

Approved  
by Board:

June 10, 2020



**HUMAN RESOURCE AND CORPORATE GOVERNANCE**  
**COMMITTEE CHARTER**

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## **HUMAN RESOURCE AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

### ***1. Purpose***

The Human Resource and Corporate Governance Committee (the “**HR & CG Committee**”) is a standing committee of the Board of Directors (the “**Board**”) of HEXO Corp. (the “**Corporation**”) appointed for the purpose of assisting the Board in fulfilling its oversight responsibilities for:

- a) establishing the Corporation’s corporate governance policies and practices generally;
- b) identifying and recommending to the Board individuals qualified to become members of the Board;
- c) reviewing the composition, effectiveness and independence of the Board and its committees;
- d) monitoring and reviewing compensation policies and practices and administering the Corporation’s share compensation plans, which is then to be presented to the Board for approval; and
- e) reviewing compensation for the Chief Executive Officer (“**CEO**”) and members of the Board, which is then to be approved or presented to the Board for approval.

The HR&CG Committee has been established to comply and function in accordance with applicable corporate and securities law requirements, including the guidance in National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators, and the rules of the stock exchanges on which the Corporation’s shares are listed (“**Applicable Laws and Rules**”).

### ***2. HR & CG Committee Responsibilities***

The HR & CG Committee’s responsibilities shall be:

#### *Corporate Governance*

- a. reviewing and assessing the Corporation’s corporate governance policies and practices including the Board Mandate and Corporate Governance Guidelines, HR & CG Committee Charter, Travel and Accommodation Policy, Code of Business Conduct and Ethics,

Insider Trading and Reporting Policy, Majority Voting Policy, including any periodic amendments thereto;

- b. reviewing and approving the annual disclosure of the Corporation's corporate governance practices in compliance with Applicable Laws and Rules;
- c. reviewing and assessing this HR & CG Charter and recommending any proposed changes to the Board on an annual basis

*Nomination of Directors and Board Composition*

- d. identifying individuals qualified to become new Board members, reviewing incumbent and new candidates for election as directors and annually recommending nominees to the Board for approval by the Board and election by the shareholders;
- e. recommending to the Board nominees to fill vacancies on the Board;
- f. in making its recommendations for nominees to the Board, the HR & CG Committee shall consider:
  - i. what competencies and skills the Board has determined that it, as a whole, should possess taking into account the particular needs of the Corporation and its operations;
  - ii. what competencies and skills the Board considers each existing director to possess;
  - iii. the competencies and skills each new nominee will bring to the Board;
  - iv. whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member; and
  - v. any applicable diversity requirements or guidelines pursuant to applicable stock exchange policy or law;
- g. making recommendations to the Board at least annually as to the size and composition of the Board;
  - i. with a view to facilitating effective decision making and

reflecting an appropriate balance of knowledge, experience, skills, expertise and diversity required for the Board as a whole; and

- ii. containing at the least the minimum number of independent directors required by Applicable Laws and Rules or such greater number or percentage of independent Directors as the Board may, from time to time, require after taking into account the HR & CG Committee's recommendation.
- h. making recommendations to the Board, at least annually, as to the composition of the committees of the Board (including the HR & CG Committee and Audit Committee) and to recommend, if necessary, measures to be taken to ensure that these committees;
- i. facilitate effective decision making and reflect an appropriate balance of knowledge, experience, skills, expertise and diversity required for the committees as a whole; and
  - ii. contain at the least the minimum number of independent directors required by Applicable Laws and Rules or such greater number or percentage of independent directors as the committees may, from time to time, require after taking into account the HR & CG Committee's recommendation.
- i. reviewing, at least annually, mandates for the Board and Committees of the Board and making recommendations in respect thereof;

Assessment of Board Independence

- j. reviewing and assessing the independence of each of the directors annually and reporting its findings and recommendations to the Board;

Position Descriptions

- k. making recommendations to the Board in respect of position descriptions for the chair of the Board (including the lead independent director, if applicable) and the chair of each Board committee;
- l. making recommendations to the Board in respect of a clear position description for the CEO, including delineating

management's responsibilities;

Orientation and Continuing Education

- m. reviewing the Corporation's orientation program with respect to new directors and continuing education program;

