

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Pacific Smiles Group Limited

ABN/ARBN

42 103 087 449

Financial year ended:

30 June 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

these pages of our annual report: \_\_\_\_\_

this URL on our website:  
<http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at [*insert effective date of statement*] and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 30 September 2016

Sign here: \_\_\_\_\_  
~~Director~~/Company Secretary

Print name: Jane Coleman

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> “Corporate governance statement” is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity’s corporate governance statement can be found.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.5 A listed entity should:</p> <p>(a) have 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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(1) 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</p> <p>(2) if 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.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> <p>... the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
	<i>Insert location here</i>		
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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; <b>OR</b></p> <p>(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, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>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.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 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</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
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.	<p>... our code of conduct or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee;	<p>[If the entity complies with paragraph (a):]            ... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: _____ <i>Insert location here</i> ... and a copy of the charter of the committee:	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) 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; <b>OR</b></p> <p>(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.</p>	<p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a>  <i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p>
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
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.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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; <b>OR</b></p> <p>(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.</p>	<p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; <b>OR</b></p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>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.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b><u>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</u></b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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; <b><u>OR</u></b></p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance">http://investors.pacificsmilesgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
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.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b><u>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</u></b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>- <i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:  <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b>  <input type="checkbox"/> at this location:  <hr style="width: 200px; margin-left: 0;"/> <i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

## Pacific Smiles Group Limited (ACN 103 087 449)

### Corporate Governance Statement

For the year ended 30 June 2016

Pacific Smiles Group Limited ("Pacific Smiles" or the "Company") and the Board of Directors ("Board") are committed to achieving and demonstrating the highest standards of corporate governance appropriate for the business. The Board continues to review the framework and practices to ensure they meet the interests of security holders.

A description of Pacific Smiles' main corporate governance practices is set out below. All of these practices, unless otherwise stated, were in place for the full financial year ("Reporting Period"), and they remain current as at 18 August 2016.

The following charters and policies can be found under the "Corporate Governance" section of the Investors tab on the Pacific Smiles corporate website at [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

This Statement reports Pacific Smiles' compliance with the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) ("Principles") during the Reporting Period.

#### **Principle 1 – Lay solid foundations for management and oversight**

***A listed entity should establish and disclose the respective roles and responsibilities of 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.*

The board of directors (**Board**) has adopted a Board Charter which sets out the way Pacific Smiles is directed and controlled, and in particular the responsibilities, composition and structure of the Board. The ultimate responsibility of the Board is to build sustainable value for shareholders whilst protecting the assets and reputation of Pacific Smiles. Additionally the Board Charter seeks to maintain Pacific Smiles' corporate governance culture, and in particular the leadership by the Board and senior executives which is critical to Pacific Smiles' continuing success.

The Company has also established the functions and powers delegated to senior management and has set out these functions in its Board Charter. In particular, the Board Charter provides for the delegation to the Chief Executive Officer of the authority and power in respect of the day-to-day management of the business of the Company and outlines the core leadership and strategic roles of the Chief Executive Officer.

The Board has established a Nomination and Remuneration Committee which has a charter setting out the membership, authority, duties and responsibilities, reporting obligations, selection and appointment process, review of committee performance and the claw back policy. This charter seeks to enable Pacific Smiles to attract and retain senior management and appropriately align their interests with those of key stakeholders.

The Board has also established an Audit and Risk Management Committee which has a charter setting out the membership, authority, duties, responsibilities and reporting obligations of the committee. The Audit and Risk Management Committee has the responsibility to maintain free and open communication with the external auditor and Pacific Smiles' management.

##### **Recommendation 1.2**

*A listed entity should:*

- (a) undertake 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.*

Pacific Smiles has undertaken criminal and bankruptcy checks on all current directors. Potential new directors will be subject to appropriate screening and background checks prior to appointment or putting forward a candidate for election as a director. In addition, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect 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.*

Pacific Smiles has entered into written agreements with each of its directors and senior executives setting out the terms of their appointment. The material terms of all employment, service or consultancy agreements with directors or other related parties have been disclosed, to the extent required, in accordance with ASX Listing Rule 3.16.4.

**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.*

Jane Coleman is the company secretary and Chief Financial Officer. The company secretary is responsible for the day to day operations of the company's secretarial office, including the administration of Board and committee meetings, overseeing Pacific Smiles' relationship with its share registrar and lodgements with the ASX and other regulators. The company secretary is accountable to the Board through the Board Chair, on all corporate governance matters.

