

Board Charter

Sigma Healthcare Limited

25 March 2020

Connecting health solutions



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1. Purpose

- 1.1 This Charter sets out the authority, accountabilities, responsibilities, membership, and operations of the Board of Sigma Healthcare Limited (**Sigma**), and the relationship of the Board with management.
- 1.2 The Board is governed by Sigma's Constitution, which is available on the Sigma website at www.sigmahealthcare.com.au.

2. Authority, Accountabilities & Responsibilities

- 2.1 The role of the Board is to endorse the values and set the strategic direction of the Sigma Group, to effectively guide and oversee the management of the Sigma Group and to approve, review and oversee implementation of the Sigma Group's risk management systems and governance practices, strategies and policies. To achieve this role, the Board has reserved to itself the specific responsibilities set out in **Attachment 1**
- 2.2 The Board has been authorised by Sigma's security holders to perform this role and to exercise the powers conferred under the Constitution and the law.

3. Management Delegation

- 3.1 Subject to matters reserved for the Board, the management and administration of Sigma's business is delegated to the CEO & Managing Director, with the support of the remainder of senior executive team.
- 3.2 The senior executive team, comprising the CEO & Managing Director and a number of the direct key reports of the CEO & Managing Director, is responsible for:
 - a) implementing Sigma's strategic objectives, and instilling and reinforcing its values, in accordance with the values, Code of Conduct, budget, risk appetite and other policies approved by the Board; and
 - b) providing the Board with accurate, timely and clear information on Sigma's operations, to enable the Board to fulfil its accountabilities and responsibilities.
- 3.3 The Board is responsible for appointing the CEO & Managing Director and approving the appointment and replacement of the senior executive team and the company secretary.

4. Board Composition

- 4.1 The Board is structured so that its membership provides the mix of skills, background, experience, knowledge, education, expertise and diversity to enable it to effectively discharge its responsibilities.
- 4.2 Sigma's Constitution provides for a minimum of 3 directors. The Constitution also governs the appointment and removal of directors.
- 4.3 At each annual general meeting one-third of directors retire from office, and are free to stand for re-election.
- 4.4 The Board has determined that:
 - a) the majority of the Board should be independent directors;
 - b) the Chair should be an independent director; and
 - c) the roles of Chair and CEO should not be exercised by the same individual.
- 4.5 The selection of Board members is a decision for the Board acting on the recommendation of the Board's People & Remuneration Committee. In selecting new Board members, and reviewing the skills represented by Directors on the Board, the Board shall take into account the skills and characteristics required by the Board to maximise its effectiveness and assess the blend of skills, knowledge and experience necessary for the present and future needs of Sigma. For this purpose, the Board maintains and updates a matrix of the key skills and experience required for the effective management of Sigma, including into the future, which it discloses in Sigma's Annual Report.
- 4.6 All new Directors shall receive a written offer of appointment and will have an induction program.
- 4.7 Procedures for the nomination, selection, and appointment of Sigma Non-executive Directors are

governed by this Charter, the People & Remuneration Committee Charter, the Diversity Policy, the Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth).

5. Independence of Directors

- 5.1 The Board assesses the independence of new directors upon appointment and reviews the independence of all directors on an annual basis.
- 5.2 For the purpose of this assessment, the Board considers that an independent Director is a non-executive Director who is free of any interest, position or relationship that might influence, or reasonably perceived to influence, in a material respect the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interest of Sigma as a whole rather than in the interests of an individual security holder or other party. This includes a person who:
 - a) is not, does not represent, and has not within the last three years been an officer or employee of, or professional adviser to, a substantial security holder of Sigma. A substantial security holder is a security holder who holds more than 3% of the issued capital of Sigma;
 - b) is not, and has not been employed in an executive capacity by Sigma or any member of the Sigma Group, within the three years prior to them serving on the Board;
 - c) is not, and has not within the last three years been, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with any member of the Sigma Group, or is an officer of, or otherwise associated with, someone with such a relationship. A material supplier or customer is a supplier or customer who controls more than 5% of the value of Sigma's total purchases or 5% of the value of Sigma's total sales or more than 50% of the suppliers or customers purchases or sales are from or to Sigma; does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, Sigma;
 - d) does not have close personal ties with any person who falls within any of the categories described above; and
 - e) has not been a Director of Sigma for such a period that their independence from management and substantial holders may have been compromised.
- 5.3 The Board may determine that a Non-executive Director is independent notwithstanding the existence of a relationship of the kind referred to above. The Board will state its reasons for making that determination.
- 5.4 Non-executive Directors will regularly meet alone without executive directors or management present. The Non-executive Directors also meet independently with the external auditors at least twice per year.
- 5.5 Directors have full access to all senior executives and information as requested.
- 5.6 Directors must keep the Board advised on an ongoing basis of any interests that could potentially conflict with those of Sigma or may lead to them being considered as non-independent. Directors must promptly disclose to the Board interests in contracts, and directorships of public companies and public authorities or offices held, and related party transactions and comply with the *Corporations Act 2001* (Cth) in relation to being present and voting at Board meetings in which a director has a material personal interest. Notice of any such interest may be a standing notice.
- 5.7 If a potential conflict of interest is likely to arise, the Director concerned will not receive copies of the relevant Board papers and will withdraw from the Board meeting while those matters are considered.

6. Board Meetings

- 6.1 The Board will meet in accordance with a schedule agreed prior to the commencement of each calendar year, and as otherwise required on an ad hoc basis. The Board will also set aside time each year to comprehensively consider Sigma's strategies and business plans.

7. Chair

- 7.1 The Board will select an independent Non-executive Director to be Chair.

