



**Dale Allen**

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ASX Limited  
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**10 February 2020**

Dear Dale,

**Statement – ASX Corporate Governance recommendations**

We refer to condition 1.8 in the conditional letter of admission “Little Green Pharma Ltd: Admission Decision” dated 29 January 2020 addressed to DLA Piper Australia. Below is a summary of Little Green Pharma Ltd’s (‘LGP’ or ‘the Company’) approach to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (‘Recommendations’).

**ASX Corporate Governance Council Principles and Recommendations**

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company’s policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs.

To the extent applicable, the Company has adopted the Recommendations. In light of the Company’s size and nature, the Board considers that the current Board composition and structure is a cost effective and practical method of directing and managing the Company. As the Company’s activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company’s main corporate governance policies and practices are detailed below. The Company’s full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company’s website at <https://investor.littlegreenpharma.com/>.

*(a) Board of Directors*

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating

the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

In general, the Board assumes (amongst others) the following responsibilities:

- (i) providing leadership and setting the strategic objectives of the Company;
- (ii) appointing and when necessary replacing the Executive Directors and the Managing Director;
- (iii) approving the appointment and when necessary replacement, of other senior executives;
- (iv) undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director;
- (v) overseeing management's implementation of the Company's strategic objectives and its performance generally;
- (vi) approving operating budgets and major capital expenditure;
- (vii) overseeing the integrity of the company's accounting and corporate reporting systems including the external audit;
- (viii) overseeing the company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (ix) ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate; and
- (x) monitoring the effectiveness of the Company's governance practices.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

#### *(b) Composition of the Board*

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of the two Executive Directors (each of whom is a significant Shareholder) and two Non-Executive Directors (each of whom is considered by the Board to be free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally and is able to fulfil the role of independent Director for the purpose of the Recommendations).

As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

#### *(c) Identification and management of risk*

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

*(d) Ethical standards*

The Board is committed to the establishment and maintenance of appropriate ethical standards.

*(e) Independent professional advice*

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

*(f) Remuneration Committee*

The remuneration of any Executive Director will be decided by the Board following the recommendation of the Remuneration Committee, without the affected Executive Director participating in that decision-making process and may require shareholder approval. The Remuneration Committee is currently comprised of two Non-Executive Directors and one of the Executive Directors.

The Constitution provides that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Listing Rules). Until a different amount is determined, the amount of the remuneration is \$300,000 per annum.

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other consideration as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director (e.g. non-cash performance incentives such as options).

Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors. The Remuneration Committee reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Remuneration Committee is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

*(g) Trading policy*

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Executive Directors). The policy generally provides that the prior written approval of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading by key management personnel.

*(h) Diversity policy*

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

*(i) Audit and Risk Committee*

The Company has established an Audit and Risk Committee which operates under an Audit and Risk Committee Charter which includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function. The Audit and Risk Committee is currently comprised of two Non-Executive Directors and one Executive Director.

*(j) External audit*

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors following the recommendation from the Audit and Risk Committee.

*(k) Internal audit*

The Audit and Risk Committee can recommend to the Board the appointment of an internal auditor if and when one is required.

*(l) Whistleblower*

The Company has adopted a whistleblower protection policy to ensure concerns regarding unacceptable conduct including breaches of the Company's code of conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

The Company is committed to creating and maintaining a culture of corporate compliance and ethical behaviour in which employees are responsible and accountable and behave with honesty and integrity.

**Departures from the Recommendations**

The Company confirms it will follow the Recommendations as at the date of admission to the Official List, subject to the following departures:

| <i>Principles and Recommendations</i>  | <i>Explanation for departure</i>  |
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| 2.4 – A majority of the board of a listed entity should be independent Directors | Currently, the Company's Board consists of two executive Directors and two non-executive independent Directors. While the Board considers that the current Board composition and structure is |

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|  | <p>a cost effective and practical method of directing and managing the Company, the Company is presently actively recruiting a non-executive independent Director as a fifth Board member.</p> <p>Whilst the Board intends to canvass further experienced candidates to be appointed as independent Directors in due course, the Board considers that the current size of the Company does not justify the costs associated with appointing additional independent Directors without further merit.</p>   |
| <p>4.1 – The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p> | <p>The Company has established an Audit and Risk Committee however the membership currently comprises two non-executive independent Directors and one executive Director (given that there are only two non-executive Directors on the Board as at the date of the Prospectus), and the Company is currently unable to satisfy the requirement in subparagraph 4.1(a)(1) of Recommendation 4.1 which recommends the Audit Committee be comprised of solely non-executive Directors.</p> <p>It is anticipated the fifth Board member proposed to be appointed as above will be a member of the Audit and Risk Committee.</p> |

Regards,



**Craig Basson**  
Company Secretary

