Corporate Governance Statement

1300SMILES and its subsidiaries

(the "Company")

The Board has the legal responsibility for managing its business with due care and diligence. The Board ensures these obligations are meet by establishing principles of corporate responsibility and behaviour. These principles are implemented by the establishment of a framework of rules, systems and processes. These principles and their implementation are called Corporate Governance.

The Board is committed to implementing and achieving an effective Corporate Governance framework to ensure the Company is managed effectively and in an honest and ethical way.

The fundamental base of the Company's Corporate Governance is the Australian Securities Exchange (ASX) Corporate Governance Council "Corporate Governance Principles and Recommendations". The Board has not adopted all of the Recommendations of this Council as the Board believes that given the size of the Company, more appropriate, efficient and cost effective methods can be implemented in some instances. Where the Board has not followed a recommendation the reasons for not following the recommendation are set out in the relevant section in the Corporate Governance report. The Board regularly reviews its governance and compliance practices and ensures that the corporate governance framework is relevant.

In this document the Board has set out the principles it has established and the framework of rules, systems and process to ensure these principles are implemented. The purpose of publishing the Company's corporate governance principles is to provide clarity and to instil confidence in investors and other stakeholders.

The following report has been laid out in accordance with ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

The Corporate Governance practices set out in this document unless otherwise stated have been in place for the entire year.

CORPORATE GOVERNANCE PRINCIPLES

There are 8 core principles.

<u>Principle 1. Lay solid foundations for management and oversight</u>

A listed entity should establish and disclose the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.

Recommendation 1.1 - A listed entity should disclose:
(a) the respective roles and responsibilities of its Board and management; and
(b) those matters expressly reserved to the Board and those delegated to management.

CHARTER

The Board operates in accordance with the broad principles set out in its charter, which provides a framework for the effective operation of the Board. The Charter outlines those responsibilities of the Board, and those responsibilities which the Board has delegated to management.

The charter specifically addresses the following:

- Role, authority and responsibilities of the Board;
- Board committees;
- Composition of the Board and the election of the Chair;
- Directors' rights and duties;
- Responsibilities of management;
- Performance of the Board; and
- Role of the Company Secretary.

The Board Charter is available at www.1300SMILES.com.au

Role of the Board

The Board is responsible for, and has authority to determine, all matters relating to corporate governance, the policies, practices, management and operations of the Company.

The principle roles and responsibilities of the Board are to:

- Facilitate Board and management accountability to the Company and its shareholders;
- Ensure timely reporting to shareholders;
- Provide strategic guidance to the Company including contributing to the development of, and approving, the corporate strategy;
- Oversee management of the Company and ensure there are effective management processes in place;
- Appoint, and if necessary remove, and monitor the performance of the Managing Director;
- Monitor:
  - Organisational performance and the achievement of the Company's strategic goals and objectives;
  - Financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
  - Compliance with the Company's code of conduct;
  - Progress in relation to the Company's diversity objectives and compliance with its diversity policy;
- Review and approve business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Approve major corporate initiatives;
- Enhance and protect the reputation of the organisation;
- Oversee the operation of the Company's system for compliance and risk management reporting to shareholders; and
- Ensure appropriate resources are available to senior management.

Role of Management

Management will usually be responsible for implementing the strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day-to- day running of the Company. It is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

The Board should regularly review the division of functions between the Board and management to ensure that it continues to be appropriate to the needs of the entity.

Recommendation 1.2 - A listed entity should:

(a) undertake the appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointment of a director the Company ensures that appropriate checks are undertaken. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

When a candidate stands for election or re-election as a director, security holders are provided with the following information to enable them to make an informed decision on whether or not to elect or re-elect the candidate:

- Biographical details, including their relevant qualifications and experience and the skills they bring to the Board;
- Details of any other material directorships currently held by the candidate;
- In the case of a candidate standing for election as a director for the first time:
  - Any material adverse information revealed by the checks the entity has performed about the director;
  - Details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally; and
  - If the Board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect;
- In the case of a candidate standing for re-election as a director:
  - The term of office currently served by the director; and
  - If the Board considers the director to be an independent director, a statement to that effect; and
- A statement by the Board as to whether it supports the election or re-election of the candidate.

