



REGULATIONS OF THE AUDIT COMMITTEE OF KLINGELNBERG AG

(as of 09 June 2018)

KLINGELNBERG AG

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Revision of 09 June 2018

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1. GENERAL

1.1 Legal Basis

The Board of Directors (**BoD**) of Klingelberg AG, Zurich (**Company**), based on article 716b of the Swiss Code of Obligations [Obligationenrecht, OR], the Articles of Association and the Company's Organizational Regulations, issues these Regulations (**AC Regulations**) concerning the tasks and the organization of the Audit Committee (**AC**) of the Company and the Klingelberg Group (**Group**).

1.2 Purpose

- 2 The AC is an expert commission formally appointed by the BoD. The purpose of the AC is to assist the Board of Directors in fulfilling its financial supervision responsibilities and in supervising compliance with legal requirements.

2. ELECTION AND CONSTITUTION

- 3 The AC is composed of two or more members of the BoD. The members of the AC and its Chairman are elected each year by the BoD from among its members for a term of office until the conclusion of the following AGM. The AC appoints a Deputy Chairman.
- 4 In appointing the members of the AC, the BoD is guided by the provisions of the Swiss Code of Best Practice for Corporate Governance, which provides that the AC shall be composed of independent, non-executive members of the BoD.
- 5 The majority of the members of the AC, and in particular the Chairman, must have, as determined by the Board of Directors, up-to-date and relevant knowledge in the areas of accounting, finance, risk management and compliance.

3. DUTIES AND RESPONSIBILITIES

3.1 General Provisions

- 6 The AC supports the BoD in its overall financial supervision function, in particular with regard to the completeness and adequacy of financial reporting and the Internal Control System (ICS), compliance with legal requirements, the qualification of the external auditors, and the performance of the external auditors. It ensures ongoing communication with the external auditors regarding the Group's financial position and business performance as well as with respect to the ICS and risk assessment.
- 7 The BoD may delegate further duties and responsibilities in connection with related matters to the AC.
- 8 The ultimate responsibility for the duties and responsibilities delegated to the AC remains with the BoD.

- 9 The AC reports regularly to the BoD on its activities and makes recommendations from its remit to the BoD for decisions to be taken by the BoD. Extraordinary events or findings must be reported immediately.
- 10 The Chairman of the AC attends the Annual General Meeting (**AGM**) prepared accordingly to answer any questions raised by shareholders during the meeting regarding the activities of the AC.

3.2 Supervision of the External Audit

- 11 The AC determines the audit plans and the scope of the external audit. It discusses the audit reports with the external auditors and with the Executive Management (**EM**) and supervises their implementation.
- 12 The AC assesses the performance of the external auditors.
- 13 The AC, in consultation with the EM, evaluates the external auditors with regard to their qualifications and track record and submits a proposal to the BoD regarding the election of the external auditors by the AGM.
- 14 The AC annually reviews the independence of the external auditors and the compatibility of any consulting mandates with their auditing duties.
- 15 Upon request of the CFO, the AC approves the budgeted fees for audit services submitted by the external auditors. The AC may also award additional contracts outside the approved budget.

3.3 Supervision of Financial Reporting

- 16 The AC reviews the annual reports and interim financial statements of the Company and the Group (including significant off-balance-sheet items) and discusses them with the EM and the auditors before they are presented to the BoD. It decides on the submission of applications to the BoD for approval of the annual reports and interim financial statements.
- 17 The AC, in cooperation with the external auditors and the EM, reviews whether the Group's accounting processes and ICS are appropriate in view of the Group's size and complexity. This approach is also intended to monitor significant risk potential and the measures taken by the EM to monitor, control and report on it.

3.4 Supervision and Assessment of the Internal Control System

- 18 The AC receives the EM's report on the ICS for the attention of the BoD and assesses the effectiveness of the ICS. This process also includes the Group's risk management.

3.5 Supervision and Assessment of Risk Management

- 19 The AC receives regular reports on the Group-wide risk situation and changes in it and receives the EM's report on the risks in the Group for the attention of the BoD.
- 20 The AC assesses whether all risks have been identified by the system and whether appropriate measures have been derived and implemented.

3.6 Supervision and Assessment of the Compliance Systems

- 21 The AC assesses the effectiveness of the Group's compliance systems and assesses compliance with applicable standards. To this end, the EM draws up an annual report for the attention of the BoD in which it explains any infringements identified, the measures and sanctions taken and the compliance risks identified.
- 22 Material compliance violations and suspicious facts must be reported to the AC's Chairman by the CEO or CFO without delay. The Chairman of the AC informs the Chairman of the BoD and the other members of the AC about the measures taken.
- 23 For material violations, the AC monitors the clarification by the compliance organization.

3.7 Information

- 24 The AC shall have unrestricted and direct access to all relevant information in order to perform the tasks defined herein. It is authorized to obtain the necessary information from all employees of the Group to enable it to carry out its tasks appropriately and, if necessary, to question employees and invite them to meetings. The AC ensures that it is regularly informed by the external auditors.

3.8 Pension Plans

- 25 The AC receives information from the EM on the financial position of the Group's pension plans at least semi-annually and may interview Group representatives within the pension fund for this purpose.

4. ORGANIZATION

- 26 The AC meets as often as business requires but holds at least three ordinary meetings per year. Extraordinary meetings may be convened as necessary.
- 27 Meetings shall be convened by the Chairman of the AC or, if he or she is prevented from attending, by the Deputy Chairman of the AC. In addition, each member of the AC is entitled to request the Chairman to convene a meeting, stating the reason.
- 28 Meetings shall be convened in writing (including by e-mail) at least ten calendar days in advance. The invitation shall include the date, time and place as well as the agenda items and shall be followed by the relevant meeting documents at least five calendar days in advance.

In urgent matters, tighter deadlines and a deviation from this schedule are permissible. Determining whether a matter is urgent or not shall be the responsibility of the Chairman.

- 29 The Chairman of the AC or, if he/she is prevented from doing so, another member of the AC shall chair the meetings. The Chairman of the AC appoints the Secretary, who need not be a member of the BoD.
- 30 The Chairman of the BoD may attend the meetings of the AC as a guest. Unless the Chairman of the AC orders otherwise in individual cases, the CFO attends the meetings of the AC as a permanent guest. The Chairman of the AC may invite other members of the BoD, the CEO, other members of the EM and other persons who assist the AC in the performance of its duties to its meetings. The AC makes sure to exclude participants with a personal interest in the matters under discussion from the decision-making processes.
- 31 The AC has a quorum if a majority of its members is present. Resolutions are passed by a simple majority of the votes cast. Abstentions shall be considered as votes not cast. In the event of a tied vote, the Chairman shall have the casting vote.
- 32 Each meeting of the AC shall be recorded in minutes which shall be signed by the Chairman of the AC and its Secretary. The minutes must be approved by the AC (usually at its next meeting) and, once approved, distributed to all members of the BoD as well as to the CEO and CFO.
- 33 Decisions may also be made by circular letter, PDF file (e-mail) or via conference call, unless a member requests by telephone or in writing (including by e-mail) that the matter be discussed at a meeting within three working days of receipt of the relevant request. Resolutions by circular letter require the approval of the majority of all members (but not the vote of all members).

5. FINAL PROVISIONS

- 34 After approval by the BoD, these Regulations shall enter into force as of the date of registration of the ordinary capital increase in connection with the Company's initial public offering (IPO).

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For the Board of Directors of Klingelberg AG

The **Chairman**



Dr. Jörg Wolle