Remuneration and Incentive Policy and Plan

Pacific Smiles Group Limited

Contents

1. Introduction

1.1 Remuneration is overseen by the **Nomination & Remuneration Committee** (**NRC**), a committee of the Board of Directors of Pacific Smiles Group Limited ACN 103 087 449 (the **Company**) (**Committee**).

1.2 The objective of the Committee is to help the Board of Directors of the Company (**Board**) to ensure that the Company:

(a) has clear remuneration policies and practices to attract, motivate, develop and retain executives and Directors who will create value for shareholders, ensuring they are appropriately skilled and diverse in their experience, thinking and approach.

(b) observes the remuneration policies and practices.

(c) fairly and responsibly rewards executives having regard to the Company's performance, the performance of the executives, and the general external pay environment; and

(d) integrates human capital and organisational issues into its overall business strategy.

2. Principles

2.1 In order to fulfil the role of the Committee set out above, its members must refer to the following principles when developing recommendations to the Board regarding remuneration:

(a) attracting and retaining talent to deliver the Company's objectives.

(b) demonstrating a clear relationship between the Company's overall performance and the performance of individuals.

(c) aligning with shareholder and market expectations.

(d) motivating individuals individually & collectively to pursue the Company's long-term growth and success.

(e) rewarding fairly for effort and success, ensuring outcomes are merit based; and

(f) complying with all relevant legal and regulatory provisions.

2.2 The Company aims to reward the Company's CEO & MD and key direct reports (the **Executives**) with a level and mix of remuneration commensurate with their position and responsibilities, by:

(a) applying demanding and specific, measurable, achievable, relevant and time-bound (SMART) key short term and long-term performance indicators (**KPI's**) including financial and non-financial measures of performance.

(b) demonstrating a clear relationship between individual performance and remuneration.

(c) balancing between fixed and variable remuneration that reflects the short and long-term performance objectives of the Company, and the Company's financial position;

(d) linking rewards to the creation of shareholder value.

(e) ensuring remuneration arrangements are equitable and effectively facilitate the deployment of human resources around the Company; and

3. Non-Executive Director Remuneration

3.1 **Determination of Non-Executive Director remuneration**

3.2 Remuneration of Non-Executive Directors is determined:

(a) within a maximum aggregate annual pool limit approved by shareholders;

(i) legislated superannuation contributions will be included in determining the shareholder approved maximum aggregate annual pool limit;

(ii) Fee pool target will broadly align with the 50th percentile of relevant comparable companies;

(b) with regard to the Company's need to attract and retain appropriately experienced and qualified Directors;

(c) commensurate with the size of the Company and the associated risks and responsibilities borne by Directors;

(d) in accordance with competitive pressures in the marketplace; and

3.3 **Review**

3.4 Each year, the Committee will review Non-Executive Director remuneration and make a recommendation to the Board.

3.5 In doing so, the Committee may seek independent professional advice in relation to the remuneration of Non-Executive Directors.

3.6 From time to time, the Committee also reviews and makes recommendations to the Board with respect to amendments to the shareholder approved aggregate pool limit.

Within this limit, the Board seeks to set aggregate annual Non-Executive Director remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

3.7 Non-Executive Director remuneration will be reviewed on an annual basis with consideration given to an individual's performance and contribution to the Company's success, external market relativities, shareholders' interests and desired market positioning.

An annual review overcomes a natural reticence of Board members to raise remuneration matters.

3.8 **Remuneration Structure**

3.9 In respect of **Non-Executive Director** remuneration, remuneration packages may consist of cash fees, superannuation contributions and should consider the following:

(a) **Fixed remuneration** – this should reflect the time commitment and responsibilities of the role;

(b) **Performance-based remuneration** – Non-Executive Directors should not receive performance-based remuneration as it may lead to bias in their decision-making and compromise their independence; and

(c) **Termination payments** – Non-Executive Directors should not be provided with retirement benefits other than superannuation.

3.10 **Payments**

3.11 The Chair of any Board Committee may also receive an additional fee for Chairing that committee unless that Chair is also Chair of the Board.

3.12 The members of Board Committees may also receive an additional fee for being a Committee Member.

3.13 The payment of additional fees recognises the additional time commitment required by Directors who serve on Committees.

