



Sigma Healthcare Limited

Corporate Governance Statement

Connecting health solutions



This statement outlines the key aspects of Sigma's governance framework and main governance practices. The charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Sigma's website located at www.sigmahealthcare.com.au (**Sigma Website**).

Sigma is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) (**ASX Principles and Recommendations**) and throughout the year ended 31 January 2018 (**Reporting Period**), it considers that it has complied with the ASX Principles and Recommendations.

This Corporate Governance statement was approved by the Board of Directors and is current as at 31 January 2018.

Board of Directors

The Board of Directors is primarily responsible for setting the strategic direction and corporate governance of the Sigma Group.

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter the Board has the following responsibilities:

- overseeing the management of Sigma;
- reviewing and approving management's business plans and strategic opportunities;
- succession planning;
- appointment and annual evaluation of the CEO and Managing Director;
- establishing strategic goals for management;
- identifying the principal risks and overseeing appropriate control and management systems for them; and
- monitoring Sigma's performance with the aim of maximising long-term returns to Sigma security holders at an acceptable level of risk.

Matters reserved to the Board include:

- overseeing Sigma's corporate strategy and

monitoring management's implementation of that strategy;

- appointing and removing, determining remuneration of, evaluating performance of and planning for the succession of the CEO and Managing Director;
- overseeing remuneration policies and senior executive performance;
- overseeing Sigma's control and accountability systems, particularly in relation to the integrity of financial and other reporting;
- approving Sigma's annual financial plans and budgets, monitoring financial performance and approving the annual and half-year financial statements and reports;
- acquisition and disposal of legal entities and significant capital assets;
- approval of significant borrowings and commitments;
- matters relating to Sigma's securities, including declaration of dividends;
- reviewing and ratifying policies and systems of risk management, codes of conduct, legal compliance and corporate governance; and
- setting Sigma's values and standards of conduct and ensuring that these are adhered to in the interests of its security holders, employees, customers and the community.

Subject to the specific authorities reserved to the Board under the Board Charter, and the authorities delegated to the Board committees, the Board has delegated to the CEO responsibility for the management and operation of the Sigma Group. The CEO is responsible for the day-to-day operations, financial performance and administration of the Sigma Group within the powers authorised to him from time to time by the Board. The CEO may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Sigma Website.

ASX Best Practice Recommendation 1.1

Board composition and performance

The Board currently consists of one Executive and six Non-Executive Directors, including the Chairman.

The Constitution authorises the Board to appoint Directors to vacancies and to elect the Chair. One third of Directors (excluding the CEO and a Director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every annual general meeting. Other than the CEO, no Director may remain in office for more than three years without resigning and standing for re-election. Any Director appointed by the Board must stand for election at the next annual general meeting of security holders.

Board support for directors retiring and seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend to security holders that they vote in favour of the re-election of each Non-executive Director seeking election on a rotational basis with the Other Directors.

Sigma provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Non-executive Director in the AGM notice of meeting.

On an annual basis the Board conducts a review of its structure, composition and performance. A performance evaluation was undertaken during the Reporting Period in accordance with that process. On a regular basis the Board undertakes a formal, independent performance review.

ASX Best Practice Recommendations 1.6 and 2.5

Board selection process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Sigma Group.

The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. The People and Remuneration Committee review the size and composition of the Board regularly and at least once a year as part of the Board

evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist. Generally, a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. External advisors may be employed where necessary to search for prospective board members. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position. Appropriate background and other checks are undertaken before the People and Remuneration Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

ASX Best Practice Recommendations 1.2 and 2.2

Board Skills and Experience

The Board is committed to ensuring that directors have a collective mix of skills, experience, expertise and diversity aligned with the Company's strategic direction. The Board also strives to retain a balance between long serving directors with established experience and knowledge of the Company's business and history, and new directors who bring different insights and fresh perspectives.

The Board members have a broad and diverse range of skills and experience across a number of business areas. The Board identifies the key skills and experience required for the effective management of the business, including those required in the future. These key attributes are critical inputs to the Board review, development and succession planning processes.

The key Board skills and experience are detailed below.

