

## **XPEL, INC.**

### **AUDIT COMMITTEE CHARTER**

#### **Mandate**

The primary function of the Committee (the “Committee”) is to assist the board of directors (the “Board of Directors”) of XPEL, Inc., a Nevada corporation (the “Corporation”), in fulfilling its responsibility to the stockholders, potential stockholders, and investment community relating to corporate accounting, reporting practices of the Corporation, and the quality and integrity of financial reports of the Corporation. In so doing, it is the responsibility of the Committee to oversee the accounting and financial reporting procedures of the Corporation and the audits of the financial statements of the Corporation and to maintain free and open communication between the directors, the independent registered public accounting firm, and the financial management of the Corporation.

The Committee shall fulfill its financial oversight responsibilities by establishing and maintaining accounting policies and procedures for the financial reports and other financial information provided by the Corporation to regulatory authorities and stockholders, the Corporation’s systems of internal controls regarding finance and accounting, and the Corporation’s auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

1. Serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control systems;
2. Select, review, and appraise the performance of the Corporation’s independent registered public accounting firm; and
3. Provide an open avenue of communication among the Corporation’s independent registered public accounting firm, financial and senior management, and the Board of Directors.

#### **Composition**

The Committee shall be comprised of at least three (3) directors as determined by the Board of Directors, all of whom shall be independent and shall meet the legal requirements applicable to the composition of the Committee. Members of the Committee (the “Members”) shall be considered independent if they meet the requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules and regulations of any exchange on which the Corporation’s securities are listed or quoted and the Securities and Exchange Commission. Members of the Committee may receive no compensation from the Corporation other than directors’ fees and shall not serve on the Committee of more than two other public companies. At least one Member of the Committee shall have accounting or related financial management expertise, who must qualify as an “Audit Committee Financial Expert” as defined and required by federal rules and regulations and the rules and regulations of any exchange on which the Corporation’s securities are listed or quoted. All Members of the Committee shall be financially literate, which includes having 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 presumably be expected to be raised by the Corporation’s financial statements, including the ability to read and understand a balance sheet, income statement, cash flow statement, and related footnote disclosures.

The Members of the Committee shall be elected annually by the Board of Directors at its first meeting following the annual stockholders’ meeting. Members may be removed from the Committee, with or without cause, by the Board at any time. Unless a Chair is designated by the Board of Directors, the Committee may designate a Chair by majority vote of the full Committee Membership.

## **Meetings**

The Committee shall meet as often as may be deemed necessary or appropriate in its judgment, but at least quarterly each year, and at such time and places as the Committee shall determine. The Committee shall meet separately, at least quarterly, with the independent registered public accounting firm and management to discuss any matters that the independent registered public accounting firm or management wish to bring to the Committee's attention.

A majority of the Members shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of the Members present at a meeting at which a quorum is present. The Committee may also act by unanimous written consent in lieu of a meeting.

The Committee shall maintain minutes of its meetings and make regular reports to the Board of Directors of its actions and any recommendations to the Board of Directors, directly or through its Chair.

Each year, the Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board of Directors for approval.

Each Member shall be paid the fee set by the Board of Directors for his or her services as a member of, or Chair of, the Committee. Subject to the Corporation's policies, Members will be reimbursed by the Corporation for all reasonable expenses incurred in connection with their duties as Members of the Committee.

## **Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

### *Documents/Reports Review*

1. Obtain the full Board's approval of this Charter and review and reassess this Charter as conditions dictate (at least annually).
2. Review and discuss with the independent registered public accounting firm the Corporation's financial statements, Management's Discussion & Analysis, and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements) that are submitted to any governmental body, or to the public, including any certification, report, or review rendered by the external independent registered public accounting firm.
3. Confirm that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's Financial statements.
4. Ensure that related person transactions as defined by Item 404 of Regulation S-K receive appropriate review and oversight on an ongoing basis for potential conflict of interest situations, either by the Committee or another independent body of the board.
5. Obtain reports from management and the independent registered public accounting firm that the Corporation and its subsidiaries and foreign affiliated entities are in conformity with applicable legal requirements.
6. Review reports received from regulators and other legal and regulatory matters that may have a material effect on the financial statements or related Corporation compliance policies.
7. Inquire of management and the independent registered public accounting firm about significant risks or exposures, and assess the steps management has taken to minimize such risks to the Corporation.
8. Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the board of directors.

