

# **Rules of Procedure for the Audit Committee of the Supervisory Board of DEUTZ AG**

## **1**

### **Basis of the activities of the Audit Committee**

The Audit Committee shall undertake the responsibilities it has been assigned pursuant to section 7 (2) of the Supervisory Board Rules of Procedure in accordance with the Statutes, Supervisory Board Rules of Procedure and these Rules of Procedure.

## **2**

### **Term of office and composition; chairperson of the Audit Committee**

The composition of the Audit Committee and the term of office of the members of the committee are based on the Supervisory Board Rules of Procedure.

The chairperson of the Audit Committee is appointed by the Supervisory Board.

The Audit Committee must include at least one member with accounting and audit expertise; this member may be the chairperson. The chairperson of the Audit Committee shall be independent and have expert knowledge and experience in the application of accounting principles and internal control systems. He or she shall not be a former member of the Board of Management of DEUTZ AG. The members of the Audit Committee as a whole must have good knowledge of the sector in which the Company is active.

Statements of intent for the Audit Committee are submitted by the chairperson of the committee.

## **3**

### **Convening of meetings**

Meetings of the Audit Committee shall be convened by the chairperson in writing with at least 14 days' notice. An agenda must also be included with the invitation to the

meeting. In urgent cases, the notice period may be shortened and a meeting convened by telephone or other means of telecommunication.

At least two (2) meetings of the Audit Committee shall be held in each financial year. The meetings of the Audit Committee may also be held in the form of telephone conference calls or video conferences.

#### **4**

#### **Adoption of resolutions**

Resolutions of the Audit Committee are adopted in meetings. Resolutions may be adopted in writing, by telephone or by other means of telecommunication, if so determined by the chairperson of the Audit Committee on a case-by-case basis.

The resolutions of the Audit Committee must be minuted or entered in a record. The chairperson of the Audit Committee must sign the minutes or record and make a copy available to each member of the Audit Committee. This also applies to resolutions adopted in writing, by telephone or by other means of telecommunication.

For the purposes of preparing the minutes or record, the chairperson shall nominate a minute-taker who does not need to be a member of the Audit Committee.

#### **5**

#### **Quorum**

The Audit Committee constitutes a quorum if at least three members participate in the vote on a resolution.

#### **6**

#### **Representation**

Absent members of the Audit Committee may participate in the adoption of a resolution by submitting a written vote through another member of the Audit Committee as proxy or by casting a vote by telephone or other means of telecommunication.

## 7

### **Responsibilities of the Audit Committee**

Pursuant to the key activities set out in section 7 (2) (b) of the Supervisory Board Rules of Procedure, the responsibilities of the Audit Committee include the following:

- (1) The Audit Committee prepares the negotiations and resolutions of the Supervisory Board
  - a) for the review and, if applicable, the adoption of the annual financial statements and the approval of the consolidated financial statements,
  - b) for the motion of the Board of Management concerning the appropriation of profit, and
  - c) for the proposal of the Supervisory Board to the Annual General Meeting concerning the selection of the auditor, the group auditor and the auditor of the condensed interim consolidated financial statements for the half year, in as far as these are audited or reviewed by an auditor.

For this purpose, the Audit Committee will familiarise itself in depth with the annual financial statements, the consolidated financial statements and the combined management report for the Company and the Group, focusing in particular on the financial position and financial performance of the year under review as well as on the outlook and the proposed appropriation of profit.

The Audit Committee shall discuss the audit reports as well as the auditor's findings with the (group) auditor and shall give corresponding recommendations to the Supervisory Board.

- (2) For the purposes of preparing the election proposal,
  - a) the Audit Committee shall appraise the audit quality of the (group) auditor,

b) the Audit Committee – in place of the Supervisory Board – shall obtain a written statement from the potential (group) auditor, which must contain at least the following information:

- whether any professional, financial or other relations exist between the (group) auditor and its governing bodies, audit partners and audit managers on the one hand and DEUTZ AG and its directors on the other and, if any, what the nature of these relations is and whether they constitute grounds to doubt the auditor's independence,
- the scope of non-audit services performed for the Group in the previous financial year and the scope of such services that have been contractually agreed for the current financial year; and
- confirmation that no prohibited non-audit services were performed between the start of the audit period and the issue of the audit opinion.

(3) The Audit Committee will address the following matters in place of the Supervisory Board:

- a) accounting-related matters, especially the handling of fundamental aspects such as the application of new accounting standards and the monitoring of the accounting process,
- b) the discussion with the Board of Management on the half-year and, if applicable, quarterly financial reports and any reviews by the auditor of the condensed interim consolidated financial statements and interim group management report for the first half of the year before their publication;
- c) the monitoring of the effectiveness of the risk management system, the internal control system and the internal audit system as well as compliance matters,
- d) the monitoring of the audit of the (consolidated) financial statements, particularly the necessary independence of the (group) auditor, and of the non-audit services performed by the (group) auditor;
- e) the agreement of all services to be performed by the (group) auditor; for this purpose, the Audit Committee may define a list of non-audit services which may be assigned to the (group) auditor on a case-by-case basis without the approval

of the Audit Committee provided these services do not compromise the independence of the (group) auditor; this list must be reviewed annually to assess any changes;

f) the Board of Management's report on all non-audit services performed; this report must be presented to the Audit Committee annually;

g) the adoption of resolutions

- regarding the assignment of the audit engagement to the (group) auditor, and also in particular the commissioning of any audit engagement for a review or audit of the condensed interim consolidated financial statements and the interim group management report for the half year,
- regarding the definition of audit focal points,
- regarding the remuneration of the (group) auditor,
- regarding the conclusion of an information agreement with the (group) auditor (pursuant to section 7.2.1 of the German Corporate Governance Code), stipulating that the (group) auditor shall report any potential grounds for exclusion or partiality arising during the audit process to the chairperson of the Audit Committee without undue delay, unless these grounds can be remedied immediately,
- regarding the conclusion of a disclosure agreement (pursuant to section 7.2.3 of the German Corporate Governance Code), stipulating that the (group) auditor shall inform the Supervisory Board or make a corresponding note in the audit report in the event that any facts are discovered during the audit which would render inaccurate the declaration of conformity made by the Board of Management and the Supervisory Board pursuant to article 161 of the German Stock Corporation Act (AktG),

and regarding other issues directly linked to the matters specified above.

(4) The Audit Committee shall prepare the invitation to tender for the (group) audit for the Supervisory Board and is responsible for the selection process in compliance with the statutory provisions in general and section 16 et seq. of the Audit Regulation in particular.

(5) The chairperson of the Audit Committee and the chairperson of the Supervisory Board shall appoint the auditors and conclude the information agreement and the disclosure agreement.

(6) The Audit Committee is also responsible for carrying out any other duties that the Supervisory Board may from time to time assign to this committee.

(7) The chairperson of the Audit Committee shall deliver a report on the recent work of the Audit Committee at every meeting of the full Supervisory Board.

## **8**

### **Miscellaneous**

The rules specified under sections 10 and 11 of the Supervisory Board Rules of Procedure shall also apply mutatis mutandis to the procedures of the Audit Committee unless otherwise specified by the Supervisory Board when the committee was established.

## **9**

### **Entry into force**

These rules of procedure replace the version dated 9 December 2015 and come into effect on 8 June 2017.

*Approved by the Supervisory Board at its meeting held on 8 June 2017.*