

## **MANDATE OF THE BOARD OF DIRECTORS**

### **A. ACCOUNTABILITY**

The Board of Directors (the "**Board**") of CannTrust Holdings Inc. (the "**Corporation**") is responsible for supervising the management of the business and affairs of the Corporation.

### **B. ROLE**

The role of the Board is to focus on governance and stewardship of the business carried on by the Corporation and its subsidiaries as a whole. The Board will review strategy, assign responsibility for achievement of that strategy, and monitor performance against those objectives. In fulfilling this role, the Board will regularly review the strategic plans developed by management so that they continue to be responsive to the changing business environment in which the Corporation and its subsidiaries operate.

### **C. RESPONSIBILITIES**

In fulfilling its role, the Board will:

#### **1. Oversee Stakeholder Communication**

Satisfy itself that there is effective communication between the Corporation (both the Board and management) and the Corporation's shareholders, other stakeholders and the public by ensuring that the Corporation's communication and disclosure policies set forth under "K" below are reviewed annually by the Board.

#### **2. Establish Strategic Goals, Performance Objectives and Operational Policies**

The Board will adopt a strategic planning process and will review and approve broad strategic corporate objectives and establish corporate values against which the performance of the Corporation and its subsidiaries will be measured. In this regard, the Board will, at least annually:

- a) Approve long-term strategies which take into account, among other things, the opportunities and risks of the Corporation's and its subsidiaries' business.
- b) Review and approve strategic and operational plans and budgets developed by management and within which management of the Corporation and its subsidiaries will operate so that they are consistent with long-term goals.
- c) Set targets against which to measure corporate and executive performance of the Corporation and its subsidiaries.
- d) Satisfy itself that a portion of executive compensation is linked appropriately to the Corporation's performance.

#### **3. Delegate Management Authority to the Chief Executive Officer and the President**

- a) Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management of the Corporation and its subsidiaries.

- b) Delegate to the Chief Executive Officer and such other executive officers as he determines appropriate, the authority to manage the business of the Corporation and its subsidiaries and to make decisions regarding the ordinary course of business and operations in accordance with the Corporation's Delegation of Authority, and ensure that the Delegation of Authority is reviewed annually.
- c) Satisfy itself as to the integrity of the Chief Executive Officer and the other executive officers of the Corporation and that such individuals create a culture of integrity throughout the Corporation and its subsidiaries.

#### **4. Monitor Risk, Compliance and Corporate Performance**

- a) Assess and monitor the principal risks of all aspects of the businesses in which the Corporation and its subsidiaries as a whole are engaged.
- b) Monitor performance of the Corporation and its subsidiaries against both short-term and long-term strategic plans and annual performance targets, and monitor compliance with Board policies and the effectiveness of risk management practices.
- c) Verify that the Corporation has implemented and maintains adequate and effective internal controls and management information systems which ensure the directors discharge the Board's oversight responsibilities, including the Corporation's compliance with legal and regulatory requirements related to financial and other continuous disclosure reporting.

#### **5. Develop Board Processes**

- a) Develop procedures relating to the conduct of the Board's business and the fulfillment of the Board's responsibilities.
- b) Develop the Board's approach to corporate governance through the Nomination and Governance Committee.

### **D. QUALIFICATIONS OF DIRECTORS**

Directors are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation and its shareholders. They are also expected to possess skills and competencies in areas that are relevant to the Corporation's activities and that enhance the ability of the Board to effectively oversee the business and affairs of the Corporation and its subsidiaries.

A majority of the Board must be independent. Independence shall have the meaning, as the context requires, given to it in National Instrument 52-110 – *Audit Committees*, as may be amended from time to time. The Chair should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

Each director must have an understanding of the Corporation's and its subsidiaries' principal operational and financial objectives, plans and strategies, financial position and performance as well as the performance of the Corporation and its subsidiaries relative to their principal competitors. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership.

Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the Chair of the Nomination and Governance Committee and, if determined appropriate by the Board on the recommendation of the Nomination and Governance Committee, resign from the Board.

## **E. MAJORITY VOTING POLICY**

At meetings of shareholders at which directors are to be elected, shareholders will vote in favour of, or withhold from voting for, each nominee separately. If, with respect to any particular nominee, the number of votes withheld exceeds the votes cast in favour of the nominee, then for purposes of this policy the nominee shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law.

