

# SECURITIES TRADING POLICY

## 1. Introduction and purpose

### 1.1 Background

This Securities Trading Policy (**Policy**) applies to Cann Group Limited (**Cann** or **Company**) and regulates Trading by Cann Persons in Company Securities and Securities of other entities.

Cann Persons must comply with the insider trading prohibitions under the Corporations Act. Any person who possesses inside information in relation to an entity must not Trade in Securities of that entity, regardless of the terms of this Policy or any written clearance given under this Policy.

In addition to setting out general principles in relation to Trading in Securities applicable to all Cann Persons, this Policy:

- recognises that certain persons have greater risk associated with their Trading which needs to be managed;
- recognises that there are specific periods when Trading in Company Securities should be restricted; and
- sets out procedures which apply to Trading in Company Securities outside of those periods.

### 1.2 Purpose

The purpose of this Policy is to assist Cann Persons to comply with their obligations under the insider trading prohibitions of the Corporations Act and to protect the reputation of all stakeholders.

In particular, Key Persons should be aware of any adverse public perception which may arise out of their Trading in Company Securities. This can also apply to Trading by close family members of Key Persons and Key Persons should ensure close family members are aware of this Policy and encourage them to comply with it.

Where this Policy refers to a person, it also refers to any entity controlled by that person (either alone or with any other person) and accordingly applies to actions taken by those controlled entities.

All Cann Persons should read this Policy carefully and familiarise themselves with the requirements and procedures detailed in it. The Policy should also be read in the context of the Group's values and beliefs.

This Policy also forms part of the policies of the Group which are relevant to the employment or engagement of Cann Persons.

If you have any questions about this Policy please contact the Company Secretary.

### 1.3 Glossary

Capitalised terms used in this Policy are defined in the Glossary in schedule 1.

## 2. Key principles of insider trading prohibitions

### 2.1 Conduct prohibited by law

Under the Corporations Act, if a person possesses "inside information" in relation to Securities, the person must not:

- (a) Deal in those Securities; or
- (b) Procure another person to Deal in those Securities; or
- (c) directly or indirectly communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to, Deal in those Securities in any way or Procure a third person to Deal in those Securities.

Importantly, given the broad definition of "Procure", a person who Deals in Securities through a trust or company while in possession of inside information may contravene the insider trading prohibitions and this Policy. This prohibition also applies irrespective of the location of the prohibited act.

### 2.2 When a person possesses inside information

A person possesses inside information in relation to Securities where the person possesses information:

- (a) which is not generally available; and
- (b) knows, or ought reasonably to know, that the information is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of those Securities.

Cann Persons must assume that information is generally available only if it has been announced to ASX and a reasonable time has elapsed to allow for dissemination of that information.

A reasonable person would be taken to expect information to have a material effect on the price or value of Securities if the information would, or would be likely to, influence persons who commonly acquire Securities in deciding whether or not to acquire or dispose of the Securities.

Inside information does not include 'readily observable' matter or observations, deductions, conclusions or inferences drawn from other generally available information.

### 2.3 A person does not need to be an "insider"

A person can possess inside information in respect of an entity, even if they are not associated in any way with that entity. It is irrelevant how the inside information was obtained.

### 2.4 Penalties

As well as reputational damage for both the offender and the Company, if a person breaks the insider trading laws, they may be subjected to serious legal consequences including:

- (a) **criminal penalties** for a conviction include heavy fines and imprisonment;

- (b) **civil liability** – the offender can be sued by another person or the Company for loss they suffer as a result of the offender's actions;
- (c) **civil penalty provisions** –ASIC may seek civil penalties against the offender and may seek a court order that they be disqualified from managing a corporation; and
- (d) **disciplinary action including dismissal** –the Company will regard the offender's actions as serious misconduct which may lead to disciplinary action including dismissal or termination.

## 2.5 Examples of inside information

The following are examples of information which may be inside information in relation to the Company:

- (a) the financial performance of the Company against its budget;
- (b) a proposed dividend or other distribution or a change in dividend policy;
- (c) changes in the Board or significant changes in key management personnel;
- (d) pending ASX announcements;
- (e) proposed changes in capital structure, including issues of securities, rights issues, the redemption of securities, capital reconstructions and increasing debt;
- (f) giving or receiving a notice of intention to make a takeover offer;
- (g) a significant change in the Company's market share;
- (h) mergers, demergers, acquisitions and divestments;
- (i) proposed changes in the nature of the business of the Company;
- (j) Liquidity and cash flow information;
- (k) sales figures;
- (l) material acquisitions or sales of assets by the Company;
- (m) likely or actual entry into, or loss of, a material contract;
- (n) an entity proposing to buy, or a securityholder proposing to sell, a substantial number of Company Securities;
- (o) industry issues that may have a material impact on the Company;
- (p) a material claim against the Company or other unexpected liability;
- (q) allegations of any breach of the law or other regulatory requirements by the Company; and
- (r) decisions on significant issues affecting the Company by regulatory bodies in Australia or other relevant jurisdictions.