3.14 **Extra duties and expenses**

3.15 From time to time, the Board may ask individual Directors to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board's direction may receive additional payments in accordance with the Company's Constitution. Any amount paid does not form part of the maximum annual aggregate pool limit under clause 3.2(a).

3.16 Directors are also reimbursed for reasonable out of pocket expenses directly attributable to performing their duties as a Director in accordance with relevant Company policies.

4. Executive Remuneration

4.1 **Remuneration composition**

4.2 Executive remuneration may consist of both fixed and variable remuneration components. The variable remuneration component may comprise of a Short-term Incentive-(**STI**) and or a Long-term Incentive (**LTI**) or any other form of variable, at-risk remuneration.

4.3 The proportion of fixed remuneration and variable remuneration is recommended by the Committee to the Board for the Company CEO & MD and each Executive.

4.4 Prior to making a recommendation to the Board, the Committee may obtain independent advice on the level and make-up of the CEO & MD and Executive team's remuneration, as well as the appropriateness of remuneration packages in comparison to other companies.

4.5 The Company is only obligated to pay the minimum statutory superannuation obligation.

4.6 In respect of Executive remuneration, remuneration packages should include an appropriate balance of fixed and performance-based remuneration and consider:

(a) **Fixed remuneration** should:

I. be represented as Total Fixed Remuneration and include statutory superannuation payments (TFR).

II. be competitive to attract and retain talented, high-performing people by paying a market-related level of fixed remuneration.

III. reflect the market value of the position and the employee's skills, capability, experience, responsibilities and accountabilities.

IV. be reasonable (i.e. not excessive) and fair.

V. take into account the Company's legal, regulatory and compliance obligations, as well as labour market conditions.

VI. be relative to the scale of the Company's business and financial position; and

VII. reflect core performance requirements and expectations.

(b) **Statutory benefits**

I. Other benefits such as holidays, sickness benefits, superannuation payments, long service benefits and other statutory obligations apply.

(c) **Performance-based remuneration** should:

I. consider individual and corporate performance; and

II. be linked to clearly specified performance requirements, which should be:

- aligned to the Company's short and long-term performance objectives;
- appropriate to the Company's circumstances, goals and risk appetite; and
- be specific, measurable, achievable, relevant and time bound.

(d) **Equity-based remuneration**

I. given the profile of the Company, where possible, total remuneration should be weighted towards equity-based remuneration.

II. may include share rights, options, performance rights, share appreciation rights or restricted shares under the Company's equity-based plan.

III. is linked to hurdles that align with the Company's longer-term performance objectives.

(e) **Termination payments**

I. these should be agreed in advance, and any agreement should clearly address what will happen in the case of early termination.

II. severance payments should be limited on termination to pre-established contractual arrangements that do not commit the Company to making unjustified payments in the event of non-performance.

III. for the avoidance of doubt:

- there should be no payment for removal for misconduct.
- there is no requirement on the Board or the Company to provide payments on termination other than statutory obligations.

IV. Where a Participant who holds Convertible Securities becomes a Leaver, clause 12.1 or 12.2 (PSQ LTI Plan Rules) will apply in relation to all Convertible Securities.

V. Fraudulent or dishonest actions (Bad Leaver)

A Leaver will be a Bad Leaver where the Board determines the following circumstances have occurred:

(I) the Participant resigns from their employment or office;

(II) the employment of the Participant is terminated due to poor performance; or

(III) the Participant's employment is terminated, or the Participant is dismissed from their office, for any of the following reasons:

- the Participant has committed any serious or persistent breach of the provisions of any employment contract entered into by the Participant with any Group Company
- the Participant being guilty of fraudulent or dishonest conduct in the performance of the Participant's duties, which in the reasonable opinion of the relevant Group Company effects

the Participant's suitability for employment with that Group Company, or brings the Participant or the Group into disrepute;

- the Participant has been convicted of any criminal offence which involves fraud or dishonesty;
- the Participant has committed any wrongful or negligent act or omission which has caused any Group Company substantial liability;
- the Participant has become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that may result in the Participant being banned from managing a corporation under the Corporations Act; or
- the Participant has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice.

