

Positioned for sustainable growth

Notice of Annual General
Meeting 2020/21

Notice of Annual General Meeting

Wednesday 12 May 2021

NOTICE IS GIVEN that the Annual General Meeting of Sigma Healthcare Limited (**Company**) will be held at The Events Centre, Collins Square, 727 Collins Street, Melbourne, Victoria, at 11.00 am Australian Eastern Standard Time on Wednesday, 12 May 2021 as a virtual meeting.

Shareholders may participate in the AGM virtually through an online platform provided by our share registrar Link Market Services, which can be accessed at <https://agmlive.link/SIG2021>. Further information on how to participate is set out in this Notice of Meeting. Shareholders will not be able to attend the AGM at a physical location.

Items of Business

1 Chair's Address and Presentation by the Chief Executive Officer and Managing Director

2 Financial Statements and Reports

To consider the Company's Financial Report and Directors' and Auditor's Reports for the year ended 31 January 2021.

3 Remuneration Report

To adopt the Remuneration Report for the year ended 31 January 2021.

The vote on this resolution is advisory and does not bind the Company or its Directors.

4 Spill Resolution (Conditional Item)

Subject to and conditional on at least 25% of the votes cast on Item 3 being cast against adoption of the Company's Remuneration Report for the financial year ended 31 January 2021, to hold an extraordinary general meeting of the Company (**Spill Meeting**) within 90 days of the passing of this resolution at which:

4.1 all non-executive directors in office when the Directors' Report for the financial year ended 31 January 2021 was approved and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and

4.2 resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting are put to vote.

5 Re-election of Directors

5.1 To re-elect as a Director Ms Christine Bartlett, who retires by rotation in accordance with Rule 3.6 of the Company's Constitution and, being eligible, offers herself for re-election.

5.2 To re-elect as a Director Ms Kathryn (Kate) D Spargo, who retires by rotation in accordance with Rule 3.6 of the Company's Constitution and, being eligible, offers herself for re-election.

6 2021 Long Term Incentive Plan

To consider, and if thought fit, pass the following resolution:

"The issue to the Managing Director and Chief Executive Officer of the Company, Mr Mark Hooper, of 7,385,574 shares pursuant to the Company's 2021 Long Term Incentive Plan, be approved on the terms set out in the Explanatory Notes accompanying the Notice of Meeting."

7 Remuneration arrangements for the Managing Director and Chief Executive Officer and Chief Financial Officer

7.1 To consider, and if thought fit, pass the following resolution:

"That, for the purposes of sections 200B and 200E of the Corporations Act, the giving of benefits to the Managing Director and Chief Executive Officer, Mr Mark Hooper, and/or the Chief Financial Officer, Mrs Jackie Pearson in connection with Mr Hooper and/or Mrs Pearson ceasing to hold a managerial or executive office in the Company, be approved on the terms set out in the Explanatory Notes accompanying the Notice of Meeting."

Information for Shareholders:

Virtual Meeting

In light of the novel coronavirus (COVID-19) situation, Shareholders may only attend the Meeting virtually at <https://agmlive.link/SIG2021>. Those who attend the virtual Meeting will be able to participate in the Meeting, including asking questions and voting on resolutions, in real-time. The Company will circulate further information on how shareholders can attend and participate in the virtual Meeting closer to the Meeting date.

Shareholders of the Company

For the purpose of voting at the Meeting, the Board has determined that persons holding Shares in the Company which are listed for quotation on the Australian Securities Exchange at 7.00pm in Melbourne on Monday, 10 May 2021 will be treated as Shareholders of the Company.