SKILLS

Leadership	Driving engagement and enablement, leading organisational change
Risk Management	Risk frameworks, setting risk appetite, building and adapting organisational risk culture
Remuneration	Executive incentive arrangements, performance targets, and superannuation
Governance and Compliance	Group wide governance and compliance systems, processes and frameworks
Health and Safety	Driving proactive health and safety initiatives and programs
Government Relations/Policy	Interaction with government and regulators and involvement in public policy decisions
Financial Acumen	Financial and capital management strategies
Corporate Strategy	Setting and reviewing organisational strategy, organic growth and merger and acquisition opportunities

EXPERIENCE

Healthcare and Pharmaceutical industry	Relevant experience from within the Company's primary industry and with the compliance, decision-making structures and operational disciplines of such highly regulated industries
Retail and Wholesale	Experience within the Company's core operational disciplines
Franchising, Small and Medium Enterprises	Knowledge of franchising regulations and small business operations and challenges
Logistics	Large scale and time critical logistics, automation technology
ASX	Listed company leadership experience at Executive and Board level
Business Transformation	Involvement in transformational, continuous improvement and innovative projects
Information Technology	IT strategies and networks, latest innovations in data storage and security
Customer Data and Insights	Driving strategic insights from the collection and analysis of customer data

ASX Best Practice Recommendation 2.

Induction of New Directors and Ongoing Development

New Non-Executive Directors are issued with a formal letter of appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Committee work.

An induction program is in place and Non-Executive directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

ASX Best Practice Recommendations 1.3 and 2.6

Independence of Directors

As required under the Board Charter, the majority of the Board, including the Chairman, are independent Directors. Directors must notify Sigma about any conflict of interest, potential material relationship with Sigma or circumstance relevant to his/her independence.

Sigma has adopted a definition of 'independence' for Directors that is consistent with the ASX Principles and Recommendations. Applying this definition, Mr Manuel (as a practising pharmacist and a customer of Sigma) is not considered independent. The Board values the insight and advice provided by Mr Manuel. In addition to being a skilled Board member, as an owner of multiple pharmacies he brings firsthand experience and insights that contribute greatly to the Board. The Board considers that the materiality of his relationship is such that it does not interfere with his capacity to bring an independent judgement on issues before the Board and to act in the best interests of Sigma and its security holders generally.

It has also considered the length of tenure of Mr Jamieson and Mr Bayes, and it considers Mr Jamieson and Mr Bayes have a deep understanding of the business and their relationships are sufficiently removed from management to be considered independent.

All other Non-Executive Directors are considered by the Board to be independent, meaning that each one is generally free from any management role, or business interest or other relationship that could materially interfere with the Director's ability to act in the best interests of the Sigma Group as a whole.

Only those transactions permitted by Sigma's Constitution and the Corporations Act are conducted with Directors or their related parties. These are on the same commercial terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions. Related party transactions are set out in the notes to Sigma's financial report.

Directors are also required to identify any conflict of interest they may have in dealing with Sigma's affairs and subsequently to refrain from participating in any discussion or voting on those matters. If a potential conflict of interest is likely to arise, the Director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while those matters are considered. Accordingly, the Director concerned takes no part in discussion nor exercises any influence over other members of the Board if a potential conflict of interest exists.

On a regular basis, Non-Executive Directors meet without the CEO and Managing Director or other members of management being present, to ensure that the Non-Executive Directors maintain independence of thought and judgement.

The Non-Executive Directors also meet independently with the external auditors at least twice a year.

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense.

ASX Best Practice Recommendations 2.3, 2.4 and 2.5

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees on governance matters, monitoring and ensuring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

ASX Best Practice Recommendation 1.4

Risk Management and Audit Committee (RMAC)

The RMAC comprises Mr Ray Gunston (Chairman), Mr David Bayes and Ms Kathryn Spargo, who are all independent Non-Executive Directors.

During the Reporting Period the RMAC met 5 times. Attendance of members is detailed in the Company's Annual Report 2017/18.

In accordance with its Charter, (a copy of which can be found on the Sigma Website) its main responsibility is to advise and assist the Board on the establishment and maintenance of a risk management framework, internal controls and standards for the management of the Sigma Group and to monitor the quality and reliability of the financial information of the Sigma Group.

The RMAC reviews the Sigma Group's risk management framework annually, and it has reviewed the risk management framework during the Reporting Period in accordance with this policy.

The RMAC recommends the appointment, removal and remuneration of the external auditors. It also reviews the activities and organisational structure of the internal audit function and reviews the appointment or replacement of the internal auditor.