### Corporate Ethics

1. Periodically review the Corporation's policies and Code of Business Conduct and Ethics, with particular focus on related party transactions and conflicts of interest involving, directly or indirectly, the principal executive officer, principal financial officer, and principal accounting officer, and consider whether changes are needed. The term "related-party transaction" shall be consistent with the definition provided in the SEC Regulation S-K, Item 404(a).
2. Evaluate, decide whether to approve, and monitor on an ongoing basis any related party transactions covered by the Corporation's policies and Code of Business Conduct and Ethics, and make decisions regarding the grant of any waiver of or deviation from the Corporation's policies and Code of Business Conduct and Ethics.
3. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.
4. Review and discuss the Corporation's disclosure controls and procedures and the quarterly assessments of such controls and procedures by the chief executive officer and chief financial officer.

### Independent Registered Public Accounting Firm

1. Review the performance of the independent registered public accounting firm who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the stockholders of the Corporation on an annual basis.
2. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external independent registered public accounting firm.
3. Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the independent registered public accounting firm.
4. At each meeting, consult with the independent registered public accounting firm, without the presence of management, about the quality of the Corporation's accounting principles, internal controls (with particular emphasis on the scope and performance of the internal audit function), and the completeness and accuracy of the Corporation's financial statements.
5. Review and approve the Corporation's hiring policies regarding partners, employees, and former partners and employees of the present and former independent registered public accounting firm of the Corporation.
6. Have the sole authority and direct responsibility to appoint, evaluate, retain, and where appropriate, replace the independent registered public accounting firm to be selected, subject to shareholders approval, to audit the financial statements of the Corporation and its divisions.
7. Have the sole authority and direct responsibility for the appointment, compensation, retention, and oversight of the work of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Corporation. The independent registered public account firm shall report directly to the Committee.
8. Meet with the independent registered public accounting firm and financial management of the Corporation to review and pre-approve the scope of the proposed audit and timely quarterly reviews for the current year and the procedures to be utilized, the adequacy of the independent registered public accounting firm's compensation, and at the conclusion thereof, review such audit or review, including any comments or recommendations of the independent registered public accounting firm.

9. Establish policies and procedures for the engagement of the independent registered public accounting firm to provide permissible non-audit services, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which shall include pre-approval of permissible non-audit services to be provided by the independent registered public accounting firm. The Committee shall approve in advance all non-audit services to be provided by the independent registered public accounting firm.
10. Review the experience and qualifications of the independent registered public accounting firm's senior personnel that are providing audit services to the Corporation. In conducting its review, the Committee shall:
  - a. Obtain and review a report prepared by the independent registered public accounting firm describing (i) the firm's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, involving one or more independent audits carried out by the firm, and any steps taken to address and respond to any such issues.
  - b. Discuss with representatives of the independent registered public accounting firm its independence from the Corporation, and obtain and review a written statement prepared by the independent registered public accounting firm describing all relationships between the independent registered public accounting firm and the Corporation, consistent with applicable requirements of the Public Corporation Accounting Oversight Board ("PCAOB") regarding the independent registered public accounting firm's communications with the Committee concerning independence, and consider the impact that any relationships or services may have on the objectivity and independence of the independent registered public accounting firm.
  - c. If applicable, consider whether the provision by the independent registered public accounting firm of any permitted information technology services or other non-audit services to the Corporation is compatible with maintaining the independence of the independent registered public accounting firm.
  - d. Confirm with the independent registered public accounting firm that the firm is in compliance with the partner rotation requirements established by the Securities and Exchange Commission.
  - e. Consider whether, in order to assure continuing independence of the independent registered public accounting firm, it is appropriate to adopt a policy of rotating the independent registered public accounting firm on a regular basis.
  - f. Review and evaluate the lead partner of the independent registered public accounting firm.
11. Review at least annually with the independent registered public accounting firm and the Corporation's financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Corporation, and elicit any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper. Further, the Committee periodically should review Corporation policy statements to determine their adherence to the code of conduct.
12. Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
13. Review and discuss with management, the internal auditors, and the independent registered public accounting firm the adequacy and effectiveness of the Corporation's legal, regulatory, and ethical compliance programs.