Code of Business Conduct and Ethics

- n. receiving reports from the CEO and CFO of the Corporation in respect of monitoring compliance with the Corporation's Code of Business Conduct and Ethics;
- o. making recommendations to the Board in respect of any pre-approval of any waivers of the Code of Business Conduct and Ethics that are granted for the benefit of the Corporation's directors or executive officers. When making any such recommendations the HR & CG Committee shall have regard to the position of the Canadian and US securities regulatory authorities that conduct by a director or executive officer which constitutes a material departure from the Code of Business Conduct and Ethics will likely constitute a "material change", namely;
  - i. the date of the departure(s);
  - ii. the party(ies) involved in the departure(s);
  - iii. the reason why the Board has or has not sanctioned the departure(s) and
  - iv. any measures the Board has taken to address or remedy the departure(s)

Board, Committee and Individual Director Assessments

- p. evaluating the effectiveness and contribution of the Board, its committees (including the HR & CG Committee) and individual directors on an annual basis, having regard to:
  - i. in the case of the Board or a Board committee, its mandate or charter, and
  - ii. in the case of an individual director, the applicable position description(s), as well as the competencies and skills that the Board has determined each individual director is expected to bring to the Board;

Compensation Including CEO Assessment

- q. reviewing and making recommendations, at least annually, to the Board with respect to the overall compensation strategy and policies for directors, officers and employees of the Corporation, including executive officer and senior management compensation criteria, corporate and personal goals and objectives (including the criteria set out in Schedule “A”);
- r. at least annually, reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the CEO, evaluating the performance of the CEO in light of those goals and objectives, and determining and approving the compensation level of the CEO based on this evaluation subject to review and ratification by all of the independent members of the Board;
- s. reviewing and making recommendations, at least annually, to the Board with respect to the compensation of the Chair of the Board;
- t. reviewing and making recommendations, at least annually, to the Board with respect to the annual compensation of all other executive officers and directors of the Corporation;
- u. reviewing and making recommendations to the Board, at least annually, in connection with the Corporation’s succession planning with respect to the CEO and other senior management;
- v. administering the Corporation’s Omnibus Long Term Incentive Plan, and any other security-based compensation plan that may be in effect, at least annually, in accordance with the terms of such plans;
- w. making recommendations to the Board, at least annually, with respect to the Corporation’s incentive compensation and security-based compensation plans that are subject to Board approval;
- x. reviewing and approving the annual public disclosure in the information circular relating to executive compensation of the Corporation prior to the public disclosure of this information;
- y. evaluate the performance, at least annually, of the CEO and his/her direct reports in conjunction with the Corporation’s goals and objectives;

- z. review and make recommendations to the Board regarding any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers.

### ***3. Responsibilities of the HR & CG Committee Chair***

The fundamental responsibility of the HR & CG Committee Chair is to be responsible for the management and effective performance of the HR & CG Committee and provide leadership to the HR & CG Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the HR & CG Committee Chair's responsibilities shall include:

- a) working with the Chair of the Board (and the lead independent director, if applicable), the CEO and the Corporate Secretary to establish the frequency of HR & CG Committee meetings and the agendas for meetings;
- b) providing leadership to the HR & CG Committee and presiding over HR & CG Committee meetings;
- c) ensuring that the HR & CG Committee is properly organized and effectively discharges its duties;
- d) facilitating the flow of information to and from the HR & CG Committee and fostering an environment in which HR & CG Committee members may ask questions and express their viewpoints;
- e) reporting to the Board with respect to the significant activities of the HR & CG Committee and any recommendations of the HR & CG Committee;
- f) leading the HR & CG Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
- g) taking such other steps as are reasonably required to ensure that the HR & CG Committee carries out its mandate.

### ***4. Powers of the HR & CG Committee***

The HR & CG Committee:

- a) shall have the authority to obtain advice and assistance from, and shall oversee, outside legal in its sole discretion with all such costs payable by the Corporation;
- b) shall have the authority to obtain advice and assistance from, and shall oversee, compensation consultants, search firms and other advisors in its sole discretion with all such costs payable by the Corporation, provided that any such advisors shall be independent, taking into account Applicable Laws and Rules, and the

HR&CG Committee shall evaluate whether such consultants retained or to be retained have any conflicts of interest. The HR&CG Committee must pre-approve any services to be provided to the Corporation, its affiliates or directors or management by a compensation consultant, search firms and other advisor that has been retained by the HR&CG Committee; and

- c) may delegate any part of its authority or responsibilities to subcommittees, which must consist of a minimum of two members, while recognizing that a full HR &CG quorum is still required to approve any decisions made by the subcommittee.

