



Sigma Pharmaceuticals Limited

Remuneration & Nomination Committee Charter

Introduction

This Remuneration & Nomination Committee (the Committee) Charter has been formed in light of the best practice recommendations contained in the ASX Corporation Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations – Principle 8 “Remunerate Fairly and Responsibly” and the Business Council of Australia Guidelines (BCA) in order to ensure the Committee is effective and efficient in carrying out its duties to the Board of Directors (the Board), Sigma and its shareholders.

1. Purpose

The purpose of the Committee is to assist the Board to consider remuneration issues more efficiently and fully and to provide recommendations on remuneration issues to the Board for approval.

The key objective of the Committee is to ensure that Sigma's remuneration policies and practices:

- Are reasonable and fair;
- Reward for performance;
- Attract and retain high-calibre staff;
- Are in line with the current governance and legal requirements;
- Are managed to mitigate against operational, financial, regulatory (including disclosure) and reputation risk;
- Are applied fairly and consistently with sigma's other policies; and
- Provide a clear link between reward delivered and shareholder value created.

2. Authority

The Committee does not have delegated power to make binding decisions. The Board will have ultimate approval of the matters considered by the Committee.

The Board may authorise the Remuneration Committee, within the scope of its responsibilities, to:

- Perform activities and make recommendations to the Board consistent with this Charter;
- Engage independent counsel and other advisors as it deems necessary to carry out its duties, at the company's expense;
- Require the attendance of company officers at meetings as appropriate; and
- Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.

3. Organisation

3.1 Membership

- 3.1.1 The Board will nominate the Committee members and the Chairman of the Committee (the Chair).
- 3.1.2 The Committee will have a minimum of three non-executive Director members and have no more than six members, the majority of whom are independent Directors.
- 3.1.3 The Chairman of the Committee is to be an independent Director who is not Chairman of the Board of Directors.
- 3.1.4 The Chief Executive Officer (CEO) should be an ex-officio member of the Committee and invited to attend meetings at the request of the Committee. If the CEO is a member of the Committee, the CEO cannot chair the Committee. Whether a member or not, the CEO may not be present when his/her individual remuneration or employment contract is a topic of discussion.
- 3.1.5 Each member should have the skills and experience necessary to make a valuable contribution to the Committee. The Committee will consist of Directors who:
- Have capacity to devote the required time and attention to Committee meetings;
 - Have sufficient knowledge in regard to the key aspects of Sigma's business;
 - Are familiar with legal and regulatory disclosure requirements around remuneration;
 - Have adequate knowledge of executive remuneration issues, including executive retention and termination policies and short-term and long-term incentive arrangements; and
 - Have sufficient knowledge of the Board's structure, composition and membership needs.
- 3.1.6 The Committee will ensure that there is an appropriate induction process for completion by each new member, which covers the members' responsibilities listed under section 4 "Responsibilities".
- 3.1.7 Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with remuneration and relevant legal and regulatory issues. .
- 3.1.8 The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board.
- 3.1.9 The membership of the Committee and the skills and performance of all Committee members will be reviewed bi-annually by the Board (refer to section 5 "Evaluating Performance").

3.2 Meetings

- 3.2.1 Only Committee members are entitled to attend meetings. The Committee may invite such other persons (eg. the HR Director) to its meetings, as it deems necessary.
- 3.2.2 Other members of the Board of Directors are invited to Committee meetings under a standing invitation.
- 3.2.3 No individual will be permitted to be present when his/her individual remuneration is being discussed.
- 3.2.4 At least three meetings should be held in each financial year on prearranged dates and should be scheduled to correspond with Sigma's remuneration and reporting cycle.
- 3.2.5 To ensure all remuneration issues are covered at appropriate times throughout the yearly remuneration cycle and given adequate time for discussion at each meeting, the Committee will schedule a calendar of agenda items. At a minimum, the annual agenda should cover the following areas:
- Remuneration strategy;
 - Remuneration structure;
 - Review and approval of executive and director remuneration levels;
 - Market competitiveness and alignment;
 - Incentive measures, target and assessment;
 - Governance and regulatory requirements;
 - Risk management and internal controls relating to remuneration; and
 - Director and executive succession planning
 - Organisation development and training.
- 3.2.6 Special meetings may be convened as required or requested by a Director.
- 3.2.7 Papers and Approvals may be given by email when appropriate.
- 3.2.8 The Company Secretary should deliver the agenda and supporting papers to the Committee members at least five days in advance of each meeting.
- 3.2.9 Members of the Committee should endeavour to attend every meeting of the Committee.
- 3.2.10 Frequency of and attendance by members at Committee meetings must be disclosed in the annual report.
- 3.2.11 A quorum for any meeting will be a majority of the Committee at the date of the meeting.

