Risk Management Policy

1300SMILES and its subsidiaries

(the "Company")

Adopted 1 July 2016

1. OVERVIEW

1.1 Board Commitment

The Company is committed to ensuring that:

a) its culture, processes and structures facilitate realisation of the Company's business objectives whilst material risks are identified, managed, monitored and wherever appropriate and possible, mitigated; and

b) to the extent practicable, its systems of risk oversight, management and internal control comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

1.2 Purpose

The objective of the Policy is to:

a) ensure management recognises opportunities (upside risk) and threats (downside risk) are part of operating a business;

b) encourage appropriate tolerance of certain risks across the business;

c) establish procedures to analyse material risks within agreed parameters across the business;

d) establish procedures to monitor and manage material risk; and

e) ensure a risk framework is in place which can react should the risk profile of the business change.

Risks governed by this Policy include potential risks and this Policy includes, financial, operational, regulatory and risks.

1.3 Materiality

References to 'material' in this Policy have the same meaning as in section 677 of the Corporations Act (Material effect on price or value). The concept of materiality with respect to the Company is further described in paragraph 4.

1.4 Provision of this policy

A copy of this Policy will be given to all Management.

1.5 Questions of implementation of this policy

Any questions relating to the implementation of this Policy should be forwarded to the Managing Director.

2. GOVERNANCE

The Board is responsible for ensuring that effective risk management programs are in place to protect the Company's assets and shareholder value. The Board is responsible for setting the risk philosophy and determining the acceptable level of risk and for approving the risk management policy.

The overall governance framework for managing risk is for the board to:

a) identify and monitor material business and financial risks;
b) ensure the Company has established an effective risk management framework, policies, systems and processes for identifying, assessing, monitoring and managing material business risks;
c) review any material changes to the Company's risk profile;
d) review the effectiveness of risk management, internal control, operating and accounting control systems by reviewing reports received from management and the internal and external auditors; and
e) assess the Company's occupational health and safety policies and procedures to confirm that they are consistent with the performance standards and risk management practices.

In addition to the board's responsibilities:

a) Management must implement procedures that will help to identify and manage risks in accordance with the Company's policies and ensure that staff are appropriately trained in risk management. This includes implementing business-specific controls, procedures, monitoring and reporting processes;
b) Individuals have responsibility to manage risks within their area of responsibility in accordance with the Company's policies and business-specific processes; and
c) The external auditors perform a monitoring function and additional line of control for the Board.

3. RISK MANAGEMENT FRAMEWORK

It is the Company's policy that risk should be managed and monitored on a continuous basis and the Company has designed a framework to allow the Company to achieve its business objectives whilst assisting management and ideally, providing early warnings of material risks.

Key components of the Policy which combine a number of procedures and controls within the Company include:

a) Identification and assessment of risks;
b) Monitoring and wherever possible, mitigation, of identified risks;
c) Regular reporting; and
d) Assessment of the effectiveness of the risk management framework.

Each component is considered in turn below.

3.1 Identification and assessment of all material risks

The Board sets the company's acceptable level of risk. This allows the company to assess decisions so that the anticipated risk is consistent with the risk policy.

Management must identify any material risks, analyse the probability of the material risk occurring and predict the most likely effect the risk would have on the business should it occur. In the analysis of material risks, Management should consider:

a) the magnitude of the risk;
b) control mechanisms to manage the risk; and

c) consequences and likelihood.

3.2 Monitoring and mitigation of identified material risks, including monitoring of incidents

Material risks identified should be continually reviewed by Management and regularly by the Board. Mitigated material risks should also be considered by the Board from time to time, having regard to establishing appropriate precautions from reoccurrence which can be communicated throughout the business.

3.3 Periodic Reporting

The Board periodically reviews the material risks of the Company. Management will provide a report for these reviews on material risks.

3.4 Assessment of effectiveness of Risk Management Framework

In accordance with its Charter, the Board is responsible for, among other things, ensuring that effective risk management programs are in place to secure the Company's assets and protect shareholder value.

The Company's risk framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored and mitigated as far as possible.

In addition, Senior Management should promote a culture of voluntary and transparent risk reporting regular risk assessment throughout all levels of the Company.

In addition, in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (recommendation 7.3), the Managing Director will state to the Board on an annual basis that:

a) the management of the Company's material business risks is effective; and
b) the declaration made in accordance with section 295A of the Corporations Act (in relation to the financial statements) is based on a sound system of risk management and internal control and that the system is operating effectively.

4. SPECIFIC RISK FRAMEWORK TOOLS

As part of the risk framework, the following guidance is given with respect to the Company's key identified material risks.

4.1 Material Financial Risks

Material financial risks are risks those that have a direct that would directly impact the balance sheet through the profit and loss. The key components of the Company's material financial risks are managed through:

a) monitoring;
b) delegations of authority; and
c) insurance procedures.

4.2 Material Operational Risks

Material operational risks are those that arise from inadequate or failed internal processes, people and systems or from external events. Material operational risks have the potential to cause loss to the company by a number of ways, including, adversely affecting financial performance, damage to the company's reputation or doubts about the integrity of the company's business practices, commercial behaviour or honesty.

Management is responsible for identifying and managing material operational risks within their realm of authority. The following framework is in place for common operational risks:

a) processes to manage compliance with the relevant occupational health and safety and related statutory, legal and regulatory requirements;
b) identifying operational risks and implementing management processes;
c) an established Code of Conduct is in place; and
d) procedures to ensure the Company properly manages its social responsibilities and community relationships so that any effects of the Company's activities on communities are recognised and if necessary implement the appropriate response.

4.3 Compliance Risk

Compliance risk is the risk of not complying with relevant regulatory requirements and our own ethical standards. The following framework is in place to manage compliance risk:

a) regularly reviewing changes in regulations;
b) ensuring staff/contractors are trained in new or changed regulations;
c) monitoring staff qualifications where required by regulations; and
d) a Code of Conduct is issued to all employees.

Management is required to have effective processes in place to ensure compliance within their own area of authority.