Appointment of Proxies

Proxies may be appointed for the Annual General Meeting. Please note that:

- a Shareholder entitled to attend and vote at the Meeting is entitled to appoint no more than two proxies to attend and vote on behalf of the Shareholder. Where two proxies are appointed, each proxy must be appointed to represent a specified number of votes or proportion of the Shareholder's voting rights. If no number or proportion is specified, each proxy may exercise half of the votes;
- a proxy need not be a Shareholder of the Company and may be an individual or a body corporate;

- a Shareholder that is a body corporate or a body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Meeting. The representative must provide evidence of their appointment, including any authority under which the appointment is signed, unless it has previously been provided to the Company;
- if a Shareholder appoints a KMP (as defined in the Explanatory Notes) as proxy, the KMP will not be able to cast the Shareholder's votes on Item 3, Item 4, Item 6 and Item 7 unless the Shareholder directs the KMP how to vote or the Chair of the Meeting is appointed as proxy. If a Shareholder appoints the Chair as their proxy (or the Chair is appointed proxy by default) and the Shareholder does not direct the Chair how to vote, then by signing and returning the proxy form the Shareholder will be expressly authorising the Chair to exercise the proxy for the relevant Item even though the Item is connected with the remuneration of the KMP; and
- if a Shareholder appoints the Chair of the meeting as proxy and does not specify how the Chair is to vote on an item of business, the Chair will vote (if permitted under the proxy form and subject to any applicable voting restrictions), as proxy in favour of the resolution.

Joint holders

In the case of joint holders of shares any one of the joint holders may vote at any meeting, but if more than one of such joint holders submits a vote, the vote of the first named of the joint holders in the Register of Members, whether submitted in person or by proxy or by attorney or in any other approved means, will be accepted to the exclusion of the votes of the other joint holder(s).

Lodgement of Proxy Forms

A proxy form accompanies this Notice of Meeting. To be effective, the completed proxy form and the power of authority (if any) under which the proxy form is signed or a certified copy of the relevant authority must be received by the Company at least 48 hours before the start of the Meeting (that is, by 11.00am Melbourne time on Monday, 10 May 2021).

Proxies (and, if applicable, authorities) may be returned:

By mail:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By hand:

Link Market Services Limited
Level 12, 680 George Street
Sydney 2000

By facsimile:

+61 2 9287 0309

Online:

at www.linkmarketservices.com.au
Login to the Link website using your Shareholder details. Select 'Voting' and follow the prompts to lodge your vote. To use the online voting facility, Securityholders will need their "Holder Identifier" (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**)).

If you have any difficulties lodging your vote online, or if you require an additional proxy form, please contact Link Market Services on +61 1300 139 653.

Explanatory Notes on Resolutions

Item 2 – Financial Statements and Reports

The Corporations Act 2001 (Cth) (**Corporations Act**) requires the Directors to lay before the Meeting the Financial Report, Directors' Report and the Auditor's Report for the financial period ended 31 January 2021.

Shareholders have been provided with relevant information concerning the Company's financial statements in the Annual Report of the Company for the year ended 31 January 2021. The Annual Report is available on the Company's website and has been dispatched to Shareholders who have elected to receive a hard copy on 9 April 2021. A copy of the financial statements and the associated reports will also be tabled at the Meeting.

There is no requirement either in the Corporations Act or the Company's Constitution for Shareholders to vote on the reports. However, Shareholders will be given a reasonable opportunity to ask questions and make comments on these reports at the Meeting.

The Company's auditors will be present at the Meeting.

Item 3 – Remuneration Report

The Corporations Act requires a resolution to be put to Shareholders for the adoption of the Remuneration Report and a reasonable opportunity for Shareholders to comment on and ask questions about the Remuneration Report.

The Remuneration Report is contained in the Annual Financial Report. Copies of the Annual Financial Report, including the Remuneration Report, are available on the Company's website at www.sigmahealthcare.com.au or may be obtained from the Office of the Company Secretary by telephoning (03) 9215 9215.

The Remuneration Report includes:

- an explanation of the Company's policy for determining the remuneration of the Key Management Personnel (**KMP**);
- a discussion of the relationship between that policy and the Company's performance;
- prescribed information regarding KMP; and
- where any element of the remuneration of a member of the KMP depended on the satisfaction of a performance condition, a summary of that performance condition.