(IV) the Participant has otherwise acted in contravention of a Group policy, including but not limited to the any one or more of the following:

- anti-bribery and anti-corruption policy;
- board charter;
- continuous disclosure policy;
- code of conduct;
- securities trading policy, and in particular, where a Participant engages in trading during a blackout period or otherwise trades in a manner that may contravene the insider trading provisions in the Corporations Act; and
- statement of values.

(V) Where a Participant becomes a Bad Leaver, unless the Board in its sole and absolute discretion determines otherwise:

- any and all vested Convertible Securities held by the Participant which have not been exercised will continue in force and remain exercisable until 3 months after the Participant's employment or appointment terminates; and
- all unvested Convertible Securities held by the Participant will be forfeited and automatically lapse in accordance with clause 10.

(VI) Good Leaver

(VII) Where a Participant who holds Convertible Securities becomes a Leaver in any other circumstance not outlined in section 12.1 PSQ LTI Plan Rules (including death, disability, retirement and mutual agreement), that Participant will become a Good Leaver.

(VIII) Subject to the terms of an Invitation, where a Participant becomes a Good Leaver, unless the Board in its sole and absolute discretion determines otherwise, any and all vested Convertible Securities held by the Participant which have not been exercised will continue in force and remain exercisable until the Expiry Date or such lesser period as determined by the Board.

(IX) The Board may determine, in its sole and absolute discretion, the manner in which any unvested Convertible Securities held by the Participant will be dealt with, including but not limited to:

(X) allowing a pro-rata number (based on the proportion of the period from the Grant Date to the date on which the Participant becomes a Leaver) of those unvested Convertible Securities to remain "on-foot" to be performance tested at the end of the performance period relevant to the unvested Convertible Securities and, to the extent that the relevant performance hurdles are satisfied, those Convertible Securities will vest at the applicable vesting date for a tranche; and

(XI) requiring that any remaining unvested Convertible Securities be forfeited and automatically lapse in accordance with clause

(XII) Effect of Forfeiture of Convertible Securities

(XIII) Where a Convertible Security has been forfeited in accordance with these Rules:

- the Convertible Security will automatically lapse;
- the Participant or the Participant's agent or attorney must sign any transfer documents required by the Company to effect the forfeiture of that Convertible Security; and
- the Company will not be liable for any damages or other amounts to the Participant in respect of that Convertible Security.

4.7 All remuneration arrangements offered to Executives must be authorised and approved in advance by the Committee.

4.8 **Remuneration guidelines**

The Company aims to deliver remuneration in line with the following guidelines:

(a) **Total Fixed Remuneration (TFR)**

(i) TFR should be broadly in line with the 50th percentile against comparative companies. This reflects the philosophy that the Company pays fairly and reflects the broader remuneration opportunity for equity upside offered by participating in the Company's Long Term Incentive plan.

(b) **Short Term Incentives (STI)**

(i) The Company may, but is not obligated to, provide the CEO & MD and Executives an STI opportunity.

(ii) Payment is linked to the delivery of annual targets set in advance and agreed with the Board.

(iii) The STI opportunity is designed to reward and incentivise individuals to achieve clearly defined financial and non-financial targets.

(iv) The total potential STI available is set at a level that provides sufficient incentive to achieve the targets and is funded by the delivery of the STI outcomes.

(v) Actual STI payments granted depend on the extent to which specific targets set at the beginning of the year are met.

(vi) Typically, KPIs and assessment criteria may include but are not limited to:

- meeting key financial, strategic and operational targets.
- Assessment of personal effort and contribution.

(vii) STI targets must be approved by the Board prior to an offer being made to the CEO & MD and each Executive.

(viii) The Board must review and approve STI outcomes in order to trigger payments under the STI.

(ix) If short term incentives are calculated as a % of remuneration, they will generally be calculated as a % of Total Fixed Remuneration that is inclusive of superannuation payments.

(x) STI payments may be made as cash, equity or a combination of cash and equity.

(xi) If equity is awarded, the terms of the award are to be outlined in the STI Letter of Offer.

(xii) STI payment modifiers may be set by the Board that can reduce the eligible STI payment if minimum performance levels are not met.

(xiii) If a minimum performance threshold is not achieved, an STI payment may be reduced unless the Board chooses to apply its discretion.

