



AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

DIRECTOR NOMINATION, SELECTION AND INDUCTION POLICY

About this Policy

This Policy (**Policy**) is the Company's principal policy concerning nomination, selection and induction of persons who are intending to join the Board of API as a non-executive Director.

Policy applies to

This Policy governs API and the conduct of the Board of Directors of API from time to time, acting as a Nomination Committee. This policy is to be read subject to the provisions of the Company's Constitution and applicable laws.

Policy Owner

Company Secretary

Nomination Committee

The Board has determined that it will act as the Nomination Committee due to the desire of the entire Board to be involved in the nomination and selection process, and the fact that director appointments only occur occasionally.

Role of the Board

The entire Board of Directors is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of the shareholders.

The Chairman of the Board or his/her delegate ("Chairman") is responsible for identifying, screening and recommending candidates to the Board for Board membership.

The Board will generally use the process outlined below when recruiting, evaluating and selecting new director candidates. This process will also apply to persons who may be proposed for election in accordance with the API Constitution. The various steps outlined in the process may be performed simultaneously and in an order other than that presented below. Throughout the process, the Chairman will keep the full Board informed of his/her progress.

Diversity and Inclusion

The Company is committed to maintaining its tradition of inclusion and diversity within the Board, and confirms that its policy of non-discrimination in the selection of Directors.

Policies

1. The Chairman, in consultation with the Board, will assess the Board's current and projected strengths and needs by, among other things, reviewing the Board's current profile, its Director qualification expectations and the Company's current and future needs.
2. Using the results of this assessment, the Chairman will prepare a target candidate profile.
3. The Chairman will develop an initial list of director candidates by utilising the personal network of the Board and senior management of the Company, and considering any nominees previously recommended. In virtually all cases, the Chairman will also retain a search firm to assist the Board in developing list of director candidates.
4. The Chairman will screen the resulting list of director candidates to identify those individuals who best fit the target candidate profile and the Board's Director qualification expectations. From the information available a list of candidates will be prepared and presented to the full Board for input.
5. The Chairman will determine if any director has a business or personal relationship with any of the preferred candidates that will enable the director to initiate contact with the candidate to determine his or her interest in being considered for membership to the Board. If necessary, the search firm will be used to initiate this contact.
6. Whenever possible, the Chairman, at least one independent member of the Board and the CEO will interview each interested preferred candidate.
7. Based on input received from the candidate interviews, the Board will determine whether to extend an invitation to a candidate to join the Board.
8. A reference check will be performed on the candidate.
9. Depending on the results of the reference check, the Chairman will extend the candidate an invitation to join the Board, subject to election by the Board.

10. The full Board will vote on whether to elect the candidate to the Board.
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Induction

Although the candidate will receive an informal orientation to the Company during the selection process, the Company Secretary will arrange for formal induction sessions for newly elected Directors.

The Board recognises the importance of providing the in-coming director with an adequate understanding of the company organisation, operations and performance, from a historical, current and strategic perspective.

The Company Secretary will liaise with the new Director to facilitate an induction program covering the following:

Information to Receive

- Background package (history, performance, strategy, growth plans)
- Annual Reports
- Press Releases (last 12 months)
- Board and Committee Meeting Minutes (last 12 months)
- Shareholder Meeting minutes (last 12 months)
- Board Meeting Schedule
- Corporate Governance Guidelines
- Corporate Governance Policies
- Board and Director Responsibilities
- Company Constitution
- Board and Committee Charters

People to Meet:

- Chairman
- Non-Executive Directors
- CEO
- CFO
- General Counsel and Company Secretary
- Executive Leadership Team
- Auditors
- Cross-over with retiring director

Customers and Competitors to Learn About:

- Review of top 10 customer accounts

Places to Visit:

- Tour of Head office locations (New South Wales and Victoria)
- Tour of principal Distribution Centre sites in New South Wales, Victoria and Queensland
- Tour of key Priceline and Priceline Pharmacy stores
- Other sites and locations as required