3.3 Minutes

- 3.3.1 The draft minutes of each Committee meeting are to be prepared and circulated to all Committee members by the Company Secretary as soon as practical but no later than the distribution date for papers for the next Committee meeting, at which the minutes of the meetings are to be confirmed.

- 3.3.2 A copy of the Committee minutes, once they have been approved by the Chair, will be included in the papers for the next Committee meeting.
- 3.3.3 Minutes are not to be a verbatim recording of the meeting but should accurately record the resolutions of the Committee, key reasons for those decisions (where appropriate) and actions arising.
- 3.3.4 The action statement from each Committee meeting will be approved by the Chairman and circulated to all Committee members as soon as practical but no less than seven days after each meeting.
- 3.3.5 The action statement will include accountabilities, performance expectations and the nature and timing of subsequent reporting.

3.4 Papers

- 3.4.1 The Company Secretary should deliver the agenda and supporting papers to the Committee members at least five days in advance of each meeting.
- 3.4.2 Reports and other papers of the Committee shall be made available to all Directors upon request, provided no conflict of interest exists.

4. Responsibilities

4.1 Non-Executive Director (NED) Remuneration

The Committee will provide assistance to the Board with the following activities:

- Seek independent external advice, as appropriate, on NED remuneration to mitigate any potential conflict of interest;
- Ensure that NED remuneration is set with due consideration to law and corporate governance principles;
- Set remuneration levels for the chairman of the Board;
- Ensure there is a clear distinction between the structure of NEDs' remuneration and that of executives; and
- Ensure shareholder approval is sought where appropriate.

4.2 CEO Remuneration

The Committee will provide assistance to the Board with the following activities:

- Establish the terms and conditions of the CEO's employment contract, including fixed annual remuneration, short-term and long-term incentives, equity-based payments, benefits, pensions, superannuation, retirement and termination compensation;
- Review the CEO's remuneration arrangements with due consideration to law and corporate governance principles;
- Set and review annually, robust performance measures and targets that encourage superior executive performance and ethical behaviour;
- Review, at least annually, the performance of the CEO against individual and company targets;
- Agree the policy for authorising claims for expenses from the CEO; and
- Ensure that any new or varied contracts with the CEO are disclosed in accordance with any governance, accounting and legal requirements.

4.3 Executive Remuneration

The Committee will provide assistance to the Board with the following activities:

- Develop and review Sigma's executive remuneration strategy, policies and practices in line with:
 - Sigma's corporate objectives;
 - The expectations of executives; and
 - Current corporate governance principles.
- Ensure that executive remuneration packages involve a balance between fixed and incentive pay, reflecting short-term and long-term performance objectives appropriate to Sigma's circumstances and goals;
- Establish and maintain a process to set robust performance measures and targets that encourage superior executive performance and ethical behaviour;
- Review, at least annually, executive performance against individual and overall company targets;
- Oversee the measurement and assessment of performance;
- Conduct a cost versus benefit analysis of Sigma's remuneration strategy
- Establish an appropriate funding mechanism (or incentive pool);
- Oversee the recruitment, retention and termination policies for executives;
- Review and approve the design of all executive remuneration plans;
- Review and approve total proposed payments and equity grants from executive incentive plans and ensure that performance measures and targets have been met accordingly; and
- Review the management of non-salary benefits from time to time, including but not limited to accrued recreation leave.

4.4 Executive Contracts

The Committee will assist the Board to ensure that executive contracts:

- Are reasonable, fair and in line with company policy;
- Reward performance but not under-performance;
- Clearly demonstrate the link between performance and pay;
- Are competitive in order to attract and retain high-calibre executives;
- Are professionally reviewed by legal and remuneration advisors;
- Contain clear provisions governing equity-based payments;
- Contain termination payments agreed to in advance and which are designed to minimise the risk of paying for poor performance upon termination of the executive; and
- Are disclosed in accordance with any governance, accounting and legal requirements.

4.5 Employee Equity Plans

The Committee will provide assistance to the Board with the following activities:

- Review and approve the design of all employee equity plans;
- Obtain independent equity valuations in order to provide accurate disclosure of equity-based emoluments to employees and shareholders;

- Ensure there is a process (that links to Sigma's capital management processes) to decide whether shares are purchased on market or a new issue is made for the satisfaction of each offer of equity-based incentive; and
- Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

4.6 Remuneration Disclosure

The Committee will provide assistance to the Board with the following activities:

- Develop Sigma's policy in relation to remuneration disclosure;
- Ensure remuneration disclosures clearly demonstrate the pay-performance link;
- Ensure adequate explanation of performance measures and targets, their relationship to Company performance, the underlying principles supporting the measures and the process undertaken to establish each;
- Disclose the costs and benefits of Sigma's remuneration policies;
- Liaise with the Audit, Risk & Compliance Committee to ensure all remuneration-based accounting requirements have been complied with (including any disclosure requirements);
- Ensure compliance with regulatory and legal disclosure requirements;
- Ensure preparation of the Remuneration Report is in accordance with regulatory and legal disclosure requirements;
- Ensure disclosure in accordance with ASX Principle 8 "Remunerate Fairly and Responsibly; and
- Ensure that the Committee Charter is easily accessible via Sigma's website.