**Recommendation 1.5**

*A listed entity should:*

- (a) *have 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:*
  - [1] *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*
  - [2] *if 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.*

The Board has adopted a Diversity Policy which seeks to recognise, utilise and annually review the contribution of diverse skills and talent from its directors, officers and employees. The Diversity Policy is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

Pacific Smiles recognises that in order to have a diverse workplace, discrimination, bullying, harassment, vilification and victimisation cannot and will not be tolerated. The Diversity Policy outlines that diversity extends beyond gender and includes, but is not limited to issues of age, ethnicity, marital or family status, religious or cultural background, sexual orientation or preference, disability and mental impairment.

The Board is responsible for annually setting and reviewing Pacific Smiles' objectives in relation to gender diversity, and where appropriate, other aspects of diversity. The Board has set an objective for gender diversity in relation to Board composition, but has not set specific targets in relation to other employee categories within the organisation. In relation to the composition of the Board of Directors, the Board has set an objective to prioritise female candidates for future Board appointments where other factors are equivalent between prospective directors.

Gender diversity within Pacific Smiles extracted from the Company's report to the Workplace Gender Equality Agency on 31 May 2016 was:

	<u>Female</u>	<u>Male</u>
Board of Directors	0%	100%
Senior Executives <sup>1</sup>	60%	40%
Managers	97%	3%
Other Employees	97%	3%

<sup>1</sup> Senior Executives represent the key management personnel, as disclosed in the Company's Annual Report, excluding the Executive Directors.

**Recommendation 1.6**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees 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.

As stated in the Board Charter and the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee will regularly (at least annually) carry out a formal review of the performance of the Board, its committees, senior management and each non-executive director.

**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 Nomination and Remuneration Committee Charter provides the process for periodically evaluating the performance of its senior executives. Performance evaluations have been completed for the senior executives in relation to the Reporting Period.

**Principle 2 – Structure the board to add value**

A listed entity should have a board of an appropriate size, composition, skills and commitment to discharge its duties effectively

**Recommendation 2.1**

The Board of a listed entity should:

- (a) have a nomination committee which:
  - [1] has at least three members, a majority of whom are independent directors; and
  - [2] is chaired by an independent director,and disclose:
  - [3] the charter of the committee;
  - [4] the members of the committee; and
  - [5] 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 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, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Nomination and Remuneration Committee provides oversight of Pacific Smiles' remuneration, recruitment, retention and termination policies and procedures for directors and senior executives.

The committee is comprised of Ben Gisz (Chair, Non-Executive Director), Robert Cameron (Independent Non-Executive Director) and Grant Bourke (Independent Non-Executive Director). Ben Gisz is a Non-Executive director but is not considered by the Board to be independent according to ASX guidelines because of his relevant interest in a substantial shareholding of the Company by virtue of his association with TDM Asset management Pty Ltd. However, the Board considers that Ben exercises his duties sufficiently independently from management and has the appropriate skills and experience to Chair this committee effectively.

The number of meetings of the Committee and attendances by individual members is disclosed in the Directors' Report in Pacific Smiles' Annual Report. The Nomination and Remuneration Committee Charter is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

**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 Board considers that the directors appointed by Pacific Smiles will add value to the Board as they all have the appropriate skills and expertise relevant to the business. Collectively, the Board has an extensive range of commercial skills and other relevant experience which are vital for the effective governance of the business. Board members, including some who are have experience as directors of other ASX-listed companies, together have a combination of experience in the following areas:

- corporate and business strategy
- corporate and clinical governance
- executive leadership
- risk management
- health services
- business growth and development, both organically and by acquisition
- brand and product development and marketing
- information technology
- finance and accounting
- corporate finance

With guidance from the Nomination and Remuneration Committee and, where necessary, external consultants, the Board will identify candidates and assess nominations of new directors against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.

Director appointment criteria will be reviewed annually and the Nomination and Remuneration Committee will regularly compare the skill base of existing directors with that required for the future strategy of Pacific Smiles to enable identification of attributes required in new directors.

**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 relevant to assessing independence, 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 following table provides a summary of the required particulars for each director.

	Length of Service	Independent (Yes/No)	Reason if No
<b>Non-Executive Directors:</b>			
Robert Cameron AO (Chairman)	12 years	Yes	-
Simon Rutherford	12 years	Yes	-
Ben Gisz	4 years	No	Relevant interest in substantial shareholding
Grant Bourke	1 year	Yes	-
<b>Executive Directors:</b>			
Alex Abrahams (Founder)	13 years	No	Executive, substantial shareholding
John Gibbs (Managing Director and CEO)	8 years <sup>(1)</sup>	No	Executive

<sup>(1)</sup> Length of service refers to service as an Executive Director. Length of service as an employee is 12 years.

Although Robert Cameron and Simon Rutherford have served on the Board for 12 years, the Board has assessed this tenure as part of its determination of independence and does not consider that it interferes, or might reasonably be seen to interfere, with their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Pacific Smiles and its security holders generally.

