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About this Report

The information presented in this report reflects Sigma Healthcare's management and performance on key environmental, social and governance (ESG) topics identified as material to the business and our stakeholders. The aim of this report is to communicate our understanding of the impacts associated with our operations, how we are working to manage and mitigate those impacts and to articulate the value we create for the communities that we serve across Australia. For a more complete understanding of the business context, we recommend that this report is read in tandem with the Sigma Healthcare Annual Report, Annual Review, and Corporate Governance Statement. This report covers the FY2021 reporting period (commencing 1 February 2020 to 31 January 2021) which coincides with our financial reporting.

This is the first Sigma Sustainability Report to be published and updates will be released on an annual basis. The information reflects the assets over which Sigma has operational control, the processes we have in place to distribute medical supplies across the country, and the way that we run our business. This Report has been prepared in accordance with the Global Reporting Initiative (GRI) reporting Standards (Core option) and the contents have not been externally assured. For further information or feedback on any aspect of this report, please contact Gary Woodford, Corporate Affairs Manager.

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Message from Our CEO



I am pleased to present Sigma's 2020/21 Sustainability Report.

Welcome to Sigma Healthcare's inaugural Sustainability Report. Our business is committed to creating sustainable earnings and capital growth for our Shareholders, and to support all of our stakeholders, including team members, suppliers, customers and the communities that we serve across Australia. This report summarises the initiatives that Sigma is currently undertaking at a strategic and operational level to make better choices for our business, our communities, and the environment.

Our approach focuses on enhancing our existing systems to better support these objectives. By linking different teams and communicating our goals, sustainability remains embedded across the whole business, from distribution and operations to marketing and team culture. Sustainability has an elevated platform to ensure it remains part of our focus at both an operational and strategic level.

This year we have undertaken a process to understand where our key ESG risks and opportunities are and have identified the topics that are most material to our business. We've done this because we want to focus on the issues that matter most to our stakeholders and the communities that we serve around the country.

We realise that we are at the start of our sustainability journey and we look forward to advancing this over the coming years. With our newly established sustainability working group, board endorsement and a deeply engaged team, we aim to set targets that will ensure the long-term sustainability of the business.

We look forward to sharing this journey with you.

Regards

A handwritten signature in black ink, appearing to read 'Mark Hooper'.

Mark Hooper
CEO & Managing Director



About Sigma Healthcare

Sigma Healthcare supports one of the largest pharmacy networks in Australia, with over 1,200 aligned pharmacy brand members or partners. This network includes around 600 brand members operating under one of Sigma’s pharmacy brands – Amcal+, Guardian, PharmaSave, Chemist King WholeLife and Discount Drug Stores (DDS). These brands account for almost 20% of consumer spend in pharmacy across Australia. In addition, Sigma has an expanding presence in hospital pharmacy distribution and other healthcare service adjacencies.

We serve our communities by being a responsible and collaborative business that works with all. We do this by fulfilling our responsibilities to support Australians to have access to the full range of PBS (Pharmaceutical Benefits Scheme) medicines usually within 24 hours, by collaborating with our customers and suppliers, supporting pharmacists to be innovative professional service providers in our communities, being focused on providing sustainable returns for our investors and by providing support for a range of community organisations.

At the core of what we do is making sure the people in the community have access to the medicines and services they need to sustain their health.

Our Business Imperatives

Our business is underpinned by a philosophy that a united team and safe environment promote a strong culture and we deliver on this by trusting our team and partners and by collaborating with each other in a respectful way. Our value proposition to our stakeholders is that by working collaboratively we build long-term relationships that reward partners, benefit consumers and support communities.

Our strategic business imperatives

| | |
|--|--|
| Help our partners to grow their own businesses | Pursue cost effective solutions together |
| Jointly search for improved margins | Leverage capabilities across markets |

Our business priorities

- Develop and empower our team for success
- Build strategic partnerships for growth
- Create innovative, differentiated, and sustainable business models
- Optimise our core capabilities to maximise the value we create

Highlights

Environment

10%

Reduction in CO₂ emissions
(on an FY17 baseline)

2,514 tonnes

Waste diverted from landfill



More than 1.4m sheets of paper offset

2 years

Years as signatory to the
Australian Packaging Covenant

Social

<24 hours

Average delivery time to community
pharmacies

>\$100,000

Contributed to the community

2.15

Lost Time Injury Frequency Rate (LTIFR)*

* Refer to page 13 for definition.



Free influenza vaccinations
for all employees

Governance

84%

Employees agree that on balance,
Sigma is a great place to work



Released domestic and family
violence policy



Continued the successful Leadership
Labs program

68

Employees nominated as part of the
Sigma Shine Awards

Our Plan to 2030



Environment

Reduce our impact on the environment

- + Increase the environmental efficiency of our portfolio of distribution centres
- + Reduce our operational waste and meet the requirements of the Australian Packaging Covenant
- + Respond to the Task-force for Climate Related Financial Disclosures and quantify our exposure to climate change
- + Investigate opportunities to improve recoverability in packaging.
- + Investigate opportunities to divert solid waste generated at facilities (factories, warehouses, offices and retail stores)



Social

Invest in the health and wellbeing of our team and the communities that we serve

- + Launch a diversity and inclusion strategy that ensures our workforce reflects the communities we serve and provides an inclusive environment for our people
- + Develop a strategy to support the inclusion of first nations people across our value chain
- + Launch community programs that are meaningful to our customers
- + Invest in the health and wellbeing of our people
- + Support equitable access to available medicines for all Australian communities
- + Operate a responsible and ethical supply chain that mitigates the risk of modern slavery



Good Governance and Transparency

Operate our business in an ethical way and transparently report on our operations and decision making processes

- + Ensure we are a responsible steward of stakeholder data and privacy
- + Report transparently to the market on financial and non-financial performance
- + Engage with the industry and government to ensure a transition to a sustainable future

