

**CHARTER OF THE COMPENSATION AND GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS
OF KIMBALL ELECTRONICS, INC.**

I. PURPOSE

The Compensation and Governance Committee is to assist the Board of Directors in the discharge of its fiduciary responsibilities relating to the grant of stock compensation, the fair and competitive compensation of the Chief Executive Officer and other Executive Officers, the Company's contribution to its defined contribution retirement plan, goals and awards under its profit sharing bonus plan, matters of corporate governance and identification of individuals qualified to be Board members.

The Compensation and Governance Committee will fulfill this purpose by carrying out the duties and responsibilities enumerated in this Charter. The Compensation and Governance Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

II. DUTIES AND RESPONSIBILITIES

Stock Compensation:

- Adopts or amends and administers stock-related plans including, but not limited to, approving grant guidelines, general size of overall grants, performance goals, and interpreting the plans.

CEO and Executive Officer Compensation:

- Annually assesses the CEO's performance against relevant performance criteria.
- Annually reviews market data, general industry information and any other relevant data, to assess the competitiveness of the CEO's compensation.
- Approves in advance any base salary increase for the CEO.
- Approves awards to CEO under any other compensation arrangements.
 - The CEO may not be present during any Compensation and Governance Committee deliberations or voting on his or her compensation.
- Reviews and approves other Executive Officer compensation.
- Produces the Compensation and Governance Committee Report regarding compensation to be included in the Company's proxy statement.
- Reviews the Compensation Discussion and Analysis and recommends its inclusion in the Company's Annual Report on Form 10-K and its proxy statement.
- Considers the results of the vote on advisory proposals submitted to shareholders related to executive compensation.
- Oversees the process for identifying and addressing any material risks relating to the Company's compensation policies and practices.
- Considers the extent, if any, to which risks arising from the Company's compensation policies and practices are reasonably likely to have any material adverse effects.

- Considers the extent, if any, to which incentive compensation programs encourage unnecessary or excessive risk taking or illegal or improper behavior by employees.
- Approves and periodically assesses the effectiveness of any policies, plans or agreements concerning the recoupment of incentive compensation, or “clawback policies.”
- Has the authority, in its sole discretion, to retain or obtain the advice of any consultant, independent legal counsel or other adviser to assist the Compensation and Governance Committee in the performance of the Committee’s duties, is directly responsible for the appointment, compensation and oversight of the work of any such consultant, legal counsel or other adviser the Committee retains, and shall work with the Company to provide for appropriate funding, as determined by the Compensation and Governance Committee, for payment of reasonable compensation to such consultants, legal counsel or other advisers.
 - May select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Compensation and Governance Committee, other than in-house legal counsel, only after taking into consideration the following factors:
 - the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
 - the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
 - the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
 - any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Compensation and Governance Committee;
 - any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
 - any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the compensation consultant, legal counsel, other adviser with an Executive Officer of the Company.

Retirement Plan Company Contribution:

- Review and approve determination and payment of the annual discretionary contribution to the Company’s defined contribution retirement plan.

Profit-Sharing Bonus Plan:

- Approval of economic profit level targets.
- Certification of target achievement.
- Authorization of payment of bonus to eligible employees.

Develop, identify, and/or design for recommendation to the Board of Directors:

Nomination:

- Qualified Board members.
 - In its sole discretion, has the authority to retain and terminate any search firm to be used to identify director candidates and approve such firm’s fees and other retention terms.

- Board member nominees for annual election.
- Individual Board member development and education.
- Size and composition of the Board, to be reviewed and assessed on an ongoing basis.
- Effectiveness of the Board’s leadership structure.
- Individual Board member development and education.
- Board succession plans.
- Board member orientation process.
- Board self-evaluation process.
- Nominees for Board committee appointments.

Corporate Governance:

- Corporate Governance Principles.
- Code of Ethics.
- “Best Practices” for corporate governance.
- Response to shareholder proposals.

III. DELEGATION OF AUTHORITY

The Compensation and Governance Committee may create a subcommittee of the Committee consisting of one or more directors on the Committee and may delegate any of its duties and responsibilities to such subcommittee, unless otherwise prohibited by applicable laws or listing rules.

The Compensation and Governance Committee may delegate any of its duties and responsibilities, including the administration of equity incentive or employee benefit plans, to one or more directors on the Committee, another director or other persons (including the Company’s executive officers (within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended)), unless otherwise prohibited by applicable laws or listing rules.

Any subcommittee, director or other person will provide a written or oral report to the Compensation and Governance Committee regarding any activities undertaken pursuant to such delegation.

The Compensation and Governance Committee may terminate any such subcommittee and revoke any such delegation at any time.

IV. COMPOSITION

The Committee shall be comprised of at least three Independent Directors appointed by the Board, each of whom shall serve at the pleasure of the Board. “*Independent Director*” means the director is not a current or former employee of the Company, does not receive any consulting, advisory or compensatory fee in any capacity other than as director, has no interest in any significant transactions or business relationships with the Company, is not an affiliate of the Company or any subsidiary, is a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, is an “Outside Director” as defined by the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended, and otherwise meets all independence requirements imposed by federal and state securities or tax laws, or any rules, regulations, or listing standard of any applicable national securities exchange or the SEC. In addition, the Board must consider all factors specifically relevant to determining whether a director has a

relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Compensation and Governance Committee member, including, but not limited to:

- the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

IV. MEETINGS

The Compensation and Governance Committee shall meet at least annually, or more frequently as circumstances dictate.