

**ADDRESS BY THE CHAIRMAN OF THE REMUNERATION & NOMINATION
COMMITTEE SIGMA PHARMACEUTICALS LTD
MR BRIAN JAMIESON
AT THE SIGMA ANNUAL GENERAL MEETING IN MELBOURNE
ON 12 MAY 2009**

FINAL DRAFT: 11 MAY 2009

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Thank you John.

Good morning Ladies and Gentlemen

The Corporations Act requires the preparation of the Remuneration Report, and for Shareholders to have a non-binding vote on the Remuneration Report. You should refer to Item 3 in your Notice of Meeting in this regard.

As the Chairperson of Sigma's Remuneration Committee, we felt it may be beneficial to briefly outline the main features of Sigma's Remuneration Strategy and outcomes.

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The key outcomes from the Remuneration and Nominations Committee meetings for the 2009 financial year are as follows:

- No Short term Incentives were paid to the CEO and Senior Executives for 2008 and 2009
- No Long Term Incentive Plans for the CEO and Senior Executives have vested during 2008 and 2009
- Fixed Remuneration increases for the CEO and Senior Executives have been consistent with the rate of inflation for the 2008 and 2009

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- The Non-Executive Directors have not sought an increase in base or committee fees in 2009
- The Non-Executive Directors have not sought an increase in the aggregate maximum fees limit in 2008 or 2009
- Superannuation payments to the Non-Executive Directors now form part of the aggregate fees maximum limit

- 25% of Non-Executive Director base fees are applied to the on-market purchase of Shares in the Company

At the Board level, the total aggregate fee pool for Directors was not increased at last years Annual General Meeting and we are not seeking any increases in the aggregate fee pool this year, thus leaving the aggregate fee pool at \$1.1 million. We have also amended our policy to include statutory superannuation paid to Non-Executive Directors as part of their total fees. This has reduced the unused portion of the shareholder approved fee pool.

Given the requirement to now include superannuation payments within the cap, it is likely that an increase to the aggregate fee pool will be sought at the 2010 Annual General Meeting.

In recognition of the current challenging economic environment the Board has elected not to increase the base fees or committee fees paid to Non-Executive Directors this year. The base and committee fees for Non-Executive Directors were increased last year, but only by an amount equivalent to CPI.

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At the Executive level, the Remuneration Framework is designed to align Senior Executive remuneration with:

- achievement of strategic Company objectives;
- personal performance, and;
- creation of value for shareholders.

Total Remuneration comprises fixed remuneration which is referred to as Total Employment Cost or TEC and At Risk Remuneration which is made up of Short Term and Long Term Incentives.

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In the 2009 financial year our CEO and Senior Executives only received a small increase to their fixed remuneration. The CEO's potential Short Term Incentive remained at 100% of fixed remuneration, and the Senior Executives 30%. Eligibility for payment of this Short Term Incentive only exists when the Company's Net Profit After Tax meets or exceeds

budget. Were an acquisition be made an adjustment would be made to the NPAT target level.

Once the NPAT hurdle requirement has been met, 25% of the Short term Incentive is payable to our CEO and 50% to the Senior Executives. The extent to which the remainder is payable is calculated on the CEO's and Senior Executive's ability to meet or exceed a variety of company and individual Key Performance Indicators which are set at or near the commencement of each financial year.

As a result of the Company's performance for the financial year ended 31st January 2009 our CEO and Senior Executives were not awarded any Short Term Incentive payment.

In 2006 an Executive Long Term Incentive Plan was introduced which involves granting performance rights to our key employees. In the 2009 financial year a third Executive Long Term Incentive Plan was offered to our CEO and our Senior Executive Team.

Our CEO has the opportunity to earn 60%, and our Senior Executives 40%, of fixed remuneration in performance rights as part of the Long Term Incentive Plan.

The equity nature of the Executive Long Term Incentive Plan is designed to ensure there is alignment between the values and behaviours of our Executives with the interests of Shareholders. Furthermore, the Long Term Incentive Plan is designed to assist the Company in attracting and retaining high calibre Executives.

In 2008 and 2009 no Long Term Incentive plans have actually been paid to the CEO or Senior Executives as the performance conditions have not been achieved.

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I felt it was important to highlight that our Long Term Incentive Plans have a vesting period of three years. Therefore, despite the value of the plans being reflected in the remuneration of our CEO and Executives each year, the CEO and Executives do not receive any financial benefit from the LTI Plan until the end of the three year period and then only if the performance conditions of EPS and TSR have been met.

If the performance conditions are not met the rights will lapse and the CEO and Executives will not receive any financial benefit from them, despite them being shown in their reported total remuneration for the past three years.

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For example, our CEO's reported total remuneration in the 2009 Remuneration Report contained \$765,133 for the value of Options and Performance Rights which have been granted to our CEO under four plans since 2004.

To date none of these plans have vested. Therefore, although \$765,133 for these plans constitutes approximately 43% of our CEO's declared remuneration for 2009, he has not actually been paid this benefit and will only do so if the performance conditions are met.

You will see Agenda Item 5, which addresses our CEO participation in this Incentive and as usual requires your support. There is a very detailed explanation of this Incentive in the Notice of Meeting, including the performance hurdles. Again, the performance hurdles measure Sigma's performance over a 3 year period ending in 2012.

No rights will vest and no shares will be issued to the CEO if the performance hurdles have not been met at that time.

The performance hurdles of Total Shareholder Return and Earnings Per Share are consistent with other ASX 200 companies and our approach to driving Shareholder value.

I note that under the terms of the plan all Performance Rights granted are non-transferable and cannot be charged or otherwise disposed of, and as with all Sigma shares and performance rights held by directors and senior executives, they cannot be the subject of margin loans.

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We believe the Group Remuneration Strategy ensures that our Executives are motivated to deliver outstanding performance for you, our Shareholders. Our Executive's are only rewarded with incentive payments when value has been created for Shareholders.

The performance hurdles used in both the Long Term and Short Term Incentive Plans are consistent with our approach of driving Shareholder value.

We are aware of the scrutiny within the media regarding excessive executive remuneration policies which have been highlighted as a result of the current Global Financial Crisis. It is our firm view that this feedback only applies to a small proportion of the marketplace and does not apply to Sigma.

We do not have excessive executive remuneration, which is evidenced by the small salary increases awarded to our CEO and Senior Executives in recent years. Furthermore, our Short Term and Long Term Incentive plans are underpinned by robust performance conditions that ensure payment only exists when value for shareholders has been created.

Sigma's Executive Remuneration Framework is designed to reflect the fact that we are acutely conscious of the need to balance our operational costs with our ability to attract and retain high calibre Executives. We believe the achievement of the Long-Term and Short-Term Incentive Programs provide significant rewards for employees to remain with Sigma and strive to increase Shareholder value.

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In addition, to overseeing the remuneration arrangements for the Company, the Remuneration and Nomination Committee also takes a strong interest in the Company's safety performance.

During 2009 Sigma recorded 28 Lost Time Injuries (LTI) which is a good result considering we employ in excess of 1,800 employees nationally. The number of LTI's recorded in 2009 represents a slight increase on last year, however, as this graph clearly shows, our performance has significantly improved over the past three years.

We are committed to ensuring we provide our employees with a safe and hazard free working environment. We diligently train our staff on the importance of workplace safety and work with our people to identify and eliminate any hazards within the workplace.

Thank-you for your time this morning.

Mr Brian Jamieson
Director - 12 May 2009