ADDRESS GIVEN BY THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE OF SIGMA PHARMACEUTICALS LIMITED, DAVID BAYES, AT THE ANNUAL GENERAL MEETING ON WEDNESDAY 8 MAY 2013 IN MELBOURNE, AUSTRALIA

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

The Remuneration Report contained within the Annual Report is comprehensive. Therefore, as the Chair of Sigma's Remuneration and Nomination Committee, I'd simply like to briefly outline some key aspects of the Report.

At the Executive level, Sigma's Remuneration Framework is designed to align Executive remuneration with:

- firstly, The achievement of our strategic Company objectives;
- secondly, The personal performance of the Executives; and, finally and most importantly the
- Creation of value for our shareholders

Total remuneration for Executives comprises "Fixed" Remuneration and "At Risk" Remunerationwhich is made up of Short Term and Long Term Incentives (STI & LTI).

The portion of "at risk" remuneration increases with the level of responsibility, influence and criticality of the role.

Short Term Incentives

For our Executives, the STI (short term incentive) plan includes a deferred equity component. 60% of awarded STI is paid as cash and 40% is deferred as performance rights that vest over a two year period. That deferred equity component:

- instils an appropriate focus on business performance beyond the current year, and it
- creates closer alignment between the interests of Executives and shareholders through increased executive shareholding

Our financial performance in 2012/13 was broadly in line with our expectations.

Consistent with our commitment to ensuring remuneration is linked to company performance, this year's actual STI payments to our Executives represent a reduction from the previous financial year when Company performance exceeded our expectations.

A detailed overview of the STI Plan can be found in the Remuneration Report.

If you refer to item 5.1 in your notice of meeting you will see that we are seeking your approval for the ability to issue performance rights to our CEO as part of the 2013/14 STI Plan. In item 5.2 we are seeking your approval to permit accelerated vesting of any previously earned, but unvested, STI

deferred equity in certain circumstances such as redundancy or a take-over of the Company. Both of these resolutions are entirely consistent with what you approved last year.

Long Term Incentives

The Executive LTI (long term incentive) Plan is designed to align Executive and shareholder interests by linking reward with key performance drivers that underpin long term sustainable growth.

The LTI plan can be delivered either in the form of performance rights or loan funded shares. Each year the Board reviews and determines the most appropriate plan type, having considered the business strategy and key performance drivers for the financial year.

Our LTI plan is currently delivered via a Loan Funded Share Plan. Under this LTI plan, Executives have the right to purchase shares at a pre-determined price if pre-defined vesting conditions are met three years from date of grant. The vesting conditions are:

- **Firstly:** when the company's total shareholder return (TSR) over the performance period is 50% or more; and
- **Secondly:** when the company's average Return on invested capital (ROIC) over the performance period is 14% this has increased from the 2011/12 target of 11%

Importantly, meeting the two vesting conditions will not reward the Executives with full share value, only the opportunity to purchase the shares. The economic benefit of the LTI Plan therefore is largely dependent on share price growth over the performance period. Put simply our Executives benefit when the share price increases over time.

At the Board level, and in line with the ASX Corporate Governance Principles and Recommendations, this year we have conducted and completed a Board review. With assistance from our external independent advisors Towers Watson, this entailed reviewing our Board makeup and practices against a range of measures to ensure the Board is well constituted and operating effectively.

To conclude, it's been an exciting and challenging year at Sigma.

As Chairman of the Remuneration and Nomination Committee, I will continue to monitor the Company's remuneration strategy ensuring it remains closely aligned to shareholder interests and that it continues to be effective in motivating and rewarding our employees.

Thank-you for your time this morning.

David Bayes

Chairman of the Remuneration and Nomination Committee 8 May 2013