

## AUDIT & RISK COMMITTEE CHARTER

### Introduction

The Audit and Risk Committee (**Committee**) is a committee established by the Board of Cann Group Limited (**Cann** or **Company**) under the Company's Constitution. This charter sets out the authority delegated by the Board to the Committee and the Committee's responsibilities, powers, composition and operation.

### Function of the Committee

The primary function of the Committee is to:

- (a) assist the Board in the governance of the Company, and the exercise of due care, diligence and skill on matters relating to:
  - (i) the adequacy of the Company's corporate reporting processes and internal control framework;
  - (ii) whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
  - (iii) the appropriateness of the accounting judgments or choices exercised by management in preparing the Company's financial statements;
  - (iv) the appointment or removal of the external auditor;
  - (v) the fees payable to the auditor for audit and non-audit work;
  - (vi) the rotation of the audit engagement partner;
  - (vii) the scope and adequacy of the external audit;
  - (viii) the independence and performance of the external auditor;
  - (ix) any proposal of the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
  - (x) financial reporting principles, policies, controls and procedures;
  - (xi) legal and regulatory compliance;
  - (xii) monitoring of risk management and business resilience, including policies and procedures for identifying, assessing, monitoring and managing business risk ;
  - (xiii) monitoring and reviewing of the Company's insurance policies and insurance program, having regard to the Company's business and the insurable risk associated with the business;
  - (xiv) corporate governance developments relevant to the Board's and/or the Committee's responsibilities; and
  - (xv) matters that may significantly impact the financial condition, affairs of, or risks in relation to, the Company.
- (b) The Committee must report to the Board and provide recommendations on matters relevant to this Charter in order to facilitate decision-making by the Board.
- (c) The Committee will provide a conduit to the Board for external advice on audit, risk management and compliance matters.

## **Roles and responsibilities of the Committee**

The Committee has the following responsibilities:

### **External auditor**

The Committee's duties with respect to the external auditor are to:

- make recommendations to the Board in relation to the appointment of the external auditor and approval of their remuneration and terms of their engagement;
- obtain information from management and consult directly with the external auditor and external accountants of the Company; and
- provide a forum for communication between the Board, management and the external auditor.

### **Financial reporting**

The Committee's duties with respect to financial reporting include:

- overseeing and reviewing financial statements and other financial information distributed externally and determining whether or not to recommend their acceptance by the Board;
- prior to their recommendation to the Board, evaluating and reviewing key elements of other significant related disclosures and regulatory filings, and discussing them with the external auditor as appropriate;
- ensuring the financial statements include disclosures covering governance issues in accordance with regulatory requirements; and
- reviewing significant accounting and reporting issues, including changes to accounting standards and regulatory requirements and their impact on the financial statements.

### **Risk management**

The Committee's duties with respect to risk management include:

- reviewing the Company's risk appetite and risk tolerance, as determined by the Board on a holistic enterprise-wide basis, and with respect to relevant categories of operational risk;
- overseeing and implementing the Company's risk management framework, including its business resilience framework and the activities / reports of the Cann Resilience Committee;
- ensuring that management has established and operates a business risk management system which is designed to identify, assess, monitor and manage material business risk; and
- ensuring that the Company's risk management framework is compliant with all relevant standards, laws and regulations, including as these relate to the medicinal cannabis industry in Australia and, as applicable, any relevant overseas jurisdiction.

### **Corporate governance**

The Committee's duties with respect to corporate governance include:

- reviewing significant corporate governance developments relevant to the Committee's responsibilities; and

- reviewing the Company's corporate governance statement and any other disclosures made about corporate governance in the Company's annual report.

### **Regulatory compliance**

The Committee's duties with respect to regulatory compliance include:

- ongoing oversight of relevant regulatory requirements as they relate to the Company's business, and monitoring of compliance with those requirements;
- reporting to the Board of matters relating to regulatory compliance, including critical reviews, notices or findings issued by any regulatory agencies, including the Office of Drug Control, ASIC or the ASX; and
- providing regular updates from management regarding regulatory compliance matters.

### **Insurance**

The Committee's duties with respect to insurance include:

- appointment and ongoing monitoring of the performance of the Company's insurance broker(s);
- reviewing the appropriateness and adequacy of existing insurance policies and approval of new and/or amended policies as and when required; and
- timely reporting of any event which may give rise to a material insurance claim, the reporting of any actual material insurance claim and the outcome of such claim.

## **Accountability and reporting to the Board**

The Committee will be accountable to the Board. The Chair of the Committee will report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings will be circulated to all members of the Board. In fulfilling its functions, the Committee will comply with the provisions of the Company's constitution and the ASX Listing Rules.

## **Composition of the Committee**

The Committee is a sub-committee of the Board that has been established by a Board resolution. The Committee will be comprised of at least three Directors, a majority of whom must be independent Directors and all must be non-executive, and its members collectively should have appropriate accounting and financial expertise and a sufficient understanding of the medicinal cannabis and pharmaceutical industries. Members of the Committee are appointed on an annual basis. Any Directors not on the Committee may attend Committee meetings.

The Board will appoint a Chair from among the non-executive members of the Committee. If the Chair is absent from a meeting, the members of the Committee present will appoint an acting Chair for that meeting.

## **Meetings**

### **Frequency and calling of meetings**

The Committee is expected to meet at least four times per year, and more often where specifically required to.

## **Quorum**

A quorum of the meeting will consist of two members of the Committee.

## **Meeting agenda and minutes**

The Company Secretary will be the secretary to the Committee and will prepare an agenda and minutes for each meeting. The Committee may have in attendance members of management and such other persons, including external advisers, as it considers necessary to provide appropriate information, explanation and advice.

## **Access and authority**

The Committee has the delegated authority of the Board to seek and access any information from any employees or to obtain such outside information and advice (including from third party advisers) as deemed necessary to fulfil its function, duties and responsibilities. All employees of the Company are required to co-operate with any request made by the Committee. The Committee will make recommendations to the Board on all matters requiring a Board mandate. The Committee does not have any delegated authority to make a decision in the Board's name or on its behalf.

## **Committee review**

The Committee will perform an evaluation of its performance at least once a calendar year to determine whether it is functioning effectively by reference to current best practice. The Board will evaluate the performance of the Committee as appropriate.

## **Charter review and amendments**

This Charter can only be amended with the approval of the Board.

This Charter was revised and adopted by the Board on 21 April 2021, and takes effect from that date and replaces any previous charter in this regard.

The Committee must review and reassess this Charter at least once a calendar year and, on each occasion, obtain the approval of the Board to any amendments to the Charter. The Board will also review this Charter periodically.

The Company Secretary will communicate any amendments to employees as appropriate.

***Revised version adopted and approved by the Board on 21 April 2021***