

Rules and Regulations

Audit & Finance Committee

OC Oerlikon Corporation AG, Pfäffikon

1. Role and authority

1.1. Role. The Audit & Finance Committee ("**AFC**") is established by the Board of Directors ("**BoD**") of OC Oerlikon Corporation AG, Pfäffikon ("**Company**"). Its purpose is to facilitate the BoD's ability to fulfill its duties regarding the Company and all its subsidiaries ("**Oerlikon Group**"). The AFC's responsibilities include assisting the BoD in monitoring the adequacy of processes and the integrity of:

- The Company's financial statements
- The Company's internal controls
- Compliance with legal and regulatory requirements
- The Company's External Auditor's performance, qualification and independence
- The Company's internal audit department's performance
- The Company's risk management policies, capital structure and funding requirements

1.2. Authority. The AFC shall be a permanent committee of the BoD within the meaning of Art. 716a Para. 2 of the Swiss Code of Obligations. As a separate advisory group, independent from the Executive Committee ("**EC**") and the CEO, it shall advise the BoD and exclusively follow the BoD instructions.

Unless expressly stated in these Rules and Regulations, the Organizational and Governance Rules and its Attachment A, respectively:

- the AFC shall not have any authority to decide matters in lieu of the BoD; and
- may prepare, review or investigate of relevance within its responsibilities and submit relevant proposals to the BoD for deliberation, but must not itself take resolutions beyond recommendations, proposals or motions to be submitted to the BoD for deliberation.

2. Composition & Meetings of the AFC

2.1. Composition. The AFC shall consist of at least 3 members of the BoD. Members of the AFC are not eligible if performing any executive management duties within the Company whilst in office, or having significant business relations with the Company or having been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance.

The majority of AFC members, including the Chairman of the AFC ("**Chairman**"), shall have experience in finance and accounting and be familiar with internal and external auditing.

- 2.2. Appointment. The BoD shall appoint the Chairman and the other members of the AFC at the proposal of the Chairman of the BoD. The term of office of a member of the AFC corresponds to its term of office as a member of the BoD.
- 2.3. Meetings. The AFC shall convene by invitation of its Chairman as often as business requires, but at least four times annually. Members of the BoD who are not members of the AFC shall have the right to attend meetings of the AFC with consultative vote. As a rule the Company's CFO, its External Auditor, its Head of Group Accounting & Reporting and its Head of Internal Audit should attend.

Resolutions of the AFC shall require the simple majority of casted votes at a meeting attended by a majority of the AFC members. In the event of equal votes, the Chairman shall have the casting vote.

3. Duties and responsibilities of the AFC

- 3.1. Management, Internal Audit and External Audit. The Company's management is responsible for the preparation and integrity of the financial statements; accounting and financial reporting principles; internal controls; and compliance with accounting standards, applicable laws, and regulations. The Company's Internal Audit is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal controls. The Company's External Auditor is responsible for performing an independent audit of the Company's financial statements and expressing an opinion on the existence of the Company's internal control over financial reporting.

- 3.2. The AFC has the following responsibilities:

3.2.1. Financial Statements

- Review the integrity and effectiveness of the financial reporting process and changes in accounting principles of the Company, if any.
- Review the Company's quarterly, half-year and annual Financial Statements.
- Assess the quality and results of the Company's external audit of the Financial Statements.
- Review the consistency of the Company's earnings press releases with the Financial Statements.
- Review any legal matters that could have a significant impact on the Company's Financial Statements.
- Recommend the Company's Financial Statements for approval by the BoD.

3.2.2. Internal Controls

- Review the integrity and effectiveness of the Company's system of internal controls.
- Obtain and review a report by the Company's External Auditor on the Company's internal control procedures and processes.

3.2.3. Risk Management

- Review the Company's processes and procedures for management's monitoring of any significant risks or exposures the Company may face.
- Review with management, Internal Audit and the External Auditor any significant enterprise risks or exposures the Company may face and to assess the steps management has taken to minimize such risks including any related insurance.
- Review the adequacy of the D&O insurance annually.

3.2.4. Compliance

- Review the programs, directives and instructions of the Company designed to ensure compliance with applicable laws and regulations.
- Review major legislative and regulatory developments that may have a significant impact on the Company.
- Review the processes and procedures for management's monitoring of compliance with applicable laws and regulations and the Company's directives and instructions.
- Regularly review the Company's procedures and results for the confidential and anonymous submission by employees or 3rd parties regarding potentially questionable matters.
- Review any reported violations of applicable laws and regulations and the Company's directives and instructions as well as inquiries received from regulators or governmental agencies.

