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# **Board Charter**

Pacific Smiles Group Limited ACN 103 087 449

Adopted by the Board on 22 October 2014, conditional on listing

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## 1 The Board and overview of its role

- (a) The board of directors (**Board**) of Pacific Smiles Group Limited ACN 103 087 449 (**Pacific Smiles Group**) is responsible for, and oversees the governance of, Pacific Smiles Group.
- (b) Corporate governance describes the way Pacific Smiles Group is directed and controlled. Pacific Smiles Group's shareholders appoint directors and hold them accountable for the performance of the company. A key part of directors' responsibility is to ensure that an effective corporate governance structure operates in Pacific Smiles Group.
- (c) The governance structure should ensure that reasonable profit and growth targets are set and achieved and risk is properly managed, while taking into account the interests of Pacific Smiles Group stakeholders. As well, Pacific Smiles Group's corporate governance culture and its way of doing business, including leadership by the Board and senior executives, is critical to Pacific Smiles Group's continuing success.
- (d) This board charter sets out the functions of Pacific Smiles Group's Board by describing the structure of the Board and its committees, the need for independence and other obligations of directors.
- (e) The Board will meet regularly on such number of occasions each year as the Board deems appropriate.

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## 2 Functions of the Board

- (a) The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of Pacific Smiles Group. Its functions include but are not limited to:
  - (i) approving Pacific Smiles Group's strategies, budgets and business plans;
  - (ii) approving Pacific Smiles Group's annual report including the financial statements, directors' report, remuneration report and corporate governance statement, with advice from the Nomination and Remuneration Committee and the Audit and Risk Management Committee, as appropriate;
  - (iii) approving major borrowing and debt arrangements, the acquisition, establishment, disposal or cessation of any significant business of the company, any significant capital expenditure and the issue of any shares, options, equity instruments or other securities in Pacific Smiles Group;
  - (iv) assessing performance against strategies to monitor both the performance of senior management of the Pacific Smiles Group group (being the Chief Executive Officer and other individuals as determined from time to time by the Nomination and Remuneration Committee) (**Senior Management**) as well as the continuing suitability of strategies;
  - (v) reviewing operating information to understand at all times the state of health of Pacific Smiles Group;
  - (vi) considering Pacific Smiles Group's approach to the economic, occupational health and safety, environmental and social sustainability risks of Pacific Smiles Group's activities;
  - (vii) ensuring that Pacific Smiles Group acts legally and responsibly on all matters and that the highest ethical standards are maintained;

- (viii) approving policies regarding disclosure and communications with the Australian Securities Exchange (**ASX**), the market and Pacific Smiles Group's shareholders; and
  - (ix) monitoring and approving changes to internal governance including delegated authorities, and monitoring resources available to Senior Management.
- (b) With the guidance of the Board's Nomination and Remuneration Committee, the Board is responsible for:
- (i) evaluating and approving the remuneration packages of the Chief Executive Officer, Chief Financial Officer, directors and other members of Senior Management;
  - (ii) monitoring compliance with the non-executive director remuneration pool approved by Pacific Smiles Group in accordance with its Constitution, or as subsequently amended by its shareholders by general meeting from time to time, and recommending any changes to the pool;
  - (iii) administering short and long term incentive plans (including any equity plans) adopted by Pacific Smiles Group and engaging external remuneration consultants;
  - (iv) appointing, evaluating or removing the Chief Executive Officer or Chief Financial Officer, and approving appointments or removal of all other members of Senior Management and directors;
  - (v) regularly assessing the independence of all directors;
  - (vi) reviewing and implementing succession planning for directors and Senior Management; and
  - (vii) monitoring the organisational capability and mix of skills, experience, expertise and diversity on the Board and, when necessary, appointing new directors, for approval by shareholders.
- (c) With the guidance of the Audit and Risk Management Committee, the Board is responsible for:
- (i) overseeing the establishment of and approving Pacific Smiles Group's risk management strategy policies, procedures and systems;
  - (ii) reviewing and monitoring the effectiveness of Pacific Smiles Group's risk management strategy, policies, procedures and systems;
  - (iii) preparing and presenting Pacific Smiles Group's financial statements and reports;
  - (iv) overseeing Pacific Smiles Group's financial reporting, which, without limitation, includes:
    - (A) reviewing the suitability of Pacific Smiles Group's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
    - (B) assessing significant estimates and judgements in financial reports;
    - (C) assessing information from external auditors to ensure the quality of financial reports; and
    - (D) recommending to the Board whether the financial and associated non-financial statements should be signed based on the Audit and Risk Management Committee's assessment of them;

