

Appendix 4G

Key to Disclosures

Corporate Governance Council Principles and Recommendations

Name of entity

Cann Group Limited

ABN/ARBN

25 603 949 739

Financial year ended:

30 June 2020

Our corporate governance statement¹ for the period above can be found at:²

☐ These pages of our annual report:

☒ This URL on our website:

www.canngrouponlimited.com

The Corporate Governance Statement is accurate and up to date as at **20 August 2020** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.³

Date: **27 August 2020**

Name of authorised officer authorising lodgement: **Geraldine Farrell**

¹ "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.

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 Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

² Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

³ Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation <u>in full</u> for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (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.	X and we have disclosed a copy of our board charter at: https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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.	X	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	X	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	X	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ Tick the box in this column only if you have followed the relevant recommendation in full for the whole of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with “*insert location*” underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert “our corporate governance statement”. If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg “pages 10-12 of our annual report”). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg “www.entityname.com.au/corporate-governance/charters/”).

⁵ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
1.5	A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) 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. If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.	☐ and we have disclosed a copy of our diversity policy at: [insert location] and we have disclosed the information referred to in paragraph (c) at: [insert location] and if we were included in the S&P / ASX 300 Index at the commencement of the reporting period our measurable objective for achieving gender diversity in the composition of its board of not less than 30% of its directors of each gender within a specified period.	☒ set out in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
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 for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	X and we have disclosed the evaluation process referred to in paragraph (a) at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	X and we have disclosed the evaluation process referred to in paragraph (a) at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
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.	☐ <i>[If the entity complies with paragraph (a):]</i> and we have disclosed a copy of the charter of the committee at: <i>[insert location]</i> and the information referred to in paragraphs (4) and (5) at: <i>[insert location]</i> <i>[If the entity complies with paragraph (b):]</i> and we have disclosed 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 at: <i>[insert location]</i>	X set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	☐ and we have disclosed our board skills matrix at: <i>[insert location]</i>	X set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
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, affiliation 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 or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	X and we have disclosed the names of the directors considered by the board to be independent directors at: https://www.canngrouplimited.com/about-the-board and in the Annual Report and, where applicable, the information referred to in paragraph (b) at: N/A and the length of service of each director at: https://www.canngrouplimited.com/about-the-board and in the Annual Report	☐ set out in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	X	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	X	☐ set out in our Corporate Governance Statement OR ☐ 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 for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	X	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	X and we have disclosed our values at: https://www.canngrouplimited.com/about	☐ set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	☐ and we have disclosed our code of conduct at: [insert location]	X set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	X and we have disclosed our whistleblower policy at: https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	☐ and we have disclosed our anti-bribery and corruption policy at: [insert location]	X set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
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; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	X <i>[If the entity complies with paragraph (a):]</i> and we have disclosed a copy of the charter of the committee at: https://investors.cannngrouplimited.com/investors/?page=corporate-governance <i>[insert location]</i> and the information referred to in paragraphs (4) and (5) at: the Directors' Report included in the Company's Annual Report.	☐ set out in our Corporate Governance Statement
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.	X	☐ set out in our Corporate Governance Statement
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	X	☐ set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	X and we have disclosed our continuous disclosure compliance policy at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	X	☐ set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	X	☐ set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	X and we have disclosed information about us and our governance on our website at: https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	X	☐ set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	X and we have disclosed how we facilitate and encourage participation at meetings of security holders at: recommendation 6.3 of our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	X	☐ set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	X	☐ set out in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
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 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	X and we have disclosed a copy of the charter of the committee at: https://investors.canngrouponlimited.com/investors/?page=corporate-governance and the information referred to in paragraphs (4) and (5) at: the Directors' Report included in the Company's Annual Report.	☐ set out in our Corporate Governance Statement
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 that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	X and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period at: our Corporate Governance Statement located at https://investors.canngrouponlimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
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 governance, risk management and internal control processes.	X and we have disclosed 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 at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	X and we have disclosed whether we have any material exposure to environmental and social risks at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance and, if we do, how we manage or intend to manage those risks at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
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.	X and we have disclosed a copy of the charter of the committee at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance and the information referred to in paragraphs (4) and (5) at: the Directors' Report section in the Annual Report.	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	X and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives at: https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	X and we have disclosed our policy on this issue or a summary of it at: our Corporate Governance Statement located at https://investors.canngrouplimited.com/investors/?page=corporate-governance	☐ set out in our Corporate Governance Statement OR ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

