



CANNAROYALTY STATEMENT OF POLICY AND PROCEDURE

Number/Subject:	A03. Mandate of the Compensation and Governance Committee	
Version/Last updated:	Version 2	June 13, 2018
Reviewed by:	Board of Directors	
Approved by:	Board of Directors	
Approval date:	June 13, 2018	

CANNAROYALTY CORP.

Mandate of the Compensation and Governance Committee

Purpose

The Compensation and Governance Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of CannaRoyalty Corp. (the “**Corporation**”) is appointed by the Board to promote a culture of integrity throughout the Corporation, to assist the Board in setting director and senior officer compensation, to assist the Corporation in identifying and recommending new nominees for election to the Board and to assist the Corporation and the Board in fulfilling their respective corporate governance responsibilities under applicable securities laws, instruments, rules and policies and regulatory requirements (collectively “**Applicable Laws**”).

Composition

1. The Committee shall be composed of three or more directors as designated by the Board from time to time.
2. The Chair of the Committee (the “**Chair**”) shall be designated by the Board or the Committee from among the members of the Committee.
3. The composition of the Committee shall comply with all Applicable Laws, including those relating to independence. Each member of the Committee shall be independent within the meaning of National Instrument 52-110 – *Audit Committees*.
4. Each member of the Committee shall be appointed by, and serve at the pleasure of, the Board. The Board may fill vacancies in the Committee by appointment from among the Board.

Meetings

5. The Committee shall meet at least once in each financial year of the Corporation. The Committee shall meet otherwise at the discretion of the Chair or a majority of the members of the Committee, or as may be required by Applicable Laws.
6. A majority of the members of the Committee shall constitute a quorum. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present (a “**Reduced Quorum**”).
7. If, and whenever a vacancy shall exist in the Committee, the remaining members of the Committee may exercise all powers and responsibilities of the Committee so long as a quorum remains in office or a Reduced Quorum is present in respect of a specific Committee meeting. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by a vote of a majority of the members of the Board.

8. The Committee shall hold an *in camera* session without any senior officers present at each meeting of the Committee, unless such a session is not considered necessary by the members present.
9. The time and place at which meetings of the Committee are to be held, and the procedures at such meetings, will be determined from time to time by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other electronic communication at least 48 hours prior to the time of the meeting. However, no notice of a meeting shall be necessary if all of the members are present either in person or by means of telephone or web conference or other communication equipment, or if those absent waive notice or otherwise signify their consent to the holding of such meeting.
10. Members may participate in a meeting of the Committee by means of telephone or web conference or other communication equipment.
11. If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chair (or other Committee member, as applicable) presiding at any meeting shall not have a casting vote.
12. The Committee shall keep minutes of all meetings, which shall be available for review by the Board. Except in exceptional circumstances, draft minutes of each meeting of the Committee shall be circulated to the Committee for review within 14 days of the date of each such meeting.
13. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.
14. The Committee may invite such other directors, senior officers and employees of the Corporation and such other advisors and persons as is considered advisable to attend any meeting of the Committee. For greater certainty, the Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.
15. Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts, by facsimile or other electronic signature) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose. In case of an equality of votes, the matter will be referred to the Board for decision.
16. The Committee shall report its determinations and recommendations to the Board.

Resources and Authority

17. The Committee has the authority to:

- (a) engage, at the expense of the Corporation, independent counsel and other experts or advisors as is considered advisable;
- (b) determine and pay the compensation for any independent counsel and other experts and advisors retained by the Committee;
- (c) conduct any investigation considered appropriate by the Committee; and
- (d) request any senior officer or other employee of, or outside counsel for, the Corporation to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee.