14. Obtain from the independent registered public accounting firm assurance that Section 10A(b) of the Exchange Act has not been implicated.
15. Report the results of the annual audit to the Board of Directors. If requested by the board, invite the independent registered public accounting firm to attend the full board of directors meeting to assist in reporting the results of the annual audit or to answer other directors' questions. (Alternatively, the other directors, particularly the other independent directors, may be invited to attend the Committee meeting during which the results of the annual audit are reviewed.)
16. Discuss with the independent registered public accounting firm the report that such firm is required to make to the Committee regarding: (i) all accounting policies and practices to be used that the independent registered public accounting firm identifies as critical; (ii) all alternative treatments of financial information within GAAP for policies and practices related to material items that have been discussed among management and the independent registered public accounting firm, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm; and (iii) all other material written communications between the independent registered public accounting firm and management of the Corporation, such as any management letter, management representation letter, reports on observations and recommendations on internal control over financial reporting, the independent registered public accounting firm's engagement letter, the independent registered public accounting firm's independence letter, schedule of unadjusted audit differences and a listing of adjustments and classifications not recorded, if any.
17. Discuss with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, "Communications with Audit Committees," as then in effect.
18. Submit the minutes of all meetings of the Committee to the Board of Directors.

### **Financial Reporting Processes**

1. In consultation with the independent registered public accounting firm, review with management the integrity of the Corporation's financial reporting process, both internal and external, and any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information.
2. In consultation with the independent registered public accounting firm, review with management any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting.
3. Review and discuss the financial statements with financial management and the independent registered public accounting firm prior to the filing of the Corporation's Form 10-K and Form 10-Q (or prior to the press release of results, if possible) including the Corporation's disclosures under Management's Discussion & Analysis, if required, to determine that the independent public accounting firm does not take exception to the disclosure and content of the financial statements therein, and discuss any other matters required to be communicated to the Committee by the independent registered public accounting firm. The chair of the Committee may represent the entire Committee for the purpose of review.
4. Review and discuss the financial statements contained in the annual report to stockholders with management and the independent registered public accounting firm to determine that the independent registered public accounting firm is satisfied with the disclosure and content of the financial statements to be presented to the stockholders.
5. Review with financial management and the independent registered public accounting firm the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Committee by the independent registered public accounting firm.

6. Review with financial management and the independent registered public accounting firm their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly the degrees of aggressiveness or conservatism of the organization's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements.
7. Discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
8. Review significant judgments made by management in the preparation of the financial statements and the view of the independent registered public accounting firm as to the appropriateness of such judgments.
9. Following completion of the annual audit, review separately with management and the independent registered public accounting firm any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
10. Review accounting and financial human resources and succession planning relative thereto.
11. Review any significant disagreement among management and the independent registered public accounting firm in connection with the preparation of the financial statements.
12. Review with the independent registered public accounting firm and management the extent to which changes and improvements in financial or accounting practices have been implemented.
13. Review with the independent registered public accounting firm any problems or difficulties the independent registered public accounting firm may have encountered during the course of the audit work, including any restrictions on the scope of activities or access to required information or any significant disagreements with management and management's responses to such matters. Among the items that the Committee should consider reviewing with the independent registered public accounting firm are: (i) any accounting adjustments that were noted or proposed by the independent registered public accounting firm but were "passed" (as immaterial or otherwise); (ii) any communications between the audit team and the independent registered public accounting firm's national office respecting auditing or accounting issues presented by the engagement; and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent registered public accounting firm to the Corporation. The review should also include discussion of the responsibilities, budget and staffing of the Corporation's internal audit function.
14. Review any complaints or concerns about any questionable accounting, internal accounting controls, or auditing matters.

### **Outside Advisors; Funding**

The Committee shall have the authority to retain such outside counsel, accountants, experts, and other advisors as it deems appropriate to assist the Committee in the performance of its functions. The Corporation will provide for appropriate funding, as determined by the Committee in its sole discretion: to compensate any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attestation services for the Corporation; to compensate outside legal or other advisors employed by the Committee; and to cover the Committee's administrative expenses necessary or appropriate in carrying out its duties. The Committee shall not be required to seek Board approval for such funding.

The Committee shall have the sole authority to retain and determine funding for independent legal counsel, accountants, and other experts and advisors as it deems appropriate to assist the Committee in the performance of its functions. The Committee shall have the sole authority to retain, approve the fees payable to, amend the engagement with, and terminate the Corporation's independent registered public accounting firm. The Committee may also utilize

the services of the Corporation's regular outside legal counsel or other advisors to the Corporation. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of (a) the rendering or issuing by the independent registered public accounting firm of an audit report or performing other audit, review or other services for the Corporation; (b) compensation to any other advisors employed by the Corporation; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

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While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for preparing or certifying the financial statements, for planning or conducting the audit, or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP"). In fulfilling their responsibilities hereunder, it is recognized that Members of the Committee are not full-time employees of the Corporation, it is not the duty or responsibility of the Committee or its Members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each Member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary.

Nothing contained in this Charter is intended to create, and nothing should be construed as creating, any responsibility or liability of the Members of the Committee, except to the extent otherwise provided under applicable federal or state law.