#### **5. *Qualifications, Appointment and Removal***

- a) The HR & CG Committee shall consist of at least three members each of whom shall be appointed by the Board annually and as vacancies arise. If an appointment of the members of the HR & CG Committee is not made as prescribed, the incumbent members shall continue as such until their successors are appointed.
- b) Any member of the HR & CG Committee may be removed or replaced at any time by the Board and shall cease to be a member on ceasing to be a director.
- c) All members of the HR & CG Committee, including the Chair, shall be directors whom the Board has determined are independent, taking into account Applicable Laws and Rules.
- d) The Chair of the HR & CG Committee shall be appointed from time to time by the HR & CG Committee members, taking into account Applicable Laws and Rules.

#### **6. *Meetings***

- a) The time and place of the meetings of the HR&CG Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Chair of the HR&CG Committee.
- b) The HR & CG Committee shall meet at least quarterly, with at least one meeting held prior to the nomination of directors in the Corporation's annual information circular. The HR & CG Committee shall hold regular *in-camera* sessions during which the members of the HR & CG Committee shall meet in the absence of management.
- c) A majority of the members of the HR&CG Committee shall constitute a quorum for the transaction of business at a meeting.
- d) At any meeting, each HR&CG Committee member shall have one vote and any question shall be decided by a majority of the votes cast by the HR&CG

Committee members, except where only two members are present, in which case any question shall be decided unanimously.

- e) Any decision or determination of the HR&CG Committee reduced to writing and signed by all of the members of the HR&CG Committee shall be fully as effective as if it had been made at a meeting duly called and held.
- f) The Chair, if present, will act as the chair of meetings of the HR&CG Committee. For any meeting at which the HR&CG Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present.
- g) The HR&CG Committee may invite such officers, directors and employees of the Corporation as it deems necessary or advisable from time to time to attend meetings of the HR&CG Committee and assist in the discussion and consideration of the duties of the HR&CG Committee.
- h) Following a HR&CG Committee Committee's activities to the Board at the next Board meeting.
- i) The Committee must keep and approve minutes of its meetings in which shall be recorded all decisions and actions taken by it, which minutes must be made available to the Board as soon as practicable after each meeting of the Committee.

## **7. Reporting**

- a) Following each of its meetings, the HR & CG Committee shall deliver a report on the meeting to the Board, including a summary description of actions taken by the HR & CG Committee at the meeting. The HR & CG Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Corporation.
- b) The HR & CG Committee, through the Chair of the HR & CG Committee, shall report annually to the Board on the HR & CG Committee's responsibilities and how it has discharged them.

**Schedule "A"**

<b>Key Elements of Management Compensation</b>	<b>Detailed Criteria</b>
Base Salary	Level of responsibility, experience, and expertise.
	Demonstrated leadership, time commitment, personal commitment and attitude.
	Review public disclosure available for other similar companies and, at the discretion of the Committee, the results of a report prepared by an independent consultant to assist in determining the competitiveness of base salary, bonuses, benefits and stock options paid to each of the executive officers of the Corporation.
	Assessment of whether base salary compensation is within the range of compensation demonstrated by industry peers.
Bonus Plan	Assessment of operating and financial performance of the Corporation as compared to annual goals and objectives.
	Assessment of the efforts and results of eligible participants as compared to stated goals and objectives.
	Application of the relative weighting of corporate and personal objectives as applicable to each eligible participant.
Options and Other Security-Based Compensation	Review of total grants of options and other security-based compensation awards outstanding and individual awards in past fiscal years.
	Review of public disclosure available for comparable companies including review of independent consultants' reports, if applicable, to determine the competitiveness of option and other security-based compensation awards.
	Assessment of awards relative to positions, performance, relative shareholder return, and what is considered competitive in the industry.