and Compliance Committee's performance and charter; and
- performing such other activities as the Board or the Audit and Compliance Committee deem appropriate.

The members of the Audit and Compliance Committee are Mr. Rogers (chair), Dr. Barry and Ms. Peterson. Mr. Rogers, Dr. Barry and Mr. Godshall were each a member of the Audit and Compliance Committee for the entirety of fiscal 2017, and Ms. Peterson has served on the Committee since 1 July 2017, replacing Mr. Godshall.

The Board has determined that all current and fiscal year 2017 members of the Audit and Compliance Committee are independent for purposes of service on the Audit and Compliance Committee as provided in the rules of the SEC, NASDAQ and the ASX. The Board also has determined that Mr. Rogers and Ms. Peterson are audit committee financial experts.

The role of the external auditor is to provide an independent opinion that Company's financial reports are true and fair and comply with applicable regulations.

The Company's external auditor is Deloitte & Touche, LLP, who attends the AGM. Shareholders have the opportunity to ask the auditor written questions in advance of the AGM or to ask questions at the AGM relevant to the auditor.

The Audit Committee Charter contains details of the procedures for the selection, appointment, independence and performance of the external auditor.

Principle 5: Make timely and balanced disclosure

pSivida has established policies and procedures in order to comply with its continuous and periodic disclosure requirements under the *Corporations Act 2001* (Cth) and the ASX Listing

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Rules. The pSivida Board has adopted a formal Disclosure Policy, which is available on the corporate governance section of the Company's website.

The Disclosure Policy was adopted on 26 September 2002 and has been updated since that time.

Principle 6: Respect the rights of stockholders

The Board's policy on communicating with stockholders, its Communications Strategy Policy, is available on the corporate governance section of the Company's website and supplements pSivida's Continuous Disclosure Policy. The aim of the Communications Strategy Policy is to make known pSivida's methods for disclosure to stockholders and the general public.

pSivida's Policy Regarding Communications with Directors describes the process by which stockholders may communicate directly with the Board of Directors.

The Board reviews these policies on an ongoing basis.

Principle 7: Recognize and manage risk

The Audit and Compliance Committee has primary responsibility for oversight of the financial risks of the Company, in accordance with the Audit and Compliance Committee Charter and with particular emphasis on pSivida's accounting, financial and internal controls. The Audit and Compliance Committee will receive regular reports from the independent registered public accounting firm on critical accounting policies and practices of the Company and in relation to alternative treatments of financial information. The Audit and Compliance Committee Charter was adopted on 25 July 2005 and has been updated and is available on the Corporate Governance section of the Company's website.

The Company employs executives and retains consultants each with the requisite experience and qualifications to enable the Board to manage the risks to the Company. In addition, the Company's President and Chief Executive Officer and the Company's Principal Financial and Accounting Officer also submit financial statement certifications as required by the SEC and NASDAQ.

A detailed discussion about the market and business risks the Company faces can be found in its Annual Report on Form 10-K, which is available on the Company's website.

Principle 8: Remunerate fairly and responsibly

The Compensation Committee is responsible for overseeing executive compensation and benefits. Please see the 2017 Proxy regarding information on the Compensation Committee, executive compensation and the Company's equity-based remuneration plans.

Twenty Largest Common Stockholders of Record at 31 October 2017, based on information provided by Computershare Investor Services

Number	Stockholder	Number of Shares	% Issued Capital
1	CEDE & CO	39,314,363	86.98%
2	Chess Depositary Nominees Pty Limited	5,863,896	12.97%
3	Marshall Wolf	14,001	0.03%
4	Dean Elliott	1,388	0.00%
5	Karine Afopa	1,096	0.00%
6	Karen Boyd	822	0.00%
6	Richard Broglino	822	0.00%
8	Vinh T Nguyen	612	0.00%
8	Josh E. York	612	0.00%
10	Mr. & Mrs. Mark K Wilk	548	0.00%
10	Dallas Miller	548	0.00%
10	Michael H Cohen	548	0.00%
13	Hunter Doble.	528	0.00%
13	Siri Newman	528	0.00%

Distribution of Common Stockholders of Record at 31 October 2017, based on information of holders listed on the U.S. Register as provided by Computershare Investor Services

Size of Holding	Number of Holders	Shares Held
1-999	9	5,568
1,000-4,999	2	2,484
5,000-9,999	0	0
10,000-99,999	1	14,001
100,000 and over	2	45,178,259

Beneficial Ownership: The table below sets forth information regarding beneficial ownership of the Company's shares of common stock as of 31 October 2017 by any person or entity who, to the Company's knowledge, beneficially owned 5% or more of the Company's common stock based on filings with the SEC:

5% Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Perceptive Advisors LLC	2,279,706	5.06%

pSivida's Registered Office:

c-\ Company Matters Pty Limited
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pSivida's Register/Registrar of Securities

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