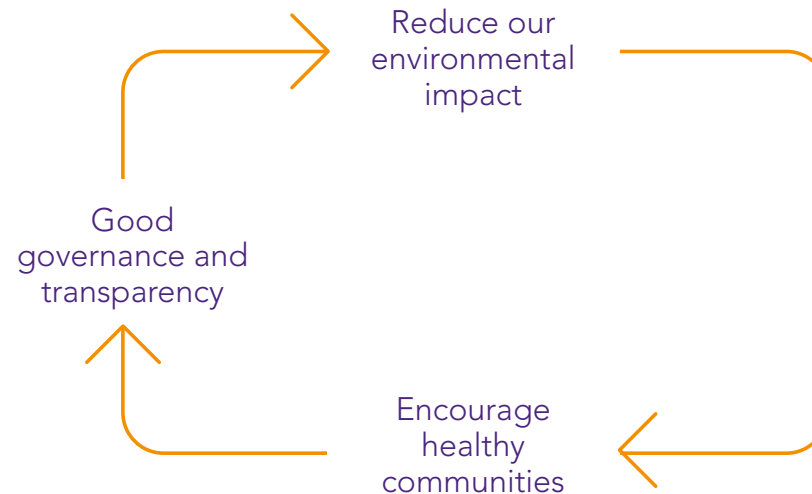
Our Approach to Sustainability

We understand that although sustainability is inherently embedded in our business, it is critical that we deliver environmental and social value to all of our stakeholders and that we conduct our business with good ethics and corporate governance principles. In 2020/21 we conducted a process to bring those initiatives together to form our first sustainability framework, which includes the key sustainability risks that our business units face, articulates our unique value proposition and communicates to stakeholders our understanding of our commitment to be a trusted partner for years to come.

Following an extensive process that considered the expectations of all our stakeholders we are proud to have formalised a framework that enables us to continue delivering sustainability initiatives across all aspects of our operations.

As a major Australian distribution and pharmacy wholesaler, we realise that we are uniquely placed to support an equitable and diverse supply chain, encourage the wellbeing of our team members and the communities that we work alongside, and to reduce the environmental impact of our industry. Throughout the coming year we aim to set meaningful short and medium-term targets that will enable us to deliver on our long-term sustainability vision to support the total wellbeing of Australian communities and environments.

Our Sustainability Framework



Engaging with Our Stakeholders

In order to make services and medicines accessible for all Australians we need to ensure that we consider the expectations of each of our stakeholders; team members, customers, communities, suppliers, securityholders and the government. Each of these play an important part in understanding how we deliver on our purpose to provide healthcare products and medicines whilst providing sustainable returns to our shareholders.

Team Members

Sigma understands that our team members are crucial in ensuring we are able to collaborate effectively with industry to deliver on our purpose. We engage with our team members at multiple points throughout the year, including through our annual engagement surveys, annual performance reviews, through business policy compliance and through our health and wellbeing program, which encourages the total wellbeing of our people.

Customers

Across our community pharmacy businesses, Sigma's customer base has diverse interests, and preferences and behaviours are constantly evolving, particularly in the face of disruption by events like COVID-19. We are committed to understanding their changing needs, which we do through our regular Voice of Customer engagement program to measure success, identify concerns and plan actions. If there are concerns on our performance, we actively seek to address those issues. Our Amcal, Guardian and Discount Drug Stores brands also operate under the guidance of member councils, providing pharmacy owners direct and influential input into the direction of the brands and support for the communities. We are also proud that we are able to provide services to our customers usually within 24 hours of order cut off, demonstrating our reach across Australia and collaboration with suppliers, partners and customers.

As a service provider to hospital pharmacy customers, Sigma recognises that access to essential medicines and certainty of supply are critical. We work with hospital pharmacy customers to understand their needs, and to ensure efficient, safe and accurate medicines are provided to patients throughout Australia.

Sigma, through our subsidiary MPS, provides medication management service to community pharmacies and aged care residents. This is a critical role to support the health

of the elderly, and MPS have maintained the highest safety standards in Australia. MIA, Sigma's medical consumables and devices business, provides critical services and supplies across all three market segments and is committed to ethically sourced products that meet Australian regulatory standards.

Communities

Our business inherently supports Australian communities and their access to medicines and healthcare products. We are proud of our reach across all corners of the country, and that our community and hospital pharmacies customers are supporting their wellbeing each day. We support our pharmacies to service the community by providing efficient delivery of high quality products, so that they can administer them safely. Sigma also supports community organisations such as the Summer Foundation, which works to ensure young people with a disability have access to adequate housing, and we also made donations in 2020 to support people who had been impacted by the bushfires.

Suppliers

Due to the nature of our business, most of our suppliers provide both services and products. Our service suppliers are generally engaged after a competitive tender process during which we assess their ability to perform a defined scope of work and their high-level approach to sustainability. We undertake risk assessments and reference checks as part of our routine due diligence and once a service supplier is engaged, we conduct regular business reviews for suppliers identified as higher risk. We are committed to ensuring that all necessary laws, regulations, rules and agreements are complied with when engaging suppliers. Regulatory obligations mean that we are required to acquire, store and distribute any medicine that is listed on the PBS, curtailing our ability to influence in this category.

Shareholders

We engage with our shareholders through our half-yearly and annual financial results, Annual General Meeting, and updates to the market. Our internal Investor Relations team maintains relationships with our key shareholders and maintains our publicly available investor centre, which contains documents such as the Annual Report, Annual Review, corporate governance statement and policies and procedures. Our public disclosure has seen Sigma perform well among peers when compared by ratings agencies such as MSCI and Sustainalytics. In more recent years we have included an environmental and social statement in our Annual Review, and this year we have released our first stand-alone sustainability report.

Regulators

Sigma is regulated by APRA and also complies with Community Service Obligations (CSO) as well as the Australian Code of Good Wholesaling Practice (cGWP) for Medicines in Schedules 2, 3, 4 and 8 as a pharmaceutical wholesaler. Sigma is subjected to monthly reporting and regular CSO audit assessments of compliance with its obligations as a CSO wholesaler, as well as ad-hoc audits by the Departments of Health in each state. We regularly meet with APRA supervisory teams and the National Pharmaceutical Services Association (NPSA) throughout the year. We also comply with the requirements set out by the TGA (Therapeutic Goods Administration) in relation to private label products and our risk management systems are aligned with the ISO 31000:2018 standard.

The “building block” modular approach that we use for our distribution centres ensures that our Warehouse Management System remains flexible and powerful enough to grow and evolve along with the needs of our customers. Sigma’s wholly owned subsidiary CHS has developed a Quality Management System to demonstrate its ability to provide consistent services that meet the requirements of:

- ISO 9001:2015: Quality management systems – Requirements
- CSO Funding Pool Operational Guidelines
- Australian Code of Good Wholesaling Practice (cGWP) for Medicines in Schedules 2, 3, 4 and 8.

In addition to the above, the CHS distribution centre at Kemps Creek also meets the requirements of:

- ISO 13485:2016: Quality management systems – Requirements (with exclusions to Clause 7.3, Clause 8.2.3 and Non-applicable clauses: 7.5.2; 7.5.3; 7.5.4; 7.5.5; 7.5.7) (CHS Kemps Creek only)

ISO certification ensures a strong client focus, motivation and commitment of top management to a process approach and to continual improvement. It helps assure our customers that their products are kept safe and that product quality is maintained while in our care.



