

# ACTUANT CORPORATION

## AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

### CHARTER

#### I. PURPOSE

The main function of the Audit Committee is to assist the Company's Board of Directors ("Board") in fulfilling its oversight responsibilities by: (i) reviewing the financial reports and other financial information provided by the Company to its constituencies, (ii) monitoring the Company's systems of internal financial and accounting controls, (iii) overseeing the Company's auditing, accounting and financial reporting processes generally, and (iv) confirming the external auditors' qualifications and independence. Consistent with this function, the Audit Committee should encourage continuous improvement in, and should strive to foster adherence to, the Company's policies, procedures and practices at all levels.

While the Committee has the responsibilities set forth in this charter, it is not the duty of the 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.

#### II. COMPOSITION AND GOVERNANCE ISSUES

The Committee shall be composed of three or more Directors appointed by the Board. Committee members shall not be officers or employees of the Company or one of its affiliates and shall, in the opinion of the Board, meet the independence and financial literacy requirements of the listing requirements of the New York Stock Exchange and applicable law and regulations. Under these requirements, each member of the Committee shall be free from any relationship that would interfere with the exercise of independent judgment as a Committee member. All members of the Committee shall have a familiarity with basic financial and accounting practices, and at least one member of the Committee shall have accounting or related financial management experience, as required by the listing requirements of the New York Stock Exchange, and at least one member shall be a financial expert, as defined by regulations issued by the Securities and Exchange Commission within a reasonable time after the issuance of such regulations.

The members of the Committee shall be annually elected by the Board at a meeting of the Board and shall maintain such positions until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

#### III. MEETINGS

The Committee shall meet at least quarterly and more frequently as the Committee determines. To the extent not prohibited by law, regulation or listing standards, the Committee may designate any member thereof for purposes of receiving reports, performing

review and pre-approving non-audit services, provided that a report on such activities shall be presented to the full Committee at its next meeting and may delegate its activities and authority as deemed appropriate.

#### **IV. RESPONSIBILITIES**

The following principal responsibilities of the Committee are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

##### **A. Internal Control**

- Review internal audit plans and results;
- Oversee the Company's internal audit function;
- Evaluate whether management is properly and adequately emphasizing the importance of internal control measures throughout the organization;
- Inquire of the external auditors about fraud, illegal acts, deficiencies in internal controls, and other matters affecting internal controls within the Company and the integrity of the Company's financial information;
- Focus on the extent to which the Company and its external auditors or other designees review the effectiveness and security of the Company's computer systems and applications, and the need for and adequacy of contingency plans for processing financial information in the event of a systems failure;
- Review whether internal control recommendations made by the Company's financial management and external auditors have been implemented by management; and
- Review a report of management's assessment of the effectiveness of internal controls as of the end of the fiscal year and the external auditors' report on management's assessment.

##### **B. Financial Reporting**

###### **1. General**

- Review significant accounting and reporting issues, including issued and pending professional and regulatory pronouncements and understand their impact, or potential impact, on the Company's financial statements and operations;
- Receive reports of the external auditors on the critical policies and practices of the Company and all alternative treatments of financial

information within generally accepted accounting principles discussed with management;

- Inquire of management and the external auditors as to the existence of any significant financial, accounting or reporting risks or exposures and the Company's plans to address such risks. Seek the auditor's judgment about the quality of the Company's accounting and reporting practices, including the clarity and accuracy of the Company's financial disclosures and the degree of aggressiveness or conservatism of the Company's accounting policies and underlying estimates; and
- Review annual and quarterly Management's Discussion and Analysis of Financial Condition and Results of Operation with management and the external auditors.

## 2. Annual Financial Reports

- Review the annual financial statements and determine whether they are complete and consistent with the information known to Committee members, and assess through inquiry whether the financial statements reflect appropriate accounting principles;
- Review all complex and/or unusual transactions such as restructuring charges and derivative disclosures which are material to the Company's financial statements;
- Understand the basis for the Company's accounting in material, judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of obsolete or slow-moving inventory; warranty, product, and environmental liabilities; litigation reserves; and other commitments and contingencies;
- Meet with management and the external auditors to review the financial statements and the results of the audit and other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards; and
- Review management's handling of proposed audit adjustments identified by the external auditors.

## 3. Interim Financial Statements

- Gain an understanding as to how management develops and summarizes quarterly financial information and the extent to which the external auditors review quarterly financial information; and

- Review with management and the external auditors the quarterly financial results of the Company before such results are released.

#### 4. Earnings Guidance

- Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies (this may be a discussion of types of information and presentations, rather than specific releases, information and guidance).

### C. Review of Compliance

- Review financial code of conduct and activities designed to ensure compliance, if applicable.
- Review management reports on employee compliance, including compliance with the Foreign Corrupt Practices Act, to guard against significant conflicts of interest and dishonest, unethical or illegal activities;
- If applicable, review the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts, unethical conduct, criminal conduct or accounting irregularities;
- Be satisfied that compliance matters have been considered in the preparation of the financial statements; and
- Review the findings of any examinations or reviews by regulatory agencies such as the Securities and Exchange Commission.

### D. External Audit

- Review the qualifications, performance, independence and quality controls of the external auditors, including the lead audit partner, and approve the appointment or discharge of the external auditors;
- Develop procedures to prevent the engagement of external auditors to perform non-audit services proscribed by law or regulation;
- Approve all engagements for non-audit services to be provided by external auditors;
- Review the external auditors' proposed audit scope and approach;
- Review and approve all audit fees of the external auditors;

- Review and resolve any disagreements between management and the external auditors;
- Set policies for hiring employees and former employees of the external auditors that comply with law, regulations and listing standards;
- Review any “management letter” received from the external auditors and management’s response; and
- At least annually, obtain and review a report by the external auditors describing:
  - The external auditors’ internal quality control procedures;
  - Any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the external auditors’ firm and any steps taken to deal with any such issues; and
  - All relationships between the external auditor and the Company (to assess the auditors’ independence).

E. Other Responsibilities

- Create an honest, fact-based avenue of communication among the independent auditors, financial and senior management, and the Board.
- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- Review, with the Company’s counsel, any legal matters that could have a significant impact on the Company’s financial statements;
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist;
- Perform other oversight functions as requested by the full Board;
- Review and reassess the adequacy of this charter on an annual basis and receive approval of changes from the Board;

- Establish procedures for the receipt and treatment of complaints regarding accounting, internal controls or auditing matters, and the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- Discuss policies with respect to risk assessment and risk management; and
- Evaluate the performance of the Audit Committee.

F. Reporting Responsibilities

- Regularly update the Company's Board about Committee activities and make appropriate recommendations; and
- Prepare its report for inclusion in the Company's annual proxy statement, as required by Securities and Exchange Commission regulations.

G. Authority

- The Audit Committee shall have the authority to retain and obtain advice from legal, accounting or other advisors, as appropriate.