



CHARLOTTE'S WEB

STANLEY BROTHERS

Annual Benefit Report

For the Financial Year ending December 31, 2021

April 28, 2022

Hello,

Charlotte's Web was a mission before it was a company. A mission to unlock the power of botanicals and provide access to cannabis wellness. At the forefront of all we do is bringing hemp extract based dietary supplements and topicals to people in a way that honors our founding families, our communities, employees, and the soil that nurtures us. We are dedicated to creating industry-leading standards for product quality, safety, and consistency. Our extracts harness powerful botanical benefits, we simply serve as nature's stewards.

Thank you for joining us on this journey to improve lives and our planet, naturally.

/s/ Jacques Tortoroli

Jacques Tortoroli
CEO, Charlotte's Web

CHARLOTTE'S WEB HOLDINGS, INC.
BENEFIT REPORT

For the Financial Year ending December 31, 2021

Charlotte's Web Holdings, Inc. ("Charlotte's Web" or the "Company") became a benefit company under the laws of British Columbia on July 24, 2020, which means we are formally committed to conducting our business in a responsible and sustainable manner, and to promoting one or more public benefits. The public benefit selected by the Company is: "[t]o pioneer the way to healthier lives, stronger communities, and a more bountiful planet by making it easier for everyone to access the natural restorative power of plants" and the mission of Charlotte's Web is: "to unleash the healing powers of botanicals with compassion and science, benefitting the planet and all who live upon it."

As a benefit company, Charlotte's Web is excited to share our annual benefit report for the most recently completed financial year to promote public benefit and assess our performance against a third-party standard. The third-party standard Charlotte's Web uses is B Corp certification from B Lab.

CONDUCT OF BUSINESS IN A RESPONSIBLE AND SUSTAINABLE MANNER

Charlotte's Web was born out of a desire to better the planet and the people living upon it. We have always envisioned a world in which people live healthier lives through the healing powers of botanicals grown in peaceful balance with Nature. Beginning with our NorthStar and the namesake of the company, Charlotte Figi, we believe that hemp based botanical products have helped improve the well-being of hundreds of thousands of people. From the outset, social responsibility was built into the DNA of the business, and that ethos has remained a cornerstone of our growth over the past eight years. Charlotte's Web has consistently committed to community investment through financial and product contributions, and volunteer hours.

During the year ended December 31, 2021, we made every effort to conduct our business in a responsible and regenerative manner, considering the well-being of people and communities affected by the operations of the Company, while also endeavoring to use a fair and proportionate share of available environmental, social, and economic resources and capacities.

Specifically, Charlotte's Web has:

- Grown our hemp products on American farms, with certified organic practices. Our farming practices reduce the use of toxic substances, and prevent pollution and hazardous discharges to air, land, or water, thereby protecting people, biodiversity, water, and soil.
- Completed the full process, including annual on-farm and processing facility inspections, to become Certified Organic per the USDA's National Organic Program standards. Currently, twelve of our Charlotte's Web™ full-spectrum hemp extract tinctures are certified organic and will bear the USDA ORGANIC seal on the pack, with more certified organic products coming in the future. As a certified B Corp, the journey to organic certification helps fulfill our Vision of "a world in which people live healthier lives through the healing powers of botanicals grown in peaceful balance with Nature."
- Our hemp has always been grown using organic farming practices, but every step in the manufacturing process must be certified organic for the USDA organic seal to be allowed on the bottle. So, in addition to our 17mg and 60mg tinctures achieving organic certification, our farm acreage and our manufacturing and shipping facilities achieved organic certification as well.
- Even prior to organic certification, our farms have always abided by the highest quality standards, planting crops only after soil and water sources have first been tested extensively. We never use harsh pesticides on our plants. If we do need to use plant protection products, which is very rare, we ensure that they're organic-compliant and will not impact our final product with any residues, nor harm soil, water, animal, or human health in their manufacture, use, or disposal.
- Moved practices to a "minimum till" operation, which keeps the soil intact and healthy. Our crop rotation is set up for minimum equipment operation. We chose crops that return nutrients to the soil and others that take nutrients from the soil. In short, we set up our fields to work for themselves, with us (humans) to benefit as well.

- Reduced our impact on the planet by composting and recycling in our offices and processing facilities to reduce waste.
- Diverted 11,640.4lbs of post extraction hemp (raffinate) from landfills.

PROMOTION OF PUBLIC BENEFITS

As set out in the Articles, Charlotte’s Web is committed to promoting the public benefit of: *“pioneer[ing] the way to healthier lives, stronger communities, and a more bountiful planet by making it easier for everyone to access the natural restorative power of plants”*.

We create focused, measured, meaningful philanthropic partnerships. From active and vibrant employee volunteerism to donating a portion of our profits to vetted charitable organizations, we use our business as a force for hope, strength, and virtue. Charlotte’s Web has an engaged employee base that places a high value on corporate citizenship and is willing and eager to participate in the company’s CSR (Corporate Social Responsibility) initiatives. We have found that good stewardship of our planet and its resources is an engagement tool that contributes to certain key business drivers, namely attracting, retaining, and growing a high-performing workforce.

Our main philanthropic endeavors are in the areas of responsible agriculture, the environment, and conservation; empowering women and children; veterans and first responders; and canine service animals.