Our People

The expertise, passion, dedication and hard work of our people is the foundation of our continued success. While CY20 was a challenging year for the Group, our communities and for our industry, we remained focused on nurturing Sigma's robust company culture, which is underpinned by a commitment to our values and purpose to bring crucial healthcare to Australian communities. Sigma and our services were considered essential throughout the pandemic, which we acknowledge is ongoing. This made it even more important to maintain the health and wellbeing of our workforce. Underpinning our COVID-19 response was our commitment to the community while keeping our team members safe, connected and engaged. We continued to work towards having best practice performance on issues such as health and safety and our teams wellbeing.

Diversity

Sigma Healthcare respects and values the benefits of a diverse and inclusive workforce that reflects the communities in which we operate and that embraces diversity of thought. A diverse workforce also enables us to attract and retain key talent, supporting our ongoing strong financial performance. Our Diversity Policy and the Good Working Relationships Policy have been implemented as part of our corporate governance framework in accordance with the ASX Corporate Governance Principles and Recommendations.

The Board has also continued its efforts to ensure gender pay equity exists within the business. Consistent with 2019, a detailed gender pay gap analysis was conducted as part of the 2020 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 and by level.

Aim for each level of the organisation to have 50% of each gender, with an acceptable tolerance of 10% either side of that target.

Diversity objectives

Aim to increase the proportion of women on the Board as vacancies and circumstances permit

Aim to increase the proportion of women in executive and senior management positions as vacancies and circumstances permit

| Metric | Progress |
|--|---|
| Proportion of women in employees within the Group | 59% female employees |
| Proportion of women in Senior Executive Team | 20% female employees |
| Proportion of women in senior management positions | 38% of females in senior management positions |
| Proportion of women on the Board of the Company | 33% of female Non-Executive Directors |

Maintaining a Healthy Workforce

Sigma is continuously considering the ways that we can support the total wellbeing of our team members, including their physical, mental and financial health. Some of the initiatives that we use to deliver on this objective include our Mentally Healthy Workplaces program, which we know is particularly important within an unprecedented COVID-19 environment.

The Mentally Healthy Workplaces Program includes a number of health and wellbeing initiatives that are underpinned by a focus to support the total health of all Australians. Initiatives delivered as part of this program include participation in R U OK Day, supporting conversations about the mental health and wellbeing of our team members, continuation of our drug and alcohol awareness program, support for team members to quit smoking and free influenza vaccinations for team members.

We also run annual audits of our Health and Safety Management System to ensure that our processes for data collection, and our understanding of safety incidents within our operational control, are accurate.

The COVID-19 pandemic saw a significant proportion of our team members transition to working from home, requiring us to deeply consider ways that we could maintain our culture, productivity and a highly engaged team. As well as delivering COVID-19 High Risk Safety Plans, we also developed additional resources for our teams that included online fitness classes, healthy eating seminars and the provision of mindfulness thank you packs as part of promoting R U OK Day.

Throughout the year we released an updated Service Recognition Policy that extends our recognition of service program across all entities within Sigma, consolidating subsidiary recognition schemes into the one policy. We did this because we acknowledge that while our business grows, so too does our workforce and the importance of encouraging a healthy and engaged team.

Domestic and Family Violence Support

Sigma supports the total wellbeing of our team members, which includes their safety and the safety of their families. We recognise the importance of providing support to team members who experience Family and Domestic violence (FDV) and we are strongly committed to providing a healthy and safe working environment for all team members. Throughout the reporting period Sigma introduced a Family and Domestic Violence Policy, which sets out how the business will support any team member experiencing FDV.

The Policy outlines the support Sigma offers to team members who have experienced FDV in their workplace or at home. This support includes access to Sigma’s Employee Assistance Program for both the team member and their direct family members, up to ten days of paid FDV leave and access to flexible work arrangements including changes to working hours, patterns or location of work.

Employee Engagement

Sigma understands the importance of maintaining a highly engaged workforce. Throughout 2020 we ran two Pulse surveys to gather insights into how supported our team members felt throughout COVID-19, with 85% of the respondents claiming that they felt Sigma had provided them with the right level of support. The survey results also showed an improvement in engagement from 2019, with 84% of respondents rating Sigma as ‘on balance, a great place to work’, and with 83% of respondents feeling supported by their immediate manager to be effective in their role.

Results of employee engagement survey

| | |
|---|-----|
| Sigma provides me with the right level of support | 85% |
| Sigma is a great place to work | 84% |
| Supported by management to work effectively | 83% |

Improvement on 2019 engagement score

| | |
|--|-------|
| Recommend Sigma as a great place to work | >3% |
| Best choice for service provided | >4.8% |

We are proud of our team member engagement results, as they reassure us of our ability to provide a great place to work for our team members, despite navigating COVID-19 and a majority remote workforce.

Recognising Our People

Providing recognition and feedback to our people is a fundamental driver of engagement and we encourage all of our leaders to provide feedback to their team members on a regular basis. We believe that it is important to recognise the team members that demonstrate the Company’s values in an outstanding way and we are proud of the examples of this across the organisation.

We acknowledge our people through The Shine Awards, an annual recognition program that allows team members to nominate peers they believe have demonstrated company values within their role. Despite an unprecedented year due to COVID-19, the Shine Awards continued to run, with a total of 68 team members nominated and fourteen awards ultimately issued.

This year our overall winner was Srimi Ramayanam, a Victorian based Wholesale Reporting and Analytics Manager. Srimi was nominated for his deep dive analysis into third party billing and his identification of significant discrepancies which ultimately resulted in Sigma receiving credits for significant amounts. He is a dedicated, talented and highly valued team member and we congratulate Srimi on receiving this award.

In line with the Company’s philosophy of supporting the communities in which we operate Srimi was invited to select charities of his choice to which the Company would make donations. Srimi chose to donate his \$3,000 charitable allocation to Beyond Blue and Monash Children’s Hospital.

Health and Safety

Providing a safe and healthy workplace empowers our team members to perform at their best, and in turn helps to create a healthy culture for our team, the Company and our customers. The Board receives monthly activity and metrics reporting for our key performance areas, programs, training and campaigns, including incident trending, physical injury and mental health and wellbeing outcomes.

Our top three incident types throughout 2020 were powered mobile plant – impact with objects, COVID-19 health related reports and falls from height.