The Internal Auditors provide independent and objective assurance on the adequacy and effectiveness of Sigma's systems for internal

control. Sigma has a co-sourced internal audit function. Sigma uses external service providers, supplemented by an internal team to deliver the internal audit service.

The RMAC receives regular reports from management and from the internal and external auditors. It also meets with the internal and external auditors without the CEO or other members of management being present at least twice a year. The internal and external auditors are free at any time to communicate directly with either the Chairman of the RMAC or the Board.

The external auditors attend Sigma's AGM and are available to answer questions from security holders relevant to the audit.

The RMAC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Prior approval of the RMAC must be gained for non-audit work to be performed by the external auditor.

There are specified qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

ASX Best Practice Recommendations, 4.1, 4.3, 7.1, 7.2 and 7.3

Financial Reporting – CEO and CFO Certifications

The Board has received certifications from the CEO and CFO in connection with the financial statements for the Sigma Group for the Reporting Period. The certifications provide a declaration, in accordance with Section 295A of the Corporations Act, as to the integrity of the financial statements and confirm that opinions are founded on a sound system of risk management and internal control which is operating effectively.

ASX Best Practice Recommendation 4.2

People and Remuneration Committee

The People and Remuneration Committee comprises Mr David Bayes (Chairman), Mr Ray Gunston, Mr David Manuel and Ms Christine Bartlett who are all Non-Executive Directors

During the Reporting Period the Committee met 4 times. Attendance of members is detailed in the Company's Annual Report 2017/18.

In accordance with its Charter (a copy of which can be found on the Sigma Website) the Committee's main responsibilities is to advise the Board on remuneration policies and practices, assess the necessary and desirable competencies of Board members, evaluate Board performance, review Board and management succession plans and to make specific recommendations on remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

The People and Remuneration Committee is primarily responsible for providing recommendations to the Board with regard to the remuneration strategy, policies and practices applicable to Non-Executive Directors, the CEO, and Senior Executives.

Further details of the responsibilities and activities of the People and Remuneration Committee, remuneration policies and structures, details of

remuneration and retirement benefits paid to Directors are set out in Sigma's Remuneration Report.

ASX Best Practice Recommendations 2.1, 2.4 and 8.1

Risk assessment and management

The Board is committed to the identification, assessment and management of risk throughout Sigma's business activities.

Sigma has established policies for the oversight and management of material business risks. Sigma's overarching Risk Management Policy can be found on the Sigma Website.

The Board's committee structure forms an important part of the risk management process. Through the Risk Management and Audit Committee, the Board has required management to design and implement a risk management and internal control system to manage Sigma's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure.

Sigma recognises that risk management is an intrinsic part of each manager's day-to-day activity. Each business division is individually responsible and financially accountable for ensuring that there are appropriate systems and structures in place for the protection of its people and assets, in accordance with Sigma's risk policies and systems.

Management reports to the Board through the Risk Management and Audit Committee as to the effectiveness of Sigma's management of its material business risks on a quarterly and annual basis.

ASX Best Practice Recommendation 7.1

Material Risk Disclosure

Sigma's risk management policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Sigma believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Sigma is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Sigma accepts that risk is a part of doing business. Therefore, this policy is not designed to promote risk avoidance. Rather Sigma's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Sigma assesses its risks on a residual basis. That is, it evaluates the level of risk remaining and considers all the mitigation practices and controls. Depending on the materiality of the risks, Sigma applies varying levels of management plans. In this context, Sigma has the following risks under active management:

- the risk that regulatory reforms and/or legislation changes will adversely impact Sigma;
- the risk of losing a major customer; and
- the risk of material change to the competitive landscape.

ASX Best Practice Recommendation 7.4

Executive performance and remuneration

Sigma's Remuneration Policy was designed to recognise the competitive environment within which Sigma operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Sigma's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Sigma. The key principles are to:

- link executive reward with the strategic goals and sustainable performance of Sigma;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Sigma shares, foster a partnership between employees and other security holders.

In accordance with the policy, evaluation of senior executive performance and remuneration is undertaken by the CEO on an annual basis.

Evaluation of the CEO's performance and remuneration is undertaken by the People and Remuneration Committee and Board on an annual basis.

Performance reviews for the CEO and other Senior Executives were conducted during the reporting period in accordance with the process described above.