3.2.5. Finance

- Review the Company's financial performance.
- Review the Company's capital structure and funding strategy.
- Review the Company's cash and liquidity strategy and management.
- Review the Company's hedging strategies.
- Review the Company's tax strategy and management.
- Review the Company's dividend policy and capital transactions.
- Review the Company's financial transactions (securities, debt instruments, guarantees).
- Review the Company's bank relations.
- Review the Company's pension strategy and performance.

3.2.6. External Audit

The AFC shall be directly responsible for the oversight of the work and the compensation of the Company's External Auditor. The Company's External Auditor shall report directly to the AFC. To this end, the AFC shall:

- Evaluate the qualifications, independence and performance of the Company's External Auditor and, on an annual basis, recommend to the BoD the external auditors to be proposed to the shareholders for election or re-election.
- Review the Company's External Auditor's engagement letter and audit plan, including discussion on scope, staffing, locations, reliance upon management and Internal Audit and general audit approach.
- Review and evaluate the lead partner of the Company's External Auditor's team.
- Review the compensation payable to the Company's External Auditor and recommend the compensation to the BoD.

- Review the non-audit services provided by the Company's External Auditor and to recommend to the BoD to approve non-audit service assignments to the External Auditor which are potentially in conflict with his role and responsibility.
- Review the Company's External Auditor's judgments on the audited financial statements including the quality and appropriateness of the Company's accounting principles as applied in the financial reporting.
- Discuss with the Company's External Auditor the matters required to be discussed by applicable rules and professional standards, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

3.2.7. Internal Audit

- Approve the purpose, authority and responsibility of the internal audit function as formally defined in the Company's regulations.
- Approve the appointment and removal of the Company's Head of Internal Audit as well as approve his performance evaluations and compensations decision. The Head of Internal Audit reports functionally to the AFC.
- Review and approve the Company's internal audit plan, changes in the plan, activities, budget, organizational structure, and the qualifications of the internal audit organization.
- Approve the Company's Internal Audit Charter.

4. **Right of Information, Investigation and Reporting**

4.1. Information and Investigation.

The AFC's right to access, information and investigation shall be unlimited within the entire Oerlikon Group, but may not be exercised autonomously. The exercise of said rights must always be notified to the Chairman of the BoD or, in the Chairman's absence, the Vice-Chairman. The Chairman of the BoD shall arrange for access, information and investigations, affable to the staff and in compliance with all applicable mandatory local protective rights.

The right to access and information shall particularly include the right to: (i) comprehensive information from the external and internal auditors, the EC, Segment CEOs, Business Unit Heads as well as all staff members of the Oerlikon Group, the right to access any and all documents, records and data carriers, necessary or useful to perform the responsibilities of the AFC, and the right to inspect the regular reports of responsible managers, particularly of the external and internal auditors, of the EC, Segment CEOs, BU Heads, risk control as well as Compliance.

4.2. Right of Investigation

The right of investigation shall particularly include the right of the AFC to perform or arrange investigations within the Oerlikon Group which are necessary or useful for the performance of AFC responsibilities. The AFC may, with prior consent of the Chairman of the BoD, engage external advisory and audit services, if any.

The AFC shall review and assess information obtained and related comments or recommendations of the CEO, other members of the EC and of external advisors, if any, and shall present its findings and recommendations to the BoD.

4.3. Reporting to the BoD


The AFC shall verbally report to the BoD at BoD meetings and immediately in urgent cases. Between meetings it shall ensure good flow of information between the BoD and the AFC. It shall be up to the Chairman of the BoD, and in his absence the Vice-Chairman to decide whether or not releasing information on reports, recommendations and decisions of the AFC to anyone outside the BoD other than the necessary addressee(s) of a relevant AFC decision, if any. Prior to releasing such information, the Chairman of the BoD shall consult with the CEO. The minutes of all AFC meetings shall be distributed to the full BoD after approval by the AFC.

5. Effective Date

These Rules and Regulations have been approved by the BoD on December 13, 2017 and replace the former version dated October 20, 2008 and become effective with immediate effect on December 13, 2017.

Pfäffikon, December 13, 2017

For the Board of Directors:



Prof. Dr. Michael Suess, Chairman of the Board