

## **SUN HYDRAULICS CORPORATION AUDIT COMMITTEE CHARTER**

### **Purpose**

The purpose of the Audit Committee (the “Committee”) is to oversee the Company’s accounting and financial reporting processes and the audit of the Company’s financial statements. To fulfill its obligations, the Committee relies on (1) management for the preparation and accuracy of the Company’s financial statements and establishing effective internal controls and procedures to ensure compliance with accounting standards, financial reporting procedures and applicable laws and regulations, and (2) the Company’s independent auditing firm (“Independent Auditor”) for an unbiased, diligent audit or review, as applicable, of the Company’s financial statements and the effectiveness of its internal controls. The members of the Committee are not responsible for conducting the audit or performing other accounting procedures. Further, this Charter is not intended to, and does not, create any additional legal or fiduciary duties for the Audit Committee members beyond those of any other member of the Company’s board of directors (the “Board”).

### **Composition**

The Committee shall be comprised of three or more directors appointed by the Board, each of whom shall meet the independence, education, sophistication and experience requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules of the NASDAQ Global Select Market (“NASDAQ”). Without limiting the foregoing, each member of the Committee must be able to read and understand fundamental financial statements and at least one member of the Committee must be an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. Further, each Committee member shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment.

The members of the Committee shall continue to serve until their successors are appointed and qualified, or until their earlier retirement, resignation or removal. Any member may be removed, with or without cause, by the Board at any time. The Board may appoint one of the members of the Committee to serve as the Committee Chair and another member as Vice Chair to chair Committee meetings in the absence of the Committee Chair.

### **Meetings**

The Committee shall meet at least four times annually, or more frequently, and at such times and places, as it deems necessary. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice and quorum and voting requirements as are applicable to the Board. The Committee shall keep a record of its actions and proceedings, and the Committee Chair shall report thereupon promptly to the Board. The Committee shall meet separately, and periodically, with management, including those involved in the internal audit function, and representatives of the Independent Auditor.

### **Authority and Responsibilities**

The Committee shall have the following authority and responsibilities:

1. Be solely responsible for the appointment, compensation, retention, replacement and oversight of the work of the Independent Auditor and any other registered public accounting firm engaged

for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Independent Auditor shall report directly to the Audit Committee.

2. Pre-approve all audit and permitted non-audit and tax services that may be provided by the Independent Auditor or other accounting firms.

3. At least annually, obtain and review a report by the Independent Auditor that describes (a) the firm's internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board review of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years and any steps taken to deal with any such issues, and (c) the independence of the firm; and discuss with the Independent Auditor this report and any relationships or services that may impact its objectivity and independence.

4. At least annually, evaluate the qualifications, performance and independence of the Independent Auditor, including an evaluation of the lead audit partner, ensure the regular rotation of the lead audit partner; and periodically consider the rotation of the accounting firm serving as the Independent Auditor.

5. Review and discuss with the Independent Auditor (a) the auditor's responsibilities under generally accepted auditing standards, (b) the scope and timing of the annual audit and (c) the results, including significant findings, of the annual audit.

6. Obtain and review a report by the Independent Auditor describing (a) all critical accounting policies and practices to be used in the audit, (b) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that were discussed with management, the ramifications of their use and the treatment preferred by the auditor, and (c) other material written communications between the auditor and management.

7. Review with the Independent Auditor and management (a) the forgoing report, (b) any audit problems or difficulties, including those encountered by the Independent Auditor during its audit work (such as restrictions on the scope of its activities or access to information), (c) any significant disagreements with management, (d) management's response to the foregoing issues, if any (and attempt to resolve them), and (e) the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

8. Review with management and the Independent Auditor the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal controls and any special audit steps adopted in light of any material deficiencies.

9. (a) Review and, if appropriate, discuss with management and the Independent Auditor, the Company's annual audited financial statements (including the related notes) and the form of audit opinion to be issued by the auditor before the Company's annual Form 10-K Report is filed, (b)

recommend to the Board that the audited financial statements be included in the Form 10-K, and (c) produce the audit committee report required to be included in the Company's proxy statement.

10. Review and, if appropriate, discuss with management and the Independent Auditor, (a) the Company's quarterly financial statements before quarterly Form 10-Q Reports are filed, (b) the Company's earnings press releases and (c) any financial information and earnings guidance provided to analysts and ratings agencies.

11. Review and discuss with management the policies and guidelines to govern the process by which management assesses and manages the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

12. Review the Company's compliance with applicable laws and regulations and its Code of Ethics, and review and oversee any policies, procedures and programs designed to promote such compliance.

13. Establish and oversee 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 Company employees of concerns regarding questionable accounting or auditing matters.

14. Review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations.

15. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. At any time, the Board acting on its initiative may amend this Charter, consistent with the rules of the NASDAQ Global Select Market and the Securities and Exchange Commission.

16. In its sole discretion select, retain and obtain the advice and assistance of legal, accounting, financial, tax and other advisors in connection with the execution of its duties and responsibilities under this Charter. The Committee shall have the authority to set the compensation, and oversee the work, of such advisors and consultants. The Company shall provide appropriate funding, as determined by the Committee, for the payment of compensation and reimbursement of expenses to the Independent Auditor, any other accounting firm engaged to perform services for the Company and any other advisors and consultants to the Committee.

17. In its sole discretion, as the Committee may deem appropriate, delegate any of its responsibilities, along with the authority to take action with respect to such responsibilities, to one or more subcommittees or to any one of its members.

Adopted by the Board on March 3, 2012.