



## **CECO ENVIRONMENTAL CORP.**

### **AUDIT COMMITTEE CHARTER**

#### **PURPOSE:**

The primary purpose of the audit committee of the Board of Directors (the "Audit Committee") of CECO Environmental Corp. (the "Company") is to assist the Board of Directors (the Board") in fulfilling its responsibility to oversee the integrity of the financial statements of the Company and the Company's compliance with legal and regulatory requirements, by overseeing and reviewing (i) the financial reports and other financial information, such as earnings press releases, provided by the Company to any governmental or regulatory body, the public or other users thereof, (ii) the Company's system of internal accounting and financial controls, (iii) the engagement of the Company's independent auditor, and (iv) the annual independent audit of the Company's financial statements.

#### **MEMBERS:**

The Audit Committee shall consist of a minimum of three members appointed by the Board, all of whom shall be independent directors as defined in the rules of the NASDAQ Stock Market ("NASDAQ") and the Securities Exchange Act of 1934 (the "Exchange Act"), subject to any exemptions to such requirement, and each of whom satisfies the financial literacy and experience requirements of the NASDAQ and the Exchange Act. One member of the Audit Committee shall qualify as a financial expert as such term is defined in the Exchange Act and the NASDAQ's rules.

#### **MEETINGS:**

The Audit Committee shall meet at least four times a year on a quarterly basis and shall meet at such other times and at such places as the Audit Committee shall determine. The Audit Committee shall require members of management, the internal audit department (if any), the independent auditor and others to attend meetings and to provide relevant information, as the Audit Committee deems necessary and appropriate. The Audit Committee shall provide regular reports to the Board.



## RESPONSIBILITIES, PROCESSES AND AUTHORITY:

1. Review and access the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. In connection therewith, the Audit Committee shall make recommendations to the Board regarding the appointment or termination of the independent auditor for the Company. The Audit Committee shall have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditor and nominate an independent auditor for shareholder approval. The Audit Committee shall consult with the Board and management with respect to such decisions.
3. Receive from the independent auditor not less than annually, a formal written statement delineating all relationships between the independent auditor and the Company consistent with Independence Standards Board Standard Number 1; discussing with the outside auditor any such disclosed relationships and their impact on the outside auditor's objectivity and independence; and recommending that the Board take appropriate action to oversee the independence of the independent auditor.
4. Review the adequacy of the Company's systems of internal controls and obtain from the independent auditor and management their recommendations regarding internal controls and other matters relating to the Company's accounting procedures and the books and records of the Company and its subsidiaries and review the correction of those internal controls deemed to be deficient.
5. Discuss with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response, and the Company's risk assessment and risk management policies, including the Company's major financial risk exposure(s), including off-balance sheet structures, and steps taken by management to monitor and mitigate such exposure.
6. Review with management and the independent auditor the Company's quarterly financial statement prior to the filing of the Company's Form 10-Q, including the results of the independent auditor's reviews of the quarterly financial statements and a discussion of the matters required to be discussed by SAS No. 61.
7. Review with management and the independent auditor the audited financial statement to be included in the Company's Annual Report on Form 10-K, including a discussion of the matters required to be discussed by SAS No. 61.
8. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's annual financial statements, including a description



of any transactions as to which management obtained Statement on Auditing Standards No. 50 letters.

9. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management as well as the affect of any new regulatory requirements on such practices.
10. Review the experience and qualifications of the Company's senior finance executive(s) and the members of the Company's internal audit department (if any).
11. Approve the fees to be paid to the independent auditor for the financial audit and approve the terms of the auditor's engagement.
12. Approve the retention of the independent auditor for any non-audit services to be provided to the Company and enforce guidelines consistent with the Exchange Act regulations on the provision of non-audit services. Approve the fees to be paid for such services.
13. The Audit Committee shall be directly responsible for oversight of the work of the Company's independent auditor engaged to prepare an audit report or related work. In the performance of such duties the Audit Committee shall resolve or attempt to resolve disagreements between management and the independent auditor regarding financial reporting. The Audit Committee shall review the performance of the independent auditor with the Board.
14. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to such letter(s). Such review should include:
  - a. Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreement with management.
  - b. Any changes required in the planned scope of the internal audit.
  - c. The internal audit department responsibilities, budget and staffing (if any).
15. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
16. Review with the Company's legal counsel or officer handling legal affairs, any legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received



from regulators or governmental agencies.

17. Review the Company's and its senior executives' compliance with the Company's Code of Ethical Conduct, including matters involving conflicts of interest or other issues involving the integrity of management.
18. Confirm that the lead audit partner, or the lead audit partner responsible for reviewing the audit for the Company's independent auditor has not performed audit services for the Company for each of the five previous fiscal years.
19. Review the hiring by the Company of any former employee(s) of the Company independent auditor.
20. Establish, maintain and enforce procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
21. Review, and to the extent required, approve all related party transactions.
22. Review and approve (i) any change or waiver in the Company's Code of Ethical Conduct for senior financial officers, or directors and other executive officers, and (ii) any disclosure made on Form 8-K regarding such change or waiver.
23. To the extent it deems necessary, to engage independent counsel and other advisors to carry out its duties and responsibilities.
24. Determine and require the Company to provide adequate funding for the payment of compensation to the Company's independent auditor for the purpose of rendering or issuing an audit report and to any advisers engaged by the Audit Committee and ordinary administrative expenses of the Audit Committee incurred in the course of performing its duties.
25. The Audit Committee shall be responsible for the hiring, oversight of work, and termination of the Company's Director of Internal Audit. The Director of Internal Audit reports directly to the Audit Committee for independence purposes and functionally to the Chief Financial Officer for administrative purposes.
26. Report to the Board on the performance of the foregoing responsibilities.

The Audit Committee has the responsibilities and powers set forth in this Charter, however, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the



responsibility of management, who prepares the financial statements, and the independent auditor, who audits the financial statements.