At last year's AGM, more than 25% of the votes cast on the resolution to adopt the Remuneration Report for the financial year ended 31 January 2020 were cast against the resolution, meaning that the Company received what is referred to as a "first strike". Under the Corporations Act, if at least 25% of the votes cast on the resolution to adopt the 2021 Remuneration Report at the AGM are against its adoption, the Company will receive a "second strike" and shareholders will be required to vote on the resolution in Item 4. For details of the effect of the resolution in Item 4, please read the Explanatory Notes for Item 4.

Following last year's AGM, the Company consulted with key stakeholders to fully understand the concerns that led to the "first strike". The Board has subsequently made a number of changes to address this feedback, details of which can be found in the Company's 2021 Remuneration Report.

Directors' Recommendation

The vote on this resolution is advisory and does not bind the Company or its Directors. The Directors unanimously recommend that Shareholders vote for the resolution in Item 3.

Item 4 – Spill Resolution (Conditional Item)

This item is a conditional item of business and will only be put to the AGM if at least 25% of the votes cast on Item 3 to adopt the 2021 Remuneration Report are cast against its adoption. If fewer than 25% of the votes cast are cast against its adoption, then there will be no "second strike" and this item will not be put to the AGM.

If this item is put to the AGM, it will be considered as an ordinary resolution. If this item is put to the AGM and is passed, an extraordinary general meeting of shareholders, known as a "Spill Meeting", must be held within 90 days of the AGM. The following non-executive directors who remain in office at the time of the Spill Meeting will cease to hold office at the end of the Spill Meeting unless they are willing to stand for re-election and are re-elected at the Spill Meeting:

- Mr Raymond M Gunston;
- Ms Christine Bartlett;
- Mr David G Manuel;
- Mr Michael Sammells;
- Ms Kathryn (Kate) D Spargo; and
- Mr David Bayes.

The directors listed above are those who held office on the date when the Directors' Report for the year ended 31 January 2021 (which includes the Remuneration Report for the year ended 31 January 2021) was approved. Even if Ms Christine Bartlett and Ms Kathryn (Kate) D Spargo are re-elected at the AGM, they will need to be re-elected at the Spill Meeting to remain in office. In accordance with the Corporations Act, ASX Listing Rules and the Company's Constitution, the Company's Chief Executive Officer and Managing Director, Mr Mark Hooper, will not be required to stand for election as a director at any Spill Meeting and will continue to hold office following any Spill Meeting.

The Board considers the following factors to be relevant to a Shareholder's decision on how to vote on this Item 4:

- as set out in the 2021 Remuneration Report, after careful consideration and extensive consultation, the Board has made a number of changes to the Company's remuneration framework;
- each of the non-executive directors listed above have previously been elected as a director with strong support of Shareholders;
- the Sigma business has performed strongly through challenging times and the continued progress on executing the Company's transformational change program and implementing strategic initiatives means we are now primed to accelerate Company growth; and
- convening a Spill Meeting would cause significant disruption, uncertainty and cost to the Company, which the Board does not consider would be in the best interests of the Company or its Shareholders.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote against the resolution in Item 4.

Voting Restrictions

The Corporations Act prohibits any votes being cast on the proposed resolution in Item 3 and Item 4 by or on behalf of:

- a member of the Company's KMP, details of whose remuneration are included in the Remuneration Report; or
- a closely related party of a KMP, regardless of whether those votes are cast as a Shareholder, a proxy or in any other capacity, and the Company will disregard any such votes, unless:
 - the vote is cast by a proxy appointed in writing that specifies how the proxy is to vote on Item 3, and is not cast on behalf of a KMP or a closely related party of a KMP; or
 - the vote is cast as a proxy by the Chair of the Meeting and the proxy appointment expressly authorises the Chair to exercise an undirected proxy.

A closely related party of a KMP includes a spouse, child or dependant of the KMP, or anyone else in the KMP's family who may be expected to influence the KMP or be influenced by the KMP in the KMP's dealings with the Company, or a company the KMP controls.

The Chair of the meeting intends to vote undirected proxies (subject to the instructions set out in the proxy form and any other applicable restrictions) in favour of Item 3 and Item 4.

