

**DIPLOMAT PHARMACY, INC.**

# **Corporate Governance Guidelines**

**Effective February 14, 2017**

## A. Purpose

The Board of Directors (the "Board") of the Company has adopted the following Corporate Governance Guidelines (the "Guidelines") to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company and its shareholders. The Guidelines should be applied in a manner consistent with all applicable laws and stock exchange rules and the Company's articles of incorporation and bylaws, each as amended and in effect from time to time. The Guidelines are intended to serve as a flexible framework for the conduct of the Board's business and not as a set of legally binding obligations. The Board may amend, waive, suspend or repeal any portion of the Guidelines at any time in its discretion, with or without public notice, as it determines necessary or appropriate in the exercise of its fiduciary duties or judgment.

## B. Director Responsibilities

1. Oversee Management of the Company. The principal responsibility of the directors is to oversee the management of the Company and, in so doing, serve the best interests of the Company and its shareholders. This responsibility includes:
  - reviewing and approving major operating, financial and other corporate plans, strategies and objectives;
  - appointing, evaluating the performance of, and approving the compensation of senior executives;
  - planning for a succession of the Chief Executive Officer, and monitoring and advising on management's succession planning for other senior executives;
  - overseeing the processes that promote timely and effective disclosure (including robust and appropriate controls and procedures), fiscal accountability, high ethical standards and compliance with all applicable laws and regulations;
  - overseeing the Company's policies and practices with respect to risk assessment and risk management;
  - reviewing and approving material transactions and commitments not entered into in the ordinary course of business;
  - developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;
  - providing advice and assistance to the Company's senior executives; and
  - evaluating the overall effectiveness of the Board and each Committee.
2. Exercise Business Judgment. In discharging their fiduciary duties, directors are expected to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders.
3. Understand the Company and its Business. Directors have an obligation to become and remain informed about the Company and its business, including:
  - the principal operational and financial objectives, strategies and plans of the Company;
  - the results of operations and financial condition of the Company and of significant subsidiaries and business segments;

- the factors that determine the Company's success; and
  - the risks and problems that affect the Company's business and prospects.
4. Oversight of Effective Systems. Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company, including:
- current business and financial performance, the degree of achievement of approved objectives and the need to address forward-planning issues;
  - future business prospects and forecasts, including actions, facilities, personnel and financial resources required to achieve forecasted results;
  - financial statements, with appropriate segment or divisional breakdowns;
  - compliance programs to ensure the Company's compliance with law and corporate policies;
  - material litigation and governmental and regulatory matters; and
  - monitoring and where appropriate, responding to communications from shareholders.

Directors should also periodically oversee the integrity of the Company's internal control and management information systems.

5. Board, Committee and Shareholder Meetings. Directors are expected to attend Board meetings, meetings of Committees on which they serve and the annual meeting of shareholders, and devoting the time needed, and meeting as frequently as necessary, to discharge their responsibilities properly.
6. Code of Business Conduct and Ethics. The directors shall act at all times in accordance with the requirements of the Company's Code of Business Conduct and Ethics, which shall be applicable to each director in connection with his or her activities relating to the Company.
7. Reliance on Management and Advisors: Indemnification. The directors are entitled to rely on the Company's senior executives and its outside advisors, auditors and legal counsel, except to the extent that any such person's integrity, honesty or competence is in doubt. The directors are also entitled to Company-provided indemnification, statutory exculpation and directors' and officers' liability insurance.

### **C. Director Qualification Standards**

1. Independence. A majority of the members of the Board shall be independent directors. To be considered independent: (1) a director must be independent as determined under New York Stock Exchange ("NYSE") rules and (2) in the Board's judgment, the director must not have a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board has established the guidelines below to assist it in determining whether a director has a material relationship with the Company. A material relationship with the Company will not exist under the following circumstances:

