

Growth through transformation

Annual Review 2019/20



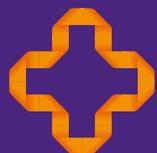
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Customer Centric

We are committed to helping our customers run better businesses.



Health Focused

We are focused on helping manage the future health of the communities in which we operate.



Passionate About Our Business

We are passionate about helping to make pharmacy services and medicines accessible for all Australians



Proudly Australian

We have been proudly servicing the community since 1912.



Strong Industry Connections

We collaborate with suppliers, customers, patients and the Government to provide a strong value proposition.

Our Vision

The preferred partner for
connecting health solutions



Chairman's Report



The past 12 months have been a period of significant transformational change for our business.

Importantly, our core business has continued to build momentum towards the end of the current financial year. We have a strong sales pipeline built off the efforts of an energised team with a clear focus on the customer and helping pharmacies run better businesses, and our retail brands are performing well above growth rates seen in the market, a reflection of the commitment and investment made in our brands to deliver a clear value proposition.

This time last year I discussed progress on the investment in our network of critical Distribution Centres (DCs). This is generational change in operations that commenced in Queensland in May 2016, and has now seen an unprecedented four new state-of-the-art DCs opened.

We have a strong sales pipeline built off the efforts of an energised team with a clear focus on the customer and helping pharmacies run better businesses.

This investment of over \$230 million will drive significant operational efficiency improvement, enhance customer service levels, create capacity for growth, reduce our environmental footprint through the installation of solar power and water capture and recirculation, and provide our team members with a better working environment.

Last year I also discussed the launch of our Project Pivot transformation program, which was prompted by the decision not to renew the Chemist Warehouse (CW) contract. How things change in 12 months. The transformation program is well advanced and on target to achieve the \$100+ million efficiency gains we outlined. In an unexpected turn of events, a new service agreement with CW was signed in November 2019 for the distribution of Fast Moving Consumer Goods (FMCG) products commencing from 1 December 2019, and reaching full run rate by June 2020. This new agreement is expected to bring annualised sales of between \$700–\$800 million under terms that meet the commercial requirements of both parties and is a good outcome for Sigma shareholders.

These activities combined provide a positive outlook for the 2021 financial year and beyond.

During the year we also stared into the prospect of a merger proposal, which ultimately did not proceed. Your Board and management were united in our view that any proposal had to make commercial and financial sense for Sigma shareholders and our customers, taking into account our transformation and investment program, and not adversely impacting the positive momentum our team members had worked hard to achieve.

Importantly, last year we took steps to help ensure we retained our key people to guide the business through these challenges and into the year ahead.

Financial Performance

The planned exit of the CW business and the significant transformation undertaken subsequently meant the current year reported financial performance was always going to be challenging. While our underlying business is performing strongly, these factors have impacted Reported Earnings.

Alignment of senior management remuneration to shareholder value remains a core value. As a result, performance incentives were not paid in respect of the financial targets. In recognition of the transformation work completed during the year, incentives were paid on personal targets.

Transformation Program – Project Pivot

Project Pivot has seen Sigma take action on over 60% of the efficiency gains identified at the commencement of the program. While there has been some delay in realising some of the remaining benefits, over \$62 million of annualised benefits have been achieved, and we remain confident the \$100+ million of identified efficiency gains will be achieved.

In delivering this program, we have:

- Reviewed and reduced our discretionary spend
- Restructured our operations to better reflect business requirements, leverage capabilities, and enhance output

- Provided enhanced capability, capacity and support to empower our team members to grow the business
- Removed over 300 permanent roles

Such significant transformation programs have many challenges and unfortunately impact our team members. I wish to acknowledge those team members who are no longer with Sigma and thank them for their contribution.

Investment Focus – a ‘Growth Mindset’

This year has seen the continuation of our ongoing investment cycle. Having commenced operations at our new DC in Berrinba, Queensland, in April 2018, we also launched operations at three new DCs – Canning Vale in Western Australia in February 2019, Pooraka in South Australia in October 2019, and most recently Kemps Creek in New South Wales in January 2020. To provide some perspective, at 40,000 square metres, the Kemps Creek DC is twice the size of the Melbourne Cricket Ground playing surface.

All sites were delivered on time and under budget, with significantly increased capacity and capability to further enhance service to our customers. They all include design features to help reduce our environmental footprint and improve the safety of our team members.

Our investment focus now shifts to the commencement of our Enterprise Resource Planning (ERP) Project. This ERP Project will see several legacy systems across the business replaced with a single platform to provide an integrated approach and support our growth strategy.

Capital Management

Efficient and prudent management of our capital remains a strong focus of the Board.

With our accelerated investment profile, our net debt position has increased to \$146 million at year end. As we near the conclusion of that investment phase, we will now review our capital management strategy to ensure our balance sheet supports growth and therefore ultimately shareholder returns.

An unfortunate implication of the one-off costs incurred to transform our business has meant that we have insufficient franking credits and have therefore suspended our final FY20 dividend and interim FY21 dividend.

While our share buy-back program remains an option, it remains inactive as we progress through our investment cycle. We do not anticipate that changing during FY21.

Board Renewal

I am writing this report in the knowledge that it is my last as Chairman of Sigma. It has been a great privilege to lead Sigma over the last 10 years of the Company's 108-year history.

We have had some challenges in this period; however, I am incredibly proud of the way the Directors, management and all team members have continued to pull together to pave the way for a stronger Sigma.

I am also pleased that Ray Gunston, who has been on the Sigma Board since 2010, will step into the Chairman role. Ray has excellent financial and commercial acumen and will bring a strong strategic focus to the future of Sigma.

In February we welcomed Mr Michael Sammells to the Board. Michael brings significant financial and commercial experience, as well as industry experience through various roles within Healthcare. Michael is well qualified to assume the role of Chairman of the Risk Management and Audit Committee.

As I sign off, I would also like to personally thank our shareholders. I am confident I leave Sigma in capable hands and in a much stronger position for sustained success in the future.



Brian Jamieson
Chairman

CEO and Managing Director's Report



The Sigma business continues to evolve through our transformation program. We have invested in capacity, realigned our organisational structure, and empowered our teams to drive our customer-centric approach. This is an enterprise-wide strategy that is seeing encouraging results from an engaged team.

Financial Performance

While some difficult but important decisions have been made for the medium to long-term benefit of shareholders, it has unfortunately impacted the short-term reported financial performance. The reported results had to bear the impact of the wind down of the previous CW contract, redundancy and restructuring costs, and the one-off costs associated with our investment program.

Through times of significant change, it is pleasing to see positive results in our team member engagement surveys, which have also flowed through to our customer engagement surveys.

Adjusting for this, Sigma's underlying business has delivered:

- Revenue of \$3.24 billion, down 18%
- Underlying EBITDA of \$46.7 million, down 48%
- Underlying NPAT of \$12.6 million, down 72%
- Underlying Return on Invested Capital of 7.1%

Unfortunately, with insufficient franking credits we have suspended our final dividend in respect of this year and interim dividend in respect of FY21.

Retail Pharmacy

It is an often overlooked fact, but Sigma's pharmacy brands – Amcal, Guardian, Discount Drug Stores, Pharmasave, Chemist King and WholeLife – collectively account for close to 20% of consumer spend in pharmacy in Australia. It is not by accident that our network is thriving and growing faster than the market, with like-for-like sales up 11.7% for the year. We can offer Franchise Partners unparalleled choice of support through a brand or independent offer.

The growth is a culmination of investment over several years, including international study tours, to bring the latest industry thinking and trends to our members. This has seen the introduction of more structured professional service programs, the industry-leading LEAPP program to improve pharmacy workflows, sleep apnoea programs, diabetes management and dose administration services just to name a few.

We have also innovated to expand the pharmacy category. This includes the launch of Amcal+ Life Clinic with expanded consultations alongside allied health professionals, the WholeLife Pharmacy with a holistic approach to wellness incorporating health foods, and the introduction of the Doctors On Demand In-Clinic Telehealth solution to support the healthcare needs of patients. We are also rolling out programs and support to ensure our Franchise Partners are ready for e-scripts.

Wholesale Sales

This year has seen our sales teams deliver outstanding results. Wholesale sales, excluding Hep-C and sales to CW, for the year were up by 8.5%, with particularly strong results achieved in New South Wales and Queensland. This has been delivered by a focused team that has strong leadership and strategy, and clear messaging around our value proposition.

The growth has been supported by investment in our customer ordering platform – Sigma Connect – which has significantly improved the ease of doing business with Sigma. This will be further enhanced in the coming months with the internal release of our integrated Customer Relationship Management (CRM) platform.

Business Operations

Warehouse and logistics has been an area of significant focus for management this past 12-months. The scheduled exit of the CW business was managed to ensure we were not exposed to ongoing costs that were not required in the

transformed business. Most of the roles removed from the business came from the warehouse and logistics functions, in line with the reduction in volumes.

Pleasingly, through the managed exit of the CW volumes, the amount of stock in the DCs was proportionally reduced with no stock write-offs occurring in the process – an outstanding achievement given the scale of the change. That managed process is now the template for efficiently scaling back up for the supply of FMCG products to CW under the new agreement.