**Recommendation 2.4**

*A majority of the Board of a listed entity should be independent directors.*

Pacific Smiles is not compliant with this recommendation. The Board is comprised of six Directors. Three directors are considered by Pacific Smiles to be independent. The Independent Directors are: Robert Cameron, Simon Rutherford and Grant Bourke. The Board does comprise a majority of Non-Executive Directors, and considers this mix to be appropriate considering the size and nature of the business and its requirements.

The three Directors who are not considered to be independent add significant value to Board deliberations with their considerable experience and skills. Each of these three Directors brings objective judgement to the Board's deliberations. Furthermore, all Directors are entitled to seek independent professional advice as and when required. Notwithstanding his formal designation as non-independent, the board considers Ben Gisz, in practice, exercises his duties independently from the management and business operations of the Company. Each of the Directors believes that they are able to effectively and appropriately analyse the issues before them in the best interests of all shareholders and in accordance with their duties as Directors.

**Recommendation 2.5**

*The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Chairman of the Board, Robert Cameron, is an independent director. The role of Chair and CEO are exercised by different individuals, being Robert Cameron and John Gibbs respectively.

**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.*

The Board Charter requires that new directors be briefed on their roles and responsibilities, and the minutes and papers of Board and committee meetings be made available to them.

Time is to be allocated at Board and committee meetings for continuing education on significant issues facing the Company and changes to the industry and regulatory environments. This includes briefings by senior management and external consultants from time to time.

The Board seeks to ensure that there is appropriate training for all directors enabling them to remain up-to-date and abreast of changes and trends in economic, political, social, financial and legal climates, including governance practices.

**Principle 3 – Act ethically and responsibly**

*A listed entity should act ethically and responsibly*

**Recommendation 3.1**

*A listed entity should have a code of conduct and disclose the code or a summary of the code.*

Pacific Smiles has established a Code of Conduct which provides an ethical and legal framework for all Directors, officers, employees, contractors and certain other individuals in the conduct of Pacific Smiles' business to safeguard the confidence of Pacific Smiles' stakeholders.

Pacific Smiles employees are obliged to familiarise themselves with, and comply with, Pacific Smiles' policies, frameworks and processes. The Code of Conduct is available on Pacific Smiles' corporate website at [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

**Principle 4 – Safeguard integrity in financial reporting**

*A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*

**Recommendation 4.1**

*The board of a listed entity should:*

(a) *have an audit committee which:*

[1] *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*

[2] *is chaired by an independent director, who is not the chair of the board,*

*and disclose:*

[3] *the charter of the committee;*

- [4] *the relevant qualifications and experience of the members of the committee; and*
- [5] *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.*

The Board has established an Audit and Risk Management Committee, which has its own charter that is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

The Committee is currently comprised of Simon Rutherford (Chair, Independent Non-Executive Director), Ben Gisz (Non-Executive Director) and Grant Bourke (Independent Non-Executive Director), each being non-executive directors and a majority of whom are independent directors. Details of each Committee members' qualifications, experience and attendance at Committee meetings during the Reporting Period are set out in the Directors' Report in Pacific Smiles' Annual Report.

The Chair of the Audit and Risk Management Committee may invite members of management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. Each Director has the right to attend a meeting of the Audit and Risk Management Committee. The Audit and Risk Management Committee will regularly report to the Board about committee activities, issues and related recommendations.

#### **Recommendation 4.2**

*The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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.*

This recommendation has been complied with in full during the financial year ended 30 June 2016 in respect of the Company's financial statements.

#### **Recommendation 4.3**

*A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

Pacific Smiles' external auditor has historically attended its AGMs and did so in respect of the 2016 AGM. In those instances, the external auditor has been available to answer questions from security holders relevant to the audit. The Board intends to continue to comply with this recommendation in respect of future AGMs.

#### **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.*

Pacific Smiles has adopted a Disclosure Policy. The Disclosure Policy establishes procedures to ensure Pacific Smiles complies with its continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules.

Pacific Smiles has also adopted a Securities Trading Policy that imposes certain restrictions on officer, employees and related persons trading in the company's securities.

Both the Disclosure Policy and the Securities Trading Policy are accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

## **Principle 6 – Respect the rights of shareholders**

*A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively*

### **Recommendation 6.1**

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

Pacific Smiles' website contains information about the company which assists an investor in making an informed decision as to whether they should invest in the company.

Additional information about the Company is available on its corporate website at [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au), including Pacific Smiles' governance policies, which are accessible via the Investors tab.

