

Sigma Pharmaceuticals Limited – Board Charter

June 2015



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1. PURPOSE

- 1.1 This Charter sets out the authority, accountabilities, responsibilities, membership, and operations of the Board of Sigma Pharmaceuticals Limited and its wholly owned entities (**Sigma**).
- 1.2 The Board is governed by the Constitution of Sigma Pharmaceuticals Limited which is available on the Sigma website at www.sigmaco.com.au.

2. AUTHORITY

The powers of the Board are set out in the Constitution and at law.

3. ACCOUNTABILITIES & RESPONSIBILITIES

- 3.1 The directors of Sigma are elected by the security holders and have been authorised by them to oversee the management of the business of Sigma and to exercise the powers conferred under the Constitution and the law.
- 3.2 The primary role of the Board is to provide overall strategic guidance for Sigma and effective oversight of management. To achieve this role, the Board has reserved to itself the specific responsibilities set out in **Attachment 1**.

4. MANAGEMENT DELEGATION

Subject to matters reserved for the Board, the management and administration of the business is delegated to the CEO & Managing Director.

5. BOARD COMPOSITION

The Board is structured so that its membership provides the mix of qualifications, skills, experience, and diversity to enable it to effectively discharge its responsibilities.

Sigma's Constitution provides for a minimum of 3 directors. The Constitution also governs the appointment and removal of directors.

At each annual general meeting one-third of directors retire from office, and are free to stand for re-election.

The Board has determined that:

- A majority of the Board should be independent directors,
- The Chairperson should be an independent director,
- The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

The selection of Board members is a decision for the Board acting on the recommendation of the Board's People & Remuneration Committee. In selecting new Board members and reviewing the skills represented by directors on the Board, the Board shall take into account the appropriate skills and characteristics required by the Board to maximise its effectiveness and assess the blend of skills, knowledge and experience necessary for the present and future needs of Sigma.

All new directors shall receive an offer of appointment and will have an induction program.

Procedures for the nomination, selection, and appointment of Sigma Non-executive Directors are governed by this Charter, the People & Remuneration Committee Charter, the Diversity Policy, the Constitution, the Listing Rules and the Corporations Act.

6. INDEPENDENCE OF DIRECTORS

The Board assesses the independence of new directors upon appointment and reviews the independence of all directors on an annual basis. The Board has adopted the following definition of Independence:

An independent director is a non-executive director who:

1. is not a substantial security holder of Sigma or an officer of, or otherwise associated with, a substantial security holder of Sigma. A substantial security holder is a security holder who holds more than 3% of the issued capital of Sigma;
2. within the last three years has not been employed in an executive capacity by Sigma, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to Sigma, or senior employee of such a consultant or adviser materially associated with the service provided;
4. is not a material supplier or customer of Sigma, or an officer of or otherwise associated with a material supplier or customer. A material supplier or customer is a supplier or customer who controls more than 5% of the value of Sigma's total purchases or 5% of the value of Sigma's total sales or more than 50% of the suppliers or customers purchases or sales are from or to Sigma;
5. has no material contractual relationship with Sigma other than as a director of Sigma;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the directors ability to act in the best interests of Sigma; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Sigma.

The Board may determine that a Non-executive Director is independent notwithstanding the existence of a relationship of the kind referred to above. The Board will state its reasons for making that determination.

Non-executive directors will regularly meet alone without executive directors or management present. The non-executive directors also meet independently with the external auditors at least twice per year.

Directors have full access to all senior executives and information as requested.

Directors must keep the Board advised on an ongoing basis of any interests that could potentially conflict with those of Sigma or may lead to them being considered as non-independent. Directors must promptly disclose to the Board interests in contracts, and directorships of public companies and public authorities or offices held, and related party transactions and comply with the

Corporations Act in relation to being present and voting at Board meetings in which a director has a material personal interest. Notice of any such interest may be a standing notice.

If a potential conflict of interest is likely to arise, the director concerned will not receive copies of the relevant Board papers and will withdraw from the Board meeting while those matters are considered.

7. BOARD MEETINGS

The Board will meet in accordance with a schedule agreed prior to the commencement of each calendar year, and as otherwise required on an ad hoc basis. The Board will also set aside time each year to comprehensively consider Sigma's strategies and business plans.

8. CHAIRMAN

The Board will select one of its independent non executive members to be Chairman.

The Chairman will facilitate the work of the Board at its meetings, and be responsible for ensuring that the principles and processes of the Board are maintained.

The Chairman will set the agenda for each meeting in consultation with the CEO & Managing Director and the Company Secretary. Any director may request that an item to be added to the agenda.

The Chairman has authority to act and speak for the Board between its meetings, including engaging with the CEO & Managing Director.

The Board will develop a plan for succession of the Chairman, will periodically evaluate the plan, and will identify an independent non executive director to act as Chairman in the event that the Chairman is unable to do so for any reason.

9. SECRETARY

The Company Secretary is accountable to the Board and is appointed and removed by the Board.

The Company Secretary will develop and maintain the information systems and processes that are appropriate for the Board to fulfill its role and will advise the Chairman, and through the Chairman the Board and individual directors on matters of governance process.

10. COMMITTEES OF THE BOARD

The Board has established a Risk Management & Audit Committee and a People & Remuneration Committee to assist and advise the Board on specific matters set out in the Charter of those Committees.

Other committees may be established by the Board on an ad-hoc basis.

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

11. ETHICS AND CONDUCT

All directors must comply with all laws and Sigma's policies in carrying out their duties. This includes Sigma's Code of Conduct and its directors Code of Conduct, which is as follows.

12. DIRECTORS CODE OF CONDUCT

Directors have an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code.

1. A director must act honestly, in good faith and in the best interests of Sigma as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of Sigma as a whole.
4. A director must recognise that the primary responsibility is to Sigma's security holders as a whole but should, where appropriate, have regard for the interests of all stakeholders of Sigma.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated persons, to conflict with the interests of Sigma.
8. A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of Sigma from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by Sigma, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon Sigma.

13. PERFORMANCE

On a regular basis the Board will undertake a self-assessment of the performance and processes of the Board and its committees. The results of the evaluation will be provided to directors and if required, action plans will be determined to improve Board effectiveness.

Directors are encouraged to continue their professional development. Directors will be kept up to date on relevant legislative and industry issues which affect Sigma.

On an annual basis the CEO & Managing Director's performance shall be evaluated by the Board against set criteria, together with the performance of key executives.

14. BOARD ACCESS TO INDEPENDENT ADVICE

Directors may, in fulfilling their duties and responsibilities, obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense. A copy of any advice so received will be made available to all directors.

15. INDEMNIFICATION AND INSURANCE

The Company insures directors (and the Company Secretary and officers) against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while

acting in the capacity of director (or Company Secretary or officer) of Sigma, other than conduct involving a willful breach of duty in relation to Sigma.

16. REVIEW OF CHARTER

This Charter shall be reviewed on an annual basis, the Charter for each Committee established by the Board shall be reviewed every two years.

Dated: June 2015

ATTACHMENT 1

- overseeing the management of Sigma;
- reviewing and approving management's business plans and strategic opportunities;
- succession planning for the CEO and senior executives;
- appointment and annual evaluation of the CEO & Managing Director;
- establishing strategic goals for management;
- identifying the principal risks for appropriate control and management systems for them; and
- monitoring Sigma's performance with the aim of maximising long term returns to Sigma security holders 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 CEO & Managing Director;
- 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 significant capital assets and legal entities;
- 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;
- setting Sigma's values and standards of conduct and ensuring that these are adhered to in the interests of its security holders, employees, customers and the community.