



**AUDIT COMMITTEE CHARTER**

**DATED AUGUST 23, 2017**

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## **I. PURPOSE**

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The purpose of the Audit Committee is to assist the Board of Directors (the “**Board**”) of Goodfood Market Corp. (the “**Corporation**”) in its oversight of:

- A. the integrity of the financial statements and related information;
- B. compliance with applicable legal and regulatory requirements;
- C. the independence, qualifications, appointment and performance of the external auditor;
- D. disclosure, internal controls and internal audit procedures;
- E. enterprise risk management processes, credit worthiness, treasury and financial policies; and
- F. whistle blower, complaint procedures and ethics policies.

## **II. DUTIES AND RESPONSIBILITIES**

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The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board. In particular, the Audit Committee shall have the following duties and responsibilities:

### **A. FINANCIAL REPORTING AND CONTROL**

- 1. On a periodic basis, review and discuss with management and the external auditor the following:
  - a. major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation’s selection or application of accounting principles, and issues as to the adequacy of the Corporation’s internal controls and any special audit steps adopted in light of material control deficiencies;
  - b. analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the impact of selecting one of several generally accepted accounting principles (GAAP) on the financial statements when such a selection has been made in the current reporting period;
  - c. the effect of regulatory and accounting developments, as well as off-balance sheet arrangements, on the financial statements of the Corporation;
  - d. the type and presentation of information to be included in earnings press releases (including any use of pro-forma or non-GAAP information);

- e. any corporate governance issues which could significantly affect the financial statements;
  - f. all matters required to be communicated to the Audit Committee under generally accepted auditing standards.
2. Meet to review and discuss with management and the external auditor, report and, where appropriate, provide recommendations to the Board on the following prior to its public disclosure:
- a. the annual and interim consolidated financial statements and the related “Management’s Discussion and Analysis”, Annual Information Forms, earnings press releases, the whole in accordance with the Disclosure Policy, and the integrity of the financial reporting of the Corporation;
  - b. any audit issues raised by the external auditor and management’s response thereto, including any restrictions on the scope of the activities of the external auditor or access to requested information and any significant disagreements with management;
  - c. to the extent not previously reviewed by the Audit Committee, all financial statements included in any prospectus or offering memoranda and all other financial reports required by regulatory authorities and/or requiring approval by the Board.
3. Review and discuss reports from the external auditor on:
- a. all critical accounting policies and practices used by the Corporation;
  - b. all material selections of accounting policies when there is a choice of policies available under GAAP that have been discussed with management, including the ramifications of the use of such alternative treatment and the alternative preferred by the external auditor;
  - c. other material written communications between the external auditor and management, and discuss such communication with the external auditor; and
  - d. ensure that adequate procedures are in place for the review of public disclosure of financial information extracted or derived from the financial statements and periodically assess the adequacy of those procedures.

## **B. OVERSIGHT OF THE EXTERNAL AUDITOR**

- 1. Recommend to the Board the external auditor to be nominated of the purpose of preparing the external auditor’s report as well as the external auditor’s compensation for doing so.

2. Oversee the work of the external auditor and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required, and review, report and, provide recommendations to the Board on the appointment, terms and review of engagement, removal, independence and proposed fees of the external auditor.
3. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the external auditor to the Corporation and any consolidated subsidiary and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required.
4. Pre-approve all engagements for permitted non-audit services provided by the external auditor to the Corporation and any consolidated subsidiary and to this effect may establish policies and procedures for the engagement of the external auditor to provide to the Corporation and any consolidated subsidiary permitted non-audit services, which shall include approval in advance by the Audit Committee of all audit/review and permitted non-audit services to be provided by the external auditor to the Corporation and any consolidated subsidiary.
5. Establish policies for the hiring of partners, employees and former partners and employees of the external auditor in order to protect the independence of the auditors.
6. At least annually, consider, assess, and report to the Board on:
  - a. the independence of the external auditor, including that the external auditor's performance of permitted non-audit services does not impair the external auditor's independence;
  - b. obtaining from the external auditor a written statement (i) delineating all relationships between the external auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the external auditor; and
  - c. the evaluation of the lead audit partner, taking into account the opinions of management.
7. At least annually, obtain and review a report by the external auditor describing:
  - a. the external auditor's internal quality-control procedures;
  - b. any material issues raised by the most recent internal quality-control review, or peer review of the external auditor firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried

out by the external auditor firm, and any steps taken to deal with any such issues.

8. Resolve any disagreement between management and the external auditor regarding financial reporting.
9. Review the annual audit plan with the external auditor.
10. At least quarterly and when required, meet with the external auditor in the absence of management.

#### **C. OVERSIGHT OF THE CORPORATION'S INTERNAL CONTROL SYSTEM**

1. Review and discuss with management and the external auditor, monitor, report and, where appropriate, provide recommendations to the Board on the following:
  - a. the Corporation's systems of internal controls over financial reporting;
  - b. compliance with the policies and practices of the Corporation relating to business ethics;
  - c. compliance by Directors, Officers and other management personnel with the Disclosure Policy; and
  - d. the relationship of the Audit Committee with other committees of the Board, management and the Corporation's consolidated subsidiaries' audit committees.
2. Review and discuss with the Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") of the Corporation the process for the certifications to be provided in the Corporation's public disclosure documents.
3. Review, monitor, report, and, where appropriate, provide recommendations to the Board on the Corporation's disclosure controls and procedures.
4. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters.