An emerging business for us is Third Party Logistics (3PL). We are actively pursuing opportunities in this space, leveraging the new Kemps Creek DC in New South Wales, where half of the 40,000 square metre DC is available for 3PL/4PL business to build our existing presence in this space.

Our hospital distribution business is another beneficiary of our improved DC network. We have maintained our strong market positions in Victoria and Western Australia and are accelerating our focus on other states. Sales in hospitals, excluding Hep-C, were up over 26% for the year, with a strong pipeline of growth opportunities identified.

Additionally, MPS, which provides dose administration aid services to patients, has achieved strong revenue growth during the year. MPS has the highest compliance standards in the country and is well placed to expand its presence in this market.

People and Culture

Through times of significant change, it is pleasing to see positive results in our team member engagement surveys, which have also flowed through to our customer engagement surveys. There is tremendous enthusiasm that is being carried forward into the new year.

As we now embark on the new Enterprise Resource Planning (ERP) Project, we have welcomed an experienced group of team members to Sigma to help ensure successful delivery of this business-critical project. This is one of the last remaining business transformation pieces that will enhance operational capability.

Industry Regulation

The PBS medicine distribution part of our business is heavily regulated, so we are engaged with the Department of Health (DoH) and Minister for Health on an ongoing basis. The wholesale margin is set within the terms of the Community Pharmacy Agreement (CPA), with the current CPA running until June 2020. At the time of writing, negotiations between industry, DoH and the Minister are well advanced, along with discussion regarding the Community Service Obligations (CSO) Deed to which Sigma is a signatory. This sets the high standards that must be delivered in order to be remunerated from the CSO pool. This includes holding stock of all PBS medicines, and delivery anywhere in Australia usually within 24 hours.

The critical role our team members played in ensuring isolated communities could access essential medicines during the bushfire crisis is a great example of good policy in action.

Conclusion

I am often asked if, with the benefit of hindsight, would we change any of the decisions we have made these last few years. That answer is no. The decision to invest in our DC network was critical, as it is a key enablement piece in providing efficient capacity and capability for us to embark on our growth agenda. The decision to not renew the original CW agreement was made because it did not provide our shareholders with an acceptable return. The new agreement does.

This year has clearly had its challenges, which have impacted our short-term financial performance. At the time of writing, we are now also dealing with the coronavirus pandemic, which is having an impact on everyone. However, I am confident that the decisions we have made, the plans we have in place and the transformation we have embarked on will deliver a stronger Sigma with an improved risk profile and significant capacity and capability to accelerate our growth.



Mark Hooper
CEO & Managing Director

Business Transformation

Project Pivot

We have made significant progress in implementing our business transformation program (Project Pivot), which aims to deliver \$100+ million in efficiency gains over FY20 and FY21.

The catalyst for commencing Project Pivot was the business decision in mid-2018 to not renew the first line distribution agreement with the Chemist Warehouse Group (CW). Given the enterprise impact of this decision, it provided the ideal backdrop to embark upon a whole of business transformation program. The program has taken a holistic view of the Sigma business and strategy, resulting in the implementation of operating model changes that have refined our services, enhanced our customer value proposition and improved our operating efficiencies.

The program commenced in late 2018, and was managed through three main workstreams:

- CW Transition
- Operating Efficiencies
- Smart Spend Program

From commencement of the programs through to 31 January 2020, actions have been taken that will progressively deliver over \$62 million of annualised benefits.

The largest and most critical workstream for FY20 was the CW Transition. The focus of this workstream was the smooth exit of the CW business, which was staggered over multiple tranches from November 2018 through to October 2019. The critical deliverables for this workstream were the swift removal of operating costs in line with the transition schedule and the management of complex inventory risks. Pleasingly, this workstream achieved all financial objectives set, and effectively managed inventory risks to ensure there were no stock write-offs.

In an unexpected turn of events, having just completed the successful transition of the final tranche of FMCG products and business simplification, a new first-line agreement for the supply of FMCG products was reached with CW. Following the announcement on 25 November 2019, the focus for this workstream shifted to managing the efficient return of the FMCG business back to us with no disruption to our broader customer base. This included a structured program to replenish inventory levels and to increase labour and service capability. As with the exit program, the re-entry of the FMCG business has been staggered over multiple tranches, with the transition expected to be complete by June 2020.



Business transformation delivering sustainable efficiency gains

The Operating Efficiencies workstream has delved into all aspects of our business operations. This is designed to ensure we take the opportunity to become a more efficient and effective version of ourselves. Range optimisation review and organisational alignment elements were identified pieces of work to increase efficiencies, improve integration of acquired businesses and increase our effectiveness servicing our customers. With the return of CW, the implementation of some elements of this program have been slightly delayed; however, good progress has been made and we remain confident the anticipated benefits will be realised in FY21 and FY22.

The Smart Spend Program is a broad program charged with analysing all expenditure, policies and procedures across the Sigma Group to ensure we effectively manage all addressable spend. Some quick wins were identified early, and actions taken to capture the benefits. This workstream applied a zero cost based budgeting methodology across our cost-base, with a focus on addressable indirect procurement spend. Program initiatives are a combination of changing behaviours and improved indirect procurement practices.

We are very aware of the personal impact transformational change can have on our people and customers. A number of communication and change management programs have been implemented to support our team members and to ensure focus and resilience to drive business performance.

Actions have also been taken to ensure we communicate with our customers and maintain our customer-centric approach in the changes we implement.

Enterprise Resource Planning (ERP) Replacement Project

The key focus of the ERP Project is to replace the legacy Enterprise Resource Planning systems across our entire business with a single platform to support and drive our growth strategy and better service our customers' needs. Implementing a standardised ERP system will enable us to integrate the core processes required to manage our warehouse, supply chain, sales, products and services lifecycle, finance and asset management activities across the Group. Benefits of implementing a centralised ERP include increased efficiency and productivity through standardised business processes, reduced operating costs, enhanced customer satisfaction through improved accuracy and task speed, and improved team member satisfaction.

This project will result in multiple disparate systems and tools being replaced with SAP S/4 HANA ERP and SAP Next Generation product suite. Accenture is partnering with us as our System Integrator, and specialised data migration expertise has been secured from Infosys.

Following significant scoping and analysis, this project kicked off in February 2020 and is expected to run for 21 months.

Enterprise CRM Project

We currently have multiple Customer Relationship Management (CRM) systems across the enterprise. This project seeks to consolidate our current CRM platforms into one enterprise-wide instance of Salesforce. An enterprise CRM will provide a single, shared view of our customers, which will create opportunities for us to build better relationships, improving loyalty and customer retention. Effective customer relationship management will provide us with a strategic advantage through the ability to target and anticipate our customers' needs as well as fulfil them, and streamline our processes, reduce costs and simplify our operating environment.

The CRM project began in October 2019, with the new system deployed in March 2020 following extensive testing in February. We partnered with Simplus, which has extensive experience implementing Salesforce within similar size businesses, as the Systems Integrator.



\$65.0m

Investment in critical business enablement
technology solutions

Skin Care



 Pharmalove

Baby

Retail Pharmacy Services

Our focus this year has been to deliver the right solutions to grow and support pharmacies now and into the future. With a powerhouse of retail pharmacy brands, and a more efficient 'hub and spoke' retail services operating model, our pipeline for growth is strong and our brands are achieving well above market growth.

Customer centricity is enabling us to stay ahead of the current challenging pharmaceutical environment and it is very pleasing to see that our Voice of Customer Program is producing well above FY20 targets and positive improvements in our Net Promoter Scores. Investments in connected solutions are assisting us to create better relationships, better businesses and better communities. Customer insights are helping to develop services that are valued by consumers, improve pharmacy training and readiness and help us understand how we can better support the consumer health journey.

Health Services

Supporting communities through health services and integrated campaigns is resonating with our brands and customers.

Over 2,100 individual pharmacists and pharmacy staff participated in online learning modules that cover pharmacist CPD, Be Good to Yourself Program education, AIA Vitality, Doctors on Demand and LEAPP Dispensary Excellence Program. Our online training program is available through our internal communication platforms and allows pharmacy team members to have access to online training that is relevant to them. Over 37,200 modules were completed via our online training platforms this year.

We believe healthy pharmacy partnerships support healthy communities. Our role is to efficiently connect suppliers with customers and help our customers run better businesses.

Discount Drug Stores (DDS) surpassed its goal of performing 100,000 health checks and interventions in 2019 as part of its 'Wellness Revolution' campaign. The Wellness Revolution was developed to improve the landscape of customer health and wellbeing across its pharmacies and health clinics, nation wide. An extension on the traditional pharmacy role of prescription filling, the campaign focused on redefining the company's position in the healthcare sector by empowering patients to take greater control of their wellbeing. All DDS pharmacies were challenged to improve the health of Australians by encouraging patients to sign up for our convenient and easily accessible in-store health services. The campaign saw an increase of over 41% in consultations performed by pharmacists from the prior year, with DDS pharmacies achieving a total of 137,519 health checks and interventions.

Our Sleep Health Check Program, run in partnership with Pharmacy Sleep Services (formally Australian Pharmacy Sleep Services), continued to grow throughout the year with over 65% more overnight sleep studies conducted than in previous years. Overnight tests can be completed in the comfort of a patient's own home and offer a fast and effective way to determine whether the individual is at risk of sleep apnoea.

