

**DIPLOMAT PHARMACY, INC.**

## **Audit Committee Charter**

**CORPORATE GOVERNANCE**

**Effective as of December 04, 2017**

# DIPLOMAT PHARMACY, INC. AUDIT COMMITTEE CHARTER

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## PURPOSE

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Diplomat Pharmacy, Inc., a Michigan corporation (the “**Company**”), shall be to assist the Board with oversight of: the Company’s accounting and financial reporting processes and audits of the Company’s financial statements; the integrity of the Company’s financial statements; compliance with legal and regulatory requirements; the Company’s independent auditor’s qualifications, independence and performance; and the performance of the Company’s internal audit function.

## COMPOSITION

The Committee shall consist of at least three directors, who shall be appointed by the Board and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board.

All members of the Committee shall satisfy the independence requirements of the New York Stock Exchange. In addition, all members of the Committee shall satisfy the independence requirements under other applicable laws and regulations (including Rule 10A-3(b)(1)(ii) promulgated by the Securities and Exchange Commission) and any additional standards that may be adopted from time to time by the Board.

Each member of the Committee must be financially literate, as determined by the Board. At least one member of the Committee must have accounting or related financial management expertise, as determined by the Board. Unless otherwise determined by the Board, at least one member of the Committee shall be an “audit committee financial expert” (as defined by applicable rules of the Securities and Exchange Commission).

No member of the Committee may serve simultaneously on the audit committee of more than two other public companies, unless the Board determines that such service would not impair such member’s ability to serve on the Committee.

The compensation of the Committee members shall be as determined by the Board. No member of the Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in such director’s capacity as a member of the Board or a committee thereof.

## MEETINGS

The Committee shall meet at least quarterly, or more frequently as necessary to fulfill the responsibilities set forth in this Charter. The agenda will be established by the chairperson, with input from management, other members of the Committee and the Board, as appropriate. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate.

The Committee shall meet separately, and periodically, with management, internal audit, and representatives of the Company's independent auditor, and shall invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such individuals present.

The Committee shall cause to be kept adequate minutes of its proceedings, and shall report on its actions and activities, including any significant issues or concerns that arise at its meetings, at the next regular meeting of the Board. Committee members shall be furnished with copies of the minutes of each meeting and any action taken by unanimous written consent. The Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Board shall designate a member of the Committee as the chairperson. The chairperson (or his designee) shall preside at all meetings of the Committee, including establishing such additional rules as are necessary and proper for the conduct of the business of the Committee.

## **AUTHORITY**

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent legal, accounting and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any independent legal, accounting and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditor, any other accounting firm engaged to perform services for the Company, any independent legal counsel and any other advisors to the Committee and for the payment of administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Each member of the Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge the responsibilities hereunder.

The approval of this Charter by the Board shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein, in accordance with applicable laws or rules.

## **RESPONSIBILITIES**

The Committee shall have the authority and responsibilities set forth below; provided, however, that the Committee may supplement or alter these activities as appropriate under the circumstances (except as otherwise required by applicable laws or rules). The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion (except as otherwise required by applicable laws or rules).

**1. INDEPENDENT AUDITOR.** The independent auditor reports to, and is ultimately accountable to, the Committee, which has ultimate authority and responsibility for selection, oversight, evaluation, funding and, where appropriate, replacement of the independent auditor.

**(a) Selection and Retention.** To select and retain an independent registered public accounting firm to act as the Company's independent auditor for the purpose of auditing the Company's annual financial statements, books, records, accounts and internal control over financial reporting (the independent registered public accounting firm so selected and retained, the "**independent auditor**"); to set the compensation of the independent auditor; to oversee the performance by the independent auditor; and to terminate the independent auditor, if necessary. Although shareholder ratification of such appointment is not required by law and is not binding on the Company, the Committee shall take the appointment under advisement if a ratification proposal is submitted to shareholders and such appointment is not so ratified.