Regular analysis of these incidents identified key themes and opportunities for reduction that were implemented and are monitored on an ongoing basis through our risk management processes, which include:

- The use of our online training capability to develop and deliver COVID-19 Response Training. Introduction of new online compliance training modules focused on working safely at Sigma, positive workplace behaviours, plus reinforcing our company values and our unrelenting commitment to safety
- Powered mobile plant competency assessment and induction for all mobile plant operators
- Powered mobile plant fit for purpose assessments
- Ongoing COVID-19 Safe Work plans and response plans
- Pallet/product wrapping reviews for all goods stored at height in distribution centres

Each year we undertake health and safety management system compliance auditing as part of our reporting and governance activity, across all sites. This year due to border and travel restrictions across States and Territories, the Health and Safety team undertook a virtual audit and

desktop compliance review. While not a like for like process with our annual compliance audits, we were pleased that in a year with many challenges, we achieved a positive result of 91%, compared with last year's full audit result of 93%.

Our safety performance

| | |
|---------------------------------|--------------|
| Compliance audit result | 91% |
| LTIFR* | 2.15 |
| Reduction in lost time injuries | 47% decrease |

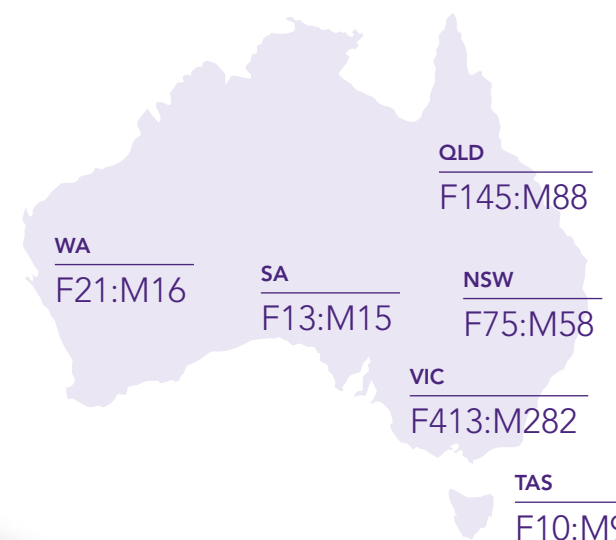
* LTIFR = The number of lost time injuries (one or more lost shifts/days following the incident) over a rolling 24-month period relative to the total number of hours worked in that period.

The Group recorded five LTIs for the year, one more than the previous year. Of these, two injuries resulted in more than five lost days. Our LTIFR for the year was 2.15, a 47% decrease on the previous year and the lowest rate in over ten years. Each LTI is investigated and used as a learning opportunity for both the related site and the Group as a whole.

Workforce

| Metric | Data |
|--|--|
| Headcount | 1,148 |
| Gender split | F59:M41% |
| Female Board representation | 33% |
| Female representation in senior management | 38% |
| Age breakdown | Under 30 → 159 30–50 → 608 Over 50 → 351 |

Headcount (by state)



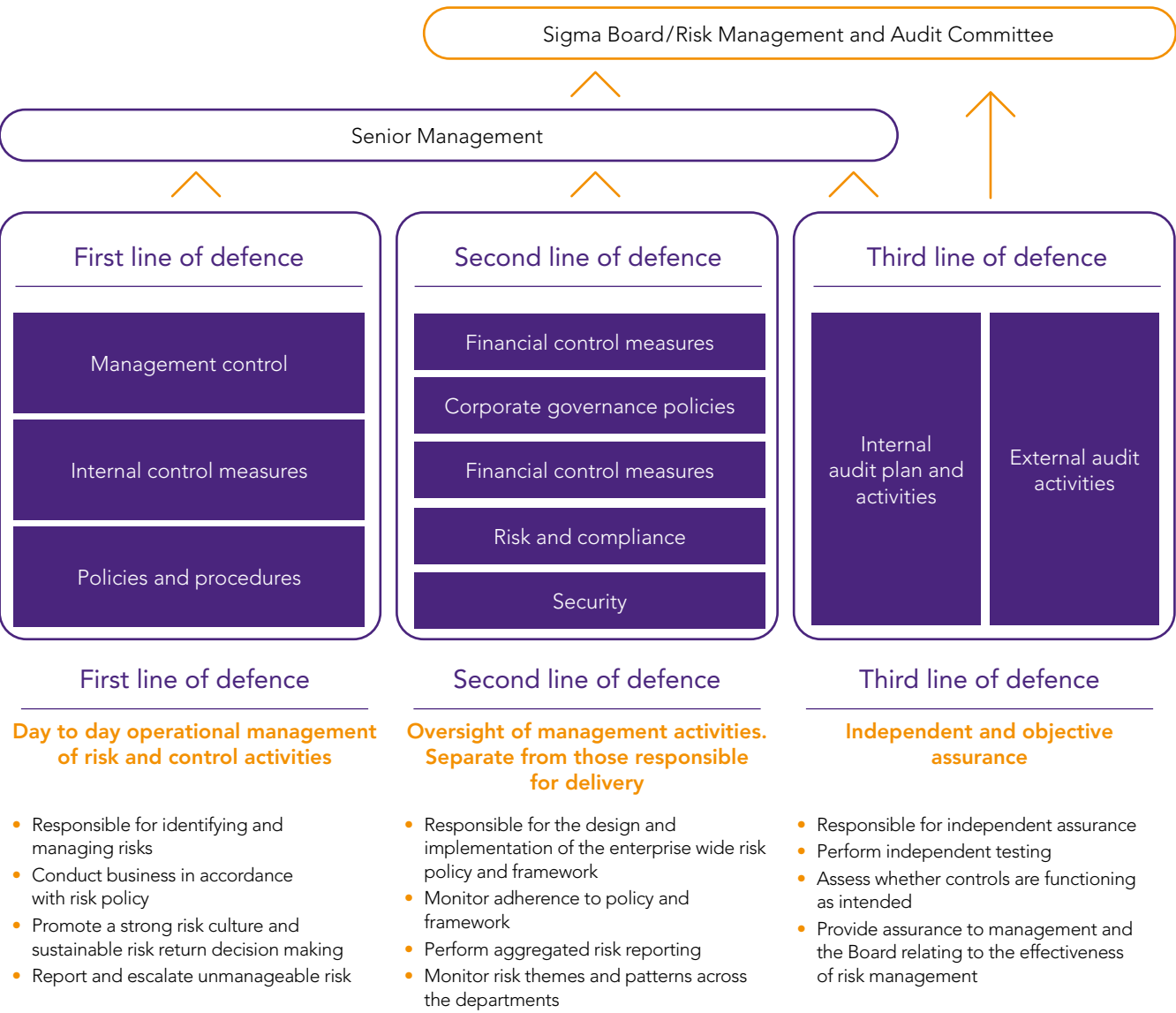
How We Manage Our Risk

The Board is responsible for ensuring the effectiveness of the risk management framework, which outlines Sigma’s governance processes, accountability for risk management and operational resilience program. The framework is consistent with the Australian and New Zealand standard on risk management (ISO 31000:2018). The Board has charged the Executive team with the responsibility for managing risk across the Group under the direction of the CEO and Senior Executives.

