

PRINCIPAL BOARD CHARTER

Purpose of Charter

1. The principal Board Charter sets out the authority, responsibilities, membership and operation of the Board of FSMA, adopting principles of good corporate governance and practice, that accord with applicable laws.

Authority

2. The Board derives its authority to act from the Constitution of FSMA and law governing corporations in the jurisdictions in which the Company operates.

Role of the Board

3. The Board is the governing body of FSMA and seeks to represent and serve the interests of members by overseeing and appraising the strategies, policies and performance of the Company. The Board's role includes protecting and optimising Company performance and increasing member value, setting the Company's values and standards and ensuring members are kept informed.

Responsibilities of the Board

4. The responsibilities and duties of the Board include but are not limited to the following:

Strategy and Risk Oversight

- The oversight of FSMA including its control and accountability systems;
- Setting and reviewing the strategic direction of FSMA and monitoring the implementation of that strategy by executive management;
- Providing input into and final approval of senior executives' development of corporate strategy and performance objectives;
- The oversight of FSMA's commitment to ESG matters;
- Reviewing and approving FSMA's risk management framework, including FSMA's Risk Appetite Statement and monitoring the effectiveness of risk management by FSMA;
- Satisfying itself through appropriate reporting and oversight that all relevant internal control mechanisms are in place and are being implemented in accordance with regulatory and legal requirements;
- The oversight of Cyber Security.

Performance and Remuneration

- Approving Directors to fill casual vacancies on the Board;
- Appointing and removing the Chief Executive Officer (CEO);
- Approving the appointment and the removal of senior executives;
- Approving the appointment and the removal of the Company Secretary;
- Reviewing and approving the remuneration of the CEO and senior executives on the recommendation of the People, Culture and Rewards Committee;
- Planning for Board, CEO and senior executive succession;
- Monitoring senior executives' performance and implementation of strategy.

Financial Oversight

- Ensuring appropriate resources are available to senior executives;
- Approving the annual budget, including the capital expenditure budget;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- Monitoring financial reporting on a monthly basis;
- Approving the statutory accounts on the recommendation of the Audit and Risk Committee.

Governance

- Approving FSMA's Purpose, Vision, Mission and Values to promote the desired culture within FSMA and to oversee that culture;
- Appointing, re-appointing or removing the Company's external auditors on the recommendation of the Audit and Risk Committee;
- Approving material policies and the Company's governance statements;
- Reviewing the Company's Constitution when required;
- Monitoring and overseeing the management of member and community relations; and
- The oversight of Workplace Health and Safety, including the review and approval of FSMA's approach to health, safety and wellbeing issues and considering appropriate WHS reports and information.

Board Composition

5. The size of the Board will be determined in accordance with the FSMA Constitution to ensure efficient decision making.
6. The Board shall comprise a majority of non-executive Directors.
7. The Board will be comprised of a majority of independent Directors with a broad range of expertise, skills and experience from a diverse range of backgrounds.
8. The role of Chairman and Managing Director (if a Managing Director is appointed) are to be held by two separate individuals. The Chairman must be an independent non-executive director, and the Managing Director an executive director.

Chairman and Deputy Chairman

9. The Chairman must not have been an FSMA executive officer in the last 3 financial years.
10. The Chairman is responsible for:
 - Leadership and effective performance of the Board;
 - Overseeing the Board in the effective discharge of its supervisory role;
 - The efficient organisation and conduct of the Board's function and meetings;
 - Facilitating the effective contribution of all Directors;
 - Briefing of all Directors in relation to issues arising at meetings;
 - The promotion of constructive and respectful relations between Board members and between the Board and management;

- Committing the time necessary to effectively discharge their role as Chairman;
- Scheduling regular and effective evaluations of the Board's performance; and
- Scheduling regular and effective evaluations of the CEO's performance.

In the absence of the Chairman, or if the Chairman is unwilling to act, the Deputy Chairman will assume the role of Chairman.