### **Recommendation 6.2**

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

Pacific Smiles has adopted a Shareholder Communications Policy which seeks to promote effective communication with shareholders and other stakeholders and to encourage and facilitate participation at Pacific Smiles' general meetings. Additionally the Shareholder Communications Policy establishes the procedures that are in place to ensure enquiries of shareholders and other stakeholders are dealt with promptly.

The Shareholder Communication Policy is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

### **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 holders.*

The Shareholder Communications Policy seeks to encourage shareholder participation at meetings and requires that the company's auditor be present at the Annual General Meeting to answer any questions that a shareholder may have.

### **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.*

Pacific Smiles encourages shareholders to receive communications from it and its share registry electronically and provides details for shareholders to send electronic communications and to have them actioned appropriately. Relevant contact details are outlined in the Investors section of the company's website, [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

## **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:*

- [1] has at least three members, a majority of whom are independent directors; and*
- [2] is chaired by an independent Chair,*

*and disclose:*

- [3] the charter of the committee;*
- [4] the members of the committee; and*
- [5] 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 role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing Pacific Smiles' financial reporting, internal control structure, risk management systems and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by Pacific Smiles, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to Pacific Smiles. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Committee comprises of Simon Rutherford (Chair, Independent Non-Executive Director), Ben Gisz (Non-Executive Director) and Grant Bourke (Independent Non-Executive Director). The number of meetings of the Committee and attendances by individual members during the Reporting Period is disclosed in the Directors' Report in Pacific Smiles' Annual Report.

The Audit and Risk Management Committee Charter is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.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 is responsible for overseeing the establishment of and approving risk management strategies, policies, procedures and systems of Pacific Smiles, and is supported in this area by the Audit and Risk Management Committee. Pacific Smiles management is responsible for establishing Pacific Smiles' risk management framework. Pacific Smiles will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Chief Executive Officer or Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act 2001.

#### **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.*

Pacific Smiles does not have a formalised internal audit function, but has comprehensive processes for evaluating and continually improving the effectiveness of risk management and internal financial control processes.

To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks. These processes are implemented, overseen and assessed by the management team, the Chief Executive Officer, the Chief Financial Officer and the Audit and Risk Management Committee.

The Audit and Risk Management Committee also ensures that the systems of internal control are operating effectively in relation to reporting financial risks, and that these systems provide an adequate basis for the Chief Executive Officer and Chief Financial Officer to execute their certifications under s295A of the Corporations Act 2001.

#### **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.*

Pacific Smiles is subject to various risk factors, with some of these specific to its business activities and others of a more general nature. Pacific Smiles has not identified any specific, material exposure to the following long term risk factors:

- economic sustainability, being the ability of the company to continue operating at a particular level of economic production over the long term;
- environmental sustainability, being the ability of the company to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term; and
- social sustainability, being the ability of the company to continue operating in a manner that meets accepted social norms and needs over the long term.

## **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*

### **Recommendation 8.1**

*The Board of a listed entity should:*

- (a) *have a remuneration committee which:*
  - [1] *has at least three members, a majority of whom are independent directors; and*
  - [2] *is chaired by an independent director, and disclose:*
  - [3] *the charter of the committee;*
  - [4] *the members of the committee; and*
  - [5] *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 role of the Nomination and Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with Pacific Smiles' strategic goals and human resources objectives. The Nomination and Remuneration Committee is also responsible for administering short term and long term incentive plans (including any equity plans) and reviewing Pacific Smiles' claw back policy in respect of performance-based remuneration. In addition, the Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The committee is comprised of Ben Gisz (Chair, Non-Executive Director), Robert Cameron (Independent Non-Executive Director) and Grant Bourke (Independent Non-Executive Director). Ben Gisz is a Non-Executive director but is not considered independent according to ASX guidelines. However, the Board considers that Ben exercises his duties sufficiently independently from management and has the appropriate skills and experience to Chair this committee effectively.

The number of meetings of the Committee and attendances by individual members during the Reporting Period is disclosed in the Directors' Report in Pacific Smiles' Annual Report.

The Nomination and Remuneration Committee Charter is accessible with the Corporate Governance information via the Investors tab of [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).

### **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.*

The Nomination and Remuneration Committee Charter is accessible via Pacific Smiles' website.

A Remuneration Report has been disclosed with Pacific Smiles' Annual Report, and contains remuneration policies, practices and amounts for each director and senior executives considered key management personnel.

### **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.*

Pacific Smiles has adopted a Securities Trading Policy which restricts key management personnel and other nominated persons from entering into transactions that limit their economic risk in relation to Pacific Smiles securities they hold, which includes equity-based remuneration (such as performance rights) issued under its Performance Rights Plan.

The Securities Trading Policy is available on the Company's corporate website at [www.pacificsmilesgroup.com.au](http://www.pacificsmilesgroup.com.au).