- (i) Equity Ownership. A relationship arising solely from a director's ownership of an equity or limited partnership interest in a party that engages in a transaction with the Company, so long as such director's ownership interest does not exceed 5% of the total equity or partnership interests in that other party.
- (ii) Other Directorships. A relationship arising solely from a director's position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization that engages in a transaction with the Company, (ii) a non-paid officer of another company, for which an executive officer of the Company (or any immediate family member) serves as a director, or (iii) director or trustee (or similar position) of a tax exempt organization that engages in a transaction with the Company (other than a charitable contribution to that organization by the Company).
- (iii) Ordinary Course Business. A relationship arising solely from transactions between the Company and a director or company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances that are substantially similar to those prevailing at the time for comparable transactions, products or services for or with unaffiliated third parties.
- (iv) Indebtedness. A relationship arising solely from a director's status as an executive officer, employee or owner of 5% or more of the equity of a company to which the Company is indebted at the end of the Company's preceding fiscal year, so long as the aggregate amount of the indebtedness of the Company to such company is not in excess of 2% of the Company's total consolidated assets at the end of the Company's preceding fiscal year.
- (v) Charitable Contributions. A relationship arising solely from a director's status as an officer, employee, director or trustee of a tax exempt organization, and the discretionary charitable contributions by the Company or an executive officer of the Company (including any immediate family member), directly or through any foundation or similar organization established by the Company or an executive officer of the Company (including any immediate family member), to the organization over the last three completed fiscal years are, in each of such years, less than the greater of \$1,000,000 or 5% of the organization's consolidated gross revenues (including grants, gains and other support) during the organization's preceding completed fiscal year.
- (vi) Professional, Social and Religious Organizations and Educational Institutions. A relationship arising solely from a director's membership in the same professional, social, fraternal or religious association or organization, or attendance at the same educational institution, as an executive officer (or an immediate family member).
- (vii) Immediate Family Members. Any relationship or transaction between an immediate family member of a director and the Company (or an executive officer of the Company) shall not be deemed a material relationship or transaction that would cause the director not to be independent if the standards in this Section would permit the relationship or transaction to occur between the director and the Company (or an executive officer of the Company).

In addition, ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship.

For relationships not covered by the matters set forth above, the determination of whether a material relationship exists shall be made by the other members of the Board of Directors who are independent as defined above.

2. Size of the Board. The range of the size of the Board is set forth in the Company's bylaws. The Board will periodically consider whether the actual size of the Board is appropriate given the Company's present circumstances and any changes in the Company's business or the Board's governance needs.
3. Other Directorships. No director may serve on more than four other public company boards, and the Chief Executive Officer of the Company may not serve on more than two other public company boards. Further, a director shall limit the number of other public company boards on which he or she serves so that he or she is able to devote adequate time to his or her duties to the Company, including preparing for and attending meetings. Directors should advise the Chairman of the Board in advance of accepting an invitation to serve on another public company board. Service on boards and or committees of other organizations shall comply with the Company's conflict of interest policies.
4. Tenure. The Board does not believe it should establish term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and an institutional memory that benefits the entire membership of the Board as well as management. As an alternative to term limits, the Board shall review each director's continuation on the Board at least once every three years in connection with the determination to re-elect such director.
5. Board Leadership Structure. The Board shall periodically assess the Board's leadership structure, including whether the offices of Chairman of the Board and Chief Executive Officer should be separate, whether the Company should have an independent "Lead Director" in the event that the Chairman of the Board is not an independent director, and why the Board's leadership structure is appropriate given the specific characteristics or circumstances of the Company.
6. Selection of New Director Candidates. Except where the Company is legally required by contract, bylaw or otherwise to provide third parties with the ability to nominate directors, the Board shall be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) nominating persons for election as directors at any meeting of shareholders and (iii) appointing the persons to become directors to fill any vacancies on the Board. Director nominees shall be considered in accordance with these Guidelines, the policies and principles in the Company's articles of incorporation and bylaws and the criteria set forth in Attachment A to these Guidelines. The Board shall consider candidates proposed by shareholders in the manner set forth in the articles of incorporation and bylaws.
7. Extending the Invitation to a New Director Candidate to Join the Board. The invitation to join the Board should be extended by the Chairman of the Board, on behalf of the Board, or his or her designee.

8. Change of Responsibility of Director. Any director who retires from his or her principal current employment, or who materially changes his or her current position, should notify the Board on a prompt basis. The Board will review whether the new occupation, or retirement, of the director is consistent with the rationale for originally nominating or appointing that individual and the guidelines for board membership and will determine the action to be taken, if any.
9. Former Chief Executive Officer's Board Membership. The Board believes that the continuation of a former Chief Executive Officer of the Company on the Board is a matter to be decided in each individual instance by the Board.
10. Director Emeritus. The Board, in its sole discretion, may appoint a director to the status of Director Emeritus upon his or her voluntary departure from the Board. The status of Director Emeritus shall be solely honorary, and shall not confer or entail any of the legal rights or responsibilities of a director.

