

Audit Committee Terms of Reference

Organization

The board of directors (the “**Board**”) of Enerflex Ltd. (the “**Corporation**”) has established an Audit Committee of the Board (the “**Committee**”), which shall consist of at least three directors, each of whom shall be independent. Members of the Committee shall be considered independent if they meet the test of independence contained in applicable securities legislation and the rules of any stock exchange on which securities of the Corporation are listed and posted for trading. All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Corporation's financial statements, and at least one Committee member shall have accounting or related financial expertise.

The Committee shall review and reassess these terms of reference at least annually or, where circumstances warrant, at such shorter intervals as the Committee deems appropriate or necessary, to determine if further additions, deletions or other amendments are required. Members of the Committee shall be appointed by the Board.

Principal duties of the Committee include oversight responsibility for: financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, approval of all audit and non-audit services provided by the external auditor, consultation with the auditor independent of management and overseeing the work of the external auditor, and monitoring and directing, as appropriate, the activities of the Internal Audit group.

Statement of Policy

The Committee will provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting, internal control over financial reporting (“**ICFR**”), financial controls, the annual external audit of the Corporation's financial statements and ICFR, and any legal compliance or ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditor and management of the Corporation. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the power to retain and pay outside counsel, or other experts it determines necessary to carry out its duties.

Responsibilities and Processes

The primary responsibility of the Audit Committee is to oversee the Corporation's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. The external auditor is responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behaviour.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

Relationship with External Auditor

- The Committee shall oversee the work of the external auditor and shall have a clear understanding with management and the external auditor that the external auditor reports to and is ultimately accountable to the Board and the Committee, as representatives of the Corporation's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the external auditor. The Committee shall assure itself that the external auditor is independent from management and the Corporation, and will have access to all information about the audit firm's relationship with the Corporation that is necessary to come to a reasonable conclusion. Annually, the Committee shall assess the performance of the external auditor and recommend to the Board the election of the Corporation's external auditor by the shareholders.
- The Committee shall discuss with the external auditor the overall scope and plans for their audit including the adequacy of staffing and the audit fees. Such audit is subject to the approval of the Committee, and the associated audit fee (including any incremental fee) is to be recommended to the Board by the Committee for approval. In addition, the Committee shall discuss with management, and the external auditor, the adequacy and effectiveness of the ICFR and financial controls, including the Corporation's system to monitor and manage financial-related risk, and any legal and ethical compliance programs (including complaint mechanisms). The Committee will develop and maintain a relationship with the external auditor that allows for full, open, and timely discussion of all material issues, with or without management as appropriate in the circumstances.
- The Committee shall approve non-audit services to be rendered by the external auditor and fees associated therewith in advance of such activity taking place. The Committee may delegate this approval to one or more of its members, but such services must be presented to the full Committee at its next scheduled meeting.
- The Committee shall approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditor of the Corporation.

Financial Reporting

- The Committee shall review with management and the external auditor and recommend for approval by the Board, press releases on quarterly financial results and interim reports to shareholders including the financial statements, note disclosure and Management's Discussion and Analysis included therein, prior to public disclosure of such information. The Committee will periodically consider the extent of involvement of the external auditor in connection with the interim financial statements, interim note disclosures, and Management's Discussion and Analysis.
- The Committee will review with management and the external auditor and recommend for approval by the Board the press release on annual financial results, the annual audited consolidated financial statements, Management's Discussion and Analysis, Annual Information Form, and Annual Report on Form 40-F.
- The Committee will review with management and recommend for approval by the Board any dividend proposed to be declared to shareholders of the Corporation.
- The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Corporation of financial information derived from the Corporation's financial statements.

- The Committee shall review any significant adjustments to financial statements, as well as the accounting related to unusual transactions, investments or other transactions that could materially affect the viability of the Corporation, in addition to the accounting related to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.
- The Committee shall review with management and the external auditor the interim and annual financial statements, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related notes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the external auditor under generally accepted auditing standards.

Internal Audit and Controls

- At least annually, the Committee (or its designate) shall review expenses incurred by the Chair of the Board, President & Chief Executive Officer, and Senior Vice President & Chief Financial Officer.
- At least annually, the Committee shall obtain confirmation that officers and directors have complied with the Corporation's Code of Business Conduct.
- At least annually, the Committee shall receive a report from the Corporation's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Corporation's disclosure practices. In addition, the Committee shall receive a report from the Disclosure Committee recommending disclosure of all quarterly and annual financial results press releases, financial statements, Management's Discussion and Analysis, Annual Reports, Annual Reports on Form 40-F, and other relevant public disclosure materials before the Committee approves such documents.
- At least annually, the Committee shall review the Whistleblower Policy and recommend any necessary or appropriate modifications thereto.
- At least annually, the Committee shall review the Cash Management Policy and make any necessary or appropriate modifications thereto.
- The Committee shall put in place procedures for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.¹
- The Committee will regularly review complaints to the Corporation's Compliance Hotline regarding financial matters.
- The head of the Corporation's Internal Audit group will have a functional reporting relationship directly to the Committee. The Committee will provide such guidance and direction to the Internal Audit group, as it deems necessary to ensure the independence and appropriate functioning of such department, including by reviewing and approving an Internal Audit Charter as required and at least every 3 years. The Committee shall receive an annual report from the head of Internal Audit outlining plans for the subsequent year and quarterly reports describing progress against the plan and any relevant findings.

¹ [NI 52-110, s. 2.3\(7\); Rule 10A-3.](#)

- At least annually, the Committee shall review and recommend to the Board amendments to the Corporation's policy with respect to the delegation of authority levels assigned to management.
- The Committee will consider the effectiveness of the Corporation's internal control system, including ICFR and information technology (including artificial intelligence) security and control based on the input of management, external auditors and the Corporation's Internal Audit group.

Environmental, Social, and Governance (ESG) Matters

- The Committee shall review and approve disclosures made pursuant to the IFRS Sustainability Disclosure Standards, in the annual Management Information Circular, the Annual Information Form, the Corporation's annual ESG performance summary table, and other ESG reporting, as applicable.

Other Matters

- The Committee shall review and approve disclosures regarding the Ransom Demand Recovery Policy, including disclosures of actions taken by the Corporation under the policy.
- The Committee will have oversight responsibility for the Corporation's Enterprise Risk Management program, with oversight of specific risks being allocated to the Board or any committee thereof, as appropriate.
- The Committee will have oversight responsibility for IT-related initiatives, undertakings, and projects.
- The Committee shall review any disclosures regarding the Incentive Compensation Recovery Policy insofar as such disclosures pertain to the determination of the Triggering Date and the amount of Excess Incentive Compensation subject to recovery (capitalized words used in this section have the meanings ascribed thereto in the Incentive Compensation Recovery Policy).