



Risk Management Policy

Effective date: 1 July 2014

Recommended by: General Manager Human Resources

Authorised by: Board of Directors

1. Introduction

Sigma Pharmaceuticals Limited (Sigma) recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact shareholder value.

Sigma believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Sigma is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Sigma accepts that risk is a part of doing business. Therefore, this policy is not designed to promote risk avoidance. Rather Sigma's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Everyone at Sigma has a role in managing risk by enhancing opportunities and minimising threats, so that together we achieve our common objectives of growing our business sustainably and enhancing value for customers and shareholders.

2. Purpose

This policy sets out the objectives and accountabilities for the management of risk within Sigma.

3. Scope

This is a group-wide policy and applies to all Sigma operations. This policy applies to Sigma, its Directors, and all its employees and contractors.

4. Objectives

The following objectives drive Sigma's approach to risk management:

- Safeguarding the company's assets- human, capital, property, reputation, knowledge
- Having a culture that is risk conscious and which is supported by high standards of accountability at all levels
- Achieving an integrated risk management approach where risk forms part of all organisational processes and leads to enhancement of shareholder value
- Supporting more effective decision making through better understanding and consideration of risk exposures
- Building a sustainable business for the longer term
- Improving stakeholder confidence and trust
- Improving risk adjusted returns
- Enhancing organisational efficiencies
- Enabling the Board to fulfil its governance and compliance requirements

5. Risk Management Methodology

Sigma has adopted an enterprise wide risk management process that incorporates a system of risk oversight, risk management and internal control designed to identify, assess monitor and manage risks consistent with AS/NZS ISO 31000-2009 *Risk Management- Principles and Guidelines*. All risk

management systems and methodologies must be consistent with this process which is detailed in Sigma's Risk Management Strategy.

6. Responsibilities

Responsibility for risk management is shared across the organisation. Key responsibilities include:

- The Board has ultimate responsibility for overseeing the performance of Sigma, including monitoring risk management and internal control systems. To assist in discharging its responsibilities the Board has established the Risk Management and Audit Committee (RMAC).
- In accordance with its charter, the RMAC assists the Board in overseeing the group's risk profile and is responsible for overseeing management's actions in the identification, management and reporting of material business risks.
- Senior Management is responsible for periodically reviewing the group's risk profile, fostering a risk conscious culture and reporting to RMAC on the effectiveness of the risk management framework and of the company's management of its material business risks.
- The Risk Management Committee is responsible for making recommendations for any changes in the risk management framework, ensuring that risk management activities are integrated, consistent and systematically managed on an enterprise wide basis, and receiving and reviewing risk management reports.
- Internal Audit is responsible for conducting independent examinations and evaluations of risk mitigation plans and providing independent assurance to the executive group and Board.
- Team members are responsible for the effective identification, management, reporting and control of risk within their areas of responsibility, and for developing a risk conscious culture.

7. Financial Reporting

In accordance with Principle 7 of the ASX Corporate Governance Principles and Recommendations (Third Edition) and section 295A of the Corporations Act 2001, the Chief Executive Officer and Managing Director and Chief Financial Officer provide a written declaration to the Board with regards to the financial records, risk management and internal compliance. Assurance is provided that the declaration is founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to financial reporting risks.

In accordance with ASIC's Regulatory Guide 247 (*Effective Disclosure in an Operating and Financial Review*), Sigma's annual Operating and Financial Review (OFR) incorporates disclosures regarding material business risks which could adversely affect the achievement of the Group's strategies and financial prospects.

8. Policy Reviews

This policy will be reviewed every two years or earlier if required by a change in circumstances. Changes to this policy require Board approval.