A candidate for appointment or election as a non-executive director should provide the Board with the information above and a consent for the listed entity to conduct any background or other checks the entity would ordinarily conduct. The candidate should also provide details of his or her other commitments and an indication of time involved, and should specifically acknowledge to the listed entity that he or she will have sufficient time to fulfil his or her responsibilities as a director.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The directors are given a letter of appointment and senior executives with a services contract so they have a clear understanding of their roles and responsibilities of the entity's expectations.

In the case of a non-executive director, the agreement should generally set out:

- The term of appointment;
- The time commitment envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the position;
- Remuneration, including superannuation entitlements;
- The requirement to disclose directors' interests, and any matter which may affect the directors' independence;
- The requirement to comply with key corporate policies, including the Company's code of conduct and its trading policy;
- The Company's policy on when directors may seek independent professional advice at the expense of the entity (which generally should be whenever directors, especially non-executive directors, judge such advice necessary for them to discharge their responsibilities as directors);
- The circumstances in which the director's office becomes vacant;
- Indemnity and insurance arrangements;
- Ongoing rights of access to corporate information; and
- Ongoing confidentiality obligations.

In the case of an executive director or other senior executive, the agreement should generally set out the information above (to the extent applicable), as well as:

- A description of their position, duties and responsibilities;
- The person or body to whom they report;
- The circumstances in which their service may be terminated (with or without notice); and
- Any entitlements on termination.

The Company also discloses the material terms of any employment, service or consultancy agreement it or a Company it enters into with its Managing Director (or equivalent), any of its directors, and any other person or entity who is a related party of its Managing Director or any of its directors. It also discloses any material variation to such an agreement.

Recommendation 1.4 – The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Company Secretary supports the effectiveness of the Board by:

- Advising the Board and its committees on governance matters;
- Monitoring that Board and committee policy and procedures are followed;
- Ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.

Each director should be able to communicate directly with the Company Secretary and vice versa. The decision to appoint or remove a Company Secretary should be made or approved by the Board.

Recommendation 1.5 - A listed entity should have:

(a) a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them; and either:

(i) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(ii) the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

DIVERSITY POLICY

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Diversity can lead to a competitive advantage through broadening the talent pool for recruitment of high quality employees, by encouraging innovation and improving a corporation's image and reputation. Accordingly the Company is committed to promoting diversity within the organisation. The Company's policy outlines the Company's diversity objective in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

The annual measurable objectivities of the Company's diversity policy are set out in the directors' report of the Company's Annual Report.

Recommendation 1.6 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its and individual directors; and

(b) disclose, in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.

PERFORMANCE EVALUATION

A description of the process for performance evaluation for the Board, and individual directors, is available at www.1300SMILES.com.au

During the year, the Board completed a formal review of its members for their performance in accordance with that process.

Recommendation 1.7 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The process for assessing performance of the Managing Director and the executive team is described in the Remuneration Report, which forms part of the Directors' Report and is included in the Company's Annual Report. Annual performance assessments in accordance with the processes described have taken place during the year.

Principle 2. Structure the Board to add value

Board Composition

The Board considers its size and composition regularly to ensure it has the appropriate mix of skill sets and is of a size that is conducive to making appropriate decisions and to represent the best interests of the Company as whole. The Company's constitution provides for a minimum of three directors and a maximum of seven.

Directors are appointed to the Board to achieve a combination of governance skills and industry insight and to achieve an appropriate level of diversity. All directors are expected to exercise independence in their decision making and judgement. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report is included in the Director's Report.

Term of Office

The Company's constitution specifies that no director, except the Managing Director, may hold office for a period in excess of three years, or beyond the third Annual General Meeting following the director's election, whichever is the longer, without submitting himself or herself for re-election.

Additionally, at every Annual General Meeting one-third of the previously elected directors, and if their number is not a multiple of three, then the number nearest to, but not exceeding one third, must retire from office and are eligible for re-election.

Details of the current directors, their qualifications and the term they have held office is set out in the Directors' Report which forms part of the Company's Annual Report.

Recommendation 2.1 - The Board of a listed entity should:

(a) have a nomination committee which:

- **(i) has at least three members, a majority of whom are independent directors; and**
- **(ii) is chaired by an independent director, and disclose:**
  - **the charter of the committee;**
  - **the members of the committee; and**
- **(iii) as at the end of reach reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independent and diversity to enable it to discharge its duties and responsibilities effectively.