Sigma's executive remuneration policies and structures and details of remuneration paid to senior managers are set out in the Remuneration Report. This includes equity based remuneration. The rules regarding trading in Sigma's shares are set out within Sigma's Share Trading Policy further details of which are set out on the Sigma website.

ASX Best Practice Recommendation 1.7 and 8.2

Diversity and Inclusion

The Company respects and values the benefits of a diverse and inclusive workforce that reflects the communities in which we operate and embraces diversity of thought. We believe that in order to be a high performing, agile and innovative organisation we must leverage the full potential of all of our people. Diversity in this context includes experience, gender, age, caring responsibilities, cultural identity, disability, ethnicity, religious beliefs, education, family and relationship status, gender identity and sexual orientation.

Relevant policies are in place and made available to all staff at commencement with the company and via our intranet to support a diverse and inclusive workforce. These include the Diversity Policy and The Good Working Relationships Policy. Policies designed to recognise and support the diverse needs of our workforce are also in place including a Flexible Working Arrangements Policy and Carers and Parental leave policies. Our HR policies around recruitment and learning and development ensure that these processes

are encouraging the attraction, retention and development of a diverse workforce.

Specifically at the Board level, the Company is seeking to ensure each Non-Executive Director contributes towards a broad mix of skills including financial, retail, operational, fiduciary, human resources and strategic.

Gender Diversity

The Board values and is committed to promoting gender diversity at the Board level. The last two Board appointments have been women.

From a senior executive perspective, the current gender mix is 60% female, following the arrival of a female Executive General Manager Human Resources in February 2017.

The Board has also continued its efforts to ensure gender pay equity exists within the business. Consistent with the previous year, a detailed gender pay gap analysis was conducted as part of the 2017 remuneration review process. The results of the analysis confirmed that gender pay variances are not prevalent at Sigma when comparing male and female salaries for like-for-like positions or by-level. The majority of variances could be adequately explained, with only a small number of adjustments required (affecting both male and female employees) to enhance pay equity.

In line with the ASX Corporate Governance Principles and Recommendations (Recommendation), the Company makes the following disclosures in relation to gender diversity.

Diversity policy

In accordance with Recommendation 1.5(b), the Company's Diversity Policy is available at www.sigmahealthcare.com.au

Measurable objectives and progress

In accordance with Recommendation 1.5(a) and the Company's diversity policy, measurable objectives for achieving gender diversity have been set by the Board and are reviewed annually in order to ensure they remain relevant and to assess the Company's progress towards achieving them. In accordance with Recommendation 1.5(c), the Company has made the following progress towards achieving the measurable objectives:

Measurable objectives	Progress
Aim to increase the proportion of women on the Board as vacancies and circumstances permit	No Board vacancies arose during the financial year.
Aim to increase the proportion of women in executive and senior management positions as vacancies and circumstances permit	<p>A total of 8 executive vacancies were filled during the financial year with women filling 4 of these vacancies.</p> <p>A female Company representative sits on the interviewing panel for all executive and senior management vacancies. For each of these vacancies a diverse candidate pool is reviewed with the aim of interviewing suitable candidates from both genders.</p> <p>During recruitment activities the Company endeavours to balance the need to select the most suitably qualified and experienced candidate for the role with the advantages of promoting a diverse workforce.</p>
Target equal gender participation in key Talent Management programs	<p>53% of employees who participated in programs sponsored by the Talent Management team were female.</p> <p>Participation in these programs is open to all employees and selection is based on merit and suitability.</p>

Proportion of women employees and Board members

In accordance with Recommendation 1.5(c)(1), the Company makes the following disclosures in relation to the proportion of women in the organisation:

Disclosure requirement	Disclosure
Proportion of women employees in the whole organisation	As at 31 January 2018 57% of the Company's employees were women
Proportion of women in senior executive positions ¹	As at 31 January 2018 60% of senior executive positions were held by women.
Proportion of women in senior management ² positions	As at 31 January 2018 40% of senior management positions within the Company were held by women
Proportion of women on the Board of the Company	As at 31 January 2018 33% of the Company's Non-Executive Directors were women

ASX Best Practice Recommendation 1.5

¹ Senior executive positions are those within the Executive Committee, including the CEO and CEO's key direct reports

² Senior management positions are those within the top three layers of the organisation.