**D. Independent Lead Director**

1. Appointment of Lead Director. If the Board does not have an independent Chairman, a majority of the independent directors of the Board shall be empowered to appoint an independent Lead Director to facilitate the Board's fulfillment of its responsibilities and promote efficient and effective Board performance and functioning.
2. Term. The Lead Director shall have a term of at least one year and serve until his or her successor is appointed or such person's earlier departure from the role.
3. Powers. The Lead Director is empowered to:
  - (i) Support a strong Board culture and encourage director participation by fostering an environment of open dialogue and constructive feedback among the directors and facilitating communication across Board committees and among the Chairman, the Board as a whole and Board committees;
  - (ii) Serve as a liaison between the Chairman and the independent directors with the understanding and expectation that all directors will engage with the Chairman and vice versa as they deem appropriate;
  - (iii) Act as a sounding board and advisor to the CEO along with other directors;
  - (iv) Preside at meetings of the Board if the Chairman is not present;
  - (v) Preside at executive session of the independent directors, invite directors to raise items for discussion at such sessions and coordinate feedback and follow-up with the Chairman, the chairpersons of relevant Board committees and other directors as appropriate, including with respect to the executive sessions for formally evaluating the performance of the CEO and senior management each year;

- (vi) Call meetings of the independent directors, establish the agenda of such meetings with the input of other directors and preside over such meetings;
  - (vii) If requested by major shareholders, be available to meet with such shareholders of the Company as appropriate;
  - (viii) Review and approve information to be sent to the Board, Board meeting agendas and Board schedules in order to support Board deliberations and enable sufficient time for discussion of all agenda items;
  - (ix) Facilitate as appropriate the responsibilities of the Board, the committees of the Board and senior management (including as contemplated by these Guidelines, the various committee charters and the deliberations of the Board);
  - (x) Perform such other responsibilities as may be designated by the Board from time to time.
4. Disclosure. Where a Lead Director is appointed, his or her identity will be disclosed in the Company's annual proxy statement or published on the Company's website.
5. Assessment. The Board's regular self-evaluation is expected to also include an evaluation of the Lead Director role and its functioning.

#### **E. Board Meetings**

1. Selection of Agenda Items. The Chairman of the Board, in consultation with the Lead Director, if any, shall establish the agenda for each Board meeting. The Lead Director, if any, shall have the authority to approve the final meeting agenda. Each Board member may suggest the inclusion of agenda items and may raise at any Board meeting subjects that are not on the agenda for that meeting.
2. Frequency and Length of Meetings. The Chairman of the Board, in consultation with the Lead Director, if any, and other members of the Board, shall determine the frequency and length of the Board meetings. The Lead Director, if any, shall have the authority to approve the meeting schedule to assure there is sufficient time for discussion of all agenda items. Special meetings may be called from time to time as determined by the needs of the business.
3. Advance Distribution of Materials. Information and data that are important to the directors' understanding of the business to be conducted at a Board or Committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or Committee meeting may be of an extremely confidential or time-sensitive nature and that the distribution of materials on these matters prior to meetings may not be appropriate or practicable.
4. Executive Sessions. The "non-management" directors, as defined by NYSE rules, or the independent directors shall meet in executive session at least twice a year to discuss, among other matters, the performance of the Chief Executive Officer. The non-

management or independent directors will meet in executive session at other times at the request of any non-management or independent director. Absent unusual circumstances, these sessions shall be held in conjunction with regular Board meetings. The director who presides at these meetings shall be the Lead Director, if any, or otherwise shall be chosen by the non-management or independent directors, and his or her name shall be disclosed in accordance with applicable NYSE rules.

5. Attendance of Non-Directors at Board Meetings. The Board encourages the senior executives of the Company to, from time to time, bring Company personnel into Board meetings who (i) can provide additional insight into the items being discussed because of personal involvement and/or functional expertise in these areas or (ii) should be given exposure to the Board.

## **F. Board Committees**

1. Key Committees. The Board shall have at all times an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each Committee shall have a charter that has been approved by the Board. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.
2. Assignment and Rotation of Committee Members. The Board shall determine the directors to be appointed to each Committee. Except as otherwise permitted by applicable SEC and NYSE rules, each Committee member shall be an "independent director" as defined by applicable SEC and NYSE rules.
3. Committee Charters. In accordance with applicable NYSE rules, each Committee charter shall set forth the purposes, goals and responsibilities of such Committee as well as qualifications for Committee membership, procedures for Committee member appointment and removal, Committee structure and operations and Committee reporting to the Board. The Board shall, from time to time as it deems appropriate, review and reassess the adequacy of each charter and make appropriate changes.
4. Selection of Agenda Items. The chairman of each Committee, in consultation with the Committee members, shall develop the Committee's agenda.
5. Frequency and Length of Committee Meetings. The chairman of each Committee, in consultation with the Committee members, shall determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's charter. Special meetings may be called from time to time as determined by the needs of the business and the responsibilities of such Committee.

## **G. Director Access to Management and Independent Advisors**

1. Access to Officers and Employees. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate in such capacity may be arranged through the Chief Executive Officer or the Secretary or, if necessary and appropriate, directly by the director. The directors shall use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and shall to the extent appropriate, copy the Chief Executive Officer on any written communications between a director (acting in such capacity) and an officer or employee of the Company.