- (v) the entry into, approval or disclosure of related party transactions (if any);
  - (vi) overseeing Pacific Smiles Group's financial controls and systems;
  - (vii) reviewing, monitoring and approving Pacific Smiles Group's risk management policies, procedures and systems; and
  - (viii) managing audit arrangements and auditor independence.
- (d) The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose.
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### 3 Powers delegated to management

- (a) The Board will delegate to the Chief Executive Officer the authority and power to manage Pacific Smiles Group and its businesses within levels of authority specified by the Board from time to time. The Chief Executive Officer may delegate aspects of his or her authority and power but remains accountable to the Board for Pacific Smiles Group's performance and is required to report regularly to the Board on the progress being made by Pacific Smiles Group's business units.
- (b) The Chief Executive Officer's role includes:
- (i) responsibility for the effective leadership of the management team;
  - (ii) the development of strategic objectives for the business; and
  - (iii) the day-to-day management of Pacific Smiles Group's operations.
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### 4 Board structure

The composition, structure and proceedings of the Board are primarily governed by Pacific Smiles Group's constitution (a copy can be found on the company's website) (**Constitution**) and the laws governing corporations in jurisdictions where the company operates. The Board, with the assistance of the Nomination and Remuneration Committee, will regularly review the composition and structure and performance of the Board.

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### 5 Board composition

The Board aims to have a board of directors which has, at all times, the appropriate mix of skills, experience, expertise and diversity relevant to Pacific Smiles Group's business and the Board's responsibilities.

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### 6 Appointment and re-election of directors

- (a) With guidance from the Nomination and Remuneration Committee and, where necessary, external consultants, the Board will identify candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.
- (b) The Nomination and Remuneration Committee assesses nominations of new directors against a range of criteria including the candidate's background, experience, professional skills, personal

qualities, whether their skills and experience will complement the existing Board, and the Company's diversity policy.

- (c) The criteria to assess nominations of new directors is reviewed annually and the Nomination and Remuneration Committee regularly compares the skill base of existing directors with that required for the future strategy of Pacific Smiles Group to enable identification of attributes required in new directors.
- (d) Before appointment to the Board, candidates must confirm that they will have sufficient time to meet their obligations to Pacific Smiles Group, in light of other commitments, and undertake appropriate checks before appointing a person or putting forward a candidate for election as a director.
- (e) New directors are to be provided with a formal letter of appointment to the Board setting out the key terms and conditions of the appointment, together with any other documents that Pacific Smiles Group considers relevant to the appointment.
- (f) For shareholder meetings where directors are standing for election or re-election, the notice of meeting must include all material information in the possession of Pacific Smiles Group in order to enable shareholders to make an informed decision on their election. This requirement is set out in detail in Pacific Smiles Group's Nomination and Remuneration Committee Charter.
- (g) All directors (other than a managing director, if any) are subject to re-election by rotation at least every three years. Newly appointed directors must seek re-election at the first general meeting of shareholders following their appointment.