Responsibilities

Remuneration of Senior Officers

18. The Committee is responsible for:

- (a) reviewing and making recommendations to the Board with respect to the annual compensation plan, policies and practices of the Corporation;
- (b) annually reviewing and recommending to the Board for approval the compensation and other benefits of the President (the “**President**”), the Chief Executive Officer (the “**CEO**”) and the Chief Financial Officer (the “**CFO**”) of the Corporation and, in addition to such senior officers, any and all most highly compensated senior officers of the Corporation (collectively the “**Senior Executives**”), with such review being carried out in consultation with the CEO (provided that the CEO shall not be consulted with respect to his or her own remuneration);
- (c) reviewing the goals and objectives of the Senior Executives for the next financial year of the Corporation and providing an appraisal of the performance of the Senior Executives following the completion of each financial year;
- (d) meeting with the CEO on at least an annual basis to discuss the goals and objectives for the Senior Executives, and their compensation and performance (provided that the goals, objectives, compensation and performance of the CEO shall not be discussed with the CEO);
- (e) reviewing and making a recommendation to the Board on the hiring or termination of any Senior Executive, on any special employment contract containing or including any retiring allowance, or on any agreement to take effect or provide for the payment of benefits in the event of a termination or change of control of the Corporation, affecting a Senior Executive or any other employee of the Corporation, or any amendment to any such contract or agreement;
- (f) making, on an annual basis, a recommendation to the Board as to any bonuses or awards to be made to the Senior Executives, including under any compensation plan or employment contract with such Senior Executives; and

- (g) on an annual basis, comparing the total remuneration (including benefits) and the main components thereof of the Senior Executives with the remuneration of peers in the same industry, with such comparison being carried out on an informal or formal basis, at the discretion of the Committee.

Remuneration of Directors

- 19. On an annual basis, the Committee should review and make a recommendation to the Board with respect to the remuneration of directors.

Share Ownership Guidelines

- 20. The Committee should review and make a recommendation to the Board with respect to any share ownership guidelines applicable to the Senior Executives and the directors, and annually review the shareholdings of the Senior Executives and directors based on such guidelines established from time to time, if any.

Compensation Plans

- 21. The Committee is responsible for:
 - (a) ensuring that any required regulatory approval and shareholder approval is obtained for any compensation plan of the Corporation;
 - (b) overseeing the compensation plans of the Corporation; and
 - (c) determining those directors, Senior Executives, other employees and consultants of the Corporation who are entitled to participate in the compensation plans of the Corporation, the number of options, common shares, restricted shares or other securities of the Corporation allocated to each participant under each such plan, if any, and the time or times when the ownership of such options, common shares, restricted shares or other securities will vest for each participant, and administering all matters relating to any compensation plan of the Corporation, including any bonus plan, to which the Committee has been delegated authority pursuant to the terms of such plan or by a resolution passed by the Board.

Compensation Disclosure

- 22. The Committee should review and make a recommendation to the Board with respect to any disclosure related to executive compensation in any management information circular of the Corporation for any meeting of the shareholders of the Corporation, including any executive compensation disclosure.

Related Party Transactions

- 23. The Committee is responsible for:
 - (a) considering, or presenting to the Board for consideration, any transaction involving the Corporation and any “related party” as that term is defined in Applicable Laws (each a “**Related Party Transaction**”);

- (b) monitoring any Related Party Transaction and reporting to the Board on a regular basis regarding the status of any Related Party Transaction; and
- (c) if considered advisable, establishing guidelines and parameters within which the Corporation shall be entitled to engage in Related Party Transactions without the specific prior approval of the Committee or the Board.

Directors

24. The Committee should:

- (d) provide an orientation and education program for new directors which advises them of
 - (i) the role of the Board and its committees,
 - (ii) the nature of the business and affairs of the Corporation, and
 - (iii) the contribution which individual directors are expected to make to the Board in terms of both time and resource commitments;
- (e) provide continuing education opportunities to existing directors so that individual directors can maintain and enhance their skills and ensure that their knowledge of the business and affairs of the Corporation remains current; and
- (f) respond to, and if appropriate, authorize requests by, individual directors to engage independent counsel or other experts or advisors at the expense of the Corporation.

Majority Voting Policy

25. In the event any resignation is submitted in accordance with the Majority Voting Policy of the Corporation (the "**Policy**"), the Committee shall consider whether or not to accept the resignation and shall recommend to the Board whether or not to accept it. In considering whether or not to accept the resignation, the Committee will consider all factors deemed relevant by the Committee, including, without limitation, the stated reasons, if any, why shareholders of the Corporation withheld votes from the election of that nominee, the length of service and the qualifications of the director whose resignation has been submitted, such director's contribution to the Corporation, the Corporation's governance guidelines and applicable stock exchange listing standards.
26. In the event that a majority of the Committee members receive a greater number of votes withheld than the votes for such members at the same meeting of shareholders, then the remaining members of the Committee, if any, shall not consider the resignation(s) and the Board shall consider whether or not to accept the resignation(s) without a recommendation from the Committee.
27. The Committee and Board may adopt such procedures as they see fit to assist it in their determinations with respect to the Policy.
28. The Committee should review and assess the adequacy of the Policy from time to time, and submit any proposed amendments to the Board for consideration.