(xiv) If STI payment modifiers are to be applied, they will be detailed in the offer letters

(xv) At the end of each financial year, three assessments are to be presented to the Nomination, Remuneration & Committee by the CEO & MD.

- the first assessment will confirm each individuals:
  - adherence to the Delegations of Authority and
  - compliance with the Company's Policies
- the second assessment will detail the outcomes of the compliance training, confirmation of participation levels, and whether or not the threshold levels have been met.
- the third assessment will confirm the annual average ESAT target and confirm whether or not the threshold level has been met.

(xvi) Full discretion regarding any payment of an STI is retained by the Board.

(c) **Long Term Incentives (LTI)**

(i) The Company may, but is not obligated to, provide the CEO & MD and Executives an LTI opportunity.

(ii) The Company's LTI Plan is designed to link the CEO & MD and Executives reward with long-term growth in shareholder value.

(iii) The objectives of the LTI Plan are to:

- align the individual incentives with shareholder interests.
- balance the short term with the long-term Company focus; and
- retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

(iv) If long term incentives are calculated as a % of remuneration, they will generally be calculated as a % of Total Fixed Remuneration (therefore inclusive of superannuation payments)

(v) The Board has discretion to:

- Determine the type of equity-based incentive that will be offered.
- Determine the terms and conditions on which the LTI may vest.
- Determine if grants will be made annually.

(vi) An offer to participate in the LTI Plan is based on individual performance as assessed by the annual review process.

- If an Executive does not sustain a consistent level of high performance, they will not be nominated for LTI Plan participation.
- The Committee reviews the proposed participation of all nominated Executives, with participation in the LTI and is subject to Board approval.

(vii) In accordance with the ASX Listing Rules, approval from shareholders must be obtained before grant of an LTI opportunity to the CEO/Managing Director.

(viii) LTI offers must consider various Employee Share Scheme caps imposed by the ASX and ASIC which may restrict the Boards ability to make an offer to an individual.

(ix) The Board retains the discretion to vary the performance hurdles and criteria.

(d) **Target Total Remuneration** (**TTR**)

(i) targeted broadly in line between the 50th and 75th percentile of comparative companies. This reflects a focus on driving sustainable performance and retention. It includes Total Fixed Remuneration and the STI & LTI potential.

5. Remuneration related to new appointments

5.1 Committee approval is required in advance of making any appointment to a CEO & MD or Executive position.

5.2 The following require committee approval in advance:

(i) Recruitment approach and job description.

(ii) Proposed remuneration offer and contract terms.

(iii) Changes to the executive team structure.

6. Setting remuneration and remuneration review protocols

6.1 **CEO & Managing Director**

Each year the Committee will:

(a) Review the remuneration package of the CEO & MD (including fixed remuneration, STI and LTI opportunities, as well as all other components);

(b) Make recommendations to the Board as to any changes to the remuneration package; and

(c) Recommend proposed STI and or LTI opportunities after performance evaluation procedures.

6.2 **Executives**

6.3 The Committee will work with the CEO & MD to determine the appropriate level and structure of the respective remuneration packages of the Executives.

6.4 Each year the Committee will:

(a) Work with the CEO & MD to set the performance requirements for the CEO & MD and approve the performance requirements for the Executive Team which will be recommended by the CEO & MD.

The Executive Team will then cascade targets within their team to ensure alignment across the business.

(b) Review the remuneration packages of Executives (including base pay, STI payments and LTI awards, and other components);

(c) Make recommendations to the Board of any changes to remuneration packages; and

(d) Recommend proposed STI and / or LTI awards after performance evaluation procedures having regard to the recommendation of the CEO & MD.

6.5 The Committee's review will consider individual performance, comparative remuneration in the market, shareholder expectations and where appropriate, external advice.

6.6 The Committee will provide a recommendation to the Board for consideration and approval or otherwise.

7. Claw back

7.1 If Pacific Smiles Group becomes aware of a material misstatement in its financial statements for any of its immediately preceding three financial years or some other event such as fraud or major misconduct that has occurred which, as a result, a non-executive director, executive director or Senior Management should not have received some or all its performance-based remuneration (the Overpayment), the Board may claw back that Overpayment in accordance with the terms of the applicable incentive or equity plan. Such claw back may involve:

(a) requiring the non-executive director, executive director or Senior Manager to pay back the Overpayment; or

(b) adjusting the current year incentives or fixed remuneration of that non-executive director, executive director or Senior Manager to take account of the.