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as described above), you may commit an offence by breaching the voting restrictions that apply to you under the Corporations Act.

Item 5 – Re-election of Directors

Rule 3.6 of the Company's Constitution requires one-third of the current Directors (excluding the Managing Director), or the whole number nearest one-third, to retire by rotation at each Annual General Meeting. Accordingly, Ms Christine Bartlett and Ms Kathryn (Kate) D Spargo, being amongst the longest serving Directors, will retire at the Meeting.

Being eligible, Ms Christine Bartlett and Ms Kathryn (Kate) D Spargo offer themselves for re-election.

Each election will be conducted as a separate resolution.

Profiles on each of the Directors are set out below:



Ms Christine Bartlett

**BSc, MAICD. Non-Executive Director,
Chair of the People and Remuneration
Committee**

Appointed a Director of Sigma Healthcare Limited in March 2016. Ms Bartlett holds a Bachelor of Science (Pharmacology and Physiology) from the University of Sydney and has completed the Harvard University Advanced Management Training and Global Executive Program. As an experienced CEO and senior executive, Ms Bartlett has broad commercial expertise, with a particular focus in areas of financial discipline, risk management, innovation, technology, and strategy execution. Ms Bartlett's current directorships in listed entities include Non-Executive Director at Mirvac Group and Reliance Worldwide Corporation Ltd. Ms Bartlett resigned as a director of GBST Ltd in November 2019. Ms Bartlett has not held any other directorships in listed entities over the past three years. In addition, Ms Bartlett is a current Non-Executive Director in unlisted company TAL. Ms Bartlett is a member of Chief Executive Women, and the Australian Institute of Company Directors.

Directors' Recommendation

The Directors (other than Ms Bartlett who is the subject of this resolution) unanimously recommend that Shareholders vote for Ms Bartlett's re-election.



Ms Kathryn (Kate) D Spargo

**LLB (Honours), BA, FAICD.
Non-Executive Director,
Member of the Risk Management
and Audit Committee**

Appointed a Director of Sigma Healthcare Limited in December 2015. Ms Spargo holds a Bachelor of Law with Honours, an Arts degree from the University of Adelaide and is a fellow of the Australian Institute of Company Directors. She has gained broad business experience as both an advisor, having worked in private practice and government, and as a director of listed and unlisted companies. Ms Spargo is currently Non-Executive Director at Sonic Healthcare Limited, Adairs Limited, and CIMIC Ltd. Ms Spargo has held a directorship in listed entities over the past three years as Non-Executive Director in Xenith IP Ltd and Fletcher Building Limited. In addition, Ms Spargo's current positions in unlisted companies include Chairman of Colvest and Director at the Geelong Football Club and Future Fuels Cooperative Research Centre.

Directors' Recommendation

The Directors (other than Ms Spargo who is the subject of this resolution) unanimously recommend that Shareholders vote for Ms Spargo's re-election.

Item 6 – 2021 Long Term Incentive Plan

The Company's Long Term Incentive Plan (LTIP) is an integral component of the Company's remuneration framework and is designed to link executive reward with key performance drivers that underpin sustainable growth in shareholder value. The equity nature of this program ensures close alignment between executive reward and shareholder interest.

The shares granted pursuant to the employee incentive scheme will be allocated at the discretion of the Board through previously forfeited shares held in the Company's Employee Share Trust. However, in the interests of good governance and transparency, the Company has elected to obtain shareholder approval for the LTIP grant to the Managing Director and Chief Executive Officer of the Company, Mr Mark Hooper.

Subject to the satisfaction of certain vesting conditions (**Vesting Conditions**), it is proposed that Mr Mark Hooper be provided with a 5-year interest-free, limited recourse loan (**Loan Arrangement**) to acquire fully paid ordinary Shares in the Company (**LTIP Shares**) in accordance with the terms of the LTIP set out below.

