



Charlotte's Web, Inc

Disclosure Report
Date Submitted: April, 2024



Disclosure Materials

Certified B Corporations must complete a Disclosure Questionnaire to identify potentially sensitive issues related to the company (e.g. historical fines, sanctions, material litigation, or sensitive industry practices).

This component does not affect the company's score on the B Impact Assessment. If the company answers affirmatively to any items in the Disclosure Questionnaire that B Lab deems relevant for public stakeholders, then, as a condition of their certification, the company must:

- 1) Be transparent about details of the disclosure issues identified on the company's public B Impact Report
- 2) Describe how the company has addressed this issue
- 3) Demonstrate that management practices are in place to avoid similar issues from arising in the future, when necessary.

In all cases, the Standards Advisory council reserves the right to refuse certification if the company is ultimately deemed not to uphold the spirit and integrity of the community.

In addition to the voluntary indication of sensitive issues in the Disclosure Questionnaire, companies pursuing Certification also are subject to a background check by B Lab staff. Background checks include a review of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

Sensitive issues identified through background checks may or may not be within the scope of questions in the Disclosure Questionnaire, but undergo the same review process and are subject to the same possible review by the Standards Advisory Council, including ineligibility for B Corp Certification, required remediation, or disclosure.

This document contains a copy of the company's completed Disclosure Questionnaire and related disclosure documentation provided by the company



Disclosure Questionnaire

Industries and Products

	Yes	No
Please indicate if the company is involved in production or trade in any of the following. Select Yes for all options that apply.		
Animal Products or Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Biodiversity Impacts	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chemicals	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Alcohol	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Firearms Weapons	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Mining	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Pornography	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disclosure Tobacco	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy and Emissions Intensive Industries	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Fossil fuels Gambling	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Genetically Modified Organisms	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Illegal Products or Subject to Phase Out	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Industries at Risk of Human Rights Violations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Monoculture Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Nuclear Power or Hazardous Materials	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Payday, Short Term, or High Interest Lending	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Water Intensive Industries	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tax Advisory Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Outcomes & Penalties

	Yes	No
Please indicate if the company has had any formal complaint to a regulatory agency or been assessed any fine or sanction in the past five years for any of the following practices or policies. Check all that apply.		
Anti-Competitive Behavior	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Breaches of Confidential Information	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Bribery, Fraud, or Corruption	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company has filed for bankruptcy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Consumer Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Reporting, Taxes, Investments, or Loans	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Hazardous Discharges Into Air/Land/Water (Past 5 Yrs)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor Issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Large Scale Land Conversion, Acquisition, or Relocation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Litigation or Arbitration	<input checked="" type="checkbox"/>	<input type="checkbox"/>
On-Site Fatality	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Penalties Assessed For Environmental Issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Political Contributions or International Affairs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recalls	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Significant Layoffs	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Violation of Indigenous Peoples Rights	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>



Practices

	Yes	No
Please indicate if the following statements are true regarding whether or not the company engages in the following practices. Check all that apply. If the statement is true, select "Yes." If false, select "No."		
Animal Testing	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company/Suppliers Employ Under Age 15 (Or Other ILO Minimum Age)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company prohibits freedom of association/collective bargaining	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Company workers are prisoners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Conduct Business in Conflict Zones	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Confirmation of Right to Work	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Does not transparently report corporate financials to government	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Employs Individuals on Zero-Hour Contracts	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Facilities located in sensitive ecosystems	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ID Cards Withheld or Penalties for Resignation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No formal Registration Under Domestic Regulations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No signed employment contracts for all workers	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Overtime For Hourly Workers Is Compulsory	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Payslips not provided to show wage calculation and deductions	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Yes	No
Sale of Data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Reduction Through Corporate Shells	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers cannot leave site during non-working hours	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers not Provided Clean Drinking Water or Toilets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers paid below minimum wage	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workers Under Bond	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Supply Chain Disclosures

	Yes	No
Please indicate if any of the following statements are true regarding your company's significant suppliers.		
Business in Conflict Zones	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Child or Forced Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Negative Environmental Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Negative Social Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Other - Cannabis Related Products

Topic	Company grows, manufactures, and retails cannabis-derived products in the form of capsules, gummies, pet chews, pet oils, tinctures, topicals, and bath products containing CBD.
Summary of Issue	Charlotte's Web products contain less than 0.3% THC from hemp plants.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	100% of revenue is derived from these products, ~\$74M in fiscal year 2022.
Impact on Stakeholders	Cannabis-related products are subject to controversy both because of their current and historic legal status around the world, as well as concerns about the potential harm that the products may cause. Current regulations governing the legality of cannabis-derived products are complex and vary widely by local jurisdiction.
Implemented Management Practices	Charlotte's Web rigorously tests its products both internally and externally through 3rd parties to insure all of the Charlotte's Web products contain less than 0.3% THC within the definition of the 2018 Farm Bill and various state laws. Charlotte's Web complies with all relevant laws and regulations in the production and sale of cannabis-derived products. The sale of hemp derived products are legal in the United States where the company produces and sells its products. Charlotte's Web must maintain compliance that varies throughout the fifty individual states of the United States. There are extensive requirements for label disclosures, access to Certificate of Analysis, age restrictions, ingredient disclosure, among others. The Company uses multiple inhouse and external legal and regulatory experts to assist in maintaining compliance with the various state and federal laws. For over two and a half years, Charlotte's Web has not received any penalty for not being in compliance with any federal or state laws/regulations.
Management Comments	Charlotte's Web rigorously tests its products both internally and externally through 3rd parties to insure all of the Charlotte's Web products contain less than 0.3% THC within the definition of the 2018 Farm Bill and various state laws. Charlotte's Web complies with all relevant laws and regulations in the production and sale of cannabis-derived products. The sale of hemp derived products are legal in the United States where the