8. Committee Recommendations and Board Approvals

8.1 The Committee will make a recommendation to the Board regarding the remuneration of Executives. They will consider the Executives performance and any recommendations made by the CEO & MD of the Company and its Executives, compensation consultants and internal and external legal, accounting or other advisers.

8.2 The Committee will also make a recommendation to the Board regarding the remuneration of Non-Executive Directors having regard to, amongst other things, any recommendations made by compensation consultants and internal and external legal, accounting or other advisers.

8.3 The Board is responsible for approving the following:

(a) All Executive remuneration payments and changes, including:

(i) Total Fixed Remuneration (including superannuation)

(ii) Short term incentive payments

(iii) Long term incentive payments

(iv) Any other benefits

(b) All equity awards, the terms and conditions on which they are offered and the documentation to be provided to participants.

(c) All executive team promotions.

(d) All executive contracts arrangements.

8.4 Executives referred to this policy include:

(a) CEO & MD of the Company

(b) Senior direct reports to the CEO & MD (excludes administrative roles).

9. Management responsibilities

9.1 The CEO & MD is responsible for executing the Board approved remuneration arrangements including but not limited to:

(a) Ensuring a written employment contract is in place for all employees and contractors that details:

I. Total Fixed Remuneration (including superannuation arrangements).

II. STI and LTI eligibility – value or quantum of awards not to be defined in contracts.

III. probation period.

IV. key responsibilities.

V. term of the agreement.

VI. start date.

VII. reporting line.

VIII. notice period.

IX. termination arrangements

(b) Confirmation in writing of any changes to remuneration arrangements.

(c) Details of any individual employee short-term incentive arrangements, along with the Board approved documentation to support the plan

(d) Ensuring it is clear that an offer to participate in the LTI plan remains at the discretion of the Board. Details of any potential LTI award should not be specified in employee contracts and should therefore exclude references to a dollar value or % of income as the opportunity may vary each year.

(e) Details of any individual Executive long-term incentive arrangements, along with the Board approved documentation to support the plan including:

(i) Letter of offer to participate in the LTI plan

(ii) Details of tax implications of the plan.

(iii) Details on how to accept the offer and participate in the LTI plan

(iv) Any ASIC, ASX or ATO offer compliance requirements

(f) Timely lodgement of ASIC, ASX, ATO, HMRC or other regulatory body compliance requirements including, but not limited to, withholding of taxes and compliance notifications to regulators.

(g) Issue of a statement to employees who have participated in the LTI plan during the financial year, detailing the award of any equity and compliant with ATO requirements.

(h) Written short term key performance indicators (KPI's) recommended to the Committee and approved by the Board annually.

(i) Conduct a minimum of one formal review of employee general performance, behaviour and KPI's. Executive reviews to be submitted to the Committee for review and endorsement by the Board.

(j) Tracking and reporting of Company performance versus key performance targets set by the Board.

10. Review and changes to this policy

The Nomination & Remuneration Committee will review this policy annually or as often as it considers necessary.

11. Who to contact

Any questions relating to the interpretation of this policy should be forwarded to the Company Secretary.

12. Approved and adopted

This policy was approved and adopted by the Board on 23 August 2023.

Date Endorsed By Board	Date of Next Review
23 August 2023	August 2024

13. Annexure A Definitions

The Company will adopt the following industry standard definitions in its remuneration approach:

1) **TFR: Total Fixed Remuneration -** The sum of cash salary, fringe benefits, superannuation, and any other non-cash benefits.

2) **STI: Short-Term Incentive -** Remuneration for performance measured over one year or less, including any deferred amounts, paid in cash and/or equity.

   STI will be disclosed as a percentage of TFR to calculate the dollar value of the incentive.

3) **LTI: Long-Term Incentive** - The annual value of remuneration for performance which are granted contingent on future performance and tenure hurdles tested over a performance period of at least three years. LTI awards can be denominated and delivered in cash or equity (e.g. performance shares, rights, options as determined by the Board).

4) **TTR – Target Total Remuneration -** Sum of TFR, STI and LTI.