



## **AUDIT COMMITTEE CHARTER**

**(Adopted by the Board on July 25, 2019)**

### **I. PURPOSE AND PRIMARY RESPONSIBILITY**

#### **1. Purpose**

The purpose of this Audit Committee Charter (the “Charter”) is to clearly set out the objectives, composition, member qualification, member appointment and removal, responsibilities, manner of reporting to the Board of Directors (the “Board”) of Greenlane Renewables Inc. (the “Company”), annual evaluation and compliance with this Charter.

#### **2. Primary Responsibility**

The primary responsibility of the Audit Committee (the “Committee”) is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with relevant legal and regulatory requirements, including without limitation, tax and securities laws, as well as whistle blowing procedures. The Committee is also responsible for other matters as set out in this Charter and/or as may be directed by the Board from time to time. The Committee should exercise continuous oversight of developments in these areas.

### **II. MEMBERSHIP**

1. Each member of the Committee must be an independent director of the Company.
2. The Committee will consist of at least three members, all of whom shall be financially literate. A Committee member who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.
3. The members of the Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Committee) by the Board. A Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Committee on ceasing to be an independent director.
4. The Chair of the Audit Committee will be appointed by the Board.

### **III. AUTHORITY**

In addition to all authority required to carry out the duties and responsibilities included in this Charter, the Committee has specific authority to:

1. engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities and any such consultants or professional advisors retained by the Committee will report directly to the Committee;
2. communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

3. to incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, such expenses to be paid for by the Company.

#### **IV. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee include:

##### **1. Matters related to the external auditor:**

- a. recommending to the Board the external auditor to be nominated by the Board, taking into consideration the Committee's assessment of the incumbent external auditor's performance pursuant to subsection (d) below among other things;
- b. recommending to the Board the compensation of the external auditor, to be paid by the Company, in connection with:
  - (i) preparing and issuing the audit report on the Company's financial statements; and
  - (ii) performing other audit, review or attestation services;
- c. reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee);
- d. overseeing the work of the external auditor, including performing an annual assessment of the external auditor subsequent to the conclusion of each annual audit of the Company's financial statements, as well as a comprehensive assessment of performance every 5 years, or sooner as may be appropriate or required for any reason;
- e. ensuring that the external auditor is independent by receiving a report annually from the external auditor with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services provided to Company;
- f. ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- g. ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditor setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- h. reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- i. pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor (the Chair of the Committee has the authority to pre-approve in between regularly scheduled Committee meetings any non-audit service of less than \$25,000, however such approval will be presented to the Committee at the next scheduled meeting for formal approval);
- j. overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Committee activities;

##### **2. Matters related to the financial statements and accounting:**

- a. reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis (“MD&A”), including the appropriateness of the Company’s accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with GAAP and the MD&A is in compliance with appropriate regulatory requirements;
- b. reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any changes in the selection or application of accounting principles to be used in the preparation of the financial statements of the Company and its subsidiaries;
- c. reviewing and discussing with management and the external auditor the external auditor’s written communications to the Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
- d. reviewing the external auditor’s report to the shareholders on the Company’s annual financial statements;
- e. reporting on and recommending to the Board the approval of the annual financial statements and the external auditor’s report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, before the dissemination of these documents to shareholders, regulators, analysts and the public;
- f. satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditor, that adequate procedures are in place for the review of the Company’s disclosure of financial information extracted or derived from the Company’s financial statements that such information is fairly presented;
- g. overseeing the adequacy of the Company’s system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management’s remediation of identified weaknesses;
- h. reviewing with management and the external auditor the integrity of disclosure controls and internal controls over financial reporting. Reviewing the annual and quarterly CEO and CFO certifications under NI 52 – 109 and ensuring that the Company has an effective process in place to support those certifications;
- i. reviewing, monitoring, discussing and assessing the processes management has put in place to identify and manage the principal risks that could impact the financial reporting of the Company and discussing policies with respect to risk assessment and risk management, which discussions will include:
  - (i) the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures, and
  - (ii) guidelines and policies to govern the process by which risk assessment and management is undertaken;
- j. satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company’s legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- k. resolving disputes between management and the external auditor regarding financial reporting;
- l. establishing procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and

- (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### **3. Other matters**

- a. Establishing procedures for:
  - (i) reviewing the expenses of the Chair of the Board, and the Chief Executive Officer (the “CEO”) on a semi-annual basis;
  - (ii) reviewing the adequacy of the Company’s insurance coverage (excluding Directors’ and Officers’ insurance coverage, which is reviewed by the Nominating and Governance Committee);
  - (iii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer (“CFO”) and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board, and
  - (iv) reviewing fraud prevention policies and programs and monitoring their implementation.
- a. A regular part of Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the Company. The Chair of the Committee will regularly canvass the Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Committee on a timely basis.
- b. On an annual basis the Committee shall review and assess the adequacy of this Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by the applicable regulatory bodies with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Charter to the Board for its approval.

## **V. MEETINGS**

- 1. The quorum for a meeting of the Committee is a majority of the members of the Committee.
- 2. The Chair of the Committee shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Committee will also maintain regular liaison with the CEO, CFO, and the lead engagement partner of the external auditor.
- 3. The Committee’s schedule of meetings and agendas will be set annually by the Committee. Dates and locations will be provided to the Board, the Committee members, the external auditor and management in advance.
- 4. The Committee will meet in camera separately with the CEO and separately with the CFO of the Company at least annually to review the financial affairs of the Company.
- 5. The Committee will meet with the external auditor of the Company in camera at least at each meeting at which the external auditor is in attendance, to review the external auditor’s examination and report.
- 6. The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Committee.
- 7. Each of the Chair of the Committee, members of the Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## **VI. REPORTS**

1. The Committee will report, at least quarterly, to the Board regarding the Committee's examinations and recommendations, and annually to the Board regarding the Committee's compliance with this Charter.

**VII. MINUTES**

1. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

**VIII. ANNUAL PERFORMANCE EVALUATION**

1. The Board will conduct an annual performance evaluation of the Committee, taking into account the Charter, to determine the effectiveness of the Committee.