

# Audit Committee Mandate

## Purpose and scope

The Audit Committee (the “**Committee**” or the “**Audit Committee**”) of Element Fleet Management Corp. (“**Element**” or the “**Corporation**”) is a committee of the Board of Directors (the “**Board**”). The Committee shall oversee the accounting and financial reporting practices of the Corporation and the audits of the Corporation’s financial statements and exercise the responsibilities and duties set out in this Audit Committee Mandate (this “**Mandate**”).

## Membership and Chair

### Number of Members General

The Committee shall be composed of three or more members of the Board.

### Independence of members

Each member of the Committee must be independent. “Independent” shall have the meaning, as the context requires, given to it in National Instrument 52-110 *Audit Committees*, as may be amended and/or replaced from time to time.

### Chair

The Board shall appoint one member as the chair of the Committee (the “**Chair**”). Unless a Chair is appointed by the Board, the Committee members may designate a Chair by a majority vote. The Chair will preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this Mandate, work with management to develop the Audit Committee’s annual work-plan and provide reports of the Audit Committee to the Board.

### **Financial literacy of members**

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### **Term of members**

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

## **Meetings**

### **Number of meetings**

The Committee may meet as many times per year as necessary to carry out its responsibilities.

### **Calling of meetings**

The Chair, any member of the Audit Committee, the external auditors, the Chair of the Board, or the Chief Executive Officer or the Chief Financial Officer, may call a meeting of the Audit Committee by notifying the Corporation's Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

### **Minutes: Reporting to the Board**

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to

the Board on any matter in his or her view requiring the immediate attention of the Board.

### **Attendance of non-members**

The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, including internal auditor, if one has been appointed, legal counsel, advisors, and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with the internal auditor, if one has been appointed, and management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

### **Meetings without management**

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

### **Procedure**

The procedures for calling, holding, conducting, and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

### **Access to management and outside advisors**

In discharging the forgoing duties and responsibilities, the Audit Committee shall have unrestricted access to management and employees of the Corporation and to the relevant books, records and systems of the Corporation as considered appropriate. The Audit Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities. The Corporation shall provide appropriate funding, as determined by the Board, for the services of these advisors.

### **Quorum**

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than two members from time to

time attending in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Matters decided by the Committee shall be decided by majority vote, each member is entitled to one vote in Committee proceedings.

## Duties and responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the “**Applicable Requirements**”).

### Financial reports

#### (a) General

The Audit Committee is responsible for overseeing the Corporation’s financial statements and financial disclosures. Management is responsible for the preparation, presentation, and integrity of the Corporation’s financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The auditors are responsible for auditing the Corporation’s annual consolidated financial statements and for reviewing the Corporation’s unaudited interim financial statements.

#### (b) Review of Annual Financial Reports

The Audit Committee shall review the annual consolidated audited financial statements of the Corporation, the auditors’ report thereon and the related management’s discussion and analysis of the Corporation’s financial condition and results of operation (“**MD&A**”). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) Review of Interim Financial Reports

The Audit Committee shall review the interim consolidated financial statements of the Corporation, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

(d) Review considerations

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

- (i) Meet with management and the auditors to discuss the financial statements and MD&A.
- (ii) Review the disclosure in the financial statements.
- (iii) Review the audit report or review report prepared by the auditors.
- (iv) Discuss with management, the auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements.
- (v) Review the accounting policies followed and critical accounting and other significant estimates and judgments underlying the financial statements as presented by management.
- (vi) Review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under Canadian generally accepted accounting principles applicable to publicly accountable enterprises.
- (vii) Review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management.
- (viii) Review management's report on the effectiveness of internal controls over financial reporting.

- (ix) Review the factors identified by management as factors that may affect future financial results.
  - (x) Review results of the Corporation's audit committee whistleblower hotline program.
  - (xi) Review any other matters related to the financial statements that are brought forward by the auditors, management, or which are required to be communicated to the Audit Committee under accounting policies, auditing standards, or Applicable Requirements.
- (e) Approval of other financial disclosures

The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation and any other material financial disclosure, including financial guidance provided to analysts, rating agencies, or otherwise publicly disseminated.