An individual elected as a director who is considered under this majority voting policy not to have the support or confidence of the shareholders is expected forthwith to submit to the Chair of the Board his or her resignation from the Board. The Nomination and Governance Committee is expected to recommend acceptance of the resignation offer except in situations where exceptional circumstances would warrant the director continuing to serve on the Board. In considering whether or not to recommend acceptance of the resignation offer, the Nomination and Governance Committee shall consider all factors deemed relevant by members of the Nomination and Governance Committee including, without limitation, the stated reason or reasons why shareholders "withheld" votes from the election of the director, the length of service and the qualification of the director (including, for example, the impact the director's resignation would have on the Corporation's compliance with the requirements of applicable corporate and securities laws and the rules of any stock exchange on which the Corporation's securities are listed or posted for trading), such director's contribution to the Corporation, and whether the director's resignation from the Board would be in the best interests of the Corporation. In reviewing the Nomination and Governance Committee's recommendation, the Board shall consider the factors considered by the Nomination and Governance Committee and such additional factors as the Board considers relevant. The Board is expected to accept the recommendation of the Nomination and Governance Committee and to otherwise accept the resignation offer except in situations where exceptional circumstances would warrant the director continuing to serve on the Board. A director who has tendered a resignation pursuant to this policy will not participate in any deliberations of the Nomination and Governance Committee or the Board with respect to his or her resignation.

Within ninety (90) days of receiving a director's resignation, the Board will make a decision and issue a press release neither announcing the resignation of the director or explaining why it has not been accepted. In determining whether or not to accept the resignation, the Board will take into account the factors considered by the Governance Committee and any other factors the Board determines are relevant.

Subject to any corporate law restrictions, the Board may: (i) leave the resultant vacancy unfilled until the next annual meeting of shareholders; (ii) fill the vacancy through the appointment of a new director who merits the confidence of the shareholders; or (iii) call a special meeting of shareholders to fill the vacant position.

This majority voting policy does not apply to contested elections in which the number of director nominees for election is greater than the number of director positions on the Board. In contested elections, the directors shall be elected by the vote of a plurality of the votes cast.

## **F. MEETINGS**

Subject to the Corporation's by-laws and articles and the requirements under the *Business Corporations Act* (Ontario):

### **1. Scheduling**

The Board will meet as often as it determines is necessary to fulfill its responsibilities. A meeting of the Board may be called by the Chair or any two Board members. The independent directors will hold regularly scheduled meetings at which members of management non-independent directors are not in attendance.

Meetings will be held at a location determined by the Chair.

### **2. Notice**

Notice of the time and place of each meeting will be given to each member either by telephone or other electronic means not less than 48 hours before the time of the meeting. Meetings may be held at any time without notice if all of the members have waived or are deemed to have waived notice of the meeting. A member participating in a meeting will be deemed to have waived notice of the meeting.

### **3. Agenda**

The Chair will establish the agenda for each meeting and will establish the agenda for each meeting and lead discussion on meeting agenda items. The Chair shall instruct management to circulate properly prepared agenda materials to Committee members with sufficient time to review prior to scheduled meetings. Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

### **4. Distribution of Information**

The Chair will distribute, or cause the Secretary to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

### **5. Attendance and Participation**

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

### **6. Quorum**

A majority of members of the Board will constitute a quorum for any meeting of the Board.

### **7. Voting and Approval**

At meetings of the Board, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chair will not have a second or casting vote in addition to his or her original vote.

### **8. Procedures**

Procedures for Board meetings will be determined by the Chair unless otherwise determined by the by-laws of the Corporation or a resolution of the Board or the Board.

### **9. Transaction of Business**

The powers of the Board may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Board.

### **10. Absence of Chair**

In the absence of the Chair at a meeting of the Board, the members in attendance must select one of them to act as chair of that meeting.

### **11. Absence of Secretary**

In the absence of the Secretary at a meeting of the Board, the Board may appoint one of its members or any other person to act as secretary.

### **12. Committees**

Each committee will establish its own meeting procedures and requirements under its charter.

## **G. SERVICE ON OTHER BOARDS AND AUDIT COMMITTEE**

The Board does not believe that its members should be prohibited from serving on the boards of other companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another Corporation and, as a general rule, directors are not allowed to join a board of another Corporation on which two or more other directors of the Corporation serve. In addition, directors cannot be on the board of a competitor of the Corporation.

Members of the Audit Committee may not serve on the audit committees of more than two other companies without the prior approval of the Board.

## **H. ACCESS TO OUTSIDE ADVISORS AND RECORDS**

The Board may retain any outside advisor at the expense of the Corporation at any time and has the authority to determine any such advisors' fees and other retention terms. Any director may, subject to the approval of the Chair, retain an outside advisor at the expense of the Corporation.

The Board, and any outside advisors retained by it, will have access to all records and information relating to the Corporation which it deems relevant to the performance of its duties.