**(b) Report on Quality Control and Independence.** At least annually, to obtain and review a written report by the Company's independent auditor that describes (i) the accounting firm's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board (United States) ("**PCAOB**") review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and (iii) all relationships between the firm and the Company consistent with applicable law and regulations, and to discuss with the independent auditor this report and any other relationships or services that may impact the objectivity and independence of the independent auditor.

**(c) Evaluation and Rotation.** At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditor, including an evaluation of the lead audit partner; and to ensure the regular rotation of the lead audit partner at the independent auditor as required by applicable law.

**(d) Former Employees of Auditor.** To approve Company hiring policies for employees or former employees of the Company's independent auditor that participated in any capacity in any Company audit.

**2. OTHER ACCOUNTANTS.** To select, retain, compensate, oversee and terminate, if necessary, any other accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The other accounting firm so selected and retained shall at all times report directly and be accountable to the Committee.

**3. PRE-APPROVAL.** To pre-approve all audit and permitted non-audit services that may be provided by the Company's independent auditor, and, if appropriate, to establish policies and procedures for the Committee's pre-approval of permitted services by the independent auditor on an on-going basis. The chairperson may approve changes to the budget and scope of previously approved audit and non-audit services provided to the Company by the independent auditor, provided that such changes are reported to the Committee at its next meeting. The Committee may also delegate its authority to pre-approve services to the chairperson, provided that any such approvals are reported to the Committee at its next meeting.

**4. DISCUSSION OF THE AUDIT.** To review and discuss with the Company's independent auditor (a) the independent auditor's responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process, (b) the overall audit strategy, (c) the scope and timing of the annual audit and (d) any significant risks identified during the independent auditor's risk assessment procedures.

**5. AUDIT RESULTS.** To review and discuss with management and the Company's independent auditor, the results of the annual audit, including the independent auditor's assessment of the quality, not just acceptability, of the Company's accounting principles and practices, critical audit matters, the independent auditor's views about qualitative aspects of the Company's significant accounting practices, the reasonableness of significant judgments and estimates (including material changes in estimates), any material audit adjustments proposed by the independent auditor and any adjustments proposed but not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards, including the standards of the PCAOB, as appropriate.

**6. AUDITED FINANCIAL STATEMENT REVIEW.** Upon completion of the audit, to review and discuss with the Company's independent auditor and management the Company's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the independent auditor on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual report on Form 10-K before the Form 10-K is filed.

**7. ACCOUNTING REPORT.** To review and discuss with the Company's independent auditor: (a) all critical accounting policies and practices to be used in the audit; (b) all alternative treatments of financial information within generally accepted accounting principles ("**GAAP**") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management.

**8. AUDIT PROBLEMS.** To review and discuss with the Company's independent auditor and management (a) any audit problems or difficulties, including difficulties encountered by the independent auditor during its audit work (such as restrictions on the scope of their activities or their access to information); (b) any significant disagreements between management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that individually or in the aggregate could be significant to the Company's financial statements or the independent auditor's report; and (c) management's response, if any, to these problems, difficulties or disagreements; and to resolve any disagreements regarding financial reporting.

**9. FINANCIAL STATEMENT ISSUES.** To review and discuss with management and the Company's independent auditor, as appropriate, significant issues that arise regarding accounting principles and financial statement presentations, including critical accounting policies and practices, alternative accounting policies available under GAAP related to material items discussed with management, the potential impact on the Company's financial statements of off-balance sheet structures and any other significant reporting issues and judgments, significant regulatory, legal and accounting initiatives or developments that may have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate.

**10. INTERNAL CONTROL OVER FINANCIAL REPORTING.** At least annually, to review and discuss with management, internal audit and the Company's independent auditor, as appropriate, the scope, adequacy and effectiveness of the Company's internal control over financial reporting, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal control over financial reporting and any remediation measures adopted in light of any material control deficiencies; and to review with management and the independent auditor any fraud, whether or not material, that includes management or other employees with a significant role in such internal control over financial reporting.

**11. OTHER COMMUNICATIONS WITH THE AUDITORS.** To review and discuss with the Company's independent auditor any other matters required to be discussed by *PCAOB Auditing Standard No. 16, Communications with Audit Committees*, as amended or replaced.