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ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	☐ and we have disclosed information about the processes in place at: <i>[insert location]</i>	☐ set out in our Corporate Governance Statement OR ☒ we do not have a director in this position and this recommendation is therefore not applicable OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	☐	☐ set out in our Corporate Governance Statement OR ☒ we are established in Australia and this recommendation is therefore not applicable OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.3	A listed entity established outside Australia, and an externally managed 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.	☐	☐ set out in our Corporate Governance Statement OR ☒ we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable ☐ we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	☐ and we have disclosed the information referred to in paragraphs (a) and (b) at: <i>[insert location]</i>	☐ set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

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-	<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.	☐ and we have disclosed the terms governing our remuneration as manager of the entity at: <i>[insert location]</i>	☐ set out in our Corporate Governance Statement



Cann Group Limited (Company)
(ACN 603 949 739)

Corporate Governance Statement
(adopted and approved by the Board on 20 August 2020)

This statement outlines the main Corporate Governance Practices adopted and approved by the Board of the Company on 20 August 2020.

Principle 1: Lay solid foundations for management oversight

Recommendation 1.1

A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.

The Company has adopted a Board Charter.

The Board Charter sets out the role, functions, powers and specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman, details of Board processes, the delegation of powers to Board Committees, details of the Board's delegations to the CEO and management and details of the Board's performance review.

A copy of the Company's Board Charter is available on the Company's website.

The Board's primary role is the protection and enhancement of long term Shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board is responsible for:

- Providing entrepreneurial leadership for the Company;
- The appointment and removal of the Chief Executive Officer;
- Setting Corporate Strategy and Performance Objectives;
- Reviewing and ratifying systems of Risk Management and Internal Compliance and Control, Codes of Conduct, Delegations Manuals and Legal Compliance;
- Monitoring Management's Performance and Implementation of Strategy and ensuring appropriate Human and Financial Resources are available; and
- Approving and monitoring Capital Expenditure, Capital Management and Acquisition and Divestitures.

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 relevant to a decision on whether or not to elect or re-elect a director.

The Company has detailed guidelines for the appointment and selection of Directors. The Board is required to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.

All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

For further details please refer to the Board Charter which is on the Company's website.

Recommendation 1.3

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

The Board ensures that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.

The terms and conditions of the appointment and retirement of non-executive Directors are set out in the letter of appointment. The appointment letter includes the following matters:

- details of the induction process;
- the manner in which remuneration is determined;
- the term of the appointment (subject to Shareholder approval);
- the expectations of the Board in relation to attendance and preparation for all Board meetings;
- the committees to which the Director may be expected to be appointed;
- the procedures for dealing with conflicts of interest;
- the availability of independent professional advice;
- the acceptance of other Directorships; and
- a copy of the Constitution of the Company is also provided.

Senior executives are provided with contracts of employment incorporating formal job descriptions and performance parameters.

The Board has resolved that the appointment and/or removal of a Company Secretary shall be a matter for decision by the Board as a whole.

For further details please refer to the Board Charter which is on the Company's website.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary provides administrative assistance to the Board and manages the relationship between the Company and the ASX, other regulators, the Company's share registry and other service providers. The Company Secretary assists in the conduct of Board meetings by despatching agendas and board papers and taking minutes at meetings. All Directors have access to the Company Secretary who is accountable to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Recommendation 1.5

A listed entity should:

- (a) have and disclose a diversity policy;***
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and***
- (c) disclose in relation to each reporting period:***
 - (1) the measurable objectives set for that period to achieve gender diversity;***
 - (2) the entity's progress towards achieving those objectives; and***
 - (3) either:***
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or***
 - (B) 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.***

Due to the size and nature of its operations the Company has not adopted a gender diversity policy at this stage, however, dependent upon expansion and growth, it will look to do so in the future.

The Company's workforce is comprised of people from different backgrounds with a range of skills, values and experiences. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available in the workplace.

As at 20 August 2020 the Group had fifty-seven (57) employees of which twenty-four (24) were female. The senior leadership team contains one (1) female. The senior leadership team consists of four executives who are employees that report directly to the Chief Executive Officer. There are currently four (4) Directors on the Board (all male), noting, however, that we have an additional incoming director, who is female and who will join the Board shortly.

It is not considered practical to set measurable targets with regard to diversity at this point in time. The Company is nonetheless committed to recruiting employees from a diverse pool of qualified candidates.