Number of Loan Funded Shares to be Granted to Mr Hooper

The Board has determined that Mr Hooper should have 60% of his fixed remuneration payable in accordance with the LTIP, which represents a total sum of \$793,736 that will be available through the LTIP. The value of each LTIP Share will be determined using a Black-Scholes methodology, which is a widely accepted means of valuing such instruments.

It is intended that 7,385,574 LTIP Shares will be allocated to Mr Hooper as soon as practicable after this Meeting is held and, in any event, no later than 12 months after the Meeting.

A loan of \$4,985,262.45 will be provided to Mr Hooper to acquire the LTIP Shares. It is calculated based on the number of LTIP Shares multiplied by the market price of \$0.675 per share on the LTIP grant date, being 1 February 2021 (**LTIP Grant Date**).

Vesting Conditions of LTIP Shares

The Vesting Conditions applicable to this grant of LTIP Shares will be managed over the Company's 2021/2022, 2022/2023 and 2023/2024 financial years (**Performance Period**).

The LTIP Shares granted to Mr Hooper will vest subject to the following Vesting Conditions being met:

- (a) Mr Hooper must remain continuously employed by the Company as at the date on which the Board makes a determination as to whether the Vesting Conditions have been met; and
- (b) Mr Hooper must satisfy the performance conditions described below (**Performance Conditions**).

Performance Conditions

There are two separate Performance Conditions applicable, being Absolute Total Shareholder Return and Return on Invested Capital.

LTIP Shares granted will each vest where the following Performance Conditions are met:

- (a) Absolute Total Shareholder Return (**TSR**)
 - (1) 12.5% of loan funded shares will vest when the Company's TSR over the Performance Period is 30% or higher;
 - (2) 25% of loan funded shares will vest when the Company's TSR over the Performance Period is 40% or higher;
 - (3) 50% of loan funded Shares will vest when the Company's TSR over the Performance Period is 50% or higher;
- (b) Average Pre-tax Return on Invested Capital (**ROIC**)
 - (1) 12.5% of loan funded shares will vest if an absolute pre-tax ROIC of 10% is achieved during the Performance Period;
 - (2) 25% of loan funded shares will vest if an absolute pre-tax ROIC of 11% is achieved during the Performance Period;
 - (3) 50% of loan funded shares will vest if an absolute pre-tax ROIC of 12% is achieved during the Performance Period.

Restrictions on Disposal of LTIP Shares

During the Performance Period, Mr Hooper's LTIP Shares are subject to disposal restrictions, such that:

- (a) Mr Hooper may not dispose of his unvested LTIP Shares until they vest; and
- (b) Mr Hooper may not dispose of his vested LTIP Shares until such time as he repays the Loan or makes arrangements acceptable to the Company to repay the Loan.

Forfeiture of LTIP Shares

Forfeiture conditions apply at all times while Mr Hooper holds LTIP Shares. Mr Hooper will forfeit his interest in LTIP Shares where he:

- (a) is a 'Bad Leaver', in the opinion of the Board, and has acted unlawfully, fraudulently or dishonestly, or in serious breach of his obligations in relation to the affairs of the Company;
- (b) breaches any terms of the Loan Arrangement under the LTIP rules; or
- (c) does not satisfy the Vesting Conditions.

What happens if Mr Hooper ceases employment with the Company?

If Mr Hooper ceases employment with the Company, the Board will make a determination in respect of vesting and/or forfeiture as indicated below:

- (a) In the event of resignation, unvested shares are typically forfeited (subject to Board discretion) and vested shares are retained, subject to repayment of the outstanding loan; and
- (b) In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.

What happens if there is a Change of Control?

The Board may, in its absolute discretion, make a determination that some or all of a participant's equity vest if the Company becomes, or in the opinion of the Board is likely to become, subject to a Change of Control.