## **I. EVALUATION OF BOARD, DIRECTORS AND COMMITTEES**

The Nomination and Governance Committee, in consultation with the Chair, will ensure that an appropriate system is in place to evaluate and perform an annual evaluation of the effectiveness of the Board as a whole as well as the committees of the Board to ensure they are fulfilling their respective responsibilities and duties. In connection with these evaluations, each director will be requested to provide his or her assessment of the effectiveness of the Board and each committee as well as the performance of individual directors. These evaluations should take into account the competencies and skills each director is expected to bring to his or her particular role on the Board or on a committee, as well as any other relevant facts.

## **J. MANAGEMENT**

### **1. Management's Role**

- a) The primary responsibility of management of the Corporation and its subsidiaries is to safeguard the Corporation's assets and to create wealth for shareholders. When performance is found to be inadequate, the Board has the responsibility to bring about appropriate change.
- b) In managing the Corporation, management should also have regard to the legitimate interests of the Corporation's other stakeholders, such as the Corporation's employees, creditors and the communities in which the Corporation operates.

### **2. Management's Relationship to the Board**

- a) Senior management of the Corporation and its subsidiaries, primarily through the Chief Executive Officer, reports to and is accountable to the Board, or the board of such subsidiary which, in turn, is accountable to the Board.
- b) Business plans are developed to ensure the compatibility of shareholder, Board and management views on the Corporation's and its subsidiaries' strategic direction, performance targets and utilization of shareholders' equity. A special meeting of the Board is held each year to review the strategic initiatives and the business plan submitted by senior management of the Corporation and its subsidiaries.

### **3. Board Access to Business Information and Management**

Information provided by management to directors is critical to their effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of the Corporation and its subsidiaries with respect to developments and key decisions taken by management in pursuing the Corporation's and its

subsidiaries' business plan. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

#### **4. Management Performance Review and Rewards**

- a) The Nomination and Governance Committee annually reviews the position description of the Chief Executive Officer and establishes objectives against which his or her performance is reviewed, with his or her compensation being assessed against these agreed objectives. Similar reviews and assessments are undertaken for other members of senior management in consultation with the Chief Executive Officer.
- b) The compensation plans of the Corporation and its subsidiaries are based on maintaining a direct link between management rewards and the achievement of agreed upon goals and objectives while ensuring that such plans do not induce inappropriate risk-taking.

#### **K. COMMUNICATION AND DISCLOSURE POLICIES**

The Corporation has adopted a Timely Disclosure, Confidentiality and Insider Trading Policy which summarizes its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of the Timely Disclosure, Confidentiality and Insider Trading Policy is to ensure that the Corporation's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. The Timely Disclosure, Confidentiality and Insider Trading Policy is reviewed annually by the Board and will be available on the Corporation's website.

The Corporation endeavours to keep its shareholders informed of its progress through a comprehensive annual information form, quarterly interim reports and periodic press releases. It also maintains a website that provides summary information about the Corporation and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Directors and management meet with the Corporation's shareholders at the annual meeting and are available to respond to questions at that time.

The Corporation also maintains an investor relations program to respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts, financial advisors and interested members of the public to ensure that accurate information is available to investors, including quarterly conference calls and webcasts to discuss the Corporation's financial results. The Corporation also endeavours to ensure that the media is kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Corporation's designated spokespersons.

#### **L. CODE OF ETHICS AND BUSINESS CONDUCT**

The Board expects all directors, officers and employees of the Corporation and its subsidiaries to conduct themselves in accordance with the highest ethical standards and to adhere to the Corporation's Code of Ethics and Business Conduct in place from time to time. Waivers of the Code of Ethics and Business Conduct will only be granted in exceptional circumstances where the waiver would not be inconsistent with the spirit of the Code of Ethics and Business Conduct and following consultation with legal counsel. Any waiver of the Code of Ethics and Business Conduct for officers or directors may only be made by the Board or the Nomination and

Governance Committee and will be disclosed to shareholders by the Corporation to the extent required by law, regulation or stock exchange requirement. Employees may seek waivers from the Chief Financial Officer and any such waivers will be promptly reported to the Board.

#### **M. ORIENTATION OF DIRECTORS**

The Corporation is best served by the Board comprised of individuals who are well versed in modern principles of corporate governance and other subject matters relevant to Board service and who thoroughly comprehend the role and responsibilities of an effective Board in the oversight and management of the Corporation and its subsidiaries. The Nomination and Governance Committee will develop an orientation and continuing education program for all directors of the Corporation and its subsidiaries. This program will be articulated in separate director orientation and continuing education policy that will be reviewed by the Nomination and Governance Committee on an annual basis. The continuing education program for directors will ensure that directors are kept informed as to matters impacting, or which may impact, the Corporation's directors.