



## AUDIT REVIEW COMMITTEE CHARTER

### Purposes

The purposes of the NACCO Industries, Inc. Audit Review Committee are to (a) assist the Company's Board of Directors in fulfilling its oversight responsibilities with respect to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications and independence of any firm designated by the Company as the independent auditor of the consolidated financial statements of the Company and its subsidiaries (the "independent auditor") and (iv) the performance of the independent auditors and the Company's internal audit function; (b) oversee the Company's Corporate Compliance Program and (c) prepare the Committee's report, made pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), to be included in the Company's annual proxy statement (the "Audit Review Committee Report").

### Composition of the Committee

**Number.** The Committee shall consist of no fewer than three members.

**Qualifications.** Each Committee member shall have all of the following qualifications:

- 1) Each Committee member shall meet the independence criteria of (a) the listing standards of the New York Stock Exchange, Inc. ("NYSE"), as such requirements are interpreted by the Board of Directors in its business judgment and as set forth in the Company's Corporate Governance Guidelines, and (b) Section 301 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and listing requirements promulgated thereunder by the Securities and Exchange Commission ("SEC"), including Rule 10A-3 of the Exchange Act, and the NYSE.
- 2) Each Committee member shall be financially literate or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. Additionally, at least one member of the Committee shall have accounting or related financial management expertise sufficient to meet the criteria of a financial expert within the meaning of Section 407 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC. The Board of Directors shall determine, in its business judgment, whether a member is financially literate and whether at least one member has the requisite accounting or financial management expertise. The Board of Directors will also determine whether one or more members of the Committee meets the financial expert criteria of Section 407 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC and if so, identify at least one of such members. The designation or identification of a person as an audit committee financial expert shall not (a) impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board of Directors in the absence of such designation or identification, or (b) affect the duties, obligations or liability of any other member of the Committee or Board of Directors.
- 3) Each Committee member shall receive as compensation from the Company only those forms of compensation that are not prohibited by Section 301 of the Sarbanes-Oxley Act and the rules and listing requirements promulgated thereunder by the SEC and the NYSE. Permitted compensation includes directors' fees (which includes all forms of compensation paid to directors of the Company for service as a director or member of a Board Committee).

- 4) If a Committee member simultaneously serves on the audit committee of more than three public companies (including the Company), the Board of Directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. The Company shall disclose any such determination in its annual proxy statement.

**Appointment.** The Board of Directors will appoint the members and the Chairman of the Committee. Committee members shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.

### **Duties and Responsibilities of the Committee**

The Committee is responsible for overseeing the Company's financial reporting process on behalf of the Board of Directors. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's interim financial statements.

The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

In performing its responsibilities, the Committee shall:

- 1) **Retain the Independent Auditors.** The Committee has the sole authority to (a) retain and terminate the Company's independent auditors, (b) approve all audit engagement fees, terms and services, and (c) approve any non-audit services with the Company's independent auditors, subject to the following. The Committee will exercise this authority in a manner consistent with Sections 201, 202 and 301 of the Sarbanes-Oxley Act and the rules and listing standards promulgated thereunder by the SEC and the NYSE. The Committee may delegate the authority to grant any pre-approvals required by such sections to one or more members of the Committee that it designates, subject to the delegated member or members reporting any such pre-approvals to the Committee at its next scheduled meeting.
- 2) **Review and Discuss the Independent Auditors' Quality-Control.** At least annually, the Committee will obtain and review a report by the independent auditors describing (a) the audit firm's internal quality-control procedures and (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, and any steps taken to deal with any such issues.
- 3) **Review and Discuss the Independence of the Independent Auditors.** In connection with the retention of the Company's independent auditors, at least annually the Committee will review and discuss the information provided by management and the independent auditors relating to the independence of the audit firm, including, among other things, information related to the non-audit services provided and expected to be provided by the independent auditors. The Committee is responsible for (a) ensuring that the independent auditors submit at least annually to the Committee a formal written statement delineating all relationships between the independent auditors and the Company consistent with applicable independence standards, (b) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the independent auditors

and (c) taking appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence. In connection with the Committee's evaluation of the independent auditors' independence, the Committee shall also take such steps as may be required by law with respect to the identification and regular rotation of the audit partners serving on the Company's audit engagement team.

- 4) **Evaluation of Independent Auditor.** At least annually, the Committee will evaluate the independent auditor's qualifications, performance and independence. This evaluation should include the review and evaluation of the lead partner of the independent auditor and the audit team in general.
- 5) **Set Hiring Policies.** The Committee will set hiring policies for employees or former employees of the independent auditors, which include the restrictions set forth in Section 206 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC.
- 6) **Review and Discuss the Audit Plan.** The Committee will review and discuss with the independent auditors the plans for, and the scope of, the annual audit and other examinations.
- 7) **Review and Discuss Conduct of the Audit.** The Committee will review and discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, as well as any audit problems or difficulties and management's response, including (a) any restriction on audit scope or on access to requested information, (b) any disagreements with management, and (c) significant issues discussed with the independent auditors' national office. The Committee will decide all unresolved disagreements between management and the independent auditors regarding financial reporting.
- 8) **Review and Discuss Financial Statements and Disclosures.** The Committee will review and discuss with appropriate officers of the Company and the independent auditors the annual audited and quarterly financial statements of the Company, including (a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (b) the disclosures regarding internal controls and other matters required by Sections 302 and 404 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC.
- 9) **Discuss Financial Information.** The Committee will discuss in general from time to time the types of information to be disclosed and the types of presentations to be made with respect to the Company's earnings releases and other financial news releases as well as other financial information and earnings guidance, if any, to be disclosed by the Company. In addition, the Committee will review and discuss earnings news releases prior to distribution.
- 10) **Review and Discuss Internal Audit Plans.** The Committee will review and discuss with the Director of Internal Audit the plans for and the scope of the ongoing audit activities of the internal audit department.
- 11) **Review and Discuss Internal Audit Reports.** The Committee will review and discuss with the Director of Internal Audit the annual report of audit activities, examinations and the results thereof of the internal audit department.
- 12) **Review and Discuss the Systems of Internal Accounting Controls.** The Committee will review and discuss with the independent auditors, the Director of Internal Audit and other appropriate officers of the Company the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and