Due to the small size of the Company's Board, the full Board takes on the roles associated with a nomination committee. The Board as part of its annual evaluation process reviews the skills, knowledge, independence and diversity requirements of the Company and assesses this against the current Board composition.

Recommendation 2.2 - A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The current Board skills cover an appropriate balance of knowledge, independence and diversity for a company of its size. Details of each directors' experience and qualifications are set out in the Company's Annual Report and are available on the Company's website www.1300SMILES.com.au

Recommendation 2.3 - A listed entity should disclose:

(a) the names of the directors considered by the Board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described below (how independence is assessed) but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each director.

The names of independent directors, the nature of why directors are not considered to be independent and their tenure are disclosed in the Company's Annual Report. If there is a change in independence the Company promptly advises the ASX.

Independence of a director is assessed on the following basis:

- An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board considers that an independent director is a non-executive director who:
  - Is not, or has been, employed in an executive capacity by the entity or any of its subsidiary entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
  - Is not, or has with the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its subsidiary entities;
  - Is not, or has been within the last three years, in a material business relationship (eg as a supplier or customer) with the entity or any of its subsidiary entities, or an office of, or otherwise associated with, someone with such a relationship;
  - Is not a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity;
  - Does not have a material contractual relationship with the entity or its subsidiary entities other than as a director;
  - Does not have close family ties with any person who falls within any of the categories described above; or
  - Has not been a director of the entity for such a period that his or her independence may have been compromised.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally.

The determination of materiality requires consideration of both quantitative and qualitative elements. An amount is presumed to be quantitatively material if it is greater than 5% of the Company's gross revenue or expenditure (whichever is the greater). In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact shareholders' understanding of the director's performance.

The Board regularly assesses independence by considering the existence of relationships which might affect independent status as described in the list above, together with the materiality thresholds set by the Board, and any changes to the status of independent are noted on the Company's website.

Recommendation 2.4 - The majority of the Board should be independent directors.

The Company complied this recommendation during the reporting period. The Company had three directors during the period of which the Chair and non-executive director were considered to be independent.

Non-executive directors confer periodically without executive directors or other senior executives present.

Recommendation 2.5 - The Chair of the Board of a listed entity should be an independent director and, in particularly, should not be the same person as the Managing Director of the entity.

The Company complied with this recommendation during the reporting period.

ROLE OF THE CHAIR

The Chair is responsible for leading the Board and for the efficient organisation and conduct of the Board's functioning. The role of the Chair more specifically is to ensure directors are properly briefed in all matters relevant to their role and responsibilities, to facilitate Board discussions and to manage the Board's relationship with the Company's Managing Director and executive team. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions held will not hinder effective performance in the role of the Chair.

ROLE OF MANAGING DIRECTOR

The Managing Director is responsible for implementing the Company's strategies and policies as approved by the Board.

It is recommended that the role of the Managing Director should be separate from the role of the Chair, and not be performed by the same person. This separation ensure that no single person has unfettered powers of decision, and it heightens the level of accountability of management to the Board and of the Board to shareholders.

The role of the Managing Director for the Company was not held by the Chair, in accordance with the recommendations.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Induction and Continuing Education

The induction provided to new directors enables them to actively participate in Board decision-making as soon as possible. The induction includes being presented with key strategic, financial and relevant operational documents, and the facilitation of meetings with existing directors and senior executives to ensure all relevant and material information is explained thoroughly. The induction also includes an explanation of the existing human resources structure of the Company, and roles and responsibilities of key senior executives are explained.

Access to Information

The Board is given Board papers, prepared by senior management, for every Board meeting held. These papers include, but are not limited to, a Managing Director update, an operational update, financial reporting package, investor relations update, and other topical strategic documents relevant to the Company's operations and performance.

Directors are entitled to request any additional information from management where they consider such information necessary to make informed decisions.

Principle 3. Promote ethical and responsible decision-making

Recommendation 3.1 - A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

CODE OF CONDUCT

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a code of conduct to guide all directors and employees, particularly the Chief Financial Officer or their equivalent, and any other senior executives, in respect of ethical and compliant behaviour expected by the Company. In summary, the code of conduct requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of the law and Company policies. More specifically, the code of conduct covers the following:

- Conflicts of interest;
- Confidentiality;
- Fair dealing;
- Protection of assets;
- Compliance with laws and regulations;
- Whistle blowing;
- Security trading; and
- Commitments to stakeholders.