To deliver on this responsibility, the Risk Management and Audit Committee (RMAC) was established, overseeing the management of risks in accordance with the RMAC charter. The RMAC is responsible for managing all financial and non-financial risks that may impact on Sigma’s operations, which includes environmental, social and governance risks. The Group Risk function is responsible for embedding the risk management framework, advising business units on mitigation plans and consolidating risk reporting to senior executives and ultimately, the Board.

Sigma also acknowledges the increasing physical and transitional risks associated with a changing climate, and the far reaching impacts of climate change on our suppliers across the world. Over the coming years Sigma aims to release a report in accordance with the Task-force for Climate Related Financial Disclosures, showing how climate related risks and their controls are embedded throughout the business and quantified.

The following table shows Sigma’s risk management model and demonstrates that management and mitigation of risks is embedded throughout the business.



Things That Are Shaping Our World

We acknowledge that we operate in a highly regulated industry that is constantly evolving, and that to ensure the ongoing sustainability of our business we must continuously adapt to meet the needs of our customers, partners, shareholders, team members and the communities that we serve.

The table below outlines the trends that we understand are shaping the way that we do business. Our Risk Management Audit Committee (RMAC) is constantly reviewing these trends so that they can update the Board and mitigate the way we work as required.

| Key Risks and Opportunities | How they impact on our business |
|---|--|
| Australian community pharmacy regulatory reform and/or legislative changes | Regulatory reforms imposed on the industry in relation to the PBS, CSO and other Government initiatives, regulation and legislation could impact the structure and/or operating environment, and therefore position, of Sigma's business. We are continuously monitoring the changing regulatory environment in which our business exists, actively contributing to the conversation and developing risk mitigation strategies. |
| Financial risk | The Group is exposed to various financial and economic sustainability risks including customer defaults, loss of inventory from damage or obsolescence, loss of material customers and general retail trading conditions. Our Credit Committee reviews and identifies potential risks early to enable active engagement and intervention where required, with monthly reporting to RMAC and the Board. |
| Liquidity risk | Effective liquidity management is imperative to meet the Group's ongoing funding requirements in executing the capital expenditure program, investment in systems, management of working capital and overall strategy. Management actively review covenants, maintain engagement with financial service providers, and provides regular reporting to RMAC. |
| Operations risk | The Group is exposed to a number of risks that have the potential to materially impact operations or result in business interruption. This includes industrial action, workplace health and safety and loss/outage of critical infrastructure. The continuous upgrade of our distribution centres, regular audit assessment activity, as well as monitoring a changing regulatory environment, ensures that Sigma is able to manage operational risk. Sigma also has Business Continuity Plans aligned to the International Standard ISO 22301 – Business Continuity Systems. This enables Sigma to manage the impact of major disruptions rather than the causal risk events. These Business Continuity Plans are tested to ensure that they remain feasible and to rehearse decision-making in response to specific scenarios. |
| Impacts of climate change | Sigma acknowledges that climate change is having a real impact on the operations of businesses and, as a healthcare and distribution company, this will have a real impact on our business operations too. The rising number of days over 40 degrees, increase in extreme weather events and the environmental stress on the communities around us will undoubtedly make it harder to operate safely, and ensure the total quality of the products we supply to our customers. We manage this risk through maintaining consistent ambient temperature controls within our DC network, having generator back-up as security against power outages at the DC's, and utilising cold storage distribution boxes for products where required. Business Continuity Plans are also in place to mitigate this risk. |
| IT infrastructure and systems | IT infrastructure and systems are constantly changing, and as such so must businesses adapt. If IT infrastructure and systems do not adequately support the current and future needs of the business and protect against cyber risk, the personal information that we hold for customers is at risk. Sigma has recently embarked on a major whole of business system upgrade to significantly reduce system risk, and has implemented new measures to strengthen cyber security including multi-factor security, endpoint antivirus, perimeter firewall and Anti-Malware amongst others. |
| Health and safety | The operations of Sigma rely significantly on the availability of skilled team members, both within our distribution centres, our production facilities and in our head offices. Sigma is constantly maintaining best practice safety standards and reporting against important indicators such as LTIFR and fatality rates. Proactive training is provided to maintain skill levels across team members. |
| Social and environmental sustainability risk | We are committed to delivering sustainable outcomes for investors, customers, communities and the environment, today and for the future. Sigma recognises the risk on our reputation and operations from not delivering on this commitment. One thing that sets Sigma apart is its distribution around Australia, and its meaningful connections with the communities it serves. Ongoing materiality analysis and customer feedback ensures that Sigma is managing its sustainability risks. |
| People retention and talent management | Sigma's workforce is one of its competitive advantages among peers. COVID-19 demonstrated a need for companies to proactively support their total health and wellbeing. Sigma's People and Remuneration Committee has as a foundation a commitment to implement initiatives to recruit, retain and reward performers. Sigma is currently preparing a talent management and leadership development strategy to be launched in 2021, which will identify strategies we will implement to ensure we are well placed to retain key talent. |

Environment

The materiality review completed within the reporting period highlights the importance to partners, shareholders, suppliers and customers that Sigma understands its exposure to climate change and that a changing climate may have negative operational and financial implications on our facilities, our distribution network and our broader supply chain.

As well as working to understand the climate related risks we face as a healthcare and distribution company, we continue to upgrade our network to be highly efficient, with improved productivity and energy efficient practices. A smart network is important to ensure that our distribution centres can operate successfully in all-weather events and so that we can continue to be stewards of the products that we distribute across the country.

The three focus areas where Sigma can have the most meaningful environmental impact are by reducing our operational waste, reducing our carbon emissions and by fully understanding our exposure to climate related risks.

Reducing Our Waste

Sigma delivers medicine and healthcare products to community pharmacies, hospital pharmacies, Aged Care and Allied Health facilities around the country. Managing distribution centres that process products from a diverse supply chain generates a significant amount of waste.

