



REGULATIONS OF THE NOMINATION AND COMPENSATION COMMITTEE OF KLINGELNBERG AG

(as of 02 July 2019)

KLINGELNBERG AG

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1. GENERAL

1.1 Legal Basis

1 The Board of Directors (**BoD**) of Klingelberg AG, Zurich (**Company**), based on article 716b of the Swiss Code of Obligations [Obligationenrecht, OR], the Swiss Ordinance Against Excessive Compensation in Listed Corporations [Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV], Article 19 of the Articles of Association of Klingelberg AG and the Company's Organizational Regulations, issues these Regulations (**NCC Regulations**) concerning the tasks and the organization of the Nomination and Compensation Committee (**NCC**) of the Company and the Klingelberg Group (**Group**).

1.2 Purpose

2 The NCC combines the functions of a nomination committee and a compensation committee in accordance with the recommendations of the Swiss Code of Best Practice for Corporate Governance (**Swiss Code**) and has the duties and responsibilities set out in these NCC Rules.

2. ELECTION AND CONSTITUTION

3 The NCC is composed of two or more members of the BoD. The members of the NCC are elected individually each year by the Annual General Meeting (**AGM**) upon proposal of the BoD for a term of office until the conclusion of the following AGM. Re-election is possible. The NCC elects a Chairman from among its members. In the event of a vacancy in the NCC, the BoD shall appoint one of its members as replacement for the remainder of the term of office. The Chairman of the NCC appoints the Secretary, who need not be a member of the BoD.

4 In nominating the members of the NCC, the BoD follows the provisions of the Swiss Code. In particular, the NCC shall be composed of a majority of independent, non-executive members of the BoD, although the BoD may also nominate members of the BoD who are significant shareholders of the Company or represent the latter.

5 All members of the NCC should have basic knowledge, in particular in the specialist areas of succession planning, performance review, nomination and compensation of members of the BoD and the EM.

3. DUTIES AND RESPONSIBILITIES

3.1 General Provisions

6 The NCC assists the BoD in fulfilling its responsibilities under the law, the Articles of Association and the Organizational Regulations in the area of the Group's personnel and compensation policy.

- 7 The NCC has the following duties and responsibilities:
- (a) preparing and periodically reviewing the compensation policy and principles of the Company and the Group and the performance criteria in the area of compensation and periodically reviewing the implementation thereof, as well as making proposals and recommendations to the BoD in this regard; and
 - (b) preparation of all relevant decisions of the BoD in connection with the nomination and compensation of the members of the BoD and the EM, and adoption of corresponding proposals and recommendations to the BoD.

8 The BoD may delegate further duties and responsibilities in connection with related matters to the NCC.

9 The ultimate responsibility for the duties and responsibilities delegated to the NCC remains with the BoD.

10 The NCC reports to the BoD on its activities on a regular basis, but at least once a year.

3.2 Personnel and Compensation Policy

11 The NCC prepares and monitors for the BoD the objectives and principles of the Group's personnel and compensation policy. The fundamental objective of the personnel and compensation policy is to find, promote and retain qualified and motivated employees for the Group thereby ensuring the competitiveness and long-term success of the Group. In particular, the NCC may also determine the basic principles of the compensation of key personnel to be determined by the NCC who do not belong to the EM.

12 The NCC shall, in accordance with the Articles of Association, establish the compensation principles for the Company and the applicable performance criteria in the area of compensation, and shall submit appropriate proposals to the BoD.

13 The EM reports to the NCC once a year on the implementation of these objectives and principles.

3.3 Performance Review, Training and Succession Planning

14 The NCC reviews once a year the appraisals of the members of the EM proposed by the CEO and the appraisal of the CEO proposed by the Chairman of the BoD.

15 The NCC is informed once a year about the personal development of the members of the management level below the EM and about the corresponding measures taken by the EM.

- 16 The NCC shall inform the BoD at least once a year about succession planning, planning and training for unforeseen situations and emergencies, and about the development of the members of the EM and other key management personnel to be determined by the NCC.