- 7.2 The Chair will facilitate the work of the Board at its meetings, and be responsible for ensuring that the principles and processes of the Board are maintained.
- 7.3 The Chair will set the agenda for each meeting in consultation with the CEO & Managing Director and the Company Secretary. Any Director may request that an item to be added to the agenda.
- 7.4 The Chair has authority to act and speak for the Board between its meetings, including engaging with the CEO & Managing Director.
- 7.5 The Board will develop a plan for succession of the Chair, will periodically evaluate the plan, and will identify an independent Non-executive Director to act as Chair in the event that the Chair is unable to do so for any reason.

8. Secretary

- 8.1 The Company Secretary is accountable to the Board and is appointed and removed by the Board.
- 8.2 The Company Secretary will develop and maintain the information systems and processes that are appropriate for the Board to fulfill its role and will advise the Chair, and through the Chair of the Board and individual directors on matters of governance process.

9. Committees of the Board

- 9.1 The Board has established a Risk Management & Audit Committee and a People & Remuneration Committee to assist and advise the Board on specific matters set out in the Charter of those Committees.
- 9.2 Other committees may be established by the Board on an ad-hoc basis.
- 9.3 Matters determined by committees are submitted to the full Board as recommendations for decision.

10. Ethics and Conduct

- 10.1 All directors must comply with all laws and Sigma's policies in carrying out their duties. This includes Sigma's Code of Conduct and its directors Code of Conduct, which is as follows.

11. Directors Code of Conduct

- 11.1 Directors have an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code, which are as follows:
 - a) A Director must act honestly, in good faith and in the best interests of Sigma as a whole.
 - b) A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
 - c) A Director must use the powers of office for a proper purpose, in the best interests of Sigma as a whole.
 - d) A Director must recognise that the primary responsibility is to Sigma's security holders as a whole but should, where appropriate, have regard for the interests of all stakeholders of Sigma.
 - e) A Director must not make improper use of information acquired as a Director.
 - f) A Director must not take improper advantage of the position of Director.
 - g) A Director must not allow personal interests, or the interests of any associated persons, to conflict with the interests of Sigma.
 - h) A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
 - i) Confidential information received by a Director in the course of the exercise of directorial duties remains the property of Sigma from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by Sigma, or the person from whom the information is provided, or is required by law.
 - j) A Director should not engage in conduct likely to bring discredit upon Sigma.

12. Performance

- 12.1 On a regular basis, the Board will undertake a self-assessment of the performance and processes of the Board and its Committees. The results of the evaluation will be provided to Directors and if required, action plans will be determined to improve Board effectiveness.
- 12.2 Directors are encouraged to continue their professional development and their professional development needs will be evaluated as part of their periodic assessment. Directors will be kept up to date on relevant legislative and industry issues which affect Sigma.
- 12.3 On an annual basis the CEO & Managing Director's performance shall be evaluated by the Board against set criteria, together with the performance of the Executive Leadership Team.

13. Board Access to Independent Advice

- 13.1 Directors may, in fulfilling their duties and responsibilities, obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense. A copy of any advice so received will be made available to all directors.

14. Indemnification and Insurance

- 14.1 Sigma indemnifies, and obtains insurance for, Directors (and the Company Secretary and officers) against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director (or Company Secretary or officer) of Sigma, other than conduct involving a willful breach of duty in relation to Sigma.

15. Review of Charter

- 15.1 This Charter shall be reviewed on an annual basis, the Charter for each Committee established by the Board shall be reviewed every two years.

16. Document control and related documents

This Charter will be periodically reviewed in accordance with the below to check that it is operating effectively and whether any changes are required to the policy.

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Name of document	Board Charter		
Document Author	Legal Counsel		
Document Approver	Board	March 2020 Board Meeting	
Document Reviewers	CEO & Managing Director	Executive GM Retail Pharmacy	
	General Counsel & Company Secretary		
Review Period	Annual		
Related documents	Risk Management and Audit Committee Charter, People and Remuneration Committee Charter		
Change record	Version	2.0	Change Notes
	Publish date	25 March 2020	Updated in line with 4 th ed. ASX Corporate Governance Principles and Recommendations

Attachment 1

Matters reserved to the Board include:

- defining Sigma's purpose, establishing strategic goals for management reviewing and approving management's business plans and strategic opportunities;
- overseeing the management of Sigma, particularly in relation to the implementation of Sigma's strategic goals and instilling of Sigma's values, and ensuring that there is an appropriate framework for relevant information to be reported by management to the Board;
- endorsing 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;
- appointment, removing, and determining the remuneration and undertaking an annual evaluation of, the CEO & Managing Director
- approving the appointment and replacement of other senior executives and the company secretary;
- overseeing Sigma's remuneration policies and ensuring these are aligned with Sigma's purpose, values, strategic objectives and risk appetite;
- succession planning for the CEO & Managing Director and senior executives;
- appointing the Chairman and any alternate Chairman;
- setting the risk appetite within which the board expects management to operate in alignment with strategic goals, including identifying the principal risks (financial and non-financial) and overseeing the systems of risk management to ensure there is appropriate control and management systems of those principal risks;
- monitoring Sigma's performance with the aim of maximising long term returns to Sigma security holders at an acceptable level of risk.
- overseeing Sigma's control and accountability systems - particularly in relation to the integrity of financial and other reporting, including the external audit and internal audit;
- overseeing Sigma's process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price of value of Sigma's securities, and other matters relating to Sigma's securities including declaration of dividends;
- approving Sigma's annual financial plans, operating budgets and major capital expenditure, monitoring financial performance and approving the annual and half year financial statements and reports;
- acquisition and disposal of significant capital assets and legal entities and approval of significant borrowings and commitments;
- reviewing and ratifying policies and systems of risk management, codes of conduct, legal compliance and corporate governance, and monitoring the effectiveness of Sigma's governance practices.