The past 12 months has seen us support the roll-out of 59 Doctors On Demand In-Clinic Telehealth solutions across the Amcal network. This innovative service is designed to provide support to patients through convenient access to Australian registered doctors.



DISCOUNT DRUG STORES



~20%

of consumer spend in pharmacy
is in one of these brands

Retail Pharmacy Services continued

2019 also saw the launch of our Corporate Flu Program. This program allows corporate partners to offer team members protection against the flu through vaccinations at participating pharmacies within our network. Corporate Flu vouchers provided to team members and an online booking tool option make it easy for patients to book a suitable day, time and location to receive their flu shot. Pleasingly, 3,000 vouchers from 14 corporate partners were redeemed in 2019. The additional foot traffic and revenue in stores was a positive by-product of this program.

Private Label

Our private and exclusive label portfolio is a key enabler to our strategy of connecting health solutions. We strive to offer differentiation and sustainable profitability long term to our customers.

In a transitional year, all our major brands have recorded growth through a mix of new product launches focused on innovative formulations such as Iberisig, Amcal Mucus Relief Forte Tablets and the Amcal Double Strength Ibuprofen tablets, and the re-invigoration of the Colour Theory portfolio.

This year has delivered increased sales of 3% compared to the previous year, from a combination of our current and new customer base. We have a strong level of collaboration with all our commercial partners, locally and internationally, and a range of innovative projects underway in our private label to contribute to sustained growth.

Amcal+ Life Clinic

This year we launched Amcal+ Life Clinic, our premium health services 'end to end' business model with a clear focus on delivering improved patient health outcomes and business profitability, while still providing core pharmacy services including sleep apnoea testing, diabetes management reviews and vaccinations.

The new clinic format allows us to offer additional specialised services led by allied health professionals including bone density screening, advanced wound care, diabetes clinics, podiatry clinics, advanced audiometry, and an in-pharmacy nurse practitioner.

Expanding on our existing technology capabilities, Amcal+ Life Clinic also includes world-class touch screens and dispensary automation, allowing pharmacists to increase face-to-face patient care. Interest in this new model is already gaining traction, and further Amcal+ Life Clinics will be opening in the coming year.

Amcal and Guardian National Council (AGNC) and DDS National Council (DDSNC)

Both the AGNC and DDSNC were formed to ensure that the strong industry knowledge of pharmacists drives the future direction of the brand. The aims of the Councils are to be proactive and forward thinking through seeking new opportunities, improving agility and responsiveness to industry, regulatory and market changes, pressure testing ideas and seeking solutions to systemic issues. We are



committed to supporting and working closely with the AGNC and DDSNC to ensure members have a voice, trust that decisions being made are in line with the heart of the brand and provide greater transparency in the business.

WholeLife Pharmacy and Healthfoods

Our WholeLife Pharmacy format has established a small but expanding footprint with a new approach to pharmacy that combines the full traditional pharmacy offering with a holistic whole health solution. WholeLife has one of the country's widest ranges of natural and organic products across skincare, beauty, health food and nutrition alongside the traditional pharmacy products and services Australians know and trust. Our pharmacy owners are passionate and enthusiastic about holistic health, pharmacy retail excellence and partnering with customers to achieve positive health outcomes.

With eight WholeLife Pharmacy and Healthfoods locations and four DDS WholeLife Healthfoods stores plus a strong pipeline for growth, we continue to bring pharmacists the opportunity to diversify, expand and future-proof their business as the market for holistic living evolves.

Sigma Financial Services

Sigma Financial Services was created with the objective of helping our customers run better businesses. We work with pharmacies on re-financing, funding new fit outs, or accessing working capital options to more efficiently run their business finances and avoiding financial stress.



In addition to identifying better finance options for customers, we also benchmark a pharmacy's financial performance against the industry and de-identified peers to target opportunities inside the operations of the pharmacy to help it improve financial performance to benchmark standards. This year the program launched a financial health check, with the aim to give pharmacies the opportunity to assess the health of their business, focusing on three key areas:

- Customer Experience
- Employee Engagement
- Financial Performance

Owners received a full report on the health of their pharmacy at the conclusion of the online questionnaire, including actionable items for follow up by the owner. Follow up phone calls provide pharmacists with further insights and opportunities for growth, which can include lease negotiation strategies, acquiring new pharmacies or negotiating the refinance of bank debt, including the release of security.

E-Script

With the government upgrading e-prescribing legislation to allow for electronic prescriptions, in addition to paper-based prescriptions, a range of policy, technical and professional workflow changes are required to enable digital options for pharmacies and their customers.

We are supporting our retail brands Franchise Partners through the following channels:

- Electronic Prescription Readiness Kits distributed physically and electronically
- Delivery of real-time video updates to assist with synthesising and disseminating information
- Facilitation of in-pharmacy team training modules to upskill pharmacists and pharmacy assistants

We have also formalised a partnership with MedAdvisor Australia to offer electronic prescription management capabilities to all Franchise Partner pharmacies. This offer provides bespoke retail branded apps to support consumer loyalty for Amcal, Discount Drug Stores, Guardian and WholeLife Pharmacies.

As electronic prescriptions extend to form part of community pharmacy, we will continue to support Franchise Partners to provide a relevant solution for all prescription customers.

LEAPP Dispensary Excellence Program

The LEAPP Dispensary Excellence Program has been operating for four years in our Amcal and Guardian branded network. The two goals of the LEAPP Program are to improve patient health outcomes and to increase pharmacy productivity.

Over 160 stores have now completed LEAPP accreditation, with over 400 pharmacists participating in the 12-week program. Highlights from the program include the continued focus on pharmacist upskilling through our unique Care Counselling technique and leadership modules.

In addition, we have demonstrated a doubling of pharmacist availability on the pharmacy floor resulting in greater engagement with their patients. This has contributed to increased revenue through above-average prescription growth and additional OTC sales. The LEAPP Dispensary Excellence Program is recognised in the industry as the leading change management and behavioural program for pharmacists and their teams.

Roy Morgan Customer Satisfaction Award for 2019

Congratulations to the Franchise Partners of our Guardian Pharmacy network on winning the 2019 Roy Morgan Customer Satisfaction Award for the Chemist/Pharmacy category. Guardian Pharmacy topped Roy Morgan's monthly customer satisfaction ratings consecutively for eight months, showing just how committed our Guardian Pharmacies are to providing excellent customer service and support to the communities in which they operate.

Roy Morgan is Australia's largest independent Australian research company with over 75 years' experience collecting objective, independent information from approximately 50,000 consumers annually. We are very proud to see this brand rating so well with customers.



Distribution Network

We have successfully designed, built and operationalised the most efficient Distribution Centre (DC) network, with the lowest 'cost to serve' in the industry.

Through our industry-leading nation wide distribution network, we are in the best position to efficiently and effectively service our growing customer base and provide the support the Government needs to deliver the National Medicines Policy. Our commitment to the Policy sees us working with the Government and Department of Health to ensure sustainable medicine supply and equitable access to medicines for patients across Australia, including rural and remote areas.

The 2019/20 financial year saw the successful opening of a further two new DCs in New South Wales and South Australia. Our Pooraka DC in South Australia was commissioned on time and under budget in October 2019.

This is a 10,000 square metre site that stocks our full range of Stock Keeping Units (SKUs) and is already exceeding business case productivity through the introduction of Goods to Person (GTP) picking and automated storage and retrieval systems (ASRS).

Our Kemps Creek DC in New South Wales was also commissioned on time and under budget. The site went live with Third Party Logistics (3PL) operations in August 2019, and became fully operational in February 2020. The development of this 40,000 square metre site has brought an even greater capacity for future growth in Australia's highest populated state, and has been specifically designed to accommodate storage of over 20,000 pallets for 3PL/4PL

activity. At the time of writing, the site is currently delivering over a million units weekly and is efficiently servicing 3PL/4PL contracts.

All new DC Business Cases were developed considering the exclusion of the CW business. Given Business Case Key Performance Indicators (KPIs) and productivities are already exceeding expectations, we are confident they will continue to improve further with additional new business. This has been an accelerated period of investment that is delivering generational step change to our business operations. Our network optimisation program of work will be fully complete within the next 24 months.

Berrinba – QLD

- Fully operational in April 2018
- 15,000 square metres with further automation expansion capability
- Stocks our full range of Stock Keeping Units (SKUs)
- Goods to Person (GTP) and automated storage and retrieval system (ASRS)
- Project delivered on time and under budget
- Exceeding business case productivity

Canning Vale – WA

- Fully operational in February 2019
- 15,000 square metres with further expansion capability
- Stocks our full range of SKUs
- GTP and ASRS
- Project delivered on time and under budget
- Exceeding business case productivity

Pooraka – SA

- Fully operational in October 2019
- 10,000 square metres
- Stocks our full range of SKUs
- GTP and ASRS
- Project delivered on time and under budget
- Exceeding business case productivity

Kemps Creek – NSW

- Operational with 3PL customers in August 2019
- Fully operational in January 2020
- 40,000 square metres with further automation expansion capability
- Stocks our full range of SKUs
- GTP and ASRS
- Project delivered on time and under budget



Wholesale and 3PL/4PL

Over the past 12 months, a significant number of new customers have chosen us as their primary wholesaler. This represents over \$186 million of annualised sales. Customer centricity is at the heart of what we do, and engaging with all our customers in a brand agnostic way is contributing to the growth in our wholesale volume and in turn effectively connecting suppliers and customers.