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## **7 Review of Board, committee and individual directors' performance**

- (a) The Nomination and Remuneration Committee will regularly carry out a formal review of the performance of the Board, its committees, Senior Management and each non-executive director, using where necessary an external consultant, against appropriate measures. The review will assess:
  - (i) the effectiveness of the Board and each committee in meeting the requirements of its charter;
  - (ii) whether the Board and each committee has members with the appropriate mix of skills and experience to properly perform their functions;
  - (iii) the contribution made by each director at meetings and in carrying out their responsibilities as directors generally, including preparing for meetings;
  - (iv) whether adequate time is being allocated to Pacific Smiles Group's matters, taking into account each director's other commitments; and
  - (v) the independence of each non-executive director, taking into account the director's other interests, relationships and directorships.
- (b) Each year, the Nomination and Remuneration Committee will review the performance of the Chief Executive Officer and any other executive directors as may be appointed against guidelines approved by the Board.
- (c) Each year, a statement detailing the mix of skills and diversity which the Board is looking to achieve in membership to the Board should be included in Pacific Smiles Group's annual report.

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## 8 Board Chair

The chair of the Board (**Board Chair**) will be elected by the Board but must be an independent director. The Board Chair must not hold, and must not have held within the previous 3 years, the office of Chief Executive Officer of Pacific Smiles Group.

The Board Chair's role includes:

- (a) providing effective leadership to the Board in relation to all Board matters;
- (b) primary responsibility for representing the views of the Board to the public (or delegating this function to another Director, when determined appropriate in the circumstances); and
- (c) presiding over meetings of the Board and general meetings of shareholders.

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## 9 Company secretary

- (a) The Board appoints and removes the company secretary. All directors are to have direct access to the company secretary.
- (b) The company secretary is responsible for the day to day operations of the company secretary's office, including the administration of Board and committee meetings, overseeing Pacific Smiles Group's relationship with its share registrar and lodgements with the ASX and other regulators.
- (c) The company secretary is also responsible for communications with the ASX about listing rule matters, including making disclosures to the ASX in accordance with Pacific Smiles Group's Disclosure Policy.
- (d) The company secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are followed and co-ordinating the completion and despatch of Board agendas and briefing papers.
- (e) The company secretary is accountable directly to the Board, through the Board Chair, on all corporate governance matters and the proper functioning of the Board.

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## 10 Keeping directors informed

- (a) New directors are to be briefed on their roles and responsibilities and the minutes and papers of Board and committee meetings will be made available to them.
- (b) Board papers are distributed, where possible, within a reasonable period of time before each meeting.
- (c) Time is to be allocated at Board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment. This is to include briefings by Senior Management and external consultants from time to time.

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## 11 Access to independent advice

Directors may obtain independent professional advice, at Pacific Smiles Group's expense, on matters arising in the course of their Board and committee duties after obtaining the Board Chair's approval. Whenever practicable, the advice must be commissioned in the joint names of the director and Pacific Smiles Group, and a copy of any such advice should be provided to the entire Board. The other directors must be advised if the Board Chair's approval is withheld.

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## 12 Non-executive directors' meetings

The non-executive directors are expected to meet periodically with no management present, to review management performance.

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## 13 Independence of non-executive directors