Loan Arrangement

The full terms and conditions of the Loan Arrangement are detailed in a loan agreement between Mr Hooper and the Company. The loan commences on the LTIP Grant Date and, subject to the Board's discretion to permit the Loan to continue for a further specified period, ends at the earliest of the following:

- (a) five years from the LTIP Grant Date;
- (b) the date Mr Hooper ceases employment with the Company;
- (c) the date the LTIP Shares are forfeited;
- (d) the date the Board determines any of the Vesting Conditions will not be satisfied;
- (e) the date the Company is wound up; or
- (f) the date, other than above, that Mr Hooper and the Company agree to in writing.

The loan is an interest-free and limited recourse loan. Limited recourse means the repayment amount will be the lesser of the outstanding loan balance and the market value of the LTIP Shares that are subject to the loan. If Mr Hooper's LTIP Shares are of lower value than his loan balance at the time that he is required to repay the loan, his LTIP Shares will be bought-back at market value and the proceeds applied to full satisfaction of his loan obligations.

Mr Hooper may repay the loan early at any time. The loan must be repaid in full, and the Performance Conditions satisfied, before he can dispose of his LTIP Shares.

If dividends are paid by the Company on Mr Hooper's LTIP Shares, the Company will apply the after tax value of the dividends to the repayment of Mr Hooper's loan, in accordance with the Loan Arrangement.

If the loan period ends, the Company may sell or buy-back some or all of Mr Hooper's LTIP Shares to satisfy the loan balance outstanding. The proceeds from any sale or buy-back of Mr Hooper's LTIP Shares will be applied to pay back the outstanding loan balance and any excess money after costs and expenses will be returned to Mr Hooper if he is entitled to it.

Additional Information

In accordance with the ASX Listing Rule 10.15.11, the following additional information is provided concerning the LTIP Shares awarded to Mr Hooper under the LTIP:

- (a) details of any LTIP Shares issued under the LTIP will be published in each annual report of the Company relating to a period in which LTIP Shares have been issued, and that approval for the issue of LTIP Shares was obtained under ASX Listing Rule 10.14; and
- (b) Mr Hooper is the only Director who is entitled to LTIP Shares. No other Directors (nor Associates of Directors) are being awarded with LTIP Shares under the LTIP.

Directors' Recommendation

The Directors (other than Mr Hooper who is the subject of this resolution) unanimously recommend that Shareholders vote in favour of the resolution in Item 6.

Item 7 – Remuneration arrangements for the Managing Director and Chief Executive Officer and Chief Financial Officer

2021/2022 Short Term Incentive Plan (STIP)

The fixed remuneration component of an executive's total reward consists of base salary and statutory superannuation contributions (**Fixed Remuneration**). The short term incentive (**STI**) component of an executive's total reward is an annual at-risk incentive reward and links a portion of executive reward opportunity to specific financial and non-financial measures.

The maximum STI reward value for the 2021/2022 STIP is payable in cash and capped at 100% of Fixed Remuneration for the Chief Executive Officer and Managing Director and 50% of Fixed Remuneration for other executives.

Following Board approval of the audited 2021/2022 year-end accounts and determination of each executive's achievement of financial and non-financial KPIs, STI cash payments in relation to the Managing Director and Chief Executive Officer and Chief Financial Officer only, will be 75% of the awarded STI (**Cash Payment**). The remaining 25% cash payment of the STI will be deferred for a period of 12 months from the date of the Cash Payment (**Deferred Amount**). However, discretion remains with the Board to release the 25% deferred STI prior to the expiration of the 12 month period.

Additionally, the Managing Director and Chief Executive Officer and Chief Financial Officer are entitled to receive payment of the Deferred Amount upon separation from the Company excluding summary termination.

Why is this resolution being proposed?

Sections 200B and 200E of the Corporations Act prohibit the Company from giving a person who holds, or has held in the previous 3 years, a 'managerial or executive office' in the Company (or a related body corporate of the Company), a benefit in connection with that person's retirement from office, or position of employment, in excess of that person's average annual base salary over the relevant period, unless such benefit:

- is approved by Shareholders at a general meeting of the Company; or
- is exempt from the need for Shareholder approval.