A copy of the code of conduct can be found at www.1300SMILES.com.au

Principle 4. Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1 - The Board of a listed entity should:

(a) have an audit committee which:

- **(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
- **(ii) is chaired by an independent director, who is not the chair of the Board, and disclose:**
  - **the charter of the committee;**
  - **the relevant qualifications and experience of the members of the committee; and**
  - **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company does not comply with this recommendation. Due to the small size of the Board, the full Board takes on the roles associated with an audit committee.

For a large Board an audit committee provides an efficient mechanism to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The main responsibilities of the audit and risk committee which have been taken on by the Board are to:

- Review, assess and approve the full and consider reports, the half-year financial report and all other financial information published by the Company or released to the market;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- Consider the independence and competence of the external auditor on an ongoing basis;
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review and monitor related party transactions and assess their property; and
- Oversee the effective operation of the risk management framework.

In fulfilling its responsibilities, the Board:

- Receives regular reports from management and the external auditors;

- Meets with the external auditors at least twice a year, or more frequently if necessary;
- Reviews the processes the Managing Director and Chief Financial Officer or their equivalent have in place to support their certifications to the Board;
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved; and
- Provides the external auditors with a clear line of direct communication at any time.

External Audit

The Company policy is to appoint an external auditor who demonstrates quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is auditor's policy to rotate audit engagement partners at least every five years.

An analysis of fees paid to the external auditors is provided in the notes to the financial statements that form part of the Annual Report and a breakdown of fees for non-audit services is provided in the Directors' Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Company. The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Recommendation 4.2 - The Board of a listed entity should, before it approves the entity's financial statements for the financial period, receive from its Managing Director and Chief Financial Officer or their equivalent a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Corporate Financial Reporting

The integrity of the Company's financial reporting depends upon the existence of a sound system of risk oversight and management and internal control. Management accountability for this is enhanced by the assurances it is required to give to the Board.

The Managing Director and the Chief Financial Officer or their equivalent have made the following certifications to the Board:

- The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- The financial statements, and the notes referred to in section 295(3)(b), of the Corporations Act 2001, for the financial year comply with the accounting standards; and
- The financial statements and notes for the financial year give a true and fair view.

Recommendation 4.3 - A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The opportunity for security holders to question a listed entity's external auditor at the AGM is an important safeguard for the integrity of the corporate reporting process. The auditors of the Company attend the Company's AGM and are available to answer questions related to audit.

Principle 5. Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1 - A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Continuous Disclosure

The Company has adopted a policy guiding continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities (price sensitive information), which is designed to ensure compliance with ASX listing rule 3.1 continuous disclosure.

All price sensitive information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX.

A copy of the continuous disclosure policy is available on the company's website www.1300SMILES.com.au

Principle 6. Respect the rights of shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- Communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed and emailed to shareholders and the shareholder meetings of the Company;
- Giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; and
- Making it easy for shareholders to participate in shareholder meetings of the Company.

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The Company has a website with a "corporate governance" landing page from where all relevant corporate governance information can be accessed.

The Company has included in the corporate governance area of its website links to:

- The names, photographs and brief biographical information for each of its directors and senior executives;
- Its constitution and its Board charter; and
- The corporate governance policies and other corporate governance materials referred to in these recommendations.

The Company also has included website links to:

- Copies of its Annual Reports and financial statements;
- Copies of its announcements to the ASX; and
- Copies of notices of meetings of security holders and any accompanying documents.

Recommendation 6.2 - A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

A primary aim of the Company's investor relations program is to allow investors and other financial market participants to gain a greater understanding of the entity's business, governance, financial performance and prospect.

The Company's program involves actively engaging with security holders at the AGM, meeting with them upon request and responding to any enquiries they may make from time to time.

Recommendation 6.3 - A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holder.

Meetings of security holders are an important forum for two-way communication between a listed entity and its security holders. They provide an opportunity for a listed entity to impart to security holders a greater understanding of its business, governance, financial performance and prospects, as well as to discuss areas of concern or interest to the Board and management. They also provide an opportunity for security holders to express their views to the Company's Board and management about any areas of concern or interest for them.