- (a) To be judged independent, a director must, in the opinion of the Board, be free 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 Pacific Smiles Group and its security holders generally.
- (b) Individuals would, in the absence of evidence or convincing argument to the contrary, be judged to be not independent if they:
  - (i) were employed, or had previously been employed in an executive capacity by Pacific Smiles Group or any of its subsidiaries in the three years prior to becoming a director; or
  - (ii) were directly involved in the audit of Pacific Smiles Group or any of its subsidiaries; or
  - (iii) were a substantial shareholder (or other substantial security holder, for example, option holder) of Pacific Smiles Group, or otherwise associated with, a substantial security holder of Pacific Smiles Group; or
  - (iv) were a partner, director or senior employee of a provider of professional services to Pacific Smiles Group or any of its subsidiaries where the amount paid to that provider within the three years prior to becoming a director was material or the relationship with the with the provider was otherwise material to Pacific Smiles Group, or an employee materially associated with the service provided; or
  - (v) were in a business relationship (for example, as a supplier or customer) with Pacific Smiles Group or any of its subsidiaries where the amount paid within the last three years by Pacific Smiles Group or any of its subsidiaries under that relationship was material (to either Pacific Smiles Group or any of its subsidiaries, or to the director or the applicable business) or the relationship was otherwise material to Pacific Smiles Group or the director or the applicable business; or
  - (vi) were in a material contractual relationship with Pacific Smiles Group or any of its subsidiaries other than as a director of Pacific Smiles Group;
  - (vii) had close family ties with any person who falls within any of the categories described above; or
  - (viii) had been a director of Pacific Smiles Group for such a period of time that their independence may have been compromised.
- (c) If a director has an interest, position, association or relationship of the type described in sub paragraph (b) above but the Board is of the opinion that it does not compromise the independence of that director, Pacific Smiles Group may consider disclosing in Pacific Smiles Group's annual report the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion.
- (d) Any change in the nature of the independence status of a non-executive director must be promptly notified to the Board Chair and company secretary and the Board will review that director's independence status. If the Board determines that there has been a change to the



independence status of a non-executive director, the Board will take steps to ensure that this change is disclosed and explained in a timely manner to the market.

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## **14 Conflict of interest**

- (a) Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of Pacific Smiles Group and will advise the company secretary of all directorships or executive positions held in other companies.
  - (b) If a potential material conflict of interest or conflict of duty arises, the director concerned will advise the Board Chair prior to any Board meeting at which the issue is to be discussed. The director will not receive the relevant Board papers and will leave the Board meeting while the relevant matter is considered unless the other directors approve that director's participation in the deliberation and voting on the relevant issue in accordance with the Corporations Act 2001 (Cth). Any potential conflict must be recorded in the Board minutes.
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## **15 Board committees**

- (a) The Board will operate two committees:
    - (i) Audit and Risk Management Committee; and
    - (ii) Nomination and Remuneration Committee.
  - (b) When appointing members of each committee, the Board will take account of the skills and experience appropriate for that committee as well as any statutory or regulatory requirements.
  - (c) The chair of the Audit and Risk Management Committee cannot be the Board Chair and is to be independent of management and Pacific Smiles Group.
  - (d) The committees operated by the Board are to consider and determine the matters for which they are responsible in accordance with their charter. Copies of the charter of each committee are to be published on Pacific Smiles Group's website. The Board may establish other committees as and when required.
  - (e) Each year, a statement detailing the number of times the Audit and Risk Management Committee and the Nomination and Remuneration Committee met throughout the period and the individual attendances of the members at those meetings should be included in Pacific Smile Group's annual report.
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## **16 Restrictions on securities dealings by directors**

- (a) In accordance with Pacific Smiles Group's Securities Trading Policy, directors and senior management (and certain other persons specified in that policy or determined by the Board from time to time to be subject to that policy) may only buy or sell shares or other securities issued by Pacific Smiles Group (for example, options) during certain periods set out in that policy. The policy contains other relevant restrictions, and should be read in full and understood by each member of the Board, senior management and other persons subject to the policy.
  - (b) All Pacific Smiles Group securities dealings by directors must be promptly notified to the ASX.
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## **17 Confidentiality**

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, must be kept confidential except as required by law or as agreed by the Board.

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## 18 Code of Conduct

Pacific Smiles Group has a Code of Conduct which sets out the way Pacific Smiles Group's conducts businesses and guides the behaviour of everyone in Pacific Smiles Group (including, employees, contracted dentists and other contractors, consultants and directors) by clearly stating Pacific Smiles Group's firm commitment to behaving honestly and fairly.

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## 19 Review

The Board will, at least once in each year, review this board charter to determine its adequacy for current circumstances and may amend it as necessary.