Specifically, Charlotte’s Web:

- Pays time off for community service. Employees can use sixteen hours of paid time off to volunteer individually every year. In addition, we also host a company-wide day of service. Charlotte’s Web uses an app called KyndHub to track volunteer hours as well as charitable giving, gratitude, and acts of kindness done by our employees.
- Raised hourly compensation to reflect \$17/hour minimum wage (most make more than this).
- Allowed for more flexible time off for bereavement.
- Re-implemented 3% match on 401k plan.
- Established Emergency Assistance Fund for employees experiencing hardship.
- Provide snacks and drinks at no charge to our employees at our Operations facility.
- Initiated plan to establish leadership training opportunities for the employee base.
- Raised by a single mother, the Stanley Brothers grew up with a deep personal understanding of the demands placed on many women in our society. That is why Charlotte’s Web is proud to help create opportunities for women to succeed. One of our charitable partners, the Women’s Bean Project (CO), is doing just that: providing steppingstones to self-sufficiency and a better quality of life.
- Is committed to supporting Women and Girls in STEM. The backbone of our company is Science, which is why we partnered with STEM Generation, a non-profit on a mission to close the gap in STEM learning opportunities and achievement and to change the image of what a STEM professional looks like.
- We invest in and advocate for organizations working with U.S. veterans and first responders to help them achieve a higher quality of life. Our partners, the Adaptive Training Foundation and High Fives, work with veterans and other adaptive athletes to improve their physical, mental, and emotional health, arming them with tools to continue adapting to life’s challenges. The result? Stunning personal transformations.
- We are dedicated to nourishing both the earth and the farming communities who rely on it. Not only are our own farming practices sustainable, but we also support other organizations that are elevating and restoring farming in America.
- The health of children is the beating heart of our organization. We built Charlotte’s Web with a deep resolve to meet the tremendous needs of the most vulnerable of our society. Our core partner was, and remains, The Realm of Caring, the leading non-profit focused on improving lives through cannabinoid Research, Education, and Community.

- On April 7th, 2021, Charlotte’s Web celebrated the life of our North Star, Charlotte Figi, who passed away unexpectedly in 2020 as title sponsor for Rock the RoC, a fundraiser that raised approximately \$230,000 for research and education for cannabinoid therapy.
- We integrated ID.me identity verification for military, students, nurses, teachers and first responders to get discounts. <https://www.charlottesweb.com/cbd-discount-program>.
- Our Company helped our non-profit partners by elevating them through:
 - Participation in charitable product distribution.
 - We launched an Employee Assistance Fund to support CW employees in managing a variety of potential challenges.
 - We deployed digital marketing campaigns in support of Rock the ROC.
- Communicated sustainability and organic certification across website and all digital channels.
- Donated over one million dollars in cash to our core partners, Realm of Caring, High Fives Foundation and the Adaptive Training Foundation.

ASSESSMENT AGAINST THIRD-PARTY STANDARD

Third Party Standard

British Columbia’s public benefit legislation requires benefit companies to assess and report on their overall performance in conducting their business in a responsible and sustainable manner and in promoting the selected public benefits, against an independent “third-party standard” that meets certain statutory criteria relating to transparency and credibility.

The Company is a B Corp certified by B Lab, a non-profit organization that administers B Corporation certification. Certified B Corps achieve a minimum verified score on the B Impact Assessment (the “BIA”) - a rigorous assessment of a company’s impact on its workers, customers, community, and environment - and make their B Impact Report transparent on the B Lab website. Certified B Corporations also amend their legal governing documents to require their board of directors to balance profit and purpose. The combination of third-party validation, public transparency, and legal accountability helps Certified B Corps build trust and value. The Company must re-certify as a B Corp every three years.

The BIA is developed through a transparent process and is audited by B Lab and comprehensively covers the impact of a business on all its stakeholders, including its workers, suppliers, community, and the environment. The BIA also captures best practices regarding mission, measurement, and governance. The last, heavily weighted, portion of the BIA identifies a company’s specific “Impact Business Models,” which include the targeted, formal focus on a benefiting a particular stakeholder through products and services or internal practices.²

Given our familiarity with the BIA and the respect which the standard is accorded in the industry, Charlotte’s Web has selected B Lab’s BIA as our independent “third-party standard” under the British Columbia benefit company legislation. This Benefit Report is for the first financial year in which the Charlotte’s Web has been a benefit company under British Columbia law, and therefore it is the first Benefit Report for which this standard has been selected and applied.

Assessment

Charlotte’s Web was certified by B Lab in August 2020 and received a score of 92.8.

² https://bimpactassessment.net/how-it-works/frequently-asked-questions/the-b-impact-score?_ga=2.221312216.1535717208.1635284699-1743387036.1635284699#what-does-the-assessment-cover



APPROVAL BY THE BOARD OF DIRECTORS

The undersigned, a director of Charlotte’s Web, hereby confirms that the above Benefit Report was approved by the Board of Directors of the Company on April 28, 2022.

**BY ORDER OF THE BOARD OF DIRECTORS OF
CHARLOTTE’S WEB HOLDINGS, INC.**

/s/ Jacques Tortoroli

Jacques Tortoroli
Chief Executive Officer and a Director
Charlotte’s Web Holdings, Inc.