Board Effectiveness

29. The Committee should annually assess the effectiveness of the Board as a whole, its committees and individual directors based upon:
- (a) for directors and committees, the mandate of the Board and the mandate of the applicable committee, respectively; and
 - (b) for individual directors, their respective position descriptions, if any, as well as the skills and competencies which such director is expected to bring to the Board.

Nominations

30. The Committee should:
- (a) consider from time to time the desirable number of directors of the Corporation;
 - (b) identify and recommend to the Corporation and the Board, from time to time, proposed nominees to be directors of the Corporation, based upon the following considerations
 - (i) the competencies and skills necessary for the Board as a whole to possess,
 - (ii) the competencies and skills necessary for each individual director to possess,
 - (iii) the competencies and skills which each new nominee to the Board is expected to bring, and
 - (iv) whether each proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation; and
 - (c) prepare or update, as applicable, from time to time a skills matrix for the Board, which should include the competencies and skills which each individual director possesses.
31. If a lead director of the Board is required or considered advisable by the Board, the Committee will recommend a candidate for such position from among the independent members of the Board.

Committees

32. The Committee, in consultation with the Chairman of the Board (the “**Chairman**”), should review the committees of the Board, the Chairs of such committees and the mandates of such committees and make such recommendations thereon to the Board as considered advisable.

Other Responsibilities

33. The Committee should review and assess the adequacy of this mandate from time to time, and at least annually, and submit any proposed amendments to the Board for consideration. The Committee should review and assess the adequacy of any other mandate, position

description, code or previously approved policy of the Corporation as considered advisable or as specifically requested by the Board.

34. The Committee should perform any other activities consistent with this mandate and Applicable Laws as the Committee or the Board considers advisable.

Chair

35. The Chair should:

- (a) provide leadership to the Committee and oversee the functioning of the Committee;
- (b) chair meetings of the Committee (unless not present), including *in-camera* sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee and otherwise at such times and in such manner as the Chair considers advisable;
- (c) ensure that the Committee meets at least twice in each financial year of the Corporation and otherwise as is considered advisable;
- (d) in consultation with the Chairman and the members of the Committee, establish dates for holding meetings of the Committee;
- (e) set the agenda for each meeting of the Committee with input from other members of the Committee, the Chairman and any other appropriate individuals;
- (f) ensure that Committee materials are available to any director upon request;
- (g) act as a liaison, and maintain communication, with the Chairman and the Board to coordinate input from the Board and to optimize the effectiveness of the Committee;
- (h) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
- (i) in conjunction with the Chairman, provide leadership to ensure that the Board functions independently of the senior officers;
- (j) assist the members of the Committee to understand and comply with this mandate;
- (k) together with the Chairman, assist the Board, the committees of the Board, individual directors and the senior officers in understanding and complying with the approach to corporate governance of the Corporation established by the Board from time to time;
- (l) foster ethical and responsible decision making by the Committee;
- (m) together with the applicable committee of the Board, oversee the structure, composition and membership of, and activities delegated to, each committee of the Board (including the Committee) from time to time;
- (n) ensure appropriate information is provided to the Committee by the senior officers of the Corporation to enable the Committee to function effectively and comply with this mandate;

- (o) ensure that appropriate resources and expertise are available to the Committee;
- (p) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;
- (q) facilitate effective communication between the members of the Committee and the senior officers of the Corporation;
- (r) promote best practices and high standards of corporate governance;
- (s) together with the Chairman, maintain and enhance the quality of the approach to corporate governance of the Corporation established by the Board from time to time;
- (t) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders that may be asked of the Committee;
- (u) in the event a Chairman is not appointed by the Board at the first meeting of the Board following the annual meeting of shareholders each year, serve as the interim Chairman until a successor is appointed;
- (v) in circumstances of complaints regarding violations or suspected violations of the Whistleblower Policy of the Corporation by the chairman of the Audit Committee, be responsible for investigating the complaint and report his or her findings to the Board; and
- (w) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.