In recent years we have invested in our large portfolio of retail brands and services which, gives us a clear point of difference to our competitors, and it is this proposition, along with our agnostic solutions-based approach, that has resonated with our customers. Our Sales Team has completed extensive training on our full portfolio, giving them clarity on what solutions we have available to our customers. Further to this training, we have also invested in developing the Sales Team as individuals, enabling them to be trusted advisers who can recommend the best solutions for our customers.

The Pharmacy Alliance (PAL) Group is our largest independent wholesale customer group with a national network of over 700 independent and co-branded member pharmacies. Pleasingly, wholesale sales volume for the PAL Group grew by 7% over the year. To support the PAL customer group and drive efficiency through our updated DC network, we implemented a consolidated bulk ordering process that now enables them to submit CHS and Sigma orders in the one place. Further to this, our Sigma Wholesale Team is also working collaboratively with the PAL Business Acquisition Team to support membership growth.

Sigma's wholesaling network continues to support over 4,000 community pharmacies in addition to hospital pharmacy and third-party logistics customers.

In line with our strategy to develop alternate income streams to the PBS, we have identified 3PL/4PL as a significant growth opportunity.

Third Party Logistics (3PL) in supply chain management is an organisation's use of a third-party business to outsource elements of its distribution, warehousing and fulfilment services. Fourth Party Logistics (4PL) represents a higher level of supply chain management for the customer. 4PL gives clients a 'control tower' view of their wider supply chains, overseeing warehousing, freight, etc., and potentially managing 3PLs on the customers' behalf. We now have a dedicated management team and capacity in our new DC network, in particular at our new Kemps Creek DC, to actively pursue growth in this space.

In August 2019, CHS successfully relocated operations for its 3PL customer Linear Medical to the new DC at Kemps Creek, and has further developed its 3PL customer base with the addition of new customers Heraeus Medical, Trividia Medical and myPak Australia. CHS will continue to focus on further business development in this space to ensure our Kemps Creek DC is fully optimised.

CHS plays an important role in our supply chain, which was evident in the support it provided to the Department of Defence during the summer bushfires and New Zealand volcano events. More recently it continued to work closely with the Department of Defence, DFAT and Border Force to provide supplies and logistics to support the coronavirus crisis.



Sigma Hospital Services

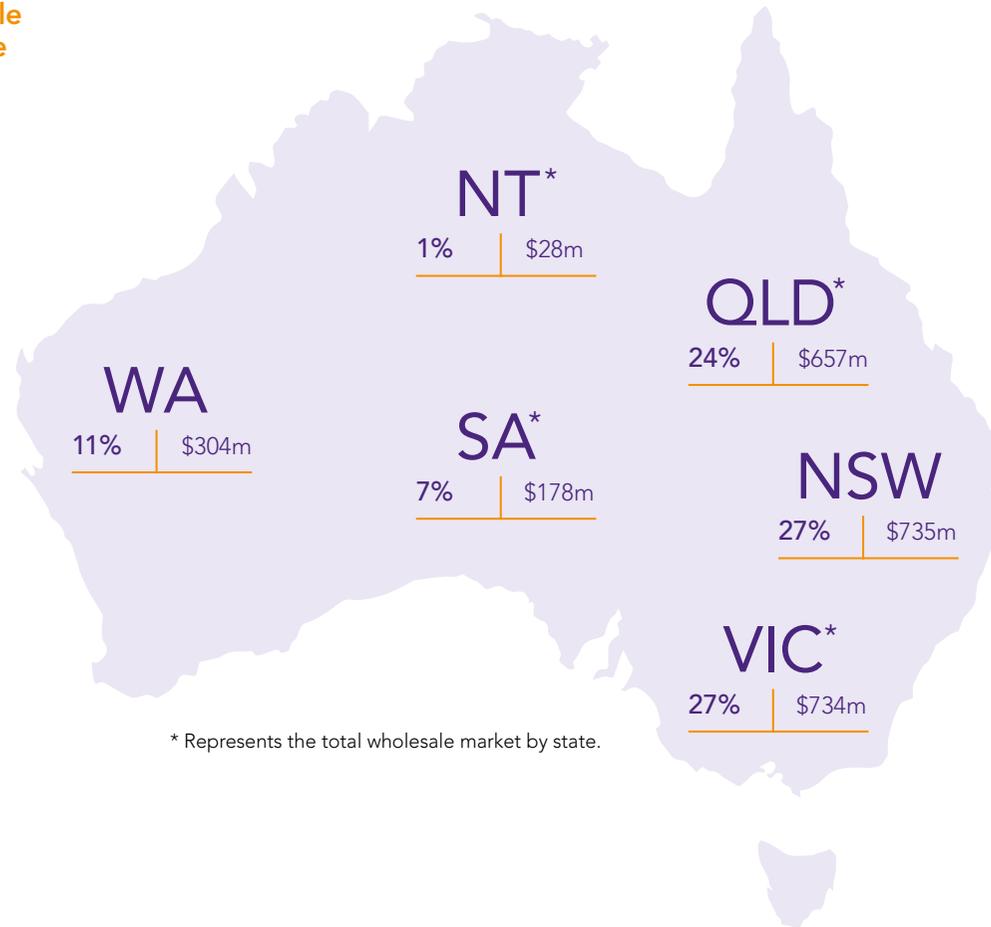
Through a well-considered strategy and customer centric culture, Sigma Hospitals has experienced strong growth, which is being rewarded by customer loyalty.

Our Voice of Customer (VOC) Program measures our performance against customer expectation. A mix of relationship and transaction-based surveys provided us insights in terms of the customer experience relating to partnership health, value we provided and our execution in delivering our promise. Pleasingly, our Net Promoter Score was up 2.9 points and feedback received demonstrated improvement across all customer relationship categories.

Our total market share is continuing to grow through a combination of geographic expansion and consolidation of existing market share. In particular there has been strong growth in the public hospital market in Victoria and Western Australia, with market share now close to 20% in the public hospital segment. New South Wales is also gaining momentum and growing strongly, which we expect to continue.

At the time of writing, Sigma Hospitals has almost 10% of what is a total addressable wholesale market of \$2.7 billion. Alongside our investment in robust and flexible infrastructure, Sigma Hospitals is well placed to be a major player in the hospital wholesale market in the coming years.

Target Wholesale Market by State



Net Promoter Score





Medication Management

Medication compliance and management continues to be a critical issue in Australia's healthcare system. We are committed to providing communities and patients with positive health outcomes through our Dose Administration Aid (DAA) services.

MPS continues to be the leading DAA provider in Australia, with three TGA-approved facilities providing patients with the highest quality assurance standards available to the market. MPS is more than just a packing house, we have invested in extensive market research to focus on understanding the customer and work hard to provide an accurate DAA that meets the demands of the market and connects pharmacies and aged care facilities with their patients.

MPS clearly has the highest standards available, with our latest reported error rate now 1 in 160,000, which is an improvement of 400% in the last 12 months. MPS has secured a number of new aged care facilities and pharmacies which has seen an increase of more than 13,000 new residents using MPS. MPS continues to drive software development to improve resident care and better efficiency in pharmacy, enabling more time to be spent on resident health outcomes.

The MPS Medication Management System combines the strengths of HealthStream and Quantum. HealthStream utilises a unique single e-health record that contains a customer's profile and medication history, including all medication prescribed and packed. HealthStream links each medication profile to complete electronic barcoding and auditability of every single pill. Quantum is a software program unique to MPS that helps automate up to 70%

MPS is looking to the future – a future made possible by connecting customers and residents to better health outcomes.

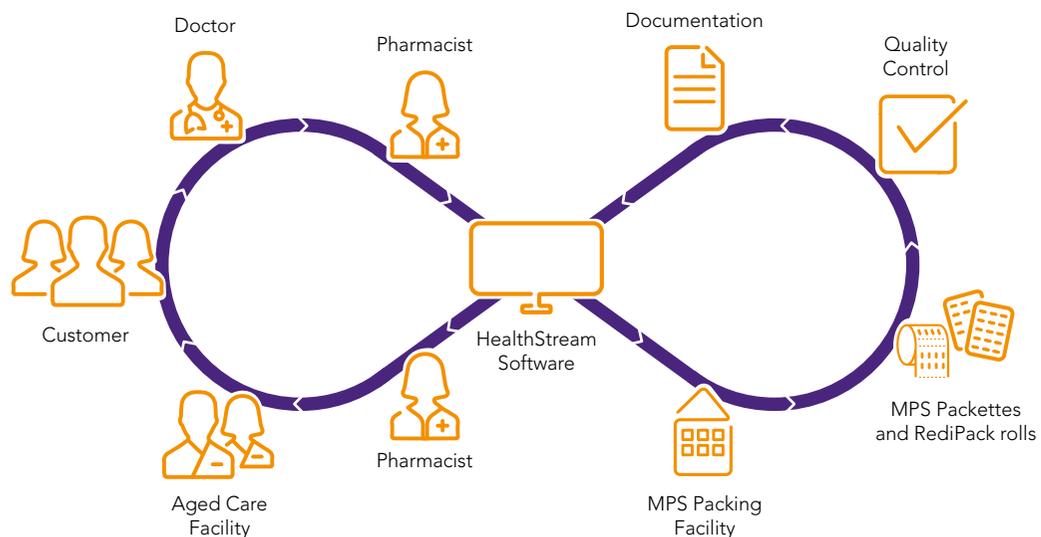
of the tasks required to manage customers' prescriptions. Quantum delivers accuracy and efficiencies to streamline dispensing processes.