This is not an exhaustive list.

### **3. Restrictions on trading**

#### **3.1 No trading with inside information**

Cann Persons must:

- (a) comply with the insider trading provisions of the Corporations Act at all times and must not Trade in Company Securities whilst in possession of inside information about the Group;
- (b) not derive personal advantage from information which is not generally available and which has been obtained by reason of their connection with the Group; and
- (c) not Trade in Securities of another entity whilst in possession of inside information in respect of that entity (irrespective of whether that information has been obtained by reason of their connection with the Group or otherwise).

#### **3.2 No Trading in Company Securities during Closed Periods**

Cann Persons must not Trade in Company Securities during the following periods:

- (a) from the Company's year end until the business day after the release of the full year results; and
- (b) from the Company's half year end until the business day after the release of the half yearly results.

However, even if a Closed Period is not operating, Cann Persons must not Trade in Company Securities at any time if they are in possession of inside information.

#### **3.3 No Trading in Company Securities during Prohibited Periods**

Key Persons must not Trade in Company Securities during additional periods imposed by the Board from time to time during the year (for example if the Company is withholding information under Listing Rule 3.1A).

#### **3.4 Short term trading**

Cann Persons must not engage in short term Trading of Company Securities. In general, the acquisition or sale of Company Securities with a view to resale or repurchase within a 6-month period would be considered to be transactions of a short term nature.

#### **3.5 Margin loans and other security interests**

No Key Person may enter into a margin loan or similar funding arrangement to acquire any Company Securities, or grant lenders any rights over their Company Securities without first obtaining prior written clearance under section 6.

The Company Secretary will inform the Board at its next meeting of the details for all margin loan or similar funding arrangements entered into with clearance.

The Key Person must inform the Company Secretary of any material change in their margin loan or similar funding arrangements e.g. movements in the LVR occasioned by drawdowns or price movements, and at least annually, of the amount drawn and securities covered.

Key Persons are reminded they must seek prior written clearance in accordance with section 4.1 of this Policy before undertaking any Trading in Company Securities.

### 3.6 Hedging and Derivatives

Cann Persons must not use, or allow to be used, any Derivatives or other products which operate to limit the economic risk of unvested or restricted Company Securities.

Cann Persons may use Derivatives or other products which operate to limit the economic risk of vested or unrestricted Company Securities but subject to the law and this Policy.

However short selling of Company Securities by Cann Persons is prohibited.

### 3.7 Dealings which may occur

Cann Persons may Trade in Company Securities in the circumstances described below. The Policy requirements with respect to subsequent notification continue to apply to Trading under one of these exceptions.

- (a) **(Investment in fund etc.)** An investment in, or Trading in units of, a fund or other scheme (other than a scheme only investing in Company Securities) where the assets of the fund or other scheme are invested at the discretion of a third party.
- (b) **(Involuntary disposals caused by margin lender)** An involuntary disposal of Securities that results from a margin lender or similar financier exercising its rights under a margin loan or similar funding arrangement.
- (c) **(Involuntary disposals/acquisitions caused by other means)** An involuntary disposal or acquisition of Securities that results from a court order, distribution of estate or other involuntary circumstance.

## 4. Trading obligations

### 4.1 Prior written clearance for Trading – Key Persons

Key Persons must seek prior written clearance under section 6 before undertaking **any** Trading in Company Securities other than those set out in section 3.7.

This requirement applies to all Trading outside of a Prohibited Period and any Trading during a Prohibited Period which is subject to an exception in section 5 of this Policy.

### 4.2 Subsequent notification of all Trading – Cann Persons

Cann Persons must provide the Company Secretary with subsequent written notification of all Trading in Company Securities within two business days, regardless of whether prior written clearance has been given (or was required) for that Trading.

Directors must provide sufficient details of all Trading (including HINs or SRNs) to enable the Company to file a notice in accordance with the ASX Listing Rules as soon as practicable after the Trading, and in any event within 5 business days of the Trade. The Company will also be obliged to notify ASX whether the Trading by a Director occurred during a Closed Period where prior written clearance was required and, if so, whether prior written clearance was provided.

Cann Persons must make all relevant notifications in accordance with the Corporations Act should they begin to hold, vary their holdings of, or cease to hold, a substantial interest in the Company's voting Securities.

The Company Secretary will inform the Board of the details for all Trading notified.