Delegation to Committees

11. The Board may establish Committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.
12. The Board shall, as a minimum, establish the following Committees and shall adopt charters setting out matters relevant to the authority, responsibilities, membership and operation of those Committees.
 - An Audit and Risk Committee (including responsibility for risk management)
 - A People, Culture and Rewards Committee
13. All Committees will be comprised of a majority of independent non-executive Directors.
14. The Chairman may attend all meetings of those Committees of which they are not a member in an ex-officio capacity. The CEO will attend all meetings of those Committees of which they are not a member in an ex-officio capacity. All Directors have a standing invitation to attend Committee meetings.
15. Other matters of special importance for which Board Committees may be established include the consideration of capital strategies, major investments and commitments and the allocation of resources. The powers delegated to these Committees are set out in Board resolutions.

Role of the CEO

16. The day to day management of the Company is the responsibility of the CEO supported by the executive management team. The executive management team is comprised of the General Managers who meet regularly with the CEO to review the business of the organisation on a timely basis.
17. The Board delegates authority and responsibility for the conduct of the Company's business to the CEO, through the formal delegations of authority documented in the Delegation of Authority Policy and Delegation Matrix as approved by the Board. The CEO is accountable to the Board when exercising this delegated authority.
18. The CEO's responsibilities include:
 - Implementing the strategic, business and financial objectives of the company;
 - Analysing the impact on the strategic objectives and financial position, when allocating resources or capital; approving expenditure; or making major financial decisions;
 - Assessing reputational consequences of decisions or actions taken;
 - Implementing processes, policies and systems together with appropriate controls to effectively manage the operations and risk of the Company;

- Ensuring the information supplied to the Board is of a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.
19. The CEO is to have a formal agreement describing their term of office, duties, rights and responsibilities.
 20. Where a Managing Director is appointed, all references to the CEO in all Board and Committee Charters and Statements will apply to the Managing Director.

Access to Independent Professional Advice

21. Each Director is able to seek independent professional advice at the Company's expense, with the prior approval of the Chairman. The Chairman is able to seek independent professional advice at the Company's expense. All advice received is made available to all members of the Board unless in the Chairman's case it is considered privileged.
22. The Board may conduct or direct any investigation to fulfil its responsibilities and may retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to perform its duties.

Independence of Directors

23. Directors are expected to bring independent views and judgement to Board deliberations. An independent Director must be independent of management and able to exercise unfettered and independent judgement, free of any business or other relationship that could materially interfere with the director's ability to act in the best interests of the Company.
24. In assessing whether the Director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations.
25. The non-executive Directors shall meet from time to time without the presence of management.
26. In determining independence, each non-executive Director is required to make an annual disclosure of all relevant information to the Board, and provide any changes at each meeting of the Board. Any assessment of independence for a non-executive Director who does not meet the independence standards adopted by the Board will be specifically disclosed in the Corporate Governance Statement.

Appointment and Re-election of Directors

27. A review of Board composition and skills is undertaken periodically by the People, Culture and Rewards Committee using a skills matrix that enables the Committee to assess the skills and the experience of each Director and the combined capabilities of the Board. The results of this review are considered in the context of the FSMA operations and strategy and the need for diversity on the Board. The results of this review are then incorporated into the selection process for new Directors.
28. When a vacancy exists on the Board, the People, Culture and Rewards Committee identifies candidates with the appropriate expertise and experience, using external consultants where appropriate. The most suitable candidate is appointed by the Board but must stand for election by members at the next Annual General Meeting of the Company. At any one time the number of Directors appointed by the Board shall not exceed 40% of the total number of Directors as per the FSMA Constitution.

29. The Company has formal letters of appointment for each of its Directors, setting out the key terms and conditions of the appointment.
30. The process for re-election of a Director is in accordance with the Company's Constitution, which requires that, other than a Managing Director, one Director is required to retire by rotation at each Annual General Meeting and is eligible to stand for re-election.

The directors who must retire are those directors who have been longest in office since their appointment on registration or their last election (whichever is later). If they became directors on the same day, they may agree who retires. If they do not agree, they may select by lot who retires.

Director Indemnities

31. A deed has been entered into with each Director to provide indemnity and access to corporate records.

Induction and Continuing Education

32. Management, working with the Board, provides an orientation program for new Directors and new senior executives. The program includes discussions with executives and management, and reading material. These cover National Pharmacies' strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of conduct, its management structure, its internal and external audit programs, and Directors' rights, duties and responsibilities.