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Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries

Issue Date	Ongoing
Topic	Water Intensive Industries
Summary of Issue	As an agricultural company, Charlotte's Web operates in an industry that is water intensive. The company's hemp plants grown using exclusively rainwater.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	Approximately 87% of Charlotte's Web revenue comes from products containing hemp grown directly by the company. 0% of the company's land is irrigated. Hemp grows under limited or variable water with low requirements compared to other fiber crops. 50% less water is used to grow hemp than cotton.
Impact on Stakeholders	As a water intensive industry, agriculture poses risks such as water stress or depletion of local water sources if water use is not appropriately managed. Charlotte's Web farms are located in Raywick, Kentucky, areas not considered as water stressed. If a drought year arises, water that has been stored in holding ponds is used to flood irrigate. The water in the holding ponds comes from rain.
Implemented Management Practices	Management of water resources is done through placement of hemp varieties in diverse growing regions where little or no irrigation is required (only rainwater). Charlotte's Web has not determined its water intensity nor done an assessment of how they compare with other companies in the hemp industry.



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries

Topic	Biodiversity/Monoculture Impact
Summary of Issue	As an agricultural company, Charlotte's Web operates in an industry in which biodiversity impact is a material environmental issue. The company grows their own hemp and also contracts growers or farmers to grow hemp under their guidelines.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	Approximately 87% of Charlotte's Web revenue comes from products that contain hemp grown directly by the company. Charlotte's Web controls 750 acres of land, of which approximately 40% is cultivated and 100% of this land is planted with crops each season. 110 acres of total land controlled by the company remain uncultivated.
Impact on Stakeholders	Agriculture poses a risk to local ecosystems of flora and fauna as well as the potential degradation of cultivated land.
Management Practices	<p>The company has the following practices in place to preserve or conserve biodiversity:</p> <ul style="list-style-type: none">-Each of the company's fields has a Conservation Research Program (CRP) buffer zone around the edges for erosion control and to conserve biodiversity.-Forest management and evasive species control is practiced on the uncultivated land. These areas are monitored by the USDA (Farm Production and Conservation).-Crop rotation is implemented each growing season: hemp plants are rotated with cover crops to avoid planting two times in the same field.-No pesticides or chemical fertilizers are used. Only organic inputs and/or amendments are applied to the cultivated land.-Biodiversity impact monitoring includes the observation of bee and insect species populations in the CPR buffer zones.-Biodiversity impact management is conducted through a combination of checking fields for erosion and observing water quality of streams. <p>Charlotte's Web has targets to improve the soil and surrounding uncultivated land until it is better than when the land was purchased. An indication that these targets are being achieved is that the land is still allowed to be part of the conservation program with the USDA.</p>
Report	Charlotte's Web hemp production related videos:



	https://youtu.be/kujOG82NBRw?si=DMyfk0VO506gkycN https://youtu.be/vRHNO9kJgDQ?si=N9M6lWo7sICo-kwC



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Litigation, Arbitration, and/or Penalties

Issue Date	August 2020
Topic	Ongoing consumer protection class action lawsuit
Summary of Issue	A putative class action lawsuit was filed against Charlotte's Web in the federal district court in Central District of California. The case alleges that the company violated various California consumer protection and false advertising statutes by marketing and selling CBD although CBD products are allegedly illegal to sell and do not quality as dietary supplements. The Court has agreed to "Stay" the action until the federal government (ex. FDA) determines how CBD should be regulated and passes such regulation.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	While the estimated value of a pending case is always speculative, the Company estimates the matter could potentially represent a payment of 1-5% of the company's revenue. While completely unrelated to the case at hand, if, separately, the federal government prohibits all sale of CBD, the company could incur loss of over 50% of the company's revenue.
Impact on Stakeholders	California consumers are affected.
Resolution	The case is still ongoing.
Implemented Management Practices	Management continues to work with State legislatures, the majority of which permit the sale of CBD products. Management also supports industry efforts for federal legislation for the regulation of CBD related products.
Management Comments	A bi-party coalition of Congressional representatives have introduced legislation to recognize CBD as a Dietary Supplement and provide for federal regulations through the FDA.



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Significant layoffs of >20% of workforce

Issue Date	2022
Topic	Company layoffs due to company restructuring after acquisition, declining revenue, closing of outlet stores, and change in executive leadership.
Summary of Issue	Charlotte's Web experienced significant layoffs in 2022 due to restructuring, declining revenue, closing of outlet stores and change in executive leadership. These layoffs were carried out in two distinct rounds of layoffs.
Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected)	53 employees were laid off in total in 2022, representing 21.5% of the company's employees at that time: -1st round of layoffs Q1 2022: 23 employees representing 8.5% of the company's total employees at the time. - 2nd round of layoffs Q3 2022: 30 employees, representing 13% of the company's total employees at the time.
Impact on Stakeholders	Primary impact was loss of employment for affected employees.
Implemented Management Practices	Company provided severance pay to affected employees. Severance guidelines are used to ensure employees are able to land on their feet after leaving the company, including a cash payment and paid benefits from 1 to 3 months depending on circumstances. Charlotte's Web currently has a hiring freeze in place with only certain key positions available for hire, this policy aims to avoid the need for significant layoffs in the future.
Related Incidents (Yes/No)	Within the past five years, eight distinct rounds of layoffs occurred.