



# Corporate Governance

## Corporate Governance Statement

Sigma's corporate objective is to maximise returns to shareholders within a framework of acceptable risk management. In pursuing this objective your Board draws on corporate governance to contribute to Sigma's performance.

Your Board is committed to applying the ASX Corporate Governance Councils Best Practice Recommendations and as at this date considers that Sigma has adopted those recommendations in all material respects. In this Statement, the relevant governance items are linked to each of the ASX Best Practice Recommendations.

This Statement outlines Sigma's system of governance. Further details can be found on the Corporate Governance section of Sigma's website [www.sigmaco.com.au](http://www.sigmaco.com.au)

## Board Responsibilities and Objectives

Sigma's Board is primarily responsible for setting the strategic direction and corporate governance of Sigma Pharmaceuticals Limited and its subsidiaries including:

- overseeing the management of Sigma;
- reviewing and approving management's business plans and strategic opportunities;
- succession planning;
- appointment and annual evaluation of the Managing Director and Chief Executive Officer;
- establishing strategic goals for management;
- identifying the principal risks and overseeing appropriate control and management systems for them; and
- monitoring Sigma's performance with

the aim of maximising long term returns to Sigma shareholders at an acceptable level of risk.

Matters reserved to the Board include:

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

Subject to matters reserved to the Board, the management and administration of the business is delegated to the Managing Director as its Chief Executive Officer. Whilst there is ongoing interaction

between the Board and Management, your Board functions independently of management.

Your Board draws on corporate governance best practice to contribute to Sigma's performance.

Further details of Board responsibilities, objectives and structure are set out in the Board charter on Sigma's website.

*ASX Best Practice Recommendation 1.1*

## Board Composition

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

The tenure of each Director (with the exception of the Managing Director) is subject to election by shareholders at annual general meeting on a rolling 3 year basis.

On a regular basis your Board reviews both the number and skills of Directors. Sigma sees benefits in having a Board with a diversity of backgrounds, experience and skills.

On a regular basis your Board arranges for a formal, independent performance review of individual Directors and the Board as a whole to ensure it is operating effectively. The last formal review of the Board was undertaken in 2006.

Further details regarding the Directors' skills and qualifications and participation in Board and committee meetings is set out in Sigma's annual report and website.

*ASX Best Practice Recommendations 2.5, 4.5, 8.1*

## Independence

The majority of the Board, including the Chairman, are independent Directors. Sigma has adopted a definition of "independence" for Directors that is consistent with that suggested by the ASX Corporate Governance Council.

Applying this definition, Mr Scott (as a practising pharmacist) and Mr Duchen (as a substantial shareholder) are not independent. The Board values the insight and advice provided by Messrs Duchen and Scott.

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

Only those transactions permitted by Sigma's Constitution and the Corporations Act take place with Directors or their related parties. These are on the same commercial terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions. Related party transactions are set out in note 25 of this financial report.

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

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

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

*ASX Best Practice Recommendations 2.1, 2.2, 2.3*

## Independent Professional Advice and Access to Information

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their

duties and responsibilities to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense.

*ASX Best Practice Recommendation 2.5*

## Board Committees

The Board has established the following committees to assist it in carrying out its duties and to allow detailed consideration of issues:

- Risk Management and Audit Committee
- Remuneration & Nomination Committee

Each committee is comprised of Non-Executive Directors, and the Managing Director and relevant senior executives attend by invitation. The committee structure, membership and effectiveness continue to be reviewed on a regular basis.

Each committee has its own written charter setting out its role and responsibilities and the manner in which it is to operate. Further details of those charters are contained on Sigma's website.

Matters determined by committees are submitted to the full Board as recommendations for decision.

*ASX Best Practice Recommendations 2.5, 4.5, 9.5*

## Risk Management and Audit Committee

The Risk Management and Audit Committee comprises Mrs L Nicholls (Chairman), Mr B Jamieson, and Mr D Mortimer, who are Non-Executive Directors.

The Committee's main responsibility is to review Sigma's financial reporting process, management of risks, audit processes, corporate governance processes and compliance processes. In particular, it is responsible for making recommendations to the Board with respect to all financial information released by Sigma.