#### **D. OVERSIGHT OF THE CORPORATION'S RISK MANAGEMENT**

1. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's major business, operational, and financial risk exposures and the guidelines, policies and practices regarding risk assessment and risk management including the following:
  - a. the Corporation's processes for identifying, assessing and managing risks;

- b. the Corporation's major financial risks, including derivative and tax risks, and operational risk exposures and the steps the Corporation has taken to monitor and control such exposures;
  - c. the Corporation's major security risks and security trends, including cybersecurity risks, that may impact the Corporation's operations and business;
  - d. the Corporation's business continuity plans, including work stoppage and disaster recovery plans;
  - e. the Corporation's environmental risks, and environment trends that may impact the Corporation's operations and business.
2. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's compliance with internal policies and the Corporation's progress in remedying any material deficiencies related to:
    - a. security policies, including the physical safeguarding of corporate assets and security of networks and information systems;
    - b. environmental policy and environmental management systems.
  3. When appropriate, ensure that the Corporation's subsidiaries establish an environmental policy and environmental management systems, and review and report thereon to the Board.
  4. Review with management the credit worthiness, liquidity and important treasury matters including financial plans of the Corporation.
  5. Review all related party transactions and actual or potential conflicts of interest.

**E. COMPLIANCE WITH LEGAL AND ACCOUNTING REQUIREMENTS**

1. Review and discuss with management, legal counsel and the external auditor, monitor, report and, when appropriate, provide recommendations to the Board on the adequacy of the Corporation's processes for complying with laws, regulations and applicable accounting standards.
2. Review, on a periodic basis with legal counsel, the Corporation's legal compliance with respect to: (a) the legal and regulatory matters which may have a material effect on the Corporation and/or its financial statements, including with respect to pending or threatened material litigations; and (b) corporate compliance policies and codes of conduct.

**F. WHISTLEBLOWER, ETHICS AND INTERNAL CONTROLS COMPLAINT PROCEDURES**

Ensure that the Corporation has in place adequate procedures for:

1. The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters.
2. The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The CEO or CFO will report to the Audit Committee, and the Audit Committee will review such reports, on any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls. Where the CEO or the CFO is named in a complaint, the Lead Director will speak directly with the Chair of the Audit Committee.

### **III. EVALUATION OF THE AUDIT COMMITTEE AND REPORT TO BOARD**

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1. The Audit Committee shall evaluate and review with the Board, on an annual basis, the performance of the Audit Committee as a whole as well as the performance of each individual member while taking into account: (i) in the case of the Audit Committee as a whole, the present Charter, and (ii) in the case of an individual member, the applicable position description(s), as well as the competencies and skills each individual director is expected to contribute to the Audit Committee.
2. The Audit Committee shall report to the Board periodically on the Audit Committee's activities.

### **IV. OUTSIDE ADVISORS**

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The Audit Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Audit Committee in the performance of its functions. The Corporation shall provide appropriate compensation for such advisors as determined by the Audit Committee.

### **V. MEMBERSHIP**

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The Audit Committee shall consist of such number of directors, in no event to be less than three, as the Board may from time to time by resolution determine. The members of the Audit Committee shall meet the independence test and other membership requirements under applicable laws, rules and regulations and listing requirements as determined by the Board.

### **VI. AUDIT COMMITTEE CHAIR**

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The Audit Committee Chair shall be appointed by the Board. The Audit Committee Chair leads the Audit Committee in all aspects of its work and is responsible to effectively manage the affairs of the Audit Committee and ensure that it is properly organized and functions efficiently. More specifically, the Audit Committee Chair shall:

- A. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this Charter and as otherwise may be appropriate;
- B. In consultation with the Board Chair, the Lead Director and the CEO, ensure that there is an effective relationship between management and the members of the Audit Committee;
- C. Chair meetings of the Audit Committee;
- D. In consultation with the Board Chair, the Lead Director, the Corporate Secretary and the Executive Officers, determine the frequency, dates and locations of meetings of the Audit Committee;
- E. In consultation with the CEO and CFO review the annual work plan and the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
- F. Ensure, in consultation with the Board Chair, that all items, requiring the Audit Committee's approval, are appropriately tabled;
- G. Ensure the proper flow of information to the Audit Committee and review, with the Executive Officers and the Corporate Secretary the adequacy and timing of materials in support of management's proposals;
- H. Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board following any meeting of the Audit Committee; and
- I. Carry out any special assignments or any functions as requested by the Board.

## **VII. TERM**

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The members of the Audit Committee shall be appointed or changed by resolution of the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are so appointed.

## **VIII. PROCEDURES FOR MEETINGS**

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Meetings of the Audit Committee may be called by any member of the Audit Committee or the Corporation's external auditor. Audit Committee shall fix its own procedure at meetings and for the calling of meetings. The Audit Committee will meet at least each quarter and otherwise as necessary. The Audit Committee shall meet separately in an executive session, in the absence of management and the external auditor, at each regularly scheduled meeting. The Audit Committee will also meet with the external auditor without management being present.

## **IX. QUORUM AND VOTING**

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Unless otherwise determined from time to time by resolution of the Board, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

## **X. SECRETARY**

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Unless otherwise determined by resolution of the Board, the Corporate Secretary of the Corporation or his/her delegate shall be the Secretary of the Audit Committee.

## **XI. VACANCIES**

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Vacancies at any time occurring shall be filled by resolution of the Board.

## **XII. RECORDS**

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The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board as appropriate.

## **XIII. REVIEW OF CHARTER**

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The Committee will, from time to time, review and assess the adequacy of this Charter and recommend any proposed changes for consideration. The Board may amend this Charter, as required.