



CHARLOTTE'S WEB
STANLEY BROTHERS

**CORPORATE GOVERNANCE
AND NOMINATING
COMMITTEE
TERMS OF REFERENCE**
(Amended and restated effective September 24, 2018)

September 24, 2018

CHARLOTTE'S WEB HOLDINGS, INC.
(the "Company")

1. Composition and Process

- (a) The Corporate Governance and Nominating Committee (the "**Committee**") shall be composed of at least two individuals appointed by the Board of Directors of the Company (the "**Board**") from amongst its members, and at least one of such members shall be independent within the meaning of sections 1.4 and 1.5 of National Instrument 52-110 Audit Committees. "Independent" generally means free from any business or other direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.
- (b) Members shall serve one year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
- (c) The Chairperson shall be a director appointed by the Board for a one year term and may serve any number of consecutive terms.
- (d) The Chairperson shall, in consultation with management and the members of the Committee, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting.
- (e) The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board and the Chief Executive Officer, or such other officer acting in that capacity.

The primary functions of the Corporate Governance and Nominating Committee Terms of Reference (the "**Terms of Reference**") are to assist the Committee in identifying individuals qualified to become new directors of the Company and recommending to the Board the new director nominees for the next Annual General Meeting of shareholders or should the need or a vacancy arise, and assisting the Board and the Company with various corporate governance compliance matters and best practices.

2. Authority

The Board has granted the Committee the authority herein provided. The Committee has the authority to retain, at the Company's expense, persons having special competencies (including, without limitation, legal, accounting, compensation or other consultants and experts) to assist the Committee in fulfilling its responsibilities. The Committee has the sole authority to terminate the Committee's engagement of its experts and to approve the fees and other terms of retention of such experts. The Committee reports to the Board.

3. Responsibilities

The Committee will review with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board and any perceived needs. In addition, on an annual basis, the Committee will assess the Board's compliance with laws and policies relating to the independence of certain Board members.

The following is an outline of the process for nomination of candidates for election to the Board:

- (a) the Chairman or Chief Executive Officer, the Committee or other members of the Board identify the need to add new Board members, with careful consideration of the mix of qualifications, skills and experience represented on the Board;
- (b) the Committee coordinates the search for qualified candidates with input from management and other Board members;
- (c) the Committee engages a candidate search firm to assist in identifying potential nominees, if it deems such engagement necessary and appropriate;
- (d) selected members of management and the Board will interview prospective candidates; and
- (e) the Committee will recommend a nominee and seek full Board endorsement of the selected candidate, based on its judgment as to which candidate will best serve the interests of the Company's shareholders. The Committee considers any candidates submitted by shareholders on the same basis as any other candidate. Any shareholder with a nomination should submit such candidate's name, along with a curriculum vitae or other summary of qualifications, experience and skills to the Corporate Secretary.

The Committee may also review the number of women considered or brought forward as potential nominees for Board positions and the skills, knowledge, experience and character of any such women candidates relative to other candidates to ensure that women candidates are being fairly considered relative to other candidates. The Committee may also review the number of women actually appointed and serving on the Board to evaluate whether it is desirable to adopt requirements or policies in the future with respect to the diversity of the Board.

The Committee may also independently initiate reviews or investigations of matters brought to its or a member's attention where such matters may, in the reasonable opinion of the Committee, affect the governance of the Company, including but not limited to matters that affect or relate to the roles or actions of members of the Board and members of senior management. The Committee may engage independent legal, financial or other advisors to assist it in such investigations, or in assessing or implementing any other of its duties under these Terms of Reference. The Committee may determine the scope and terms of such retention (including fees of advisors) independently of Board approval, and any such advisor fees will be paid by the Company. Alternatively, the Committee may appoint a subcommittee, comprised solely of two or more members of the Committee, to attend to the matters set forth in this paragraph. The results of any such review or investigation authorized under this paragraph, together with the recommendations of the Committee (or subcommittee) based on the results of same, shall be presented to the Board.