All executives, managers and employees are responsible for promoting workplace diversity.

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 has been undertaken in accordance with that process during or in respect of that period.***

The Board is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis according to the basis specified in the Board Charter. It may do so with the aid of an independent external advisor.

The Board is required to disclose whether, or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's annual reports.

For further details please refer to the Board Charter which is on the Company's website.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

The Board is responsible for evaluating the performance of senior executives and in doing so may engage independent external advisors if thought appropriate to do so. The Board has a formal process to evaluate the performance of senior executives and such performance is monitored on a regular basis with appropriate feedback and necessary training given to such executives.

Details of the performance evaluations conducted will be provided in the Company's annual report.

Principle 2: structure the board to add value

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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.*

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. The full Board carries out the duties that would ordinarily be assigned to the Nomination Committee.

The Board understands the benefits in having a diversity of Directors with a mix of skills, knowledge and independence to enable the Board to discharge its duties and responsibilities effectively.

The Board will seek external advice where necessary in connection with the recruitment and appointment of additional Directors.

The Board devotes time on an annual basis to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.

Recommendation 2.2

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

The Board is required to prepare a Board skill matrix setting out the mix of skills that the Board currently has (or is looking to achieve). The composition of the board is to be reviewed regularly against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The Company has not disclosed the Board skills matrix. Instead, in the Director's Report included in the Annual Report of the Company, the skills, experience and expertise of each Director is disclosed.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;***
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), 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 Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent.

The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Report.

The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Report.

Recommendation 2.4

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

The Board Charter contains independence measures including ensuring the Board comprises a number of independent non-executive Directors determined by the Board as appropriate.

For further details please refer to the Board Charter which is on the Company's website.

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 Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman is a non-executive director and is defined to be independent. The Chairman is not the CEO of the entity.

For further details please refer to the Board Charter which is on the Company's website.

Recommendation 2.6

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

The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors.

Newly appointed Directors will be provided with an effective induction process during which they receive information on the Company's strategies, objectives and operations.

All Directors have ongoing access to information on the Company's activities and operations.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities. The written approval of the Chairman must be obtained before any expenditure is incurred on behalf of the Company. Directors are also able to request the assistance of the Company Secretary to enable them to fulfil their duties.

Principle 3: act ethically and responsibly

Recommendation 3.1

A listed entity should articulate and disclose its values.

Due to the size of the Company and the nature of its operations in such a highly regulated industry, the Board does not consider that a formal Code of Conduct for Directors, executives and employees is required, however the Board Charter contains directions regarding the conduct of individual Directors.

Recommendation 3.2

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.***

Due to the size of the Company and the nature of its operations in such a highly regulated industry, the Board does not consider that a formal Code of Conduct for Directors, executives and employees is required, however the Board Charter contains directions regarding the conduct of individual Directors.

It is agreed by the Board that all officers of the Company will act ethically and in the best interests of the Company. In maintaining the highest standards of corporate governance and ethical conduct, pursuant to the Board Charter Directors are required to:

- discharge their duties in good faith;
- act with care and diligence, demonstrate commercial reasonableness in their decision making;
- avoid conflicts of interest and make full disclosure of any possible conflict of interest; and
- not take improper advantage of their position as a Director.

The Company has a Securities Trading Policy that regulates dealings by Directors, officers and employees in Shares, Options and other securities issued by the Company.

The Company's Securities Trading Policy is available on the Company's website.

For further details please refer to the Board Charter which is on the Company's website.

Recommendation 3.3

A listed entity should:

- (a) have and disclose a whistleblower policy; and*
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has a whistleblower policy that is available on the Company's website and has been promulgated within the Company to all Directors, officers and employees. Under the policy, the Board is informed of any material incidents reported under that policy.

Recommendation 3.4

A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and*
- (b) ensure that the board or committee of the board is informed of any material breaches of that policy.*

Due to the size of the Company and the nature of its operations in such a highly regulated industry, to date, the Board has not considered that an anti-bribery and corruption policy is required. However, as the Company is now beginning to generate more revenue (and therefore is entering into more supply agreements with third parties, particularly in overseas jurisdictions), and as part of the Company's ongoing review and upgrading of its corporate governance processes, the Company has recently finalised its anti-bribery and corruption policy. This policy is anticipated to be approved on 20 August 2020 and will be available on the Company's website as soon as practicable thereafter.