We realise that as a facilitator of packaging and waste generation we also have a responsibility to reduce it where possible, which is why Sigma became a signatory to the Australian Packaging Covenant (APC). The APC

aims to reduce the use of new packaging to improve the environmental impact of companies throughout all parts of the supply chain. Our commitment to the APC requires disclosure against eight key criteria, including packaging collaboration and strategy, procurement and waste diversion.

Sigma is committed to addressing the APC commitments as relevant to our business, outlined in the table below. This plan will be further developed over the coming year and progress will be reported in the 2022 sustainability report.

| Criteria | Detail | Our progress | Tracking |
|----------|-----------------------------------|----------------------|---|
| 1.1 | Packaging sustainability strategy | Good progress |  |
| 1.2 | Closed-loop collaboration | Beyond best practice |  |
| 2.1 | Packaging design and procurement | Getting started |  |
| 2.2 | Packaging materials efficiency | Getting started |  |
| 2.3 | Recycled and renewable materials | Getting started |  |
| 2.4 | Post-consumer recovery | Getting started |  |
| 3.1 | Business-to-business packaging | Getting started |  |
| 3.2 | On-site waste diversion | Leading |  |

Exploring Circularity

The Group adopts a circular approach for the cardboard boxes used to relocate products from distribution centres to pharmacies. Once products are delivered to a community pharmacy, the tote boxes are returned to Distribution Centres for re-use or recycling if unable to be re-used. On average, cardboard tote boxes are reused at least three times. Further, throughout the reporting period over 17,000 lineal meters of traditional plastic bubble wrap were removed from our operations, replaced with 28,000 lineal meters of paper based and earth friendly alternatives.

Measuring Our Emissions

Sigma understands the role that corporate Australia plays in driving emissions reduction and a smooth transition to renewable energy, which is why we aim to operate a portfolio of Distribution Centres that are reliable, efficient, and capable of maintaining the quality of the products that we distribute.

While Sigma believes in climate change and the need for all businesses to reduce their carbon emissions, the objectives that underpin the performance of our distribution centres are a need to control internal temperatures and to decentralise from the main grid network, which ensures that our centres can continue to function if there is disruption to our energy supply. Other features that have been implemented on site include solar panels, LED lighting, timer switches and solar hot water, each enhancing the operational efficiency of our assets. This gives our teams comfort in knowing that we are capable of maintaining the temperature of our DC's within an increasingly dynamic climate. The process to enhance our DC's has resulted in a 10% reduction of total CO₂ emissions on an FY17 baseline.



Environment continued

Although we are proud of our smart network, we acknowledge that with increased automation there is also an increase in energy intensity. Over the coming two years we aim to develop a strategy that articulates how we will further reduce our emissions, how efficient our distribution centres are, and to build a baseline data set that reports on the performance of our old and new DC's.

Managing Our Climate Related Risks

The Taskforce for Climate-related Financial Disclosure (TCFD) is a framework that assists businesses to understand, quantify and mitigate the physical and transitional risks exposed by climate change, ranging from supply chain disruption to changing regulation and customer expectations. The framework consists of four main elements; governance, strategy, risk management and metrics, and targets.

The Sigma Board is ultimately responsible for managing all business risks, which include those related to climate change. In 2020 Sigma established a sustainability working group that has been tasked to deliver on initiatives as part of the new sustainability framework. There is representation from the Board, senior management and from each business unit on the working group, who collaborates to develop a strategy to respond comprehensively to TCFD over the coming years.

The below table is a summary of key climate related risks we have identified as material to our business. Climate related risks are included in the Sigma risk framework, and are managed by the RMAC in accordance with the RMAC charter.

| Risk | Evidence | Impacted |
|-------------|--|------------------------------------|
| Temperature | Average temperatures will continue to increase in the short and long-term. There is expected to be a substantial increase in the temperatures reached on hot days, frequency of those days and a longer duration of heat waves. | Operations |
| Fire | There will be a harsher fire climate due to longer dry spells, days of extreme heat, and less rainfall. | Logistics Pharmacy Hospitals |
| Rainfall | There is likely to be a significant reduction in rainfall during winter, and less certainty about rainfall patterns. The increase of water stress puts pressure on various systems, including electricity generation, manufacturing and agriculture. | Supply chain logistics |

Reporting On Our Progress

| Metric | CY2019 | CY2020 | Metric |
|--|-------------|-------------|--------------------|
| Total energy consumption (non-renewable) | 9,558,208.3 | 10,010,730 | kWh |
| Scope 1 & 2 emissions: | 8,457,765.7 | 8,420,925.4 | tCO ₂ e |
| Waste diverted and recovered | 1,817.6 | 2,532 | tonnes |
| Waste diverted from landfill | 1,801.7 | 2,514 | tonnes |

Our Society

Sigma inherently supports the health and wellbeing of Australia's communities, and our core purpose is to serve those communities by providing a full range of medicines, collaborating with customers and suppliers and by supporting our pharmacies to be innovative, professional service providers for the people in their care.

We do this from a base of safety first for all team members, as every person has the right to perform their roles in a safe environment. We are also committed to diversity in all its aspects, including providing an environment that does not discriminate based on gender, religion, or cultural background. We are WGEA compliant which demonstrates our commitment to gender diversity and we will seek to build on this by developing our diversity and inclusion strategy in 2021/22.

We are part of a large and complex supply chain, so it's important that we collaborate with partners, suppliers, and our team members to operate a supply chain that mitigates the likelihood of modern slavery, that contributes to local economies and supports the total wellbeing of Australian communities. As part of our approach, we partner with for-purpose organisations such as 'The Summer Foundation', Assistance Dogs Australia, St Vincent de Paul, and Carers Australia.

Managing Our Supply Chain

We realise that the complexity of our supply chain provides an opportunity scope to both monitor the risk of modern slavery and create opportunities for participation.

The Modern Slavery Act 2018 (Cth) legislates that companies must disclose annually how they are managing the likelihood of modern slavery in their supply chains. As a Community Service Obligation (CSO) wholesaler Sigma facilitates thousands of transactions each day and manages a complex supply chain that facilitates the demand and supply of around 16,000 PBS medicines and Over the Counter and Fast Moving Consumer Goods to community pharmacy, hospital pharmacy, and Aged Care and Allied Health facilities. This means that Sigma has connections in every corner of Australia, demonstrating its unique position help to mitigate human rights abuses and to create value for communities across the country.

We believe that the risk of modern slavery in our supply chain is relatively low, due to the highly regulated nature of the pharmaceutical industry, the requirement for predominantly highly skilled and educated team members, and the majority of operations being completed in sophisticated environments that have established policies and processes in place. Despite this, Sigma has taken strides to assess Modern Slavery risks, including establishing due diligence and remediation processes.

