



Capital  
Markets  
Tribunal

Tribunal des  
marchés  
financiers

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**IN THE MATTER OF  
CRONOS GROUP INC. and WILLIAM HILSON**

File No. 2022-23

**Adjudicators:** Timothy Moseley (chair of the panel)  
William J. Furlong

October 24, 2022

**ORDER**

(Subsection 127(1) and section 127.1  
of the *Securities Act*, RSO 1990, c S.5)

WHEREAS on October 24, 2022, the Capital Markets Tribunal held a hearing by videoconference to consider an application made jointly by Staff of the Ontario Securities Commission and Cronos Group Inc. (**Cronos**) for approval of a settlement agreement dated October 19, 2022 (the **Settlement Agreement**);

ON READING the joint request for a settlement hearing, including the Statement of Allegations dated October 20, 2022, the Settlement Agreement, and the written submissions, and on hearing the submissions of the representatives for each of the parties, and on considering that Cronos has paid to the Commission the amounts of \$1,300,000 and \$40,000 referred to in paragraphs 2 and 4 below, in accordance with the terms of the Settlement Agreement;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. Cronos shall pay an administrative penalty of \$1,300,000 to the Commission pursuant to paragraph 9 of subsection 127(1) of the Act;
3. Cronos shall submit to a review by an independent consultant acceptable to the Commission and paid for by Cronos of practices and procedures including Cronos's compliance with requirements relating to ICFR, the terms of which are set forth in Schedule "A" to this Order, and institute such changes as the independent consultant recommends; and
4. Cronos shall pay costs of the Commission's investigation in the amount of \$40,000, pursuant to section 127.1 of the Act.

"Timothy Moseley"  
Timothy Moseley

"William J. Furlong"  
William J. Furlong

## SCHEDULE "A"

### IN THE MATTER OF CRONOS GROUP INC. and WILLIAM HILSON

#### TERMS AND CONDITIONS OF INDEPENDENT REVIEW OF PRACTICES AND PROCEDURES

This document is made in connection with the settlement agreement dated October 19, 2022 (the **Settlement Agreement**) in File No. 2022-23. All terms in this document have the same meaning as in the Settlement Agreement.

Cronos shall:

1. Retain, within thirty (30) days of the date of the Order, at its own expense a qualified independent consultant (the **Consultant**) not unacceptable to the OSC, to review the Respondent's internal accounting controls and ICFR. The Consultant's review and evaluation shall include an assessment of the following:
  - (a) The effectiveness of Cronos' internal accounting controls in light of Cronos' business strategy. The review shall include, but not be limited to, a review of the Company's policies, procedures, and controls, relating to (i) revenue recognition, including in its wholesale channel and non-routine transactions, and (ii) the assessment and testing of goodwill and intangible assets for impairment;
  - (b) Cronos' compliance with Ontario securities laws related to ICFR, including but not limited to, the adequacy of Cronos' control environment and risk assessment based upon criteria established in the Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**);
  - (c) Cronos' employment of a sufficient number of accounting and finance personnel with an understanding of applicable GAAP and financial reporting requirements, as well as the reporting lines of accounting and finance personnel to management and the Board of Directors; and
  - (d) Cronos' training of its employees on matters related to applicable GAAP as well as financial reporting requirements.
2. Provide, within forty-five (45) days of the date of this Order, a copy of the engagement letter detailing the Consultant's responsibilities to a Manager of the Enforcement Branch of the OSC.
3. Require the Consultant, at the conclusion of the review, which in no event shall be more than 120 days after the date of the Order, to submit a report of the Consultant to the Respondent and a Manager of the Corporate Finance Branch of the OSC. The report shall address the Consultant's findings and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for changes or improvements.

4. Adopt, implement, and maintain all policies, procedures and practices recommended in the report of the Consultant within 120 days of receiving the report from the Consultant. As to any of the Consultant's recommendations about which the Respondent and the Consultant do not agree, such parties shall attempt in good faith to reach agreement within 180 days of the date of the date of the Order. In the event that the Respondent and the Consultant are unable to agree on an alternative proposal, the Respondent will abide by the determination of the Consultant and adopt those recommendations deemed appropriate by the Consultant.

5. Cooperate fully with the Consultant in its review, including making such information and documents available as the Consultant may reasonably request, and by permitting and requiring the Respondent's employees and agents to supply such information and documents as the Consultant may reasonably request, subject to any applicable privilege.

6. To ensure the independence of the Consultant, the Respondent (i) shall not have received legal, auditing, or other services from, or have had any affiliations with, the Consultant during the two years prior to the date of this Order; (ii) shall not have the authority to terminate the Consultant without prior written approval of the OSC; and (iii) shall compensate the Consultant for services rendered pursuant to the Order at their reasonable and customary rates.

7. Require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which they are affiliated or of which they are a member, and any person engaged to assist the Consultant in performance of their duties under this order shall not, without prior written consent of the OSC, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of engagement and for a period of two years after the engagement.

8. The reports by the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the OSC determines in its sole discretion that disclosure would be in furtherance of the OSC's discharge of its duties and responsibilities, or (4) is otherwise required by law.

9. Require the Consultant to report to a Manager of the Enforcement Branch of the OSC on its activities as the OSC may request.

10. Respondent agrees that the OSC may extend any of the dates set forth above at its discretion.

11. Certify, in writing, compliance with the requirements(s) set forth above. The certification shall identify the requirements(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The OSC may make

reasonable request for further evidence of compliance, and the Respondent agrees to provide such evidence. The certification and reporting material shall be submitted to the Manager of the Corporate Finance Branch of the OSC no later than thirty days (30) from the date of the completion of the requirements.