Under the policy that has been prepared, the Board will be informed of any material breaches of that policy.

Principle 4: safeguard integrity in financial 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;**
- or**
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Company has an Audit and Risk Committee. The Audit and Risk Committee operates under the written terms of reference for that committee which are on the Company's website. The Audit and Risk Committee consists of independent Directors.

The Audit and Risk Committee ("**Committee**") is a committee established by the Board of the Company to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its Statutory reporting requirements.

The Board of the Company believes that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

The Committee has been established by a Board resolution and has the power to obtain information from management and to consult directly with the Auditors of the Company.

The Committee also has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances accept the delegation of Executive power in respect to the operations of the Company or undertake activities in a manner which could be construed to impinge on the Executive role of the Company.

In terms of role, the Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The Committee devotes time annually to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Committee are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.

Composition of the Audit and Risk Committee

The Committee shall consist of a minimum of three (3) Non-Executive Directors appointed by the Board.

The Board shall determine the Chairman of the Committee and the Chairman may choose to expand the membership of the Committee by the appointment of external professionals to the Committee or by the appointment of further Non-Executive Directors of the Company to the Committee. The Chairman will be a Non-Executive Director. Should the Chairman of the Committee be absent from a meeting, the members of the Committee present shall appoint an acting Chairman for that meeting.

The Chief Executive Officer and other senior management of the Company may be invited to attend Committee meetings. Advisers and other parties external to the Company may also be invited to attend meetings of the Committee as the Chairman considers appropriate.

Meetings

The content of the meetings shall be determined have regard to the financial reporting and audit cycle of the Company.

For further details refer to the Audit and Risk Committee Charter which is on the Company's website.

Responsibilities

Refer to the Audit and Risk Committee Charter which is on the Company's website.

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 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.

It is the duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO and CFO have declared 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.

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

In addition to its half-year and annual reports, the Company releases quarterly reports to the market in compliance with the ASX Listing Rules relating to quarterly reports, namely the Appendix 4C and quarterly market activity reports. These reports are not audited nor are they necessarily reviewed by an external auditor. In preparing such reports, the CFO prepares the financial reports in accordance with accounting standards and the CEO and Company Secretary prepare the market activity reports. These documents then undergo a rigorous internal verification process. The quarterly reporting documents are provided to the Board for review and approval, along with a declaration of assurance from the CEO and CFO.

Principle 5: make timely and balanced disclosure

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has adopted written Policies and Procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Management level for that compliance.

The Company has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the ASX in accordance with continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary is responsible for the drafting of communications to the ASX.

The announcements are provided to the Chairman of the Audit and Risk Committee and/or the Chairman of the Board prior to release to the ASX.

The announcements are vetted to ensure:

- They are made in a timely manner;
- Are factual;
- Do not omit material information; and
- Are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions.

The Company has adopted a transparent process in respect to the release of information. Once authorised, all releases and information will be monitored and managed by the Company Secretary.

Media comment and external communications are the responsibility of the Chairman.

Meetings with analysts, brokers and the Capital Markets are the responsibility of the Chairman and other Board members as and when specifically required.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board approves of all material market announcements before they are made to the market, and receive copies of all material market announcements immediately after they have been made.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

In accordance with the Company's continuous disclosure procedures, a copy of any new and substantive investor or analyst presentation is released to the ASX Market Announcements Platform prior to any such presentation being given.

Principle 6: respect the rights of security holders

Recommendation 6.1

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

Information about the Company and its governance is available in the Corporate Governance Statement available on the Company's website.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company has adopted an investor communications strategy which aims to promote and facilitate effective two-way communication with investors. This strategy outlines a range of ways in which information is communicated to investors. The Company employs an investor relations manager and also utilises the services of an external advisor to assist with this investor relations role.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The investor communication strategy states that as a part of the Company's developing investor relations program, shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links will be made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholders are encouraged to participate at all meetings of the Company. Upon the despatch of any notice of meeting to shareholders, the Company Secretary shall send out material with that notice of meeting stating that all shareholders are encouraged to participate at the meeting.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

At meetings of shareholders, the Company generally seeks to have substantive resolutions decided by a poll rather than by a show of hands. This is particularly so during 2020 when the meetings the Company has held (or will be holding) are all being held as virtual meetings.

Recommendation 6.5

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

Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.

Principle 7: recognise and manage risk

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 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 risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.