In addition, the MPS Aged Care Pharmacy Accreditation Program has been developed to ensure the MPS system and pharmacy services are aligned to the guiding principles for medication management in residential aged care facilities and supports the Australian Aged Care Quality Agency Accreditation standards.

With industry-leading quality standards and services offerings, MPS is uniquely placed to service the needs of an ageing population. Market research has indicated that consumers understand the necessity of a DAA, but want their trusted health professionals to discuss their options or reassure them that their choices will bring them a better quality of life. MPS's DAA services value proposition, combined with the support of Sigma, positions MPS to accelerate growth and maintain a market-leading position in the years ahead.

How the MPS System Works

The MPS medication management system reduces preventable medication incidents by providing one online record that prevents issues associated with the use of multiple systems and multiple data entry points.



The numbers speak for themselves

MPS Packettes are the most trusted way to manage medication

3,600,000

Pills packed per week

1,010,562

Packettes packed per week

50,000

More than 50K MPS customers

820

Aged care facilities and community pharmacy using MPS Packettes

1 in 160,000

Highest industry standards with the lowest error rate available



Sigma's ESG Report

We are committed to delivering high-quality healthcare services and long-term sustainable growth and shareholder returns in a responsible and ethical way. As a company, we are also focused on ensuring our business is conducted in a way that minimises our environmental impact, is socially and ethically responsible, and has good oversight and governance.

In assessing our Environmental, Social, Governance (ESG) obligations and the areas where we can have the greatest influence, we have identified the following:

Environmental	Social	Governance
Energy usage	Safety	Board independence and skills
Logistics route management	Equality	Integrity of reporting
Packaging	Culture and engagement	Risk assessment and management
Waste management	Community support and engagement	Diversity and inclusion

Environmental

We are committed to ensuring we operate in an environmentally sustainable manner. This commitment resulted in the Board approving in August 2019 our Environmental Management and Sustainability Policy, available at sigmahealthcare.com.au, which recognised our commitment to:

We are committed to ensuring we operate in an environmentally sustainable manner.

- identifying and effectively managing and mitigating environmental risks from all work practices;
- entrenching sustainable packaging as a priority for us, including committing to using the Covenant Sustainable Packaging Guidelines;
- cultivating an employee culture committed to achieving our objectives under this policy; and
- implementing strategies and a reporting framework to give effect to our objectives stated under this policy.

In line with this policy, we have been identifying the major business inputs that contribute to our overall environmental footprint and progressively implementing actions to help to reduce this footprint. As a wholesale distribution business, the key focus areas identified were within our DC network and through our logistics network.

Energy

We have been undertaking a major investment program to upgrade our DC infrastructure. During this phase, there are periods where duplicate DC facilities are operating in tandem, as we transition from the old site to the new site. This does have a short-term negative impact on our environmental footprint. Notwithstanding this, an analysis across our DC network indicates that the actions we have taken to date have resulted in a 10% reduction in our total CO₂ emissions.

This has been achieved through a combination of upgrading to LED lighting in our existing DCs, and installing a number of energy-saving features, such as LED lighting, timer switches and solar hot water, that are currently delivering approximately 20% of our electricity requirements in our new DCs. As our investment program continues and the operation of duplicate sites declines, we would anticipate incremental improvements across our network.

We are also currently assessing a business case to expand our solar panel installation. This is subject to final review and approval.

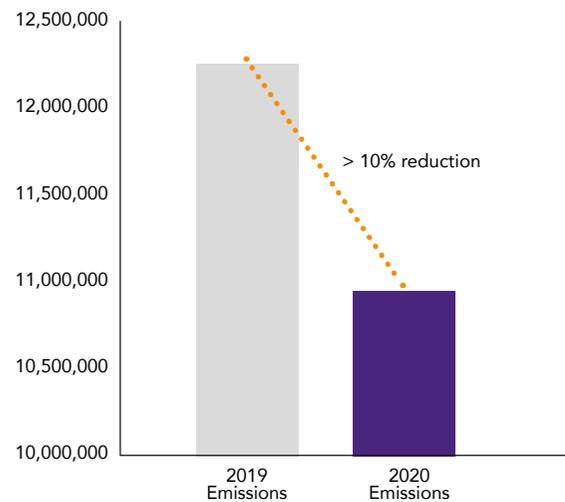
Logistics and Freight Route Management

A core part of our business is ensuring the delivery of medicines to community pharmacies usually within 24 hours. This is a regulated essential service for patient health that helps deliver the Government's National Medicines Policy (NMP). Within that framework, we have employed sophisticated route management systems to optimise the efficiency of our logistics work and therefore reduce the environmental impact. This includes grouping of delivery locations to minimise kilometres travelled by delivery vans, and fast-tracking picking of orders to reduce travel time during peak hours. This continues to be a focus for the business in the year ahead.

 **71.70%**

of waste recovered or diverted

Sigma Healthcare Major Infrastructure Emissions Summary – KG CO₂



Graph based on emissions data contained in monthly invoices from suppliers and adopts the electricity conversion factor relevant in each state.



Sigma's ESG Report continued

Packaging

We are a signatory to the Australian Packaging Covenant. As such, we have committed to implementing plans and actions to reduce our packaging utilisation to improve our environmental impact.

In distributing our products to pharmacies, we continue to utilise returnable and recyclable cardboard boxes. Upon delivery to the community pharmacy, empty boxes are returned for re-use. In 2020, we used, returned and re-used cardboard tote boxes six times on average.

In 2019, we acted to significantly reduce the packaging utilised within our business. This action has led to the removal of over 17,000 lineal metres of traditional plastic bubble wrap in 2020, replaced with 28,000 lineal metres of paper-based, earth-friendly alternatives that are recyclable, biodegradable and compostable.

Waste Management

Waste management actions across the business have seen us continue to improve our recovery and diversion from landfill. Total waste across the business for the 12 months to 31 January 2020 was 2,645.51 tonnes, with 71.70% recovered or diverted from waste. This is an improvement on the previous year, when 63.9% was recovered or diverted.

Actions to drive the improvement have been widespread, but have included 54,557 coffee cups diverted from landfill through the Simply Cups Closed Loop campaign. Further action has now been implemented to encourage utilisation of re-usable cups.

Social

At Sigma, we believe our people are one of our greatest assets and our success is the result of a collaborative team effort.

Creating a safe and rewarding place to work is our commitment, which in turn means we are attracting and retaining a team that is passionate about performing and delivering on our promises to customers and shareholders.

Our focus for the 2019/20 financial year has been on delivering business transformation and implementing changes that will enable us to better support our customers and Franchise Partners.

Culture and Engagement

A number of initiatives were implemented over the year to continue to support a culture of transformation and better equip our leaders to support their teams through times of change. We introduced workshops focusing on managing self and others through change, implemented an online 'Managing Myself through Change' learning module available to all team members, and conducted regular Change Leader forums. The Change Leader forums gave leaders the opportunity to be updated on our transformation and change initiatives, share their experiences and reinforce the importance of strong leadership in times of change.

Other initiatives included:

- Further embedding our Performance Review Framework that was introduced in 2018. The framework continues to have equal emphasis on outcomes achieved and behaviours demonstrated.
- Introduction of new online compliance training modules focusing on working safely at Sigma, positive workplace behaviours, plus reinforcing our Company values and our unrelenting commitment to safety.
- Management of the people impacts of both the DC Network Optimisation program and CW exit across the year. An unfortunate reality was that in total over 300 permanent roles were no longer required. We are proud of the manner in which these changes were managed with dignity, respect and sensitivity in all instances. All exiting team members were well supported with outplacement services to assist in their transition out of Sigma. Managers were supported with training in change management prior to the commencement of the CW exit process to prepare them for the changes and to enable them to provide supportive leadership to their teams.

While a number of new initiatives were developed during the year, we also built on those from last year. In regard to communication, we addressed feedback and refined how we share information with team members through video messaging and the CEO blog. Many of our team members and leaders had the opportunity to share their 'day in the life of' with our broader team, and we continue to receive positive feedback on the value of this style of communication.



Sigma's ESG Report continued

We continued to run Leadership Labs with a particular emphasis on upskilling new managers and leaders across the Group. Twenty-eight Leadership Labs were delivered, with 171 leaders participating in sessions throughout the year.

