

PEOPLE, CULTURE AND REWARDS COMMITTEE CHARTER

Purpose of Charter

1. This Charter sets out the authority, role, membership and operation of the People, Culture and Rewards Committee of FSMA.

Authority

2. Recommendations will be referred to the Board for consideration.
3. The People Culture, and Rewards Committee has a specific authority to exercise all the Board's powers in relation to the remuneration of executives.

Membership

4. The Committee is appointed by the Board in accordance with Clause 52 of the Company's Constitution.
5. The Committee is to consist of at least 3 independent non-executive Directors, one of whom is the Chairman of the Board.
6. All Directors have a standing invitation to attend Committee meetings.

Responsibilities and Duties of the Committee

Board Appointments, re-Elections and Performance

7. In assisting the Board in the appointment, re-election and performance of Directors the Committee will:
 - Assess the necessary and desirable competencies of Directors;
 - Assess that the Directors have the appropriate mix of competencies to enable the Board to discharge its responsibilities effectively;
 - Develop Board succession plans so that an appropriate balance of skills, experience, expertise, and diversity is maintained;
 - Make recommendations to the Board relating to the appointment, re-election and retirement of Directors;
 - Review the time commitment required from non-executive Directors and whether Directors are meeting that commitment; and
 - Schedule regular Board performance reviews.
 - Maintain a list of Committee tasks and ensure compliance with that list on a timely basis.

All matters in relation to the Chief Executive Officer are dealt with by the Board.

8. In reviewing the composition and performance of the Board, the Committee will consider the skills matrix of the non-executive Directors so that, over time, new Directors are appointed to challenge existing approaches and to incorporate new ideas and energy.

9. In selecting and recommending the appointment of new Directors, the Committee will:
- Adopt a Board skills matrix to identify competencies in the skills and experiences of the Board;
 - Assess candidates with regard to the diversity objectives of the Company;
 - Engage external consultants where necessary to assist in the selection process of suitable candidates; and
 - Recommend candidates who have the appropriate range of skills, experience and expertise that will best compliment Board effectiveness.
10. In addition, any candidate must confirm that they have the necessary time to devote to their FSMA Board position. In support of this confirmation, the candidate must provide the Committee with details of other commitments and an indication of time involved.

Induction Programs and Continuing Development

11. The Committee should ensure each new Director undertakes an induction programme which enables them to gain an understanding of:
- The pharmacy industry, and unique legislative environment;
 - The Friendly Society and mutuality environment;
 - FSMA's financial, taxation, strategic, operational and risk management position;
 - The culture and values of FSMA;
 - The rights, duties and responsibilities of FSMA management;
 - Board and Committee meeting arrangements, including the role of Board Committees;
 - Constructive and respectful relations between Board members, and between the Board, FSMA management and other stakeholders.
12. The Committee will review Directors' access to appropriate continuing education to update and enhance their skills and knowledge. The Committee will also monitor the Directors' Educational Fund.

Remuneration Framework for FSMA

13. The Committee's objectives in determining the remuneration and incentive framework, policies and practices are to:
- Motivate the relevant executives to pursue long term growth and success of FSMA;
 - Demonstrate a clear relationship between performance and remuneration;
 - Involve an appropriate balance between fixed and incentive remuneration, reflecting the short and long term performance objectives of FSMA; and differentiate between higher and lower performers through the use of a performance management framework; and
 - Be compliant with all relevant laws and regulations and have regard to member expectations.

Remuneration Framework for Non-Executive Directors

14. In assisting the Board, the Committee will review and make recommendations to the Board on remuneration for non-executive Directors (including fees, travel and other benefits). In making its recommendations, the Committee should take into account the following guidelines for non-executive Directors:
- Will not participate in schemes designed for remuneration of executives
 - Will be remunerated by way of fees – in the form of cash, non cash benefits and superannuation contributions;
 - Will not receive bonus payments; and
 - Will not be provided with retirement benefits other than statutory superannuation.

Chief Executive Officer and Senior Executives

15. In assisting the Board, the Committee will for the Chief Executive Officer and Senior Executives, review and make recommendations to the Board in advance on:
- All facets of remuneration including fixed remuneration, superannuation, short and long term incentive awards and any non-standard remuneration arrangements including retention payments, allowances or benefits in kind.
 - Individual contract arrangements for all new and continuing executives who are direct reports to the CEO.
 - The proposed KPIs / targets / pre-requisites / conditions to be adopted for all incentive awards or special payments
 - Any appointments, terminations and any transition to retirement arrangements and any associated payments
 - Review the development, performance appraisals and succession plans.

General Remuneration and Other Matters

16. In assisting the Board, the Committee will:
- Periodically review the Company's remuneration framework and policy for ongoing appropriateness and relevance for the size and nature of the business, market conditions and alignment with the Company's risk management framework;
 - Review all new and any proposed amendments to existing remuneration, retention, termination policies and practices as well as any material or strategic HR policies.
 - Annually review the general remuneration conditions of FSMA employees not within the senior executive ranks and consider the recommendation as to the size of any salary increase to be applied individually at the discretion of management.
 - Annually review and recommend the size of variable reward pools based on consideration of pre-determined business performance indicators and the Company's financial soundness.

- Consider any proposed major changes to employee benefits or structures.
- Review and endorse any remuneration arrangements outside of the Remuneration Framework or policy relating to individuals or groups of individuals which may be significant because of their sensitivity, precedent or reputational implications.
- Review emerging and existing material risks in the specific areas under the Committee's responsibility and monitor the effectiveness of mitigation actions.

People and Culture Plan

17. In assisting the Board, the Committee will:

- Review the People and Culture plan for FSMA to ensure alignment with and support of the Strategic Plan, including diversity, succession planning, training and development, employee engagement and industrial relations.
- Actively consider any potential ethical or legal issues, statutory and government policy changes and impact to FSMA's people and culture policies and practices.
- Report to the Board annually on the progress towards the objectives of the people and culture plan.

Remuneration Consultants

- Establish and maintain policy and protocols for engaging and dealing with remuneration consultants who review the remuneration arrangements of the Board and the CEO / Senior Executives.
- Review and approve all engagement documents with external remuneration consultants pertaining to remuneration for the Board and the CEO and Senior Executives.

Meetings

18. The Committee meets at least twice a year or more frequently as requested by the Committee Chairman.
19. As required by the FSMA Constitution a quorum for a Committee is a majority of Committee members.
20. The Committee may request any employee to attend any meeting as it considers appropriate. However, if an employee has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.
21. The Committee will report on its meetings to the Board.

Access to Independent Professional Advice

22. Each Director is able to seek independent professional advice at the Company's expense, with the prior approval of the Chairman of the Board. Any such advice received is made available to all members of the Board.
23. The Committee 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.

Committee Membership

24. When it is considered appropriate, the Committee is to review the composition of Committees and submit recommendations to the Board for changes to those Committees.
25. We recognise that each Director brings their own unique capabilities, experiences and characteristics to the Committee and therefore the composition of the Committee shall take into account diversity considerations in order to contribute to a breadth of opinion and discussion.

Committee Performance

26. To determine whether it is functioning effectively, once each year the Committee shall review this charter, and provide a list of what the Committee has achieved to the Chairman of the Board, who will conduct a review of the composition and performance of the Committee and submit a report to the Board.

This Charter is effective 27 August 2018 and supersedes any Charter previously in force.