## 5. Exceptions to the restrictions on trading during a Prohibited Period

### 5.1 Trading may be permitted in Exceptional Circumstances during a Prohibited Period

A Cann Person who is not in possession of inside information in relation to the Company may Trade in Company Securities during an applicable Prohibited Period if:

- (a) the Designated Officer determines that an Exceptional Circumstance applies to the Cann Person; and
- (b) prior written clearance is granted by the Designated Officer to permit the Cann Person to Trade in Company Securities during the Prohibited Period.

### 5.2 Prior written clearance to trade during a Prohibited Period

In order to seek prior written clearance to Trade during a Prohibited Period due to Exceptional Circumstances, a Cann Person must submit a written request under section 6.

A Cann Person seeking clearance to Trade during a Prohibited Period must satisfy the Designated Officer that Exceptional Circumstances exist and that the proposal to Trade in Company Securities during a Prohibited Period is the only reasonable course of action available.

However, even if prior written clearance is given, a Cann Person must not Trade in Company Securities if the person is in possession of any inside information.

### 5.3 Dealings which may occur during a Prohibited Period

During a Prohibited Period, Cann Persons may Trade in Company Securities in the circumstances described below, provided that the Cann Person is not in possession of any inside information. The Policy requirements with respect to subsequent notification continue to apply to Trading under one of these exceptions.

- (a) **(Transfers with no change of beneficial ownership)** Transfers of Company Securities already held into a superannuation fund or other entity in which the Cann Person is a beneficiary.
- (b) **(Cann Person acting as trustee)** Where the Cann Person is a trustee or a director of a corporate trustee, Trading in Company Securities by that trust provided the Cann Person is not a beneficiary of the trust and any decision to Trade during a Prohibited Period is taken by the other trustees or directors or by the investment managers independently of the Cann Person.
- (c) **(Accepting a takeover offer)** Undertakings to accept, or the acceptance of, a takeover offer, or participation in a scheme of arrangement.
- (d) **(Rights issue, security purchase plan, distribution reinvestment plan etc.)** Trading under an offer or invitation made to all or most of the Company's security holders, such as a pro rata rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This extends to decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue, but does not include the election to participate or withdrawal from a contribution plan or

dividend reinvestment plan which is made during a Prohibited Period.

- (e) **(Acquisition of options or rights under an employee incentive scheme)** The acquisition of an option or a right under an employee incentive scheme.
- (f) **(Exercise of options or rights)** The exercise (but not the sale of Securities following exercise) of an option or a right under an employee incentive scheme. This exception applies to options and rights granted under an employee incentive scheme before this Policy takes effect.
- (g) **(Exercise of options or rights, or conversion of convertible security)** The exercise (but not the sale of Securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Prohibited Period and the Company has been in an exceptionally long Prohibited Period or the entity has had a number of consecutive Prohibited Periods and the Cann Person could not reasonably have been expected to exercise it at a time when free to do so. This exception applies to options and rights granted under an employee incentive scheme after this Policy takes effect.

## 6. Clearance process

A:

- (a) Key Person seeking clearance to enter into a margin loan or similar funding arrangement under section 3.5;
- (b) Key Person seeking clearance to Trade Company Securities under section 4.1; or
- (c) Cann Person seeking clearance to Trade Company Securities in a Prohibited Period under section 5,

must submit a written request for clearance (including explanation as to why the request should be granted and what procedures will be put in place to manage requirements of this Policy and at law) to the Designated Officer and copied to the Company Secretary.

The Designated Officer may request such information as considered appropriate in the circumstances.

The Designated Officer's discretion will be exercised with caution and having regard to the importance of minimising both the risk, and appearance of, insider trading and the reputational risks arising for all parties.

A person may only engage in the proposed activity if written clearance is given.

Any prior written clearance given to Trade will be valid for the period set out in the clearance, or if no period is specified, 5 business days from the date it is given.

A clearance can be withdrawn if new information comes to light or there is a change in circumstances.

The Designated Officer may refuse the clearance without giving any reasons. The decision to refuse clearance is final and binding on the person seeking the clearance

and if clearance is refused, the person seeking the clearance must keep that information confidential and not disclose it to anyone.

## **7. Other matters**

### **7.1 Cautions to consider**

As noted above, under insider trading laws, a person who possesses inside information about an entity's securities is prohibited from trading in those securities and that this applies even where:

- (a) the trading occurs at a time that would otherwise be outside a Prohibited Period specified in this Policy;
- (b) the trading falls within an exclusion in this Policy; or
- (c) the person has been given clearance under the Policy to Trade (whether in exceptional circumstances or otherwise).

Clearance to Trade under this Policy is not an endorsement of the proposed Trade. The person doing the trading is individually responsible for their investment decisions and their compliance with insider trading laws.

Before a Cann Person Trades in Securities, they should consider carefully whether they are in possession of any inside information which might preclude them from trading at that time and, if they have any doubt, they should not Trade.

