

Nasdaq Statement of Corporate Governance Differences

Dated March 16, 2022

As a “foreign private issuer” under the U.S. Securities Exchange Act of 1934, as amended, The Valens Company Inc. (“**Valens**” or the “**Company**”) is permitted, pursuant to Nasdaq Stock Market Rule 5615(a)(3), to follow its home country practice in lieu of certain Nasdaq corporate governance standards provided Valens discloses and describes the differences between its corporate governance practices and those required by Nasdaq. Below we describe the differences between Nasdaq Stock Market Rules and the applicable home country requirement. References to a “Rule” below are references to the referenced rule in the Nasdaq Stock Market Rules.

Nasdaq Corporate Governance Standard	Home Country Practice
Meeting of Board of Directors	
Rule 5605(b)(2) requires that “Independent Directors” have regularly scheduled meetings at which only “Independent Directors” are present.	National Policy 58-201 <i>Corporate Governance Guidelines</i> (“ NP 58-201 ”) recommends as a best practice that independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. The Mandate of the board of directors of the Company (the “ Board ”) provides that at each meeting of the Board, the independent directors will meet without non-independent directors. In addition, separate, regularly scheduled meetings of the independent directors of the Board will be held at which members of management are not present.
Audit Committee Composition	
Rule 5605(c)(2) requires that each issuer must certify that it has, and will continue to have, at least one member of the audit committee who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.	National Instrument 52-110 <i>Audit Committees</i> (“ NI 52-110 ”) requires that the Audit Committee consist of a minimum of three members, each of whom is independent and financially literate (as such terms are defined in NI 52-110). The Audit Committee Charter provides that the Audit Committee of the Board must consist of at least three directors, all of whom shall be financially literate and independent.

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Audit Committee Charter	
<p>Rule 5605(c)(1) requires that the formal written audit committee charter of an issuer specify the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the Company, actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor.</p>	<p>NI 52-110 requires the Audit Committee to have a written charter that sets out its mandate and responsibilities. Among such responsibilities, the Audit Committee must recommend the external auditor and its compensation to the Board, directly oversee the work of the external auditor, and pre-approve all non-audit services to be provided to the issuer by the external auditor. The Audit Committee is responsible for monitoring the independence and performance of the Company's external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration. The Audit Committee is also tasked with taking all necessary actions to maintain an independent and objective Audit Committee to monitor the Company's financial reporting process and internal control systems, as well as to monitor the relationship between the Company and the independent auditors to ensure independence.</p>
Compensation Committee Composition	
<p>Rule 5605(d)(2) requires that each issuer must certify that it has and will continue to have, a compensation committee of at least two members each of whom shall be an "Independent Director."</p>	<p>As recommended by NP 58-201 and set out in the Company's Compensation Committee, all members of the Compensation Committee must meet the criteria for independence established by applicable laws and the rules of any stock exchanges upon which the Company's securities are listed, including NI 52-110. The Compensation Committee is currently comprised of three members, all of whom are independent within the meaning of Canadian securities law.</p>
Compensation Committee Charter	
<p>Rule 5605(d)(1) requires the formal written compensation committee charter of an issuer to specify that the chief executive officer may not be present during voting or deliberations on his or her compensation.</p>	<p>NP 58-201 recommends as a best practice that the Compensation Committee have a written charter. The Charter of the Compensation Committee of the Company provides that the Committee shall meet at least once a year and regularly without directors, officers and employees of the Company being present. The CEO and any such officers shall not be present at meetings at which their compensation or performance is discussed or determined.</p>