3.4 Contracts with Members of the Board of Directors and the Executive Management

- 17 The NCC submits all contracts with members of the BoD and members of the EM to the BoD for approval.

3.5 Compensation Plans, Regulations and Compensation Report

- 18 The NCC proposes to the BoD the approval and, where applicable, adjustments of the compensation plans and other compensation regulations (e.g. expense regulations) and submits proposals to the BoD regarding the determination of the participants in the compensation plans.

- 19 Every two years, the NCC reviews the effectiveness, conditions, attractiveness and competitiveness of the compensation plans and, if necessary, submits corresponding proposals to the BoD. The NCC may carry out this review earlier or postpone it for a maximum of one year if there is an appropriate reason (such as changes in management, acquisitions or restructuring measures).

- 20 The NCC reviews the draft compensation report prepared by the EM and submits it to the BoD for approval.

3.6 Determination of the Compensation of the Board of Directors and the Executive Management

- 21 The NCC has the following duties and responsibilities in connection with the determination of the compensation of the BoD and the EM (including the CEO):
- (a) annual proposal to the BoD regarding the maximum total amounts of compensation for the BoD and the EM (including the CEO) for submission by the BoD to the AGM in compliance with the Articles of Association;
 - (b) submitting a proposal to the BoD regarding the use of the additional amount provided for in the Articles of Association for the compensation of additional members of the EM, if necessary;
 - (c) submitting a proposal to the BoD regarding the individual compensation of the Chairman and the other members of the BoD within the limits of the maximum total amount approved by the AGM. The proposals shall be based on the function and area of responsibility of the respective Board member and, where appropriate, on the level of compensation in comparable companies;
 - (d) submitting proposals to the BoD regarding the compensation and terms of employment of the CEO and other members of the EM. This includes, inter alia, the submission of proposals on the following points:

- (i) the amount of the fixed compensation of the CEO, in each case upon prior proposal of the Chairman of the BoD, and of the other members of the EM, in each case upon prior proposal of the CEO;
 - (ii) setting of generally three to four individual objectives for the CEO, in each case upon prior proposal of the Chairman of the BoD, and for each other member of the EM, in each case upon prior proposal of the CEO, which are relevant for the objective-based component of the short-term variable compensation in cash (Short-Term Incentive, STI), and the level of compensation in the event of full objective achievement, in each case before the start of each performance period, as well as the determination of individual objective achievement after the end of the performance period;
 - (iii) determination and, if necessary, correction of the percentage of business results (e.g. EBT) paid to the members of the EM as a component of the STI, in accordance with the applicable compensation plan;
 - (iv) calculation of the total STI after the end of the performance period as part of the year-end closing process;
 - (v) determination of the amount allocated and, based thereon, the calculation of the number of PSUs allocated to the members of the EM who are entitled to long-term variable compensation (Long-Term Incentive, LTI) in accordance with the applicable compensation plan, as well as the corresponding determination of the LTI factor table used to calculate the amount to be paid out for the Performance Share Units (PSUs), taking into account the medium-term financial plan, in each case prior to allocation;
 - (vi) calculation of the respective payment amount of the LTI based on the average share price determined in accordance with the compensation plan and the applicable LTI factor and the decision on the form of payment (in cash or in shares or a combination thereof);
 - (vii) proportional payment from the LTI plans still running in the event of the premature departure of a member of the EM in accordance with the applicable compensation plan; and
- (e) propose to the BoD amendments to the Articles of Association in connection with the compensation regulations applicable to the members of the BoD and the EM.