This year we introduced a new in-house culture and engagement survey tool that is well aligned to our values and provides the flexibility to undertake regular pulse surveys throughout the year on key issues of importance. Pleasingly, we continued to build on our engagement score and saw a positive uplift of 7.5% from the previous year. While our response rate was lower than the previous year at 59%, the survey was available for participation across our entire Sigma Group for the first time:

- 72% of respondents told us they believed in the success of the Sigma Healthcare strategy;
- 71% agreed that the changes we are implementing are the right thing for the organisation's future success and 76% believe the changes are necessary for our ongoing success;
- 92% of respondents said they were confident in managing themselves in an environment of constant change; and
- 91% of respondents feel safe at work and 89% are comfortable raising safety concerns with their manager.

We also continued to see positive momentum for our two employee Net Promoter Score (eNPS) survey items of 'On balance, how likely would you be to recommend Sigma as a great place to work' (+16.3 from 2018) and 'On balance, how likely would you be to recommend Sigma as the best choice for services provided' (+16.5 from 2018). This is very reassuring given the significant change experienced throughout the 2019 calendar year.

Health and Safety Performance

We understand that providing safe and healthy workplaces empowers our team members to perform at their best. In turn this helps create a healthy culture for our team, the Company and our customers.

Our Board receives monthly activity and metrics reporting for our key performance areas, programs, training and campaigns, including incident trending, physical injury and mental health and wellbeing outcomes.

Our three predominant incident types throughout 2019 remain the same as 2018, which are falls from height items, cuts/lacerations, and impact with objects – mobile plant against fixed items. Regular analysis of these incident types identified key themes and opportunities for reduction, which were implemented and are ongoing.

They include:

- powered mobile plant competency assessment and induction for all mobile plant operators;
- personal protective equipment requirements across logistics and dose administration facilities; and
- housekeeping and hazard reporting, specifically sharp edge removal on fixtures, fittings, containers and plant/equipment.

Other key programs that built on our mental health and wellbeing structure for the year are:

- delivery of our Mentally Healthy Workplaces program, in conjunction with Medibank Health;
- participation in RUOK Day, supporting and talking about mental health and wellbeing;
- continuation of our drug and alcohol awareness and testing program for all sites and contractors;
- assisting team members to quit smoking by providing free, personally tailored cessation programs and products in conjunction with our Professional Services team; and
- free influenza vaccinations for team members through in-house delivery and participating pharmacies.



DISCOUNT DRUG STORES

Your Cheaper Chemist

Save up to 50% on prescriptions



prohibited sale of NHS items.

Sigma's ESG Report continued

We are deeply committed to contributing to healthier communities through sustainable, socially responsible and ethical practices.

Health and Safety Management System Audits

Each year we undertake health and safety management system compliance auditing as part of our reporting and governance activity, across all sites. The internal audits are undertaken by accredited auditors within our Health and Safety Team. This year's results showed an improvement in performance over the previous year, with a result of 92.4%, up from 90.25% on a like-for-like basis. This is a positive outcome given the dynamic operating changes the Group has experienced over the period, including the consolidation of warehousing operations across several states. Each site has developed a Safety Action Plan for addressing any non-compliance areas identified from their audit, and to track safety activity and performance throughout the year.

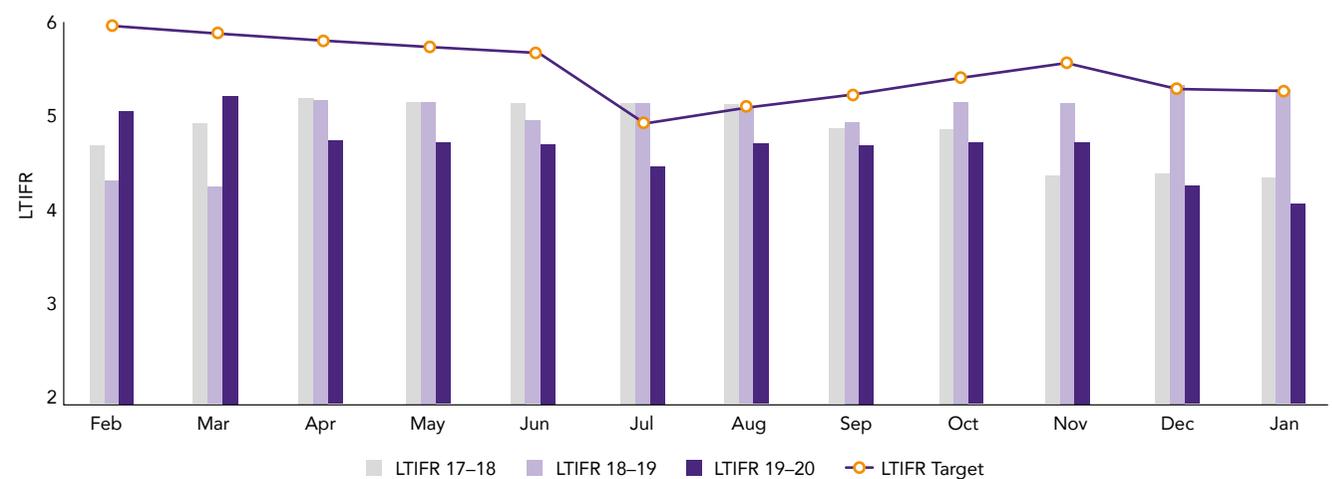
Lost Time Injury/Lost Time Injury Frequency Rate (LTI/LTIFR)

The Group recorded three LTIs for the year, 12 fewer than the previous year. (LTI = one or more lost shifts/days following the incident). Of these, two injuries resulted in greater than five lost days.

Our LTIFR for the year was 4.10, a decrease on the previous year and while commensurate with the decrease in LTI, the significant reduction in direct labour hours increased the final figure.

Each LTI is investigated and used as a learning opportunity for both the related site and the Group as a whole.

Lost Time Injury Frequency Rate



Shine at Sigma

Providing recognition and feedback to our people is a fundamental driver of engagement, and we encourage all our leaders to provide feedback to their people on a regular basis. We believe in recognising our team members who demonstrate our values in an outstanding way and we are very proud of the many examples of this across the whole organisation. The Shine Awards continued to deliver many inspiring examples in 2019, and the power of peer nomination adds weight to the importance of these awards. After a year of significant change, the Shine Awards

were reinvigorated in September 2019. We had a total of 78 team members nominated through 47 nominations by peers for Shine Awards in a mixture of individual and team nominations. Nine nominated team members were awarded Shine Awards for 2019.

This year, our overall Shine at Sigma winner was Mary Lance, a Queensland-based Business Development Manager for Amcal and Guardian. Mary was nominated for her outstanding efforts in coordinating and collaborating with others in the business to generate donations of OTC



Mary Lance,
Shine Award Winner

pharmacy products, bottled water and emotional support for six pharmacies in her New South Wales and Queensland territory who were severely affected by drought and bushfires in October 2019. Mary also personally delivered products and assisted customers in these pharmacies. Mary is renowned for going over and above and always putting others before herself. She is a highly valued team member and we congratulate Mary on receiving this award.

In line with our philosophy of supporting the communities in which we operate, Mary was invited to select a charity of her choice to which we would make a donation. Mary chose to donate her \$3,000 allocation to the Tenterfield Salvation Army Corp, which was on the ground providing much needed support to those impacted.

Through our large wholesale and pharmacy network with over 3,000 customers, we are proud to support local communities and improve the health of Australians wherever we can.

The Summer Foundation

Today, more than 5,800 young Australians with disability and complex support needs end up living in residential aged care because there are no other alternatives. Many are aged in their 30s or 40s, living with people in their 80s, as they are forced to accept the latest housing vacancy with people they have not chosen to live with. The Summer Foundation is working to achieve a change in policy and practice in relation to young people in aged care so that young people with a disability have the right to live where, how and with whomever they choose.

We have been blown away with the generosity of all the Sigma team in regard to the time spent and emotional support given to Stanthorpe and Tenterfield through this tough time.

Michael Lane, Stanthorpe Pharmacy Group

We were delighted to continue our support of the Summer Foundation's mission and advocacy work with a donation of over \$35,000 through the generosity of attendees, matched by us, at our annual Sigma Supplier Gala in October 2019.

Guardian Pharmacy's Partnership with St Vincent de Paul Society (Vinnies)

Our leaders, team members, suppliers and customers have contributed to Vinnies through fundraising, volunteering and the donation of money and goods in partnership with Guardian Pharmacy.

In 2019, the Guardian Angel Knitting Program turned 21 – continuing the Guardian Pharmacy initiative, which has provided homemade knitted garments for those in need. For a third year, we were proud to partner with Vinnies to ensure knitted items were passed on to those who needed them most. By sewing or knitting jumpers, scarves, beanies and other items and dropping them off at a local Guardian Pharmacy, our customers have

generously provided dignity and comfort for those who are most vulnerable. This year the Knitting for Good Program donated warm garments, helping vulnerable members of our community and increasing Guardian's positive impact in our community. Without our Angels we would not be able to provide this care and support.

Together with our Guardian Angel Knitting Program, we were pleased to offer care and support to the thousands experiencing homelessness by participating in the Melbourne CEO Sleep Out on 20 June 2019. The Vinnies CEO Sleep Out brings together leaders to support those most vulnerable through the winter months by raising awareness and funds to help combat homelessness. Our Guardian team raised over \$15,000 for much-needed funding of 50 supporting programs, 131 beds and 525 meals.