**12. REQUIRED AUDIT DISCLOSURE AND AUDIT COMMITTEE REPORT.** To recommend to the Board that the audited financial statements be included in the Company's annual report on Form 10-K and prepare the audit committee report required to be included in the Company's proxy statement for its annual meeting of shareholders; and to review the disclosures regarding the Company's independent auditor and other matters related to the Committee's activities to be included in the Company's filings with the Securities and Exchange Commission.

**13. QUARTERLY RESULTS AND EARNINGS INFORMATION.** To review and discuss with the Company's independent auditor and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed, and to approve the filing thereof.

**14. INTERNAL AUDIT.** To review and approve the design and implementation of an internal audit function for the Company, including its purpose, organization, responsibilities, budget and performance; and to discuss management's plans with respect to the responsibilities, budget and staffing of the internal audit function and its plans for the implementation of the internal audit function. To oversee the performance of the internal audit function when it is established.

**15. EARNINGS INFORMATION.** To review and discuss with management and the Company's independent auditor, as appropriate, (a) earnings press releases, (b) any press releases containing information relating to material financial developments, and (c) any corporate policies with respect to financial information and earnings guidance provided to shareholders, analysts and ratings agencies, in all cases including the type of information to be disclosed, the type of presentation to be made and the use of any pro forma or non-GAAP information.

**16. RISK MANAGEMENT, INSURANCE AND INVESTMENT POLICIES.** To review and discuss with management and, as appropriate, the Company's independent auditor, the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures; to review and discuss with management insurance programs, including director and officer insurance, product liability insurance and general liability insurance (but excluding compensation and benefits-related insurance) if, in the judgment of the Committee, such review is necessary or appropriate; and to review the Company's investment policies generally.

**17. CODE OF BUSINESS CONDUCT AND ETHICS.** To monitor compliance with the Company's Code of Business Conduct and Ethics, as amended from time to time; and to review the Company's compliance with applicable laws and regulations and to oversee any other policies, procedures and programs designed to promote such compliance.

**18. COMPLAINT PROCEDURES.** To establish and oversee procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and to establish and oversee such procedures as the Committee may deem appropriate for the receipt, retention and treatment of complaints received by the Company with respect to any other matters that may be directed to the Committee for review and assessment.

**19. RELATED PERSON TRANSACTIONS.** To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures, to inform the Company's independent auditor of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company, and to develop policies and procedures for the Committee's approval of related person transactions.

**20. SWAPS.** The Committee is authorized to review and approve the Company's entry into swaps, including transactions in swaps that are subject to mandatory clearing, to approve use of the end-user exception from clearing, and to set appropriate policies governing use of swaps. The Committee may delegate responsibility for implementation of the end-user exception to the Company's management, as the Committee deems appropriate.

**21. INFORMATION TECHNOLOGY.** To review periodically the Company's information technology framework and information security programs, including risks related to cybersecurity.

**22. COMMITTEE EVALUATION AND CHARTER REVIEW.** To conduct an annual evaluation of the performance of the Committee, and to review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

**23. GENERAL AUTHORITY.** To perform such other functions and to have such powers as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.

**24. LIMITATION OF COMMITTEE'S ROLE.** The primary role of the Committee shall be to oversee the matters set forth herein. It shall be the responsibility of management to prepare and present the Company's financial statements and periodic reports, and the integrity thereof, the Company's accounting and financial reporting principles and the Company's internal controls and procedures designed to promote compliance with accounting standards, applicable laws and regulations, and the Company's ethical standards. The Company's independent auditor is responsible to perform an independent audit of the Company's financial statements in accordance with generally accepted auditing standards, to review the Company's unaudited interim financial statements and, when

required, to audit the Company's internal control over financial reporting. It is not the Committee's responsibility to conduct any audit, to determine that the Company's financial statements or periodic reports are complete, accurate, fairly presented, or in accordance with GAAP or otherwise comply with applicable laws.

(Effective December 4, 2017)