The Committee also recommends the appointment, removal and remuneration of the external auditors, together with the terms of engagement. It also reviews the activities and organisational structure of

the internal audit function and reviews the appointment or replacement of the internal auditor.

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

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

Prior approval of the Committee must be gained for non-audit work to be performed by the external auditor. There are specified limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for greater than 5 years.

*ASX Best Practice Recommendations 4.1, 4.2, 4.3, 4.4, 4.5*

## Remuneration & Nomination Committee

The Remuneration & Nomination Committee comprises Mr B Jamieson (Chairman), Mr D Duchen and Mr B Scott, who are Non-Executive Directors.

The Committee's main responsibilities are to advise the Board on remuneration policies and practices, assess the necessary and desirable competencies of Board members, evaluate Board performance, review Board and management succession plans and to make specific recommendations on remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

The Remuneration and Nomination Committee has responsibility for:

- formulating policies and developing criteria to identify potential candidates for appointment to the Board, the review and assessment of the Board's experience and skills,



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- assessment of Board and individual Director performance,
- succession planning.

Remuneration packages are set at levels that are intended to attract and retain quality Directors and executives with the skills necessary to successfully manage the group's operations and achieve Sigma's strategic objectives.

Independent external advice is sought by the Remuneration & Nomination Committee on the total remuneration (including committee fees) to be paid to Non-Executive Directors and a recommendation is made to the Board. A recommendation is submitted for approval by shareholders at Sigma's annual general meeting.

Non-executive Directors are paid a fixed fee, which is not dependent on Sigma performance. In addition to their base fees, members of Board Committees are paid an annual committee fee.

Evaluation of senior executive performance and remuneration is undertaken by the Managing Director on an annual basis.

Sigma's remuneration policies and structures, total fees, details of remuneration paid to Directors and senior managers and details of the Executive Director's entitlements upon retirement, are set out in the Remuneration Report.

*ASX Best Practice Recommendations 2.4, 2.5, 8.1, 9*

## Board and Committee Meetings

The Board and Committees met regularly throughout the year and the frequency of Board and Committee meetings and Directors' attendance at those meetings is set out in the Directors' Report. These meetings include both scheduled meetings of the Board and Board Committees and meetings organised as

required to deal with any specific or urgent matters requiring their attention or action.

*ASX Best Practice Recommendations 2.5, 7.1*

## Risk Assessment and Management

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

The Board's committee structure forms an important part of the risk management process. Through the Risk Management and Audit Committee, the Board receives regular reports on specific business areas where there may exist significant business risk or exposure.

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

*ASX Best Practice Recommendation 7*

## Health and Safety Management

Sigma is committed to the highest standards of occupational health and safety (OHS) in all its operations. Sigma

- monitors its compliance with relevant legislation;
- encourages employees to actively participate in the management of OHS issues; and
- undertakes annual systems and performance reviews as part of its continuous improvement program.

The Board receives regular management reports that cover compliance and performance matters in respect of health and safety matters.

## Ethical Standards

Sigma has adopted a Code of Conduct that applies to all Directors and employees. Its key principles are:

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

In summary Directors and employees must:

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

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



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In addition Sigma has in place and enforces a number of key policies including: Occupational Health & Safety, Equal Employment Opportunities, Harassment, Good Working Relationship and Privacy policies.

*ASX Best Practice Recommendations 3.1, 3.3*

## Share Trading

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

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

Regular reminders of Sigma's share trading policy are issued to senior management.

Further details of Sigma's share trading policy are set out on Sigma's website.

*ASX Best Practice Recommendations 3.2, 3.3*

## Communication and Continuous Disclosure

Sigma is committed to ensuring that all shareholders, the market and other stakeholders are provided with and have access to full and timely information about its activities. Sigma has policies and procedures in place to satisfy this commitment and its continuous disclosure obligations.

Regular briefings and presentations are given in all Australian States and selected overseas locations. Any new information that is presented will have been disclosed to the ASX and posted on Sigma's website, together with all ASX releases. Sigma's external auditor attends the annual general meeting to answer questions regarding the audit.

Further details of Sigma's communications and continuous disclosure policy and procedure are set out on Sigma's website.

*ASX Best Practice Recommendations 5.1, 5.2, 6.1, 6.2*

## Interests of Stakeholders

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

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

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

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

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

*ASX Best Practice Recommendation 10*