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<p>Rule 5605(d)(2) requires the formal written compensation committee charter of an issuer to specify that the compensation committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee only after taking into consideration the specific factors enumerated in Rule 5605(d)(3)(D).</p>	<p>The Charter of the Compensation Committee of the Company provides that the Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant, outside legal counsel and such other advisors as it deems necessary to assist with the execution of its duties and responsibilities.</p>
Quorum Requirements	
<p>Rule 5620(c) provides that the minimum quorum requirement for a meeting of shareholders is 33 1/3% of the outstanding common voting shares.</p>	<p>The Company is subject to the <i>Canada Business Corporations Act</i>, which permits the Company to specify a quorum requirement in its memorandum or by-laws. Under the Company's by-laws, quorum will be present at any meeting of shareholders of the Company if the holders of not less than 25% of the shares entitled to vote at the meeting are present in person or represented by a proxy (including electronically) irrespective of the number of persons actually present at the meeting.</p>
Shareholder Approval Requirements	
<p>Rule 5635(a) requires shareholder approval prior to the issuance of securities in connection with the acquisition of the stock or assets of another company in certain circumstances, including (1) where the common stock to be issued will have voting power equal to or in excess of 20% of the voting power outstanding before the issuance, or the number of shares to be issued will be equal to or in excess of 20% of the number of shares outstanding before the issuance; and (2) if any director, officer or substantial shareholder of the company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid, and the present or potential issuance of securities could result in an increase in outstanding common shares or voting power of 5% or more.</p>	<p>The Company complies with the applicable requirements of the Toronto Stock Exchange ("TSX"), which requires shareholder approval for the issuance of securities in connection with an acquisition where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the issuer which are outstanding, on a non-diluted basis. Further, the TSX requires shareholder approval where the number of securities issued or issuable to insiders as a group, together with any securities issued or made issuable to insiders as a group for acquisitions during the preceding six months, in payment of the purchase price for an acquisition exceeds 10% of the number of securities of the issuer which are outstanding on a non-diluted basis, prior to the date of the closing of the transaction.</p>
<p>Rule 5635(b) requires shareholder approval prior to the issuance of securities when the issuance or potential issuance will result in a change of control.</p>	<p>The TSX requires shareholder approval where a transaction will materially affect control of the Company. Where a transaction results in any security holder or combination of security holders acting together being able to influence the outcome of a vote of security holders (including the ability to block significant transactions) to materially affect control of the Company. A transaction that results, or could result, in a new holding of more than 20% of the voting securities by one security holder or combination of</p>

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	<p>security holders acting together will be considered to materially affect control, unless the circumstances indicate otherwise. Transactions resulting in a new holding of less than 20% of the voting securities may also material affect control, depending on the circumstances.</p>
<p>Rule 5635(c) requires shareholder approval of most equity compensation or purchase plans or arrangements and material amendments thereto (with a few limited exceptions), and this applies whether the securities issuable pursuant to such plan or arrangement are newly issued or bought over the open market.</p>	<p>The Company complies with the applicable requirements of the TSX for equity based compensation plans. Such rules require shareholder approval of equity compensation plans that involve the issuance of securities from treasury (i.e. securities newly issued by the issuer). Shareholder approval is not required for equity compensation plans that do not issue (or have the potential to issue) securities from treasury (i.e., the securities are acquired by the issuer on the secondary market).</p> <p>Additionally, the TSX requires shareholder approval every three years of all unallocated options, rights or other entitlements under a security based compensation plan that does not have a fixed maximum aggregate of securities issuable. If a plan includes procedures for amendment, the TSX requires shareholder approval of amendments only if the plan specifically requires that approval or if the amendment does any of the following: (i) reduces the exercise price or purchase price or extends the term of securities held by insiders under the plan; (ii) removes or exceeds limits on insider participation under the plan; (iii) increases the maximum number of securities issuable under the plan, either as a fixed number or a fixed percentage of the issuer's outstanding capital represented by such securities; or (iv) changes the amendment procedure of the plan.</p>
<p>Rule 5635(d) requires shareholder approval prior to a 20% Issuance (defined below) at a price that is less than the Minimum Price (defined below).</p> <p>"20% Issuance" means a transaction, other than a public offering (as defined in the Nasdaq rules), involving the sale, issuance or potential issuance by the Company of common stock (or securities convertible into or exercisable for common stock), which alone or together with sales by officers, directors or substantial shareholders of the Company, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance.</p> <p>"Minimum Price" means a price that is the lower</p>	<p>The TSX requires shareholder approval prior to any private placement (defined below) where the price per listed security being issued is less than the market price (defined below) less the maximum applicable discount.</p> <p>TSX will also require shareholder approval to be obtained for any private placement where (i) the aggregate number of listed securities issuable is greater than 25% of the number of securities of the issuer that are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price (defined below), or (ii) the number of securities issued to insiders during any six month period is greater than 10% of the number of securities of the issuer which</p>

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<p>of: (i) the Nasdaq Official Closing Price (as reflected on Nasdaq.com) immediately preceding the signing of the binding agreement; or (ii) the average Nasdaq Official Closing Price of the common stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the signing of the binding agreement.</p>	<p>are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period.</p> <p>“Private placement” means an issuance of treasury securities for cash consideration or in payment of an outstanding debt of the listed issuer without prospectus disclosure, in reliance on an exemption from the prospectus requirements under applicable securities laws.</p> <p>“Market price” means the VWAP on TSX, or another stock exchange where the majority of the trading volume and value of the listed securities occurs, for the five trading days immediately preceding the relevant date.</p>