In respect of corporate governance matters, the Committee shall review and provide recommendations to the Board on the following matters:

- (a) Preparing the Company's response to applicable securities laws or stock exchange rules when required, and explaining as required any differences between the Company's governance system and policies and the recommended governance standards by securities regulators;

- (b) Developing and monitoring the Company's general approach to corporate governance issues as they may arise;
- (c) Proposing changes as necessary from time to time to respond to particular governance recommendations or guidelines from regulatory authorities and ensuring that all appropriate or necessary governance systems remain in place and are periodically reviewed for effectiveness;
- (d) Ensuring that all members of the Board have been informed of and are aware of their duties and responsibilities as a director of the Company;
- (e) Ensuring that the Company has in effect adequate policies and procedures to allow the Company to meet all of its continuous disclosure requirements;
- (f) Ensuring that the Company has in effect adequate policies and procedures to identify and manage the principal risks of the Company's business;
- (g) Developing and monitoring the Company's policies relating to trading in securities of the Company by insiders as well as communication and confidentiality;
- (h) Annually reviewing areas of potential personal liability of directors and ensuring reasonable protective measures are in place;
- (i) Causing the Board to annually review its definition of an "independent" director;
- (j) Developing written corporate governance guidelines and mandate for the Board in which it explicitly acknowledges responsibility for the stewardship of the Company and considers (i) measures for receiving feedback from stakeholders and (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;
- (k) Developing clear position descriptions for the Chairman of the Board and the Chair of each Board Committee, and together with the CEO, developing a clear position description for the CEO, which includes delineating management's responsibilities and developing the corporate goals and objectives that the CEO is responsible for meeting;
- (l) Assessment of the Board, its committees and each individual director in respect of effectiveness and contribution;
- (m) Developing a comprehensive orientation and continuing education program for all directors;
- (n) Developing a written code of business conduct and ethics that is applicable to all directors, officers and employees of the Company; and
- (o) Periodically considering the need for special policies of the Company, initiated by the Board, in unique or emerging policy areas such as corporate ethics, gender equality and sexual harassment.

The purposes and provisions specified in these Terms of Reference are meant to serve as guidelines, and the Committee is delegated the authority to adopt such additional procedures and standards as it deems

necessary from time to time to fulfill its responsibilities. Nothing herein is intended to expand applicable standards of liability under provincial or federal law for directors of the Company.

4. Meetings

- (a) The Committee will meet at least twice per year. In addition, the independent directors of the Committee will consider holding regularly scheduled meetings (or holding *in camera* sessions at regular Board meetings) at which non-independent directors and members of management are not in attendance. All meetings will be scheduled to permit timely consideration of topics or responsibilities. Additional meetings may be held as deemed necessary by the Chairperson of the Committee or as requested by any member of the Committee.
- (b) A quorum at meetings of the Committee shall be its Chairperson and one of its other members or the Chairman of the Board. The Committee may hold its meetings, and members of the Committee may attend meetings by means of teleconference.

5. Board and Director Requirements

The directors will be elected each year by the shareholders at the annual meeting of shareholders. The Board will propose a slate of nominees to the shareholders for election to the Board at such meeting. Between annual meetings of shareholders, the Board may elect directors to serve until the next such meeting.

In discharging its responsibilities, the Committee shall ensure the Board and any recommendations for new nominee directors to the Board comply with the following requirements:

- (a) Each director should possess the following minimum qualifications:
 - (i) the highest personal and professional ethics, integrity and values;
 - (ii) commitment to representing the long-term interest of the shareholders;
 - (iii) broad experience at the policy-making level in business, government, education, technology or public interest; and
 - (iv) sufficient time to effectively fulfill duties as a Board member.

The Committee will endeavor to recommend qualified individuals to the Board who, if added to the Board, would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company.

- (b) The Board will have a sufficient number of directors who meet the criteria for independence required by applicable laws, rules and regulations and the guidelines established by the Board.