

# HARLEY-DAVIDSON, INC.

## Audit Committee Charter

### I. **Committee's Purpose**

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Harley-Davidson, Inc. (the "Company") to provide assistance to the Board in fulfilling its oversight responsibility relating to: (a) the integrity of the Company's financial statements and the financial reporting process; (b) the systems of internal control over financial reporting; (c) the approval of the Financial Code of Ethics; (d) the internal audit function; (e) the retention, compensation and termination of the independent auditors; (f) the annual independent audit of the Company's financial statements; (g) the independent auditors' qualifications and independence; and (h) the Company's compliance with legal and regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company. 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 Company.

#### A. Meetings

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall meet periodically with management, the internal auditors and the independent auditor. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee, with or without management present.

#### B. Internal Audit Function

The Committee shall have a clear understanding with management that the Company's internal auditor is ultimately accountable to the Board and the Committee. The Committee shall have the ultimate authority and responsibility to appoint, retain, evaluate and, where appropriate, replace the internal auditor. The Committee shall review the internal auditor's responsibilities and ensure unrestricted access by internal auditors to relevant records, personnel and physical properties. The Committee shall ensure the internal audit function is structured so that it achieves organizational independence and permits full and unrestricted access to the Committee, management and the Board. In addition, the Committee shall review and approve the annual internal audit plan and budget. Further, the Committee shall meet separately with the internal auditors, with and without management present, to discuss the results of their examinations.

C. Independent Auditors

The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Committee. The Committee shall have the ultimate authority and responsibility to appoint, retain, evaluate and, where appropriate, replace the independent auditors, though the Committee will seek shareholder ratification of its choice of independent auditors at the Company's annual meeting of shareholders. The Committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board.

The Committee shall discuss with the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and regulatory compliance programs. Further, the Committee shall meet separately with the independent auditors, with and without management present, to discuss the results of their examinations.

D. Limitation of Role of Committee

It is recognized that the members of the Committee are not full-time employees of the Company and they do not represent themselves to be accountants or auditors on behalf of the Company. It is not the Committee's duty to plan or conduct audits or to determine if the Company's financial statements are prepared accurately and in accordance with generally accepted accounting principles ("GAAP"). These duties are the responsibility of management and the independent auditors, who are ultimately accountable to the Committee. It is not the Committee's responsibility to independently verify information presented to it, unless special circumstances require independent verification. The statement of the Committee's Duties, Responsibilities and Processes below is in all respects qualified by this limitation.

**II. Committee Membership**

The Committee shall be comprised of at least three directors, each of whom shall meet the independence and experience requirements of the New York Stock Exchange, the requirements of the Sarbanes-Oxley Act of 2002 (the "Act") and other applicable laws, regulations and rules. All Committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee. In addition, at least one member of the Committee must have accounting or related financial management expertise; or if the Board so determines, be deemed an audit committee financial expert in accordance with the requirements of the Act. Committee members shall not simultaneously serve on the audit committee of more than two other public companies.

### **III. Committee’s Duties, Responsibilities and Processes**

The primary responsibility of the Committee is to oversee the Company’s financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company’s financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing regulations, conditions and circumstances. The Committee should take the appropriate actions to set the overall “tone” for quality financial reporting, sound business risk practices, and ethical behavior of management, the internal auditors and the independent auditors.

The Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions described in the Exchange Act of 1934, as amended, which are approved by the Committee prior to the completion of the audit.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

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.

#### **A. Financial Statement and Disclosure Matters**

1. Prepare the report required by the rules of the SEC to be included in the Company’s annual proxy statement.
2. Discuss the interim financial statements, including footnotes and Management’s Discussion and Analysis, with management and the independent auditors prior to the filing of the Company’s Quarterly Report on Form 10-Q. Also, the Committee shall review the results of the auditor’s quarterly review and any other matters required to be communicated to the Committee by the independent auditors under GAAP. The Chair of the Committee may represent the entire Committee for the purposes of this review. Specifically, the Committee shall review and discuss quarterly reports from the independent auditors with regard to:
  - (a) All critical accounting policies and practices to be used.

- (b) All alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - (c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- 3. Review with management and the independent auditors the financial statements, including disclosures made in Management's Discussion and Analysis to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- 4. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal control over financial reporting and any special steps adopted in light of material control deficiencies.
- 5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- 6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- 7. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

8. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, 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.
9. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

B. Oversight of the Company's Relationship with the Independent Auditor

10. Review and evaluate the lead partner of the independent auditor team.
11. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, 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 firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the Board.
12. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the audit partner responsible for reviewing the audit and any other audit personnel as required by laws, regulations and rules. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
13. Set clear policies for the Company's hiring of employees or former employees of the independent auditor.
14. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

C. Oversight of the Company's Internal Audit Function

15. Discuss with the independent auditor and management the Company's internal auditing responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
16. Review the appointment, performance and any replacement of a senior internal auditing executive.
17. Review the significant reports to management prepared by the internal auditors and management's responses.

D. Compliance Oversight Responsibilities

18. Obtain from the independent auditor assurance that the firm has not detected or otherwise become aware of information indicating that an illegal act has or may have occurred.
19. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor to the effect that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements regarding auditing matters. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
20. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
21. Approve a Financial Code of Ethics.
22. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
23. Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

E. Miscellaneous

24. Make regular reports to the Board.

25. Review and reassess annually the performance of the Committee and the adequacy of this Charter, and recommend any proposed changes to the Board for approval.
26. Establish subcommittees and delegate authority to such subcommittees if the Committee determines it is desirable to accomplish the duties and responsibilities of the Committee.

Adopted 8/17/94 Board Meeting

Amended  
2/17/00 Board Meeting

Amended  
2/12/03 Board Meeting

Amended  
12/4/03 Board Meeting

Amended  
2/15/06 Board Meeting