The role and responsibilities of the Audit and Risk Committee ("**Committee**") are outlined in Recommendation 4.1 of this Corporate Governance Statement. The Committee consists of Non-Executive Independent Directors and membership is specified in the Annual Report of the Company.

The Board devotes time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

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 Company process for risk management and internal compliance at each Board Meeting includes a requirement to identify risks and refer to the Audit and Risk Committee to measure those risks, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems.

The Board is required to disclose the number of times the Board and/or the Audit and Risk Committee met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's annual reports.

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.

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an internal audit function. The Board regularly reviews management

accounts and reports and reviews and amends internal controls processes as appropriate. The Company's external auditors also provide recommendations to the Board where internal control weaknesses have been identified.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has adopted policies and procedures that can be described under the following headings:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the Board of Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared quarterly. The Company reports to Shareholders half-yearly.
- Continuous disclosure - the Company has a policy that all Shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements of the Corporations Act 2001 and ASX Listing Rules.
- Quality and integrity of personnel - the Company's policies are detailed in a Human Resources policy manual. A signed statement is obtained on an annual basis from Employees stating that they have read and understood the Code of Conduct and the various policies and procedures as published on the Company's Intranet and contained in the Company's Human Resources Manual. Formal appraisals are conducted at least annually for all Employees.
- Financial controls - various policies and procedures are in place for financial controls including a Delegations Manual.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements if any businesses are to be acquired or divested.
- The Chief Executive Officer and the Company Secretary/Chief Financial Officer provides to the Board a statement that the Company's financial reports present fairly, in all material respects, the Company's financial condition and operating results in accordance with relevant accounting standards.
- Further, they formally state to the Board that the statement given about the integrity of the financial statement is founded on a sound system of Risk Management and Internal Compliance and Control, which implements the policies adopted by the Board and that the Company's Risk Management and Internal Compliance and Control system is operating efficiently and effectively in all material respects.
- Finally, they confirm they have disclosed to the Audit and Risk Committee and the External Auditor any significant deficiencies of material weaknesses in Internal Control and financial reporting and they have disclosed any significant changes that have occurred that effected Internal Controls over the financial reporting period and whether any corrective actions were taken if any significant deficiencies and material weaknesses were identified.

Recommendation 7.4

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

See information related to recommendations 4.1 and 7.3 for details of the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). The current operations of the Company are not subject to any significant environmental regulations under Commonwealth or State legislation.

Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

Principle 8: remunerate fairly and responsibly

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 Company has a Remuneration Committee. The Remuneration Committee operates under the written terms of reference for that committee. The Remuneration Committee consists of four independent Directors and is chaired by an independent director. The members and their attendance at meetings is disclosed in the annual report.

The Remuneration Committee determines remuneration packages and policies applicable to the Chief Executive Officer, Senior Executives and the Directors themselves (subject to a cap imposed by Shareholders).

This also includes responsibility for future entitlements under any option plan and share plan, incentive performances packages, superannuation entitlements, retirement and termination entitlement and fringe benefit policies.

To the extent that any members have a conflict of interest in respect to remuneration policies they abstain.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. Where appropriate, the Remuneration Committee seeks independent advice on the appropriateness of remuneration packages.

The Shareholders determine at a General Meeting the total remuneration to be paid to Non-Executive Directors. When setting fees and other compensation for Non-Executive Directors, the Board takes independent advice and applies Australian and International benchmarks.

Any share plan, incentives or option incentives are predicated on the enhancement of Shareholder value and the achievement of specific corporate milestones.

The Remuneration Committee has determined that:

- Non-Executive Directors should be remunerated by way of fees and should not participate in schemes designed for the remuneration of Executive Directors.
- Non-Executive Directors may receive options and bonus payments subject to the achievement of specific milestones and Shareholder value hurdles determined and agreed by Shareholders at a General Meeting.
- Non-Executive Directors are only entitled to receive retirement benefits as determined by the law.

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 and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.

The Company's Remuneration Policy requires the Board to disclose its policies and practices regarding the remuneration of non-executive and executive directors and other senior employees. Such disclosures are contained in the annual report. A copy of the Remuneration Policy is available on the Company's website.

Remuneration paid to senior executives is distinguished from that paid to Non-executive Directors.

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.***

The Board is required to review, manage and disclose the policy (if any) 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. The Remuneration Committee must review and approve any equity-based plans.

A copy of the Remuneration Policy is available on the Company's website.