Sigma's ESG Report continued

Drought Support

We are here to help in the tough times. We recognise the vital role our pharmacies play in supporting their communities and appreciate that during severe water shortages, their role is critical. With support from our generous supply partners, we banded together to donate almost \$60,000 of free personal care items to Queensland and New South Wales drought-affected and fire victims late last year through our Tenterfield, Stanthorpe and Warwick Pharmacy partners.

With the recent drought the worst on record in these towns, dams and rural tanks had run dry, which was exacerbated by bushfire danger. While this small gesture did not resolve the

water crisis or remove the bushfire threat, it hopefully eased some of the pressure with basic everyday essentials that are often forgone during times of hardship.

Bushfire Emergency Support

Like all Australians, we were incredibly saddened by the devastating loss of life, property and livelihood during the 2019/20 summer bushfire emergency. As a pharmaceutical wholesaler, our main priority during times of emergency is to deliver medicines and other pharmaceutical supplies to our Australian communities. Under unprecedented and challenging conditions, our team provided exceptional support to deliver supplies together with emergency services, relief agencies and transport partners to help those in need.

In response, we pledged \$50,000 to St Vincent de Paul Society Bushfire Appeal in addition to a \$25,000 donation to the Alliance Pharmacy Bushfire Relief Appeal to support bushfire-affected pharmacies in New South Wales and Victoria. We also offered financial assistance to our stores in bushfire-affected areas to help them get back on their feet, and tripled all our team member workplace-giving donations to the Bushfire Relief Appeal 2020, giving just over \$3,000 to each of the following causes:

- St Vincent de Paul Society Bushfire Appeal
- Australian Red Cross Disaster Relief and Recovery
- WWF Australia

At the time of writing, we are now focused on our critical role in supporting the community through the COVID-19 pandemic.

Governance

We are committed to ensuring good corporate governance policies are in place and practices implemented. Our policies have been prepared having regard to ASX Principles and Recommendations, and are available on our website – sigmahealthcare.com.au

Policies implemented and reported on include:

Auditor Independence Policy	Privacy Policy
Code of Conduct	Risk Management Policy
Continuous Disclosure and Market Communications Policy	Share Trading Policy
Diversity Policy	Sigma Constitution
Environmental Management and Sustainability Policy	Anti-Bribery and Corruption Policy
	Whistleblower Policy

Thank you to the Sigma team, particularly the Customer Service Team for their amazing support for our bushfire-impacted member pharmacies over the Christmas/New Year period and first weeks of January.

Sigma's Customer Service Team worked through a complex logistical process with the Pharmacy Guild, DHHS, Emergency Services and the Australian Defence Forces to make sure our pharmacies were able to get deliveries so that they could provide much-needed medicines and pharmacy products to residents in their community.

I would also like to thank Sigma Healthcare Limited for its generous donation to our Alliance Pharmacy Bushfire Relief Appeal. The donation will allow our members to provide free medicine and other personal healthcare products to their community.

Simon Reynolds, Managing Director, Pharmacy Alliance



Further details regarding a number of these policies are available within our Corporate Governance Statement. The Corporate Governance Statement, and reports covering some of these policies, such as the WGEA Report and APC Annual Report and Action Plan, are available and on our website.

We operate in a highly regulated industry, and therefore effective governance of our policies, procedures and practices is an essential part of our business.

We are party to the Community Service Obligation Deed (CSO Deed) with the Department of Health. The CSO Deed imposes additional obligations and we must comply with the CSO Deed, the CSO Funding Pool Operational Guidelines and the Australian Code of Good Wholesaling Practice (cGWP) for Medicines in Schedules 2,3,4 and 8.

The aim of the CSO Funding Pool is to ensure there are arrangements in place for all Australians to have access to the full range of PBS medicines via their community pharmacy regardless of where they live, and usually within 24 hours. The CSO Agency conducts audits regularly to assess compliance and we have a clean audit history.

CHS, a wholly owned subsidiary of Sigma, holds ISO 9001:2015 certification. In addition, we have commenced a program of work required to obtain a TGA licence for the distribution, storage and secondary packaging/labelling of Good Manufacturing Practice (GMP) products.

MPS operates under the highest industry standards and its three TGA-licensed facilities follow strict GMP requirements.



Board of Directors



Mr Brian Jamieson (Chairman)

FCA, FAICD

Non-Executive Chairman and Director

Appointed a Director of Sigma Healthcare Limited in May 2003, and Chairman of Sigma Healthcare Limited in June 2010. Mr Jamieson is a Non-Executive Director of IODM Limited, Highfield Resources Limited and the Bionics Institute. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia, former Chairman of Mesoblast Limited and former Director of Bank of Western Australia Limited, HBOS Australia Limited, Tigers Realm Coal Limited, Oz Minerals Limited, Tatts Group Limited and CareAustralia. Mr Jamieson has over 30 years' experience in providing advice and audit services to a diverse range of public and large private companies. He has not held any directorships of listed entities in addition to those set out above during the last three years.



Mr Mark Hooper (CEO and Managing Director)

BBus (Acc), CPA, FFTP, MAICD

Executive Director

Appointed Managing Director of Sigma Healthcare Limited in August 2010. Mr Hooper has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mr Hooper was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that he was Chief Financial Officer of Sigma from 2001 to 2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.



Mr Raymond M Gunston

B.Comm (Hons), DipEd, FCPA, FTA, GAICD

Non-Executive Director, Chairman of the Risk Management and Audit Committee, Member of the People and Remuneration Committee

Appointed a Director of Sigma Healthcare Limited in July 2010. Mr Gunston is a Non-Executive Director and Chairman of the Board Audit and Risk Committee of Hotel Property Investments Limited. He has over 40 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting. He is a former Chief Financial Officer of Tatts Group Limited, and a former Director of many of the Tatts Group's subsidiary and associate companies, and the former Interim CEO for the Essendon AFL Football Club. Mr Gunston is currently General Manager – Infrastructure, Major Projects and Investment of the Australian Football League. Mr Gunston has not held any directorships of listed entities in addition to those set out above during the last three years.



Mr David G Manuel

BPharm, MPS, MAICD

Non-Executive Director, Member of the People and Remuneration Committee

Appointed a Director of Sigma Healthcare Limited in October 2009. Mr Manuel is a community pharmacist proprietor and an active participant in industry affairs with a special interest in cognitive services such as opiate dependency treatments, compounding, medical technology and aged care pharmacy services. Mr Manuel is a Director of Alchemy Healthcare Pty Ltd, Black Swan Healthcare Ltd, and Elements Health Care Pty Ltd. He is a current Western Australian representative on the Amcal Guardian National Council (AGNC) and a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.



Mr David Bayes

FAICD

Non-Executive Director, Chairman of the People and Remuneration Committee, Member of the Risk Management and Audit Committee

Appointed a Director of Sigma Healthcare Limited in June 2007. Mr Bayes is the current Chairman of Plarre Foods Pty Ltd, a food manufacturing and retail franchise group trading as Ferguson Plarre Bakehouses, is a Non-Executive Director of Shine Corporate Ltd and the Australian Institute of Company Directors, and is the current President of the Victoria Council, Australian Institute of Company Directors. Mr Bayes has over 35 years' experience in multi-outlet retail business and has held a variety of board and executive positions including former Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice, Chief Executive Officer and Director of Bakers Delight, former Non-Executive Director of Chiquita Brands South Pacific Ltd, former Non-Executive Director of North Western Healthcare Network and former Vice President and Director of McDonald's Australia. Mr Bayes has not held any directorships of listed entities in addition to those set out above during the last three years.



Ms Christine Bartlett

BSc, MAICD

Non-Executive Director, Member 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's current directorships in unlisted companies include Non-Executive Director of iCare and TAL. Ms Bartlett is a member of Chief Executive Women and the Australian Institute of Company Directors.



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 adviser, 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 ColInvest and Director at the Geelong Football Club and Future Fuels Cooperative Research Centre.



Mr Michael Sammells

LLB (Acc), FCPA, GAICD

Appointed a Director of Sigma Healthcare Limited in February 2020. Mr Sammells is currently a Non-Executive Director at AMP. Mr Sammells has 35 years of broad experience in finance, corporate services, and has held operational roles with expertise in finance, accounting, treasury, investor relations, capital developments, mergers and acquisitions and IPOs. Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private. Mr Sammells has not held any other directorships in listed entities in addition to those set out above during the past three years.

Executive Leadership Team



Mr Jeff Sells

BBus (Acc), CA, MAICD, Harvard Business School – Advanced Management program
Executive General Manager Retail Pharmacy

Mr Sells rejoined Sigma Healthcare Limited as CFO in August 2010 having previously worked for Sigma as Group Treasurer from 2001 to 2004. In 2016 he moved into the new role of Executive General Manager Strategy and Business Development where he had responsibility for strategy development activities, as well as the strategic and operational leadership for the CHS business. Mr Sells was appointed Executive General Manager Retail Pharmacy in March 2018. From September 2008 to August 2010 Mr Sells was CFO of Citadel Resources Group Ltd, and for a four-year period from 2004 to 2008 he was the CFO for Oxiana Limited.