These actions include:

- The Board of Directors delegates responsibility for risks to management, with effective governance processes in place to ensure that the risk of modern slavery is sufficiently managed
- The creation of a 'Supplier Handbook', which sets out our expectations of suppliers when they carry out work with the Sigma Group. The handbook includes a requirement for suppliers to complete a 'Due Diligence Questionnaire' specific to the type of goods and services provided.
- Reviewed existing contractual agreements with suppliers that are due for renewal.

Access to Healthcare

Sigma inherently supports the health and wellbeing of Australian communities by providing a full range of medicines, collaborating with customers and suppliers and supporting professional service programs. We have a portfolio of 10 distribution centres, with highly complex technology driven supply chain, enabling us to service our community and hospital pharmacies usually within 24 hours of order cut-off. Over a number of years we have acquired subsidiary businesses that enable us to diversify our service offering to create greater accessibility to healthcare.

Our Society continued

Our Subsidiary Businesses

Central Healthcare Services (CHS)

Our CHS business works to create partnerships with customers and manufacturers alike by implementing cost efficiencies throughout the supply chain, leaning on its core expertise as a provider of warehousing, logistics and the distribution of healthcare products. The services that CHS delivers include delivery to hospital pharmacy and Partner Logistics Services. CHS became a fully owned Sigma subsidiary in 2014 and is now part of the Sigma Groups 10 distribution facilities Australia wide.

MPS

MPS became a fully owned Sigma subsidiary business in 2018 and has enabled the Sigma Group to expand its offering to provide DAA (Dose Administration Aid) services to pharmacies and aged care facilities, providing better health outcomes for customers and residents through accuracy and increased efficiency. The three products that MPS offers include packettes, resipacks and blister packing. MPS automates 70% of pharmacy paperwork and administration workflows reduces medication wastage, reduces risk of medication errors and reduces pharmacy inventory levels. MPS has the highest standard of medication packaging accuracy in Australia, providing greater surety to patients and their loved ones.

MIA

MIA became a fully owned subsidiary of Sigma in 2019. MIA is focused on sourcing and supplying medical consumables and medical devices to customers including community pharmacy, hospital pharmacy, aged care facilities and allied health facilities.

Our Modern Slavery policy outlines our approach to managing risks through our operations and is underpinned by nine values



Safe working conditions, reasonable working hours and fair remuneration for all team members.



Employment must be freely chosen, with no forced or bonded labour.



Zero occurrences of child labour and required compliance with the minimum legal working age (or absent such law, in compliance with the ILO Convention 138).



Zero discrimination, harassment, or any other inappropriate workplace behaviour.



We promote equal employment opportunities based on ability, performance and potential.



Encourage and respect freedom of association and provide grievance mechanisms for workers to access.



We prohibit bribes, favours, benefits or other similar unlawful or improper payments in cash or kind in exchange for business or otherwise.



We seek assurance from, or perform due diligence on, new (or renewing) suppliers to determine their risk and the procedures adopted in relation to ethical sourcing and modern slavery.



We will monitor and assess compliance with the terms of this policy and to the extent possible, seek to remedy any breach of this policy.

Measuring Our Success

| | |
|--|-------------|
| Community investment | > \$100,000 |
| Average delivery time | < 24 hours |
| Number of distribution centres | 10 |
| Medication management best in market accuracy rate | 99.9995% |

Distribution centre locations providing national coverage



Supporting Community

Each year, Sigma engages with communities across our network to provide support outside of our day-to-day operations and to offer our people an opportunity to give back. The start of 2020 saw Australia fighting unprecedented bushfires that impacted people and the environment across the country. Sigma supported the recovery by pledging \$50,000 to the St. Vincent de Paul Society Bushfire Appeal in addition to a \$25,000 donation to the Alliance Pharmacy Bushfire Relief Appeal that supported bushfire-affected pharmacies in NSW and Victoria.

We also offered financial assistance to our pharmacies in bushfire affected areas to help them get back on their feet and tripled all team member workplace giving donations to the Bushfire Relief Appeal 2020 through St Vincent de Paul Society Bushfire Appeal, the Australian Red Cross Disaster Relief and Recovery and to WWF Australia.

Over the next 12 months our approach to community investment will be refined, so that we can increase our giving and focus our attention on the things where our business can make meaningful contributions. As part of this, we will scope out a program that provides an improved framework that empowers our people to contribute to causes they are passionate about and that establishes long-term and meaningful partnerships that we can continue to invest in over the long-term.

The Summer Foundation

Further, in 2020 Sigma donated \$40,000 plus services in kind to 'The Summer Foundation'. Today, more than 5,800 young Australians with disability and complex support needs end up living in residential aged care because there are no other alternatives. Many are aged in their 30s or 40s, living with people in their 80s, as they are forced to accept living with people they have not chosen to live with. The Summer Foundation is working to achieve a change in policy and practice in relation to young people in aged care so that young people with a disability have the right to live where, how and with whomever they choose.

We're proud of our pharmacy brands for also contributing to the community. Throughout 2020 Discount Drug Stores supported Assistance Dogs Australia, an organisation that helps to train Assistance Dogs to be placed with people who have a physical disability, autism or PTSD, free of charge. As each Assistance Dog costs \$40,000 to train, the organisation relies on private donations to ensure that more dogs are able to be placed with owners, changing their lives in a profound way by providing companionship and safety when navigating each day.



Corporate Governance

We realise that running an ethical business goes beyond managing just the behaviour of our team. It extends to understanding our supply chain and eradicating modern slavery, complying with regulation and maintaining best practice corporate governance. The Ethical sourcing and Modern Slavery Policy was developed to respond to the Modern Slavery Act 2018 and documents Sigma's approach to eradicating human rights abuses within our supply chain.

Sigma transitioned to using the ASX Corporate Governance Principles and Recommendations (4th edition) during the reporting year, up from using the 3rd edition in 2019. The strategic direction and corporate governance of Sigma is led by the Board of Directors, chaired by Mr Ray Gunston. The core objective of the Board is to maximise returns to shareholders while considering key risks that may impact the business. Please refer to the Corporate Governance Statement for a complete overview of how we manage our business.

Business Ethics

Sigma is committed to an ethical and transparent approach to business. Underpinning this is the Sigma Code of Conduct, which outlines the principles and behaviours required of Sigma team members to maintain and achieve these standards. The key principles within the Code include honest and ethical behaviour, respect for people and property, and legal compliance. Our inclusive culture resulted in our team members developing the core "ARCHI" behaviours by which our team operate and are measured – Accountable, Respectful, Collaborative, Honest, Innovative.