A consequence of these provisions is that the Company may (in general terms) be prohibited from providing the Deferred Amount owing under the STIP upon the occurrence of an accelerated event including, without limitation, retirement, redundancy, death, total and permanent disablement or a change of control (**Accelerated Event**), with the value of that benefit being an accelerated benefit (**Accelerated Benefit**). This resolution is proposed to seek Shareholder approval to pay certain executives who hold or have held in the previous 3 years, a 'managerial or executive office' in the Company, a combined termination benefit (comprising both a payment in accordance with existing employment arrangements and the Accelerated Benefit) with a value potentially in excess of their average annual remuneration.

KMP affected by this resolution

For the purpose of the Corporation Act, the following employees hold, or have held in the previous 3 years, a managerial or executive office in the Company:

- Mr Mark Hooper (Managing Director and Chief Executive Officer); and
- Mrs Jackie Pearson (Chief Financial Officer), (together, **KMP**).

If you approve this resolution, what can the Company do?

Approval by Shareholders of Item 7 will give the Company authority to pay the Deferred Amount to any KMP upon the occurrence of an Accelerated Event, even if the value of the associated Accelerated Benefit, when combined with the KMP existing termination benefit (described below) exceeds their average annual remuneration.

Approval of the Item 7 does not give the Board authority to pay ex-gratia golden handshakes to a KMP.

Maximum benefit payable

(a) Existing termination benefit

The employment conditions and remuneration of the KMP are formalised in individual contracts of employment. No fixed terms are specified within these employment contracts and the Company may terminate an employment contract without cause by providing 12 months' written notice (or making a payment in lieu of the notice period based on the individual's annual remuneration) (**Termination Benefit**).

More detail on the Termination Benefit is provided below.

(b) New proposed additional benefit

As set out above, any Deferred Amount granted to a KMP under the STIP is payable 12 months from the date of any Cash Payment or earlier if an Accelerated Event occurs. The value of the Cash Payment an executive may receive under the STIP is also explained above.

Termination Benefit

A Termination Benefit is payable where a KMP is entitled to receive a payment from the Company on termination of employment by the Company.

The amount of a Termination Benefit includes up to 12 months' remuneration in lieu of the Company giving notice of termination of office or employment.

Legal Requirements – Accelerated Event and Termination Benefit

Subject to a number of exceptions, Shareholder approval must be given for the purposes of Sections 200B and 200E of the Corporations Act for the Company to give a person a benefit in connection with that person's retirement from office, or position of employment, in a company or a related body corporate if:

- (a) the office or position is a managerial or executive office; and
- (b) the retiree has, at any time during the last three years before his or her retirement, held a managerial or executive office in the Company or a related body corporate.

The term 'benefit' has a wide operation and extends to:

- (a) the early payment of any Deferred Amount owing under the STIP to the KMP following the occurrence of an Accelerated Event; and
- (b) payment of any Termination Benefit to a KMP.

The amount of any Deferred Amount payable to a KMP cannot currently be ascertained.

The details of the Termination Benefit for which approval is sought are as follows:

Description of benefit	Manner in which value to be calculated	Matters, events and circumstances that will, or are likely to, affect the calculation of value
Payment of Termination Benefit where a KMP has their employment terminated on notice by the Company.	The Company will calculate the value of this benefit as including up to 12 months' remuneration in lieu of the Company giving notice of termination of office.	<ul style="list-style-type: none"> (a) The amount the KMP is entitled to receive from the Company by way of remuneration at the time of their termination; and (b) The time after the commencement of the financial year that notice is served terminating employment.

Voting Restrictions

The Company will disregard any votes cast on Item 7 by:

- any KMP; and
- any associate of a KMP.

However, the Company need not disregard a vote (and that person is not prohibited from voting) if the vote:

- is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution;
- is not cast on behalf of the KMP or an associate of the KMP.

Directors' Recommendation

The Directors, other than Mr Hooper (who is interested in the outcome of the resolution), recommend that Shareholders vote in favour of the resolution in Item 7.



Sigma Healthcare Limited

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Rowville VIC 3178 Australia

www.sigmahealthcare.com.au