personnel, and the Company's policies and compliance procedures with respect to business practices which shall include (a) the disclosures regarding internal controls and matters required by Sections 302 and 404 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC, and (b) a review with the independent auditors of their opinion on the effectiveness of management's assessment of internal controls over financial reporting and the independent auditor's analysis of matters requiring modification to management's certifications pursuant to Section 302 of the Sarbanes-Oxley Act.

- 13) **Review and Discuss the Recommendations of Independent Auditors.** The Committee will review and discuss with the Director of Internal Audit recommendations made by the independent auditors and the Director of Internal Audit, as well as such other matters, if any, as such persons or other officers of the Company may bring to the attention of the Committee.
- 14) **Review and Discuss the Audit Results.** The Committee will review and discuss with the independent auditors (a) the report of their annual audit, or proposed report of their annual audit, (b) the accompanying management letter, if any, (c) the reports of their reviews of the Company's interim financial statements conducted in accordance with Statement on Auditing Standards No. 71 and (d) the reports of the results of such other examinations outside of the course of the independent auditors' normal audit procedures that the independent auditors may from time to time undertake. The foregoing shall include the reports required by Section 204 of the Sarbanes-Oxley Act and any rules promulgated thereunder by the SEC and, as appropriate, a review of (a) major issues regarding (i) accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and (ii) the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 15) **Obtain Assurances under Section 10A(b) of the Exchange Act.** The Committee will obtain assurance from the independent auditors that in the course of conducting the audit, there have been no acts detected or that have otherwise come to the attention of the audit firm that require disclosure to the Committee under Section 10A(b) of the Exchange Act.
- 16) **Discuss Risk Management Policies.** The Committee will discuss guidelines and policies with respect to financial risk assessment and financial risk management to assess and manage the Company's financial risk exposures.
- 17) **Obtain Reports Regarding Conformity With Legal Requirements and the Company's Code of Corporate Conduct.** The Committee will periodically obtain reports from management and the Director of Internal Audit that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Corporate Conduct. The Committee will charge the independent auditor to report to the Committee regarding any failure by the Company and its subsidiary/foreign affiliated entities to be in conformity with applicable legal requirements and the Company's Code of Corporate Conduct. The Committee should advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Corporate Conduct.

- 18) **Review Possible Dualities of Interest and Conflicts of Interest.** The Committee will consider possible dualities of interest and conflicts of interest of directors and management and make recommendations to address any such duality of interest or conflict of interest. The Board of Directors will cause the Company to disclose any waiver of the Company's conflict of interest policy for a director or executive officer to the extent required by law and the Company's Code of Corporate Conduct.
- 19) **Establish Procedures for Complaints Regarding Financial Statements or Accounting Policies.** The Committee will establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters as required by Section 301 of the Sarbanes-Oxley Act and the rules and listing requirements promulgated thereunder by the SEC and the NYSE.
- 20) **Discuss With General Counsel Matters Regarding Financial Statements or Compliance Policies.** The Committee should 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.
- 21) **Review and Discuss Other Matters.** The Committee should review and discuss such other matters that relate to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.
- 22) **Make Board Reports.** The Committee should report its activities regularly to the Board of Directors in such manner and at such times as the Committee and the Board of Directors deem appropriate, but in no event less than once a year. Such report should include a review of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors and the performance of the internal audit function.
- 23) **Adapt to Changing Conditions and Circumstances.** The Committee, in carrying out its responsibilities, policies and procedures should continually review its activities to ensure that it adapts to changing conditions and circumstances.

### **Meetings of the Committee**

The Committee shall meet in person or telephonically at least four times annually, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Chairman of the Committee shall, in consultation with the other members of the Committee, the Company's independent auditors and the appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing agenda therefor and supervising the conduct thereof. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may request any officer or employee of the Company or the Company's outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall meet with the Company's management, the internal auditors and the independent auditors periodically in separate private sessions to discuss any matter that the Committee, management, the independent auditors or such other persons believe should be discussed privately.

## **Delegation**

Consistent with applicable laws, rules and regulations, the Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to one or more subcommittees of the Committee.

## **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage independent counsel and other advisors as the Committee deems necessary to carry out its duties.

The Company will provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to the Company's independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, (b) compensation to independent counsel or any other advisors employed by the Committee, and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Audit Review Committee Report**

The Committee will prepare, with the assistance of management, the independent auditors and outside legal counsel, the Audit Review Committee Report.

## **Annual Performance Evaluation**

The Committee will conduct and review with the Board of Directors annually an evaluation of the Committee's performance with respect to the requirements of this Charter. This evaluation should also set forth the goals and objectives of the Committee for the upcoming year. The Committee may conduct this performance evaluation in such manner as the Committee, in its business judgment, deems appropriate.

## **Annual Review of Charter**

The Committee will conduct and review with the Board of Directors annually an evaluation of this Charter and recommend any changes to the Board of Directors. The Committee may conduct this Charter evaluation in such manner as the Committee, in its business judgment, deems appropriate.

## **Disclosure of Charter**

Consistent with the listing standards of the New York Stock Exchange, this Charter is included on the Company's website and is available upon request in writing sent to the Secretary of the Company. The Company's annual report to stockholders states that this Charter is available on the Company's website and is available upon request in writing sent to the Secretary of the Company.

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