Ethical standards

All Directors, senior executives and employees are required to act honestly and with integrity.

Sigma has developed and communicated to all employees and Directors the Sigma Code of Conduct. The Sigma Code of Conduct promotes:

- honest and ethical behaviour;
- respect for people and property; and
- legal compliance.

In summary Directors, senior executives and employees must:

- minimise conflicts of interest and disclose possible or potential conflicts;
- avoid receiving material gifts or benefits from third parties in connection with Sigma's business;
- report any knowledge of fraud, material error, breach of law or of a concealed practice against the interest of Sigma;
- not use any Sigma asset on an unauthorised basis for personal use or gain (including goods, money, equipment, corporate cards, intellectual property or the services of other areas of the organisation);
- treat all stakeholders (Sigma team members, security holders, customers, suppliers, the public and others on Sigma's behalf) courteously, fairly and without harassment or unlawful discrimination in any form; and
- comply with all federal, state and local laws and regulations.

Sigma has a Whistleblowing Policy in place designed to enable Sigma employees to raise concerns internally and at a high level and to disclose information that the individual believes in good faith shows serious malpractice or wrongdoing within Sigma without fear of reprisal. No members of staff will be disadvantaged in raising legitimate concerns. Further details of Sigma's Code of Conduct and Whistleblowing Policy are set out on the Sigma Website.

In addition, Sigma has in place and enforces a number of key policies governing the standards of ethical behaviour, compliance with legal obligations and due regard to the reasonable expectations of

security holders required of all Sigma personnel including: Occupational Health and Safety, Equal Employment Opportunities, Harassment, Good Working Relationship and Privacy policies.

ASX Best Practice Recommendation 3.1

Trading in Company securities

The Sigma Share Trading Policy prohibits Directors or employees from trading in Sigma's shares if they are in possession of non-public price sensitive information. It also prohibits short-term trading and arrangements to manage the risk of price changes of any shares held under any Sigma share plan during their non-disposal period.

Trading is not permitted in the period between end of full and half-year and the release of full or half-year results respectively or in the week prior to the annual general meeting. In addition, Directors must obtain prior approval for any trading from the Chairman and senior staff must seek prior approval from the CEO or the Company Secretary.

Regular reminders of Sigma's Share Trading Policy are issued to senior management. Further details of Sigma's Share Trading policy are set out on the Sigma Website.

ASX Best Practice Recommendations 3.1 and 8.3

Communications and continuous disclosure

Sigma has a Continuous Disclosure Policy which sets out the requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Sigma Group to ensure that all stakeholders have an equal opportunity to access information.

The policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

Regular briefings and presentations are given. Any new information that is presented will have been disclosed to the ASX and posted on the Sigma Website, together with all ASX releases.

Security holders may elect to, and are encouraged to, receive communications from Sigma and Sigma's securities registry electronically.

Sigma has a comprehensive security holder engagement program which includes briefings, presentations and events. The program includes

scheduled and ad-hoc briefings with institutional and private investors, the Australian Shareholders Association, analysts and the financial media and aims to provide and facilitate effective two-way communication with Sigma's investors.

Sigma's communications and continuous disclosure policy are located on the Sigma Website.

ASX Best Practice Recommendations 5.1, 6.1, 6.2, 6.3 and 6.4

Interests of stakeholders

Sigma promotes the highest ethical and professional standards. As a company with a reputation for fair and responsible dealing with stakeholders (including security holders, customers, employees and government regulatory authorities) the Board demands that the highest standard of ethical behaviour be maintained and fostered throughout the organisation.

Sigma accepts the need for a legal regulatory framework of business and for a fair taxation regime. Sigma will therefore at all times seek to comply with the spirit as well as the letter of all applicable laws and regulations (both domestic and foreign) and where appropriate evaluate actions in a broader social context.

Sigma also retains the right to manage its affairs in an efficient, well-ordered and systematic manner, giving due consideration to tax and its goal of maximisation of returns to its shareholders.

Sigma requires a culture and system of compliance and accountability to be maintained throughout the organisation and for all employees to take pride in this underlying ethical basis of the organisation, acting legally and responsibly in all matters.

Directors and employees must comply with the codes of conduct that have been adopted by Sigma. These have been set out in earlier sections.

ASX Best Practice Recommendation 3.1