

## **Audit and Risk Committee Charter**

### **1. Introduction**

The purpose of this Committee Charter (**Charter**) is to document the objectives, responsibilities, composition and administration of the Audit and Risk Committee (**Committee**) of the board of directors (**Board**) of Elixinol Wellness Limited (**Group**).

Defined terms in this Charter have the same meaning as in the Constitution of the Group (**Constitution**).

### **2. Objectives**

The objectives of the Committee are to assist the Board in discharging its responsibility on matters relating to:

- (a) financial reporting;
- (b) the framework for the oversight of the external audit arrangements;
- (c) the adequacy of the Group's processes for identifying, measuring, monitoring and managing the material business risks it faces;
- (d) any incident involving fraud or other break down of the Group's internal control policies and practices; and
- (e) the Group's insurance program.

### **3. Duties and Responsibilities**

The Committee reviews and examines any matters that it considers necessary in order to fulfil its objectives and makes recommendations to the Board. The Committee also examines any other matters referred to it by the Board.

The Committee is required to ensure:

- (a) Reliable management of financial reporting by:
  - Assessing the adequacy of management reporting on the entity's risks, operations, and financial condition to the Board;
  - Scrutinising the Group's accounting policies and practices in the light of the Corporations Act and Australian Accounting Standards;
  - Reviewing the half yearly and annual financial statements of the Group and recommend to the Board the signing of the directors declaration to them;

- Reviewing and discussing with the external auditor the quality and acceptability of the Group's accounting principles as applied in its financial reporting; and
- Supervising the implementation of the Australian Accounting Standards and other changes in regulatory requirements.

(b) Compliance with laws and regulations by:

- Considering the plans and processes for the Group's compliance activities;
- Ensuring that the Group's financial statements and reporting complies with the Corporations Act, accounting standards, the Australian Securities Exchange (**ASX**) Listing Rules and other relevant regulatory requirements;
- Monitoring the laws and the regulations that relate generally to the entity's business operations and review the Group's compliance with such laws; and
- Seeking advice of the Group's legal advisors on any legal and regulatory matters that could have significant impact on the Group's financial statements.

(c) Maintenance of an effective and efficient audit by:

- Recommending to the Board the appointment of the external auditors;
- Reviewing the plans of the external auditors, including any significant changes to the plans;
- Reviewing the efficiency and effectiveness of the external auditors in relation to their responsibilities;
- Reviewing and discussing with the external auditor professional and other significant relationships to determine their independence;
- Reviewing and approving the external auditor's fees;
- Ensuring there are no unjustified limitations placed on the auditors and review any serious disputes with management during the audits;
- Ensuring the scope of the audits are adequate, with emphasis on matters where the Committee, management or the auditors believe special attention is necessary;

- Meeting with and assessing the findings of the external auditors as well as management's response to their recommendations; and
  - Ensuring compliance with the ASX principles of good corporate governance related to external auditors.
- (d) Adequate risk management and internal controls by:
- In consultation with management:
    - Preparing a risk profile which describes the material business risks facing the Group, including financial and non-financial matters and taking into account both the Group's legal and regulatory obligations and the reasonable expectations of the Group's stakeholders (such as shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the Group operates). This risk profile should include any material exposure to economic, environmental and social sustainability risks and how the Group intends to manage any identified risks;
    - Regularly reviewing and updating the risk profile and providing copies to the Board;
    - Reviewing the risk profile at least annually to satisfy itself that it continues to be sound and effective and disclose that such a review has taken place in the Group's annual report.
  - Reviewing and reporting to the Board (at least annually) on the effectiveness of the Group's internal controls regarding:
    - Due diligence for acquisitions and other new projects;
    - Compliance with confidentiality obligations; and
    - Information technology security.
  - Reviewing and reporting to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including:
    - Breaches of contract or internal controls;
    - Litigation and claims;
    - Fraud and theft; and

- The Group's insurance program, having regard to the Group's business and the insurable risk associated with its business.
- Obtaining regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures or incidents and reporting to the Board (at each Board meeting or earlier, if appropriate) on such breaches, exposures and incidents and generally whether material business risks are being managed effectively;
- Reviewing the scope of the external auditors' review of internal control and risk management, reviewing reports on significant findings and recommendations, together with management's responses; and
- Recommending to the Board any changes to the Group's internal control and risk management framework from time to time as appropriate.

#### **4. Composition**

- (a) Unless the Board determines otherwise, the Committee will comprise a minimum of three (3) members, the majority of whom are independent non-executive directors.
- (b) If the Chair of the Board is an independent non-executive director, the Chair of the Board will be the Chair of the Committee.
- (c) Otherwise, the Board will nominate the Chair of the Committee from time to time. The Chair of the Committee must be an independent non-executive director.
- (d) The Committee may invite other persons as it deems necessary and may seek advice from such other persons as appropriate.
- (e) The Committee must include members who are financially literate and at least one member being the Chair who has financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters).
- (f) The secretary of the Committee should be the Company Secretary or such other person as nominated by the Committee Chair.
- (g) A quorum for Committee Meetings is any two (2) members of the Committee.

## **5. Procedural requirements**

### **5.1 Committee Meetings**

- (a) Meetings shall be held at least six (6) monthly or more frequently as required. Additional meetings may be convened as required.
- (b) The Committee may meet with the external auditor from time to time, in separate executive sessions to discuss relevant matters.
- (c) Committee Meetings can be held in person, by telephone or by video conference, or by any combination of these media.
- (d) The secretary, or other person nominated by the Committee Chair, takes minutes of the proceedings of all meetings of the Committee. The Committee approved minutes will be made available to the members of the Board.
- (e) Regular Committee reports will be provided to the Board including:
  - assessment of the management processes supporting external reporting;
  - procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
  - assessment of the performance and independence of the external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
  - the results of its review of internal compliance and control systems;
  - assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for securityholder needs;
  - recommendations for the appointment or removal of an auditor;
  - report annually to the Board regarding information to be provided in the Annual Report to securityholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law or the ASX Listing Rules; and
  - before the Board approves the Group's financial statements for a financial period, provide a report on whether the financial records of the Group have been properly maintained and whether 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.

- (f) Committee members may not receive directly or indirectly any consulting, advisory or other fee from the Group, other than the remuneration received by a Director on the Committee in his or her capacity as a Director and member of the Committee.

## **5.2 Authorities**

- (a) The Board authorises the Committee, within the scope of its responsibilities, to seek any information it requires from any Group employee or contractor.
- (b) The Committee may obtain independent professional advice on relevant matters at the expense of the Group.

## **6. Review of Charter**

- (a) The Charter must be approved by the Board.
- (b) The Committee is responsible for reviewing the effectiveness of the Charter and the Committee, and to make recommendations to the Board of any amendments required to be made to the Charter.

**DOCUMENT VERSION CONTROL**

**CHANGE HISTORY**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Reason for Change</b>
Version 1.0	25 October 2017	New Policy	New Policy
Version 2.0	17 December 2019	Teresa Cleary General Counsel & Company Secretary	General amendments made to policy document following annual review.
Version 3.0	8 December 2020	Teresa Cleary General Counsel & Company Secretary	General amendments made to policy document following annual review.
Version 3.1	17 May 2021	Teresa Cleary General Counsel & Company Secretary	Updated to reflect EXL's name change on 17 May 2021.