2. Access to Independent Advisors. The Board and each Committee have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such Committee, as they may deem necessary, without consulting or obtaining the approval of an officer of the Company in advance. In the discretion of the Board and each Committee, such independent advisors may (but need not) be the regular advisors to the Company. The Board and each Committee is empowered, without further action by the Company, to cause the Company to pay the compensation of such advisors as established by the Board or such Committee.

## **H. Director Compensation**

1. Role of Board. The form and amount of director compensation shall be determined by the Board in accordance with the policies and principles set forth below. The Board shall conduct an annual review of the compensation of the Company's directors.
2. Form of Compensation. The Board believes that directors should be incentivized to focus on long-term shareholder value. Including equity as part of director compensation helps align the interest of directors with those of the Company's shareholders.
3. Amount of Consideration. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors competitively relative to comparable companies. The Company's management shall, from time to time, present a comparison report to the Board, comparing the Company's director compensation with that of comparable companies.
4. Director Stock Ownership. The Board believes that each director should acquire and hold shares of Company stock in an amount that is meaningful and appropriate to such director. Therefore, the Board may establish a target for stock ownership by each director and a time period during which this target is to be met.
5. Employee Directors. Directors who are also employees of the Company shall receive no additional compensation for Board or Committee service.

## **I. Director Orientation and Continuing Education**

1. Director Orientation. The Chief Executive Officer and management are responsible for new-director orientation programs, which are designed to familiarize new directors with the Company's business, strategies and challenges. All other directors are also invited to attend the orientation program.
2. Continuing Education. Each director is encouraged to be involved in continuing director education on an ongoing basis to enable him or her to better perform his or her duties. The Company shall pay all reasonable expenses related to continuing director education.

## **J. Management Evaluation and Succession**

1. Selection of Chief Executive Officer. The Board shall select the Company's Chief Executive Officer in the manner that it determines to be in the best interests of the Company's shareholders.

2. Evaluation of Senior Executives. The Board shall evaluate the Company's senior executives to ensure that the senior executives are providing the best leadership for the Company over both the long- and short-term.
3. Succession of Senior Executives. The Chief Executive Officer or his or her designees shall review succession planning and management development topics with the Board at least on an annual basis. The Board shall discuss a plan of succession for the Chief Executive Officer at least on an annual basis. The Board shall also discuss short-term emergency and ordinary-course contingency plans for the departure, death or disability of senior executive officers.

**K. Annual Performance Evaluation of the Board**

Each Committee shall conduct an annual self-evaluation to determine whether it is functioning effectively. The Board shall conduct an annual self-evaluation to determine whether it and each Committee are functioning effectively. The primary purpose of this process is to improve the effectiveness of the Board and the Committees.

**L. Board Interaction with Shareholders, Institutional Investors, the Press, Customers, Etc.**

The Board agrees that the Chief Executive Officer, the Chief Financial Officer, the President and the General Counsel, and their designees, are the authorized spokespersons for the Company with respect to the media, market professionals (such as securities analysts, institutional investors, investment advisers, brokers, and dealers), and shareholders, as well as third parties doing business with the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members would do so with the knowledge of and, absent unusual circumstances or as contemplated by an applicable Committee charter, only at the request of the Company's authorized spokespersons.

The Board will give appropriate attention to written communications that are submitted by shareholders and other interested parties to the Board, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by an applicable Committee charter, the Chairman of the Board (if an independent director), or the Lead Director (if one is appointed), or otherwise the Chairman of the applicable Committee shall, subject to advice and assistance from the General Counsel (1) be primarily responsible for monitoring communications from shareholders and other interested parties to the Board, and (2) provide copies or summaries of such communications to the other directors as he or she considers appropriate.

**M. Periodic Review of the Corporate Governance Guidelines**

The Nominating and Corporate Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of these Guidelines and recommend any proposed changes to the Board for approval.

## **Attachment A to Corporate Governance Guidelines**

### **Criteria for Nomination as a Director**

#### **General Criteria**

1. Nominees should have a reputation for integrity, honesty and adherence to high ethical standards.
2. Nominees should have demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company.
3. Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board and applicable Committees.
4. Nominees should not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's shareholders and to fulfill the responsibilities of a director.
5. The Board and the Nominating and Corporate Governance Committee shall evaluate diversity in a broad sense, recognizing the benefits of racial and gender diversity, but also considering the breadth of backgrounds, skills and experiences that candidates may bring to the Board.

#### **Application of Criteria to Existing Directors**

The renomination of existing directors shall be based on continuing qualification under the criteria set forth above. In addition, the Board shall consider the existing directors' performance on the Board and any Committee.

#### **Criteria for Composition of the Board**

The backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities that shall assist the Board in fulfilling its responsibilities.