The Committee should also ensure that the following material is included in the corporate governance section of the annual report:

- Details of the names and qualifications of those appointed to the Committee;
- The number of meetings of the Committee and the names of the attendees;
- Disclosure of Sigma's remuneration policies;
- The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive Directors; and
- An explanation from any departures from ASX Recommendations.

4.7 Stakeholder Engagement

The Committee will provide assistance to the Board with the following activities:

- Develop a strategy for appropriate communication in relation to remuneration issues;
- Ensure key stakeholders are proactively consulted and briefed on remuneration strategies, structure and policies to mitigate reputation risk;
- Overseeing the content and tone of the Remuneration Report; and
- Participate in the planning of Sigma's AGM to ensure effective communication and discussion of the Remuneration Report and to ensure there is a non-binding shareholder vote on the Remuneration Report.

4.8 Risk Management and Controls

The Committee is responsible for working with the Board, the Audit, Risk & Compliance Committee, other subcommittees and management to minimise the risks associated with determining, managing and communicating executive remuneration. Specific duties include developing and maintaining a risk management and controls framework, which:

- Encourages shareholder support for Board decisions on remuneration and the Remuneration Report;
- Manages potential loss of reputation through remuneration approach and disclosure of remuneration practices and decisions;
- Provides remuneration policies which incorporate performance and ethical hurdles;
- Provides competitive and attractive executive employment terms;
- Minimises legal and regulatory exposure; and
- Regularly monitors remuneration-related risks and improves assurance by liaising with the Audit, Risk & Compliance Committee.

4.9 Board Appointments

The Committee will provide assistance to the Board with the following activities:

- Conduct an annual review of the membership of the Board, having regard to the competencies of the current Directors and the present and future needs of Sigma and make recommendations to the Board regarding the responsibilities, size and composition of the Board;
- Establish formal and transparent policies and procedures for the identification, selection and appointment of new Directors and the reappointment or removal of incumbent Directors, including the criteria for Board membership;
- Review the qualifications, skills and experience of Board candidates;
- Make recommendations to the Board regarding the appointment, reappointment and removal of Directors, including retirement policies for Directors; and
- Oversee Board succession, including the succession of the Chairman, to maintain an appropriate balance of skills, experience and expertise on the Board.

4.10 CEO Appointment

The Committee will provide assistance to the Board with the following activities:

- Establish policies and procedures for the selection and appointment of the CEO;
- Establish criteria for the appointment and performance assessment of the CEO including desired skills, qualifications and experience;
- Determine the appropriate strategies to identify a new CEO;
- Review the qualifications, skills and experience of potential CEOs; and
- Make recommendations to the Board regarding the appointment, reappointment and removal of the CEO.

4.11 Education and Training

The Committee will provide assistance to the Board with the following activities:

- Develop and oversee appropriate continuing education and training for Directors; and
- Develop and oversee a formal induction program for new appointees to the Board and Board Committees.

4.12 External Independent Advice

In line with best practice recommendations, the Committee has the ability to engage external independent advisors for the purpose of obtaining a broader and more objective view of the remuneration issues. Committee members may seek independent professional advice in accordance with the terms of their Appointment Agreement.

Situations where external independent advisors may be used may include:

- Where there is a potential conflict of interest on a remuneration issue;
- Where external advice is necessary to ensure that remuneration policies and practices are in line with corporate governance principles and are market competitive;
- Assistance to update and refresh members' skills and knowledge; and
- Assisting with tax, legal, accounting and other regulatory compliance.

The Committee will be responsible for selecting, appointing and setting the terms of reference for any external independent advisors.

4.13 Management Responsibilities

Management should support the Committee by providing recommendations on each of the responsibilities above and adequate information to make informed and objective decisions in relation to such recommendations.

5. Evaluating Performance

In order to ensure that the Committee is fulfilling its duties to Sigma and its shareholders, the Committee will:

- Obtain feedback from the Board on the Committee's performance on an annual basis and implement any agreed actions; and
- Provide any information the Board may request to facilitate its review of the Committee's performance.

6. Review of the Remuneration Committee Charter

The Committee will review the Remuneration Committee's Charter bi-annually, discuss any required changes with the Board and ensure the Board approves any revisions to the Charter.

Updated: 14 August 2009