

## **ADDITIONAL INFORMATION FOR NCS ANNUAL REPORT DATED 16 MAR 2017**

### **NUCANNACO SCIENCE LIMITED – CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of NuCannaCo Science Limited is responsible for the corporate governance of the Company and its controlled entities (the **NuCannaCo Group**), monitors the operational and financial performance of the NuCannaCo Group, oversees its business strategy and approves its strategic direction.

Pursuant to the NSX Listing Rules for Issuers, the corporate governance disclosure obligations of the listed entity will be met with a “principled” rather than prescriptive approach. To this end, the Company will formulate policies on a self reporting basis which are specific to its own circumstances and relevant to its adherence to the principles of good corporate governance.

Accordingly, the Company has adopted and will be guided by the principles as enunciated by the ASX Corporate Governance Council as set out in the Principles of Good Corporate Governance and Best Practice Recommendations (3rd Edition), subject to the exceptions referred to in paragraph (j) of this corporate governance statement.

The Company has policies and procedures in place for entering into Related Party transactions.

The Board has adopted a Related Party Policy which in part includes a prohibition on an interested Director who has a material personal interest to participate in voting whether at a meeting or in a circular resolution where such interest is involved. Such policy extends to Board committee meetings (if applicable). The Company has adopted a Code of Conduct for its Directors, senior executives, and employees, which introduces a duty to avoid conflicts.

This corporate governance statement summarizes the corporate governance practices that have been formally reviewed and adopted by the Board with a view to ensuring continued investor confidence in the operations of the Company and endorsing the corporate governance principles relevant to a company of NuCannaCo’s nature and size.

#### **(a) Board Responsibilities**

The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company’s affairs, and the implementation of the corporate strategy and policy initiatives, is formally delegated by the Board to the Managing Director, David Goughnour.

The key responsibilities of the Board include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- reviewing the performance of the Managing Director;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed;

- ensuring that the Company meets its legal and statutory obligations; and
- ensuring compliance with NSX Listing Rules disclosure requirements.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise.

The Board schedules meetings on a regular basis and other meetings as and when required. Information to be provided by management to the Board includes all material information on the Group's operations, budgets, cash flows, funding requirements, shareholder movements, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessments and new venture proposals.

The Company Secretary will have the responsibility of advising the Board and its committees on governance matters and monitoring that board and committee policy and procedures are followed. The Company Secretary must also coordinate the timely compilation and dispatch of board and committee papers, and accurately capture minutes of board and committee meetings, and help to organize and facilitate the induction and professional development of Directors.

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

The Directors consider the size and composition of the Board are appropriate given the size and status of the Company. However, the composition of the Board will be subject to review in a number of ways:

- the Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election;
- Board composition will be also reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company;
- Once it has been agreed that a new Director is to be appointed, a search will be undertaken and appropriate checks undertaken sometimes using the services of external consultants. Shareholders will be advised of all material information regarding a Director proposed for election or appointment to the Board. Nominations would then be received and reviewed by the Board; and
- remuneration of the non-executive Directors is reviewed and approved by the Board. The maximum aggregate annual remuneration which may be paid to non- executive Directors is currently \$500,000. This cannot be increased without approval of the Company's shareholders.

All Directors and senior executives will be the subject of a written agreement setting out the terms of their appointment.

#### **(c) Ethics and Independence**

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to enable a full and frank discussion of the matter(s) under consideration by the rest of the Board.

Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Corporate Governance Council Recommendation 2.4 requires a majority of the Board to be independent directors. In addition, Recommendation 2.5 requires the chairperson of the Company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

In accordance with this definition, David Lindh, Simon Gray, and Robert Hughes are considered to be independent. David Goughnour, David Frankens, and James Renfro, are not considered to be independent because of either their employment contracts with NCI or their Shareholdings in the Company or both.

The Company considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

The Company has in place a Code of Conduct for its Directors, senior executives and employees, which is disclosed on the Company's website.

#### **(d) Board Committees**

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role.

Each committee has a charter approved by the Board and each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

The Board has established an Audit and Risk Committee. At the present time no other committees have been established because of the size of the Company and the involvement of the Board in the operations of the Company. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board.

#### **(e) Audit and Risk Committee**

The committee comprises Simon Gray (Chairman), David Lindh, and Robert Hughes. These committee members are all non-executive directors and are considered to be independent.