3.7 Nomination of the Members and the Chairman of the Board of Directors and of the Committees as well as the Members of the Executive Management

22 The NCC has the following duties and responsibilities in connection with the nomination of the members and the Chairman of the BoD and of the Committees as well as the members of the EM:

- (a) submitting proposals to the BoD regarding the appropriate size and composition of the BoD and determining the independence criteria for members of the BoD, in each case taking into account the criteria of the Swiss Code;
- (b) proposal to the BoD regarding the selection criteria for the election of the Chairman and the members of the BoD and its Committees as well as for the nomination of candidates for positions in the EM;
- (c) identifying and assessing potential candidates for positions on the BoD based on the pre-defined selection criteria and submitting a proposal to the BoD regarding their election (or re-election) at the AGM (in each case taking into account experience, qualifications, independence and other activities of the candidates and any other factors that the NCC may consider relevant);
- (d) identifying and assessing potential candidates for the position of CEO based on the criteria defined in advance and submission of a proposal to the BoD regarding the nomination – or dismissal – of the CEO;
- (e) reviewing, in cooperation with the CEO, the recommendations of the CEO regarding nominations or dismissals of other members of the EM and submitting corresponding proposals to the BoD; and
- (f) annual review of the independence of the members of the BoD and its Committees and submission of the results to the BoD, which is responsible for the final assessment.

3.8 Insurance and Pension Plans

23 At least every two years, the NCC assesses the insurance coverage for the members of the BoD and the EM including the CEO (D&O insurance) and proposes any necessary adjustments to the BoD.

24 The NCC assesses the current pension plans for the Group's employees at least every two years.

3.9 Evaluation

25 The NCC supports the BoD in matters relating to the performance evaluation of the EM.

3.10 Mandates outside the Klingelberg Group

26 The NCC examines the acceptance of additional external mandates outside the Group by the members of the BoD and the EM (including the CEO) if such mandates lead or might lead to a conflict of interest and submits a corresponding proposal to the BoD.

3.11 Corporate Governance

27 The NCC supports the BoD in matters relating to corporate governance. It monitors all relevant aspects of corporate governance and, if necessary, submits proposals to the BoD for its further development.

4. ORGANIZATION

28 The NCC meets as often as business requires but holds at least two ordinary meetings per year. Extraordinary meetings may be convened, as necessary.

29 Meetings shall be convened by the Chairman of the NCC or, if he or she is prevented from attending, by another member of the NCC. In addition, each member of the NCC is entitled to request the Chairman to convene a meeting, stating the reason.

30 Meetings shall be convened in writing (including by e-mail) at least ten calendar days in advance. The invitation shall include the date, time and place as well as the agenda items and shall be followed by the relevant meeting documents at least five calendar days in advance. In urgent matters, tighter deadlines and a deviation from this schedule are permissible. Determining whether a matter is urgent or not shall be the responsibility of the Chairman.

31 The Chairman of the NCC or, if he/she is prevented from doing so, another member of the NCC shall chair the meetings.

32 The Chairman of the NCC may invite the Chairman of the BoD and the CEO to attend meetings of the NCC in an advisory capacity. The Chairman of the NCC may invite other members of the BoD, members of the EM and other persons who assist the NCC in the performance of its duties to its meetings. The NCC makes sure to exclude participants with a personal interest in the matters under discussion from its meetings.

33 The NCC has a quorum if a majority of its members is present. Resolutions are passed by a simple majority of the votes cast. Abstentions shall be considered as votes not cast. In the event of a tied vote, the Chairman shall have the casting vote.

34 Each meeting of the NCC shall be recorded in minutes which shall be signed by the Chairman of the NCC and its Secretary. The minutes must be approved by the NCC (usually at its next meeting) and, once approved, distributed to all members of the BoD.

35 Decisions may also be made by circular letter, fax or PDF file (e-mail), unless a member requests by telephone or in writing (including by e-mail) that the matter be discussed at a meeting within three working days of receipt of the relevant request. Resolutions by circular letter require the approval of the majority of all members (but not the vote of all members).

5. FINAL PROVISIONS

- 36 After approval by the BoD, these Regulations shall enter into force as of the date of registration of the ordinary capital increase in connection with the Company's initial public offering (IPO). They are subject to an annual review and reassessment of their adequacy, and the NCC will make any proposals for amendments to the BoD.

For the Board of Directors of Klingelberg AG

The Chairman

A handwritten signature in black ink, appearing to read 'J. Wolle', followed by a period.

Dr. Jörg Wolle