Privacy

The Sigma Privacy Policy has been developed in accordance with the Australian Privacy Principles (APPs) and the Privacy Act 1988 (Cth). As a steward for team member, customer and medicinal data, it's imperative that Sigma responsibly manages the personal information we collect, access, store and use to deliver on our business purpose. The Privacy policy describes how we manage the personal information of suppliers, customers, loyalty program members and patients and it is available on our website.

Bribery and Corruption

Sigma is committed to working collaboratively to build long-term relationships that reward partners, benefit consumers and support communities. It is imperative that team members act with integrity to develop trust, open communication and mutual accountability between Sigma and its partners. Sigma's approach to managing bribery, corruption and insider training was reviewed in 2020 to ensure that all team members and partners of Sigma follow the law and do not expose Sigma to regulatory or reputational risk.

Sigma's share trading policy was again reviewed and strengthened during the year, and supported by compulsory education and training for team members. The Share Trading Policy outlines the process any team member or 'Specified Persons' must take when dealing in Sigma shares, so that they comply with legal and regulatory requirements, that Sigma can maintain market confidence in the integrity and dealings in Sigma shares, and that Sigma protects shareholder interests.

The Anti-Bribery and Corruption Policy released in 2020 underpins Sigma's approach to managing unethical and illegal behaviour that breaks the trust of colleagues, shareholders and key stakeholders. The Policy provides guidelines on making political donations, providing gifts, entertainment or hospitality as well as guidance on how incidents of corruption should be reported internally.



GRI Index

| GRI Standard Title | Disclosure | Standard Disclosure Title | Reference or Response |
|---------------------|------------|---|--|
| General Disclosures | 102-14 | Statement from senior decision-maker | CEO Message (page 2) |
| | 102-1 | Name of the organisation | CEO Message (page 2) |
| | 102-2 | Activities, brands, products, and services | About Sigma Healthcare (page 5) |
| | 102-3 | Location of headquarters | About this report (page 1) |
| | 102-4 | Location of operations | About this report (page 1) |
| | 102-5 | Ownership and legal form | About this report (page 1) |
| | 102-6 | Markets served | About this report (page 1) |
| | 102-7 | Scale of the organisation | About Sigma Healthcare (page 4) Our People (page 13) |
| | 102-8 | Information on employees and other workers | Our people (page 13) |
| | 102-9 | Supply Chain | Our Society (page 19) |
| | 102-10 | Significant changes to the organisation regarding size, structure, ownership and its supply chain | There were no significant changes to the organisation and its supply chain in 2020 |
| | 102-11 | Precautionary Principle or approach | Risk management (page 14) |
| | 102-12 | External developed economic, environmental and social charters | Things that are Shaping Our World (page 15) About this Report (page 1) Stakeholder engagement (page 8) |
| | 102-13 | Membership of associations (industry) and national or international advocacy – hold position on governance body; provide funding or views membership as strategic | Stakeholder engagement (pages 8 and 9) |
| | 102-45 | Entities included in the consolidated financial statements | The Sustainability Report covers all entities included in Sigma Healthcare's consolidated financial statements |
| | 102-46 | Defining report content and topic Boundaries | CEO Message (page 1), Our Approach to Sustainability (pages 6 and 7) |
| Management Approach | 102-47 | List of material topics | Our Approach to Sustainability (pages 6 and 7) |
| General Disclosures | 103-1 | Explanation of the material topic and its boundary | Our Approach to Sustainability (pages 6 and 7) |
| | 102-40 | List of stakeholder groups | Stakeholder engagement (pages 8 and 9) |
| | 102-42 | Identifying and selecting stakeholders | Stakeholder engagement (pages 8 and 9) |
| | 102-43 | Approach to stakeholder engagement | Stakeholder engagement (pages 8 and 9) |
| | 102-44 | Key topics and concerns raised | Our Approach to Sustainability (pages 6 and 7) |
| | 102-50 | Reporting period | 2020/21 Financial Year |
| | 102-51 | Date of most recent report | This is Sigma Healthcare's inaugural sustainability report |
| | 102-52 | Reporting cycle | CEO Message (page 1) |

| GRI Standard Title | Disclosure | Standard Disclosure Title | Reference or Response |
|--|------------|---|---|
| | 102-53 | Contact point for questions regarding the report | About this report (page 1) |
| | 102-54 | Claims of reporting a. in accordance with the GRI Standards b. GRI content index for chosen option | This report contains standard disclosures from GRI Sustainability Reporting Guidelines |
| | 102-55 | GRI content index | GRI Index |
| | 102-56 | External assurance | The data within this report has not been externally assured |
| | 102-18 | Governance structure | Corporate governance (page 22) |
| | 102-16 | Values, principles, standards, and norms of behaviour | Our people (page 13), Governance (page 22) and Risk management (page 14) |
| Management Approach | 103-1 | Explanation of the material topic and its Boundary | Our people (page 11), Environment (page 16), Our Society (page 21), Corporate Governance (page 22) |
| | 103-2 | The management approach and its components | |
| | 103-3 | Evaluation of the management approach | |
| Economic performance | 201-1 | Direct economic value generated and distributed | Sigma Annual Report |
| Energy | 302-1 | Energy consumption within the organisation | Environment (page 18) |
| Water | 303-1 | Water withdrawal by source | Omission – Sigma will report on its water consumption in its 2022 Sustainability Report |
| Emissions | 305-1 | Direct (Scope 1) and (Scope 2) GHG emissions | Environment (page 18) |
| | 305-2 | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | Scope 3 has been excluded from this report and will be included in the 2022 Sustainability Report |
| Effluents and Waste | 306-2 | Waste by type and disposal method | Environment (page 18) |
| Environmental Compliance | 307-1 | Non-compliance with environmental laws and regulations | Not applicable, Sigma has not identified any non-compliance with environmental laws and/or regulations |
| Employment | 401-1 | New employee hires and employee turnover | Material employee metrics have been included in the Our people section (page 11) |
| Occupational Health and Safety | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Our people (page 11) |
| Diversity and Equal Opportunity | 405-1 | Diversity of governance bodies and employees | Our people (page 11) |
| Local Communities | 413-1 | Operations with local community engagement, impact assessments, and development programs | Community (page 19–21) |
| Socioeconomic Compliance | 419-1 | Non-compliance with laws and regulations in the social and economic area | Not applicable, we have not identified any non-compliance with laws and regulations in the social and economic area |



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