The primary responsibilities of the committee are to:

- assess whether the Company's external reporting is legally compliant, consistent with committee members' information and knowledge and suitable for Shareholder needs;
- assess the management processes supporting external reporting;

- liaise with the external auditors and ensure that the audit review is conducted in an effective manner;
- make recommendations for the appointment or removal of auditors;
- on an annual basis, assess the performance and independence of the external auditors;
- monitor the coordination of the internal and external audits in so far as they relate to the responsibilities of the committee;
- recommend to the Board and then promulgate clear standards of ethical behaviour required of Directors and key executives and encourage observance of those standards;
- recommend to the Board and then promulgate and maintain a sound system of risk oversight and management and internal control which:
  - identifies, assesses, manages and monitors risk; and
  - informs investors of material changes to the Company's risk profile; and
  - recommend to the Board and then promulgate and maintain a system to ensure compliance with all environmental and occupational health and safety regulations and legislation.

The charter of the Audit and Risk Committee is disclosed on the Company's website.

#### **(f) Continuous Disclosure**

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board has the responsibility to ensure that all price sensitive information is disclosed to the NSX in accordance with the continuous disclosure requirements of the Corporations Act and NSX Listing Rules. The Company's written policy for disclosure is shown on its website.

#### **(g) Shareholder Communication**

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information will be communicated to Shareholders through:

- Annual and half-yearly financial reports and quarterly reports;
- Annual and other general meetings convened for Shareholder review and approval of Board proposals;
- Continuous disclosure of material changes to NSX for open access to the public; and
- The Company's website, where all media releases are published.

The policies and processes which the Company has in place to facilitate and encourage participation at meetings of shareholders are disclosed on the Company's website.

The auditor is invited to attend the annual general meeting of shareholders. The Chairman will permit shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

#### **(h) Identification and Management of Business Risk**

The identification, monitoring and, where appropriate, the reduction of significant risk to the

Company will be the responsibility of the Board and the Audit and Risk Committee.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

The potential exposures with running the Company will be managed by the appointment of senior staff that have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Audit and Risk Committee to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. The Managing Director declares in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. This representation is made prior to the directors' approval of the release of the annual accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

#### **(i) Securities Trading Disclosure**

The Company has adopted a formal policy for dealing in the Company's securities by Directors, senior management and other employees ("**Designated Persons**") with effect from the listing of the Company on the NSX. This sets out their obligations regarding disclosure of dealing in the Company's securities.

The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Designated Persons from dealing in the Company's securities at any time whilst in possession of price sensitive information. In addition to this general prohibition, Designated Persons may only deal in the Company's securities:

- for a period of up to 4 weeks after the release of the Company's half yearly results announcement to the NSX;
- for a period of up to 4 weeks after the release of the Company's annual results announcement to the NSX;
- for a period of up to 4 weeks after the Company's annual general meeting; and
- at such other times as the Board of Directors of the Company determines from time to time.

Dealing in the Company's Securities by Designated Persons outside the above trading window(s) is prohibited.

In addition, Designated Persons proposing to deal in the Company's securities must notify the Company of their intention and receive confirmation from the Company to allow them to deal in the Company's securities.

In accordance with the provisions of the Corporations Act and the Listing Rules, the Company will advise NSX of any transaction conducted by Directors in the securities of the Company.

**(j) Departures from ASX Corporate Governance Council “Principles of Good Corporate Governance and Best Practice Recommendations”**

The corporate governance practices of the Company are compliant with the ASX Corporate Governance Council’s best practice recommendations with the exception of the current departures in relation to the following:

- the Company considers that the ratio of independent Directors to non-independent Directors is appropriate given the nature of the Company; and
- the establishment of a Nomination and Remuneration Committee is not warranted given the size of the Company and the relatively small management/employee team.

**NUCANNACO SCIENCE LIMITED****Top 10 Holders - Ungrouped**

<b>Rank</b>	<b>Name</b>	<b>Shares</b>
1	MR MICHAEL DENMAN LONG	6,481,940
2	MR DAVID FRANKENS <IGWT A/C>	6,243,750
3	MR KENNETH DAVID GOUGHNOUR	4,759,999
4	MR JAMES RENFRO	4,080,000
5	MR ROBERT KERNAL HUGHES	2,955,000
6	MR MATTHEW CUSHING HARRISON	2,577,000
7	DR DAVID FELLER	1,800,000
8	MR MICHAEL DENMAN LONG <MPJ HOLDINGS LLC A/C>	1,215,000
9	MR MARK HANLEY	1,147,500
10	MRS RACHELLE ALANE WAYMAN	1,080,000
<b>Totals: Top 10 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>32,340,189</b>