Management periodically conducts additional presentations and briefing sessions for Directors about FSMA and the factors impacting, or likely to impact, on its businesses, including visits to pharmacy locations, which assists non-executive Directors to gain a broader understanding of National Pharmacies. Directors are also encouraged to keep up to date on topical issues.

Board Meetings

33. Directors are expected to prepare, attend and participate at Board meetings and meetings of Committees.
34. The Board believes it is critical for Board members to have materials on topics to be discussed at Board meetings sufficiently in advance of the meeting date and for Board members to be kept abreast of developments between Board meetings.
35. Board members shall have complete and open access to members of management following consultation with the Chairman and the CEO.

Board Agendas

36. Board agendas are structured throughout the year to ensure that each significant responsibility of the Board is addressed. This includes the Board's consideration and approval of strategy and the achievement of financial and other goals. This should also include the Board receiving a detailed overview of the performance and significant issues confronting each business and support unit and to identify major risk elements for review to ensure that assets are properly valued and that protective strategies are in place.

Company Secretary

37. All Directors shall have direct access to the Company Secretary. The Company Secretary is accountable to management and the Board, through the Chairman, on all corporate governance matters. The role of the Company Secretary includes:
- Advising the Board and Board Committees on governance matters;
 - Monitoring that Board and Committee policy and procedures are followed;
 - Coordinating all Board business including meetings, agendas, Board and Committee papers and minutes, and monitoring the completion of actions arising from Board and Committee meetings.
 - Ensuring the business at Board and committee meetings is accurately captured in the minutes.

Ethical Values

38. The operations of the Group are driven by FSMA's Purpose, Vision, Mission Statement and Values, and all Values are important to the Company.
39. The Values include the requirements that the business be conducted ethically and with professionalism to achieve the highest standards of behaviour.
40. The Values are reinforced in the Company's Employee Handbook which requires the observance of strict ethical guidelines.
41. The ethical guidelines apply to all senior executives and employees of the Group, as well as Directors, temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Group and its interests. In addition, this Board Charter also governs the conduct of the Board and each Director.

Confidential Information

42. The internal control systems are monitored and employee integrity is fostered to ensure that confidential customer information is not used for any unauthorised purpose. The Directors regard the confidentiality of customer information as highly important. When the Directors are serving on the boards of other companies and undertaking private transactions, they are to have regard to their confidentiality obligations at all times.

Conflicts of Interest

43. Directors are required to avoid conflicts of interest and immediately inform their fellow Directors should a conflict of interest arise. Directors are also required to advise FSMA of any relevant interest that may result in a conflict.
44. Where a matter in which a Director has a material personal interest is being considered by the Board, that Director must not be present when the matter is being considered or vote on that matter, unless all of the other Directors have passed a resolution to enable that Director to do so or the matter comes within a category of exception under the Corporations Act 2001
45. If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to resign after consultation with the Chairman.

Minutes and Resolutions

46. Minutes of the Board and all of its Committees are to be:
- Forwarded to the Chairman within one week of the meeting. The Chairman must review and advise of approval or any changes within one week.
 - The Chairman approved minutes are then forwarded to the rest of the Board or Committee.
 - All Directors are to respond with any changes to the minutes once received within one week. Assent received by at least half of the Directors at the end of the week will provide acceptance of the minutes, unless the Chairman considers it appropriate for the minutes to be assented to by all Directors.
 - The times and details of the issue of the minutes, and confirmation received, are to be recorded in the minute book, and the final minutes are to be entered into the minute book once final confirmation is received.

Communication Statement

47. The Board has established a Communication Statement, which is designed to promote effective communication with members and encourage effective participation at General Meetings.
48. As part of the effective member communication strategy, FSMA keeps and maintains a corporate governance section on the FSMA website and makes available to members via the website any materials presented at the General Meeting.

Review

49. To ensure that it meets best practice standards and the needs of the Company and the Board, the Board will review this Charter annually

This Charter is effective 30 May 2022 and supersedes any Charter previously in force.