If a Cann Person comes into possession of inside information after receiving a clearance to Trade, they must not Trade despite having received the clearance.

### **7.2 Changes to Policy**

If any material changes are made to this Policy, the Company will give the amended Policy to ASX for release to the market within 5 business days of the material change taking effect.

Amendments to the Policy which are likely to constitute a material change include:

- (a) changes to the Closed Periods;
- (b) changes with respect to Trading in Company Securities which is not subject to a Prohibited Period (as set out in section 5.3 of this Policy); and
- (c) changes with respect to the Exceptional Circumstances in which Cann Persons may be permitted to Trade during a Prohibited Period (as set out in sections 5.1 and 5.2 of this Policy).

### **7.3 Adoption of Policy and Board review**

This Policy was adopted by the Board on 20 October 2020, takes effect from that date and replaces any previous policy in this regard. The Board will review this Policy annually. The Company Secretary will communicate any amendments to Cann Persons as appropriate.

### **7.4 Record keeping**

The Company Secretary will ensure that records capturing the details of all applications for clearance under this Policy and the decisions made in relation to those applications.

***Revised and adopted by the Board on 20 October 2020.***

## Schedule 1 - Glossary

For the purposes of this Policy:

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited or the financial market it operates (as the context requires);

**ASX Listing Rules** means the listing rules of ASX as amended from time to time;

**Board** means the Board of Directors from time to time;

**Cann Persons** means:

- (a) Directors;
- (b) Employees; and
- (c) Any contractor or consultant to a member of the Group, whose terms of engagement apply this policy to them;

**CEO** means the Chief Executive Officer of the Company from time to time;

**Chairman** means the Chairman of the Board from time to time;

**Closed Period** means the periods set out in section 3.2;

**Company Securities** means Securities issued by the Company;

**Corporations Act** means the Corporations Act 2001 (Cth) as amended;

To **Deal** in Securities means to apply for, acquire or dispose of Securities, or enter into an agreement to do any of those things, and **Dealing** has a corresponding meaning;

**Derivative** has the meaning in section 761D of the Corporations Act and includes options, forward contracts, futures, warrants, swaps, cash settled swaps, caps and collars;

**Designated Officer** means:

- (a) in respect of a Director, the Chairman;
- (b) in respect of the Chairman, the CEO;
- (c) in respect of any other Employee, the Company Secretary; and
- (d) in respect of the Company Secretary, the CEO;
- (e) or such other person appointed by the Board as a Designated Officer for the purposes of this Policy;

**Directors** means Directors of any member of the Group;

**Employees** means any full or part time employee of any member of the Group;

**Exceptional Circumstances** means, in relation to a Key Person:

- (a) **Severe financial hardship**: a pressing financial commitment that can only be satisfied by selling the relevant Company Securities;
- (b) **Tax liability**: a tax liability where the person has no other means of satisfying the liability. A tax liability relating to Securities received under an employee incentive scheme would not normally be considered an exceptional circumstance for the purpose of obtaining proper written clearance to sell or otherwise dispose of Securities during a Prohibited Period;

- (c) **(Court order)**: a requirement to Trade in Company Securities as a result of:
  - (i) a court order;
  - (ii) court enforceable undertakings (e.g. as part of a bona fide family settlement); or
  - (iii) some other overriding legal or regulatory requirement; or
- (d) **(Other circumstances)**: any other circumstances considered exceptional by the Designated Officer in the context of the ASX guidance on this issue;

**Group** means the Company and its related bodies corporate;

**Key Persons** means Directors and Restricted Employees;

To **Procure** another person to Deal in Securities includes inciting, inducing or encouraging a person to Deal or not Deal in Securities;

**Prohibited Period** means Closed Periods and the period set out in section 3.3;

**Restricted Employees** means:

- (a) any person deemed to be key management personnel (as defined in the ASX Listing Rules), regardless of title;
- (b) the Company Secretary;
- (c) the General Counsel or Head of Legal;
- (d) direct reports to the above positions;
- (e) employees involved with preparing the Group's financial reports; and
- (f) persons nominated by the Board as Restricted Employees (and who are notified accordingly) and which may only be for a period of time (ie while working on a project),

whether employed or engaged by the Company or another member of the Group;

**Securities** includes shares, options, rights, debentures (including convertible notes), interests in a managed investment scheme, including an option over an unissued unit or other interest in the scheme, and a renounceable or unrenounceable right to subscribe for a unit or other interest in the scheme), Derivatives, options over an unissued share in, or debenture of, the Company, a renounceable or unrenounceable right to subscribe for a share in, or debenture of, the Company and other financial products covered by s1042A of the Corporations Act; and

**Trade** means to Deal in Securities or Procure another person to Deal in Securities, and **Trading** has a corresponding meaning.