Due to the small shareholder numbers the Company does not provide electronic methods for shareholders to attend or interact at security holder meetings. All shareholders are advised of and given reasonable notice of when security holders meetings are held. Where a vote is to be put to shareholders all shareholders are provided with details of the resolution to be put, are invited to attend the meeting and are provided with the ability to vote online or to vote by proxy. If they attend the meeting each shareholder has the right to ask questions about, or make comments on, the management of the entity. Shareholders are also provided the opportunity to ask questions or provide comments ahead of the meeting. Where appropriate, these questions should be answered at the meeting, either by being read out and then responded to at the meeting or by providing a transcript of the question and a written answer at the meeting.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Principle 7. Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 - The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- **(i) has a least three members, a majority of whom are independent directors; and**
- **(ii) is chaired by an independent director, and disclose:**
- **(iii) the charter of the committee;**
- **(iv) the members of the committee; and**
- **(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not comply with this recommendation. Due to the small size of the Board, the full Board takes on the roles associated with the Risk Committee.

The Board role in Risk Management

The Board satisfies itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Board:

- Reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- Reviews Company-wide objectives in the context of the abovementioned categories of corporate risk;
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- Reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- Reviews compliance with agreed policies.

Risk has been identified and documented under the following risk categories:

- Technology risk;
- Intellectual property risk;
- Financial (funding) risk; and
- Operational risks, including:
  - Key personnel risk;

- Supply chain risk (disruption to manufacturing); and
- Commercial partner risk.

Risks affecting the Company are reviewed and discussed at each Board meeting.

Further detail on these risks can be found in the review of operations section of the Directors' Report.

The Company's risk management policy is available on www.1300SMILES.com.au

Recommendation 7.2 - The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board regularly reviews the Company's risk management framework to satisfy itself that it continues to be sound and that the entity is operating within the risk appetite set by the Board. Based on events effecting the Company the risk framework is regularly modified to ensure it is relevant, efficient and effective.

Recommendation 7.3 - A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board is of the view that the size and complexity of the Company does not warrant the Company having an internal audit function.

The operation of the Company's compliance system is managed by the senior executives of the Company. The senior executives are responsible for designing, implementing and reporting on the adequacy of the Company's internal control system and has to report to the Board on the effectiveness of the internal control system during the year.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not have any material exposure to economic, environment and social sustainability risks.

Principle 8. Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1 - The Board of a listed entity should:

(a) have a remuneration committee which:

(i) has at least three members, a majority of whom are independent directors; and

(ii) is chaired by an independent director, and disclose:

- **the charter of the committee;**
- **the members of the committee; and**
- **as at the end of each reporting period:**
  - **the number of times the committee met throughout the period; and**
  - **the individual attendances of the members at those meetings; or**

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not comply with this recommendation. Due to the small size of the Board, the full Board takes on the roles associated with the remuneration committee.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Remuneration Structures

Executive Remuneration consists of fixed pay and performance based remuneration and is closely aligned to the success of the Company and is set by comparison with companies of a similar size.

Composition: remuneration packages for executive directors and other senior executives include an appropriate balance of fixed remuneration and performance-based remuneration.

Fixed remuneration: is determined by taking into account the entity's obligations at law and labour market conditions, and is to be relative to the scale of the entity's business. It should reflect core performance requirements and expectations.

Performance-based remuneration: is linked to clearly specified performance targets. These are aligned to the entity's short and long-term performance objectives and are appropriate to its circumstances, goals and risk appetite.

Termination payments: termination payments terms are set down in the executives' service contracts. There is no payment for removal for misconduct.

The Board retains discretion with respect to the grant and award of incentives up to the point at which they vest. This discretion would be exercised in the event of malus; including but not limited to the serious misconduct or material misstatement of the company's finance statement. Clawback provisions are not currently in place.

Non-executive Director Remuneration consists of directors' fees only and does not include options or performance-based remuneration. Remuneration is set by comparison with companies of a similar size and to ensure there does not arise a conflict with their obligation to bring an independent judgement to matters before the Board.

Composition: non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity plans).

Fixed remuneration: levels of fixed remuneration for non-executive directors reflect the time commitment and responsibilities of the role.

Performance-based remuneration: non-executive directors do not receive performance-based remuneration.

Termination payments: non-executive directors do not receive retirement benefits other than superannuation.

Recommendation 8.3 - A listed entity which has an equity based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

Participants are not permitted to enter into transactions to limit the economic risk of participating in an equity-based incentive scheme.

Further information on non-executive director and executive remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading 'Remuneration Report' in the Company's Annual Report.