

Approved  
by Board:

October 25<sup>th</sup>, 2018



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

Approved: October 25, 2018

**HUMAN RESOURCE AND CORPORATE GOVERNANCE COMMITTEE  
CHARTER**

***1. Purposes***

The purposes of the Human Resource and Corporate Governance Committee (the “**HR & CG Committee**”) of the Board of Directors (the “**Board**”) of Hexo Corp. (the “**Corporation**”) are to assist the Board in:

- 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, reviewing and approving compensation policies and practices and administering the Corporation’s share compensation plans; and
- e) reviewing and approving compensation for the CEO and his/her direct reports as well as compensation of the members of the board.

***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 its Code of Business Conduct and Ethics and its Insider Trading and Reporting Policy, including any periodic amendments thereto;
- b. reviewing and approving the annual disclosure of the Corporation’s corporate governance practices in compliance with the requirements of the Toronto Stock Exchange, as applicable, and other applicable regulatory authorities;

- 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 boardroom;
  - 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 from time to time as to the size of the Board;
- h. making recommendations to the Board, at least annually, as to the composition of the committees of the Board (including the HR & CG Committee);
- 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 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";

### Board, Committee, Individual Director and CEO 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

- q. reviewing and making recommendations 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 (see Schedule “A”);
- r. reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluating the performance of the Chief Executive Officer in light of those goals and objectives, and recommending to the Board the compensation level of the Chief Executive Officer based on this evaluation;
- s. reviewing and making recommendations to the Board with respect to the compensation of the Chairman of the Board;
- t. reviewing and making recommendations 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, as appropriate, in connection with the Corporation’s succession planning with respect to the Chief Executive Officer and other senior executive management;
- v. administering the Corporation’s Omnibus Long Term Incentive Plan, and any other Restricted Share Unit Plan or Deferred Share Unit Plan that may be in effect from time to time, in accordance with the terms of such plans;
- w. making recommendations to the Board with respect to the Corporation’s incentive compensation and equity-based 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;
- y. evaluate the performance of the CEO and his/her direct reports in conjunction with the Corporation's goals and objectives.

### ***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 Chairman of the Board (and the Lead Independent Director, if applicable), the Chief Executive Officer 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 outside legal or other advisors in its sole discretion with all such costs payable by the Corporation; and
- b) may delegate any part of its authority or responsibilities to individual members and subcommittees.

#### **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) The majority of the members of the HR & CG Committee shall be directors whom the Board has determined are independent, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.
- d) The Chairperson of the HR & CG Committee shall be appointed from time to time by the HR & CG Committee members, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.

#### **6. *Conduct and Frequency of 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. 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.
- b) The HR & CG Committee shall meet at least once per year, with at least one meeting held prior to the nomination of directors in the Corporation's annual information circular.

#### **7. *Reporting***

- a) The HR & CG Committee shall report to the Board through the Chair of the HR & CG Committee following each meeting on the major discussions, recommendations and decisions made by the HR & CG Committee.
- 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	Review of total option grants outstanding and individual awards during preceding fiscal year.
	Review of public disclosure available for comparable companies including review of independent consultant's report, if applicable, to determine the competitiveness of option awards.
	Assessment of awards relative to positions, performance, and what is considered competitive in the industry.