## **Auditors**

- (a) General

The Audit Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review, or attest services or any other related work.

- (b) Nomination and compensation

The Audit Committee shall review and, if advisable, select, and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

- (c) Resolution of disagreements

The Audit Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(d) Discussions with auditors

At least annually, the Audit Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee.

(e) Audit plan

At least annually, the Audit Committee shall review a summary of the auditors' annual audit plan. The Audit Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) Quarterly Review Report

The Audit Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Corporation.

(g) Independence of auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Corporation; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Audit Committee shall take appropriate action to oversee the independence of the auditors.

(h) Evaluation and rotation of lead partner

At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

(i) Requirement for pre-approval of non-audit services

The Audit Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Corporation (together with all non-audit

service fees) that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Audit Committee shall consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(j) Approval of hiring policies

The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, team members, and former partners and team members of the present and former external auditors of the Corporation.

(k) Financial executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

### **Internal controls**

(a) General

The Audit Committee shall review the Corporation's system of internal controls.

(b) Establishment, review, and approval

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate, and approve these procedures. At least annually, the Audit Committee shall consider and review with management, the auditors and, if applicable, the internal auditor:

- (i) The effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security).

- (ii) The overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions.
  - (iii) Any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings.
  - (iv) Any material issues raised by any inquiry or investigation by the Corporation's regulators.
  - (v) The Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting.
  - (vi) Any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.
  - (vii) The evaluation of internal controls by the internal auditor (or persons performing the internal audit function, if applicable).
- (c) Internal audit function

Recommend and supervise the establishment and operation of an internal audit function.

### **Compliance with legal and regulatory requirements**

The Audit Committee shall review reports from the Corporation's Secretary and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### **Audit Committee Whistleblower and Code of Conduct procedures**

The Audit Committee shall oversee procedures for:

- a. the receipt, retention, and treatment of complaints received by the Corporation regarding the Code of Conduct and any accounting, internal accounting controls, or auditing matters
- b. The confidential, anonymous submission by team members of the Corporation of concerns regarding the Code of Conduct or questionable accounting, internal accounting controls, or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter, and will work with management and the general counsel to reach a satisfactory conclusion.

### **Audit Committee disclosure**

The Audit Committee shall prepare, review, and approve any Audit Committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.

### **Delegation**

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this Mandate as the Audit Committee deems appropriate.

## **Internal audit function**

The Audit Committee shall require an internal auditor to perform such supplemental reviews or audits as the Committee may deem desirable. The Committee shall determine the appropriate internal audit function for the Corporation and oversee its processes, reports, budget, and staffing, as well as the terms of compensation for any individuals engaged in such function, if any.

The internal auditor shall report directly and regularly to the Committee. The Committee shall review with the internal auditor any problem or difficulty the internal auditor may have encountered, including any restrictions on the scope of activities or access to required information and any significant reports to management prepared by the internal auditing department and management's responses thereto.

The Committee shall meet privately with the internal auditor as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern.

The Committee shall review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor, review the appointment and replacement of the internal auditor, and review the significant reports to management prepared by the internal auditor and management's responses. As part of this process, the Committee shall review the governing charter of the internal audit function on an annual basis.

## **Disclosure Committee**

The Corporation shall adopt a Disclosure Committee Policy and establish a Disclosure Committee pursuant to such policy. The Disclosure Committee shall be subject to supervision and oversight by the Chair of the Audit Committee. The Audit Committee shall review and assess, on an annual basis, the Disclosure Committee Policy and the Corporation's disclosure controls and procedures.

## **No rights created**

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee, functions.

While it should be interpreted in the context of all applicable laws, regulations, and listing requirements, as well as in the context of the Corporation's Articles and By-laws, it is not intended to establish any legally binding obligations.

### **Mandate review**

The Committee will review the Mandate annually and present it to the Board for approval.