Mrs Jackie Pearson

BAppSc (Psych) (Hons), MBA
Executive General Manager Business Transformation

Mrs Pearson commenced with Sigma Healthcare Limited in August 2005, spending much of her time as Executive General Manager Human Resources. In May 2016 she was appointed Executive General Manager Business Transformation and is responsible for delivering complex cross-functional business transformation solutions from concept and design through to deployment and benefit measurement. Mrs Pearson holds a Bachelor of Applied Science – Psychology (Honours) and a Master of Business Administration.



Mr Richard Church

FCILTA
Executive General Manager Operations

Mr Church joined Sigma Healthcare Limited as General Manager Logistics in November 2012, and was subsequently appointed Executive General Manager Operations in March 2018, responsible for future network design, development and implementation, and day-to-day supply chain, logistics, inventory, facilities management and security. Prior to joining Sigma, Mr Church held a number of roles with Wesfarmers, including General Manager Logistics Operations Vic/Tas/SA/WA and Programme Manager DC Network Optimisation. Prior to this Mr Church held senior supply chain and retail roles with Sainsburys Supermarkets, in the UK.



Mr Martin Hawkins

BSc (Information Technology) (Hons), MMS (Dip)
Chief Information Officer

Mr Hawkins joined Sigma in January 2020 following an extensive career in information technology leadership and transformation across a number of large companies in the UK and Australia. Prior to joining Sigma, Mr Hawkins was the IT Director for ANZ and Japan for Mondelez International and previously also fulfilled several global and regional technology/digital roles during his 17 years in the company (formerly Cadbury Schweppes and Kraft Foods). Prior experience includes IT supply chain leadership roles in Nestlé and Dixons Stores Group in the UK. Mr Hawkins holds a Bachelor of Science (Hons) degree in Information Technology and Computing and Master of Management Services (Diploma).

Key Corporate Contacts



Mr Sam Lawson

BCom, LLB (Hons – 1st Class) Barrister and Solicitor (VIC), High Court
General Counsel and Company Secretary

Mr Lawson has been Sigma Healthcare Limited's General Counsel and Company Secretary since January 2016. Mr Lawson has over 18 years' corporate and commercial legal experience, having previously held senior roles with Minter Ellison, Slaughter and May (London) and Herbert Smith Freehills specialising in mergers and acquisitions, corporate, securities transactions and contracts.



Mr Gary Woodford

BBus (Acc), CPA
Corporate Affairs Manager

Mr Woodford rejoined Sigma Healthcare Limited in February 2014 as Corporate Affairs Manager having previously worked for Sigma from 2001 to 2006 as General Manager Tax and Investor Relations. Mr Woodford is currently a Director of the industry body National Pharmaceutical Services Association (NPSA), and a Director of telehealth service provider Doctors on Demand. From September 2006 to May 2013, Mr Woodford was the General Manager Investor Relations at Tatts Group Limited. Mr Woodford is a senior finance executive with over 30 years' commercial experience, which also includes Fosters Brewing Group and Ansett Airlines.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2020

	2020 \$'000	2019 \$'000
Sales revenue	3,244,264	3,976,774
Cost of goods sold	(3,029,244)	(3,703,580)
Gross profit	215,020	273,194
Other revenue	98,106	99,454
Warehousing and delivery expenses	(150,982)	(167,696)
Sales and marketing expenses	(69,965)	(64,799)
Administration expenses	(67,979)	(63,603)
Depreciation and amortisation	(27,258)	(13,522)
(Loss)/Profit before financing costs and tax expense (EBIT)	(3,058)	63,028
Finance income	741	776
Finance costs	(13,443)	(11,846)
Net finance costs	(12,702)	(11,070)
(Loss)/Profit before income tax	(15,760)	51,958
Income tax benefit/(expense)	4,293	(14,917)
(Loss)/Profit for the year	(11,467)	37,041
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change in fair value of financial asset	3,060	(750)
Exchange differences on translation of foreign operations	7	83
Income tax relating to components of other comprehensive income	(920)	200
Other comprehensive income/(loss) for the year (net of tax)	2,147	(467)
Total comprehensive (loss)/income for the year	(9,320)	36,574
<i>(Loss)/Profit attributable to:</i>		
Owners of the Company	(12,330)	36,520
Non-controlling interest	863	521
(Loss)/Profit for the year	(11,467)	37,041
<i>Total comprehensive (loss)/income attributable to:</i>		
Owners of the Company	(10,183)	36,053
Non-controlling interest	863	521
Total comprehensive (loss)/income for the year	(9,320)	36,574
(Loss)/Earnings per share (cents) attributable to owners of the Company		
Basic (loss)/earnings per share	(1.3)	3.8
Diluted (loss)/earnings per share	(1.2)	3.6

Consolidated Balance Sheet

As at 31 January 2020

	2020 \$'000	2019 \$'000
Current assets		
Cash and cash equivalents	104,232	72,610
Trade and other receivables	296,046	577,367
Inventories	315,493	343,272
Income tax receivable	5,485	3,034
Prepayments	9,708	7,926
Assets classified as held for sale	4,981	-
Total current assets	735,945	1,004,209
Non-current assets		
Trade and other receivables	2,183	6,306
Property, plant and equipment	255,924	224,141
Goodwill and other intangible assets	135,367	125,514
Right-of-use assets	43,431	-
Other financial assets	14,221	4,567
Net deferred tax assets	24,996	19,117
Total non-current assets	476,122	379,645
Total assets	1,212,067	1,383,854
Current liabilities		
Trade and other payables	415,731	528,252
Borrowings	135,022	115,003
Lease liabilities	7,945	-
Provisions	15,829	17,573
Deferred income	1,424	2,487
Total current liabilities	575,951	663,315
Non-current liabilities		
Other payables	-	183
Borrowings	115,188	200,787
Lease liabilities	42,052	-
Provisions	2,136	4,468
Deferred income	-	821
Total non-current liabilities	159,376	206,259
Total liabilities	735,327	869,574
Net assets	476,740	514,280
Equity		
Contributed equity	1,216,556	1,207,794
Reserves	13,201	13,832
Accumulated losses	(753,803)	(708,372)
Non-controlling interest	786	1,026
Total equity	476,740	514,280

Five Year Summary

	2020 \$'m	2019 \$'m	2018 \$'m	2017 \$'m	2016 \$'m
Operating results					
Sales revenue	3,244.3	3,976.8	4,094.4	4,366.2	3,461.1
EBITDA	24.2	76.5	92.8	89.2	90.3
EBIT	(3.1)	63.0	83.7	81.0	80.4
Profit/(loss) before tax	(15.8)	52.0	78.7	76.7	76.8
Profit/(loss) after tax	(11.5)	37.0	55.4	53.5	50.5
Financial position					
Working capital	233.8	406.2	378.8	387.1	490.4
Fixed assets (including intangibles) ⁵	434.7	349.6	253.9	180.6	160.1
Other assets/(liabilities)	(46.1)	1.7	(3.8)	(20.4)	(40.2)
Capital employed ¹	622.4	757.5	628.9	547.3	610.3
Net debt/(net cash)	146.0	243.2	113.6	8.7	56.6
Net assets	476.4	514.3	515.3	538.6	553.7
Shareholder related					
Dividend					
– ordinary per share	3.0c	4.0c	5.5c	5.5c	5.0c
– total dividends (\$'m)	31.8	42.4	58.8	59.2	54.0
Earnings/(loss) per share	(1.3c)	3.8c	5.6c	5.4c	5.0c
Dividend payout ratio	277%	116%	106%	111%	107%
Net tangible asset backing per share	32c	37c	37c	41c	42c
Market capitalisation (balance date)(\$'m)	636	572	949	1,302	885
Ratio and returns					
EBIT margin ²	-0.1%	1.5%	2.0%	1.9%	2.3%
Gearing ³	23.5%	32.1%	18.1%	1.6%	9.3%
Interest cover ⁴	1.9x	6.9x	18.5x	20.8x	26.0x

1. Net assets plus borrowings less cash and cash equivalents.

2. EBIT/sales revenue.

3. Net debt/capital employed (year-end).

4. Reported EBITDA/Net financing costs (times).

5. Includes right-of-use assets.

Contacts

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Directors and Senior Management

Refer to pages 30 to 33
of this review or visit
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Pendle Hill NSW 2145 Australia

Medical Industries Australia Sites

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Recent Dividends

Dividend	Date Paid	Cents Per Share
2020 Final	-	..#
2020 Interim	4 October 2019	1.00
2019 Final	29 April 2019	2.00
2019 Interim	29 October 2018	1.50
2018 Final	20 April 2018	2.50
2018 Interim	5 October 2017	2.50
2017 Final	21 April 2017	3.00
2017 Interim	3 October 2016	2.50

Due to insufficient franking credits, no 2020 final dividend was paid.

Shareholder Calendar*

2019/20 AGM	13 May 2020
Half-Year results	10 September 2020
Ex-dividend date	23 September 2020
Record date	24 September 2020
Interim dividend payment	8 October 2020
Full-Year results	23 March 2021
Ex-dividend date	6 April 2021
Record date	7 April 2021
Final dividend payment	21 April 2020
2019/20 AGM	12 May 2021

* Dates may be subject to change.

For investor, media or government
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