

**KIMBALL ELECTRONICS, INC.**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

**I. PURPOSE**

The primary function of the Audit Committee is to provide independent, objective oversight of Kimball Electronics, Inc.'s (the "*Company*") accounting functions, internal controls, and financial reporting.

The management of the Company is responsible for the accounting and related systems of internal controls. The Audit Committee, in carrying out its role, relies on senior management, including senior financial management, the internal audit group, the independent registered public accounting firm, and other parties as the Audit Committee deems appropriate.

The Audit Committee's primary duties and responsibilities are:

- To monitor and oversee the accounting functions, financial reporting processes, and internal controls.
- For the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- To serve as an independent and objective party to review and appraise the audit efforts of the Company's independent registered public accounting firm and internal audit group.
- To provide an open avenue of communication among the Company's independent registered public accounting firm, financial and senior management, the internal audit group, and the Board of Directors.

In order to carry out its duties, the Audit Committee has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The Company is responsible for providing appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board of Directors, for payment of (i) compensation to any 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; (ii) compensation to any advisers employed by the Audit Committee; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out the Audit Committee's duties.

**II. COMPOSITION**

The Company shall comply with the phase-in provisions of NASDAQ Stock Market Rule 5615(b) for the requirements regarding composition of audit committees. Effective as of the expiration of the phase-in period, the Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, each of whom shall be independent directors as defined within The NASDAQ Stock Market LLC and the Securities and Exchange Commission Audit Committee Requirements.

All Audit Committee members shall be "financially literate" as defined by The NASDAQ Audit

Committee Requirements. At least one member of the Audit Committee shall qualify as an “audit committee financial expert” as defined by The NASDAQ Audit Committee Requirements. The members of the Audit Committee shall be appointed by the Board of Directors at the annual organizational meeting of the Board.

### **III. MEETINGS**

The Audit Committee shall hold at least seven annual sessions—three formal in-person meetings and four teleconference calls, unless circumstances would dictate additional sessions are warranted. The Audit Committee shall hold update sessions during each quarter to discuss the results of the Company’s independent registered public accounting firm’s review of the quarterly financial statements and to review appropriate regulatory security filings prior to filing both the earnings press release, if any, and the security filing for the period. The update shall occur during a single session each quarter with the exception of the fourth quarter, in which fourth quarter two individual sessions shall occur due to the fourth quarter earnings release, if any, and regulatory filing occurring on separate dates. If the Company will not issue a fourth quarter earnings release, only one update session need occur in the fourth quarter.

During the update sessions, the Audit Committee (with, at the minimum, the Committee Chair or designee present) will discuss the quarterly earnings release (if any) collectively with financial management, the independent registered public accounting firm, and the internal audit group. The discussion will include difficult or contentious matters, significant adjustments and unusual transactions during the quarter, any key changes in or new disclosures effective in the quarter, critical and/or significant accounting estimates and changes in critical and/or significant accounting policies or practices, as well as disagreements, if any, in the application of generally accepted accounting principles (“GAAP”) between the independent registered public accounting firm and management. The discussion will further encompass the independent registered public accounting firm’s judgment as to the “quality” of the reported earnings and preference of accounting policies. In addition, the CEO and CFO will disclose to the Audit Committee any significant deficiencies in the internal controls or fraud detected based upon their most recent evaluation. Each of these quarterly audit update sessions will involve a separate executive session, if appropriate, where Audit Committee members, the independent registered public accounting firm and the internal auditor can meet without management present, to discuss matters each of these groups may believe should be discussed privately.

As part of its responsibility to foster open communication, the Audit Committee shall meet at least annually with management, the director of internal auditing, and the independent registered public accounting firm, in separate executive sessions, to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

Audit Committee decisions may be approved by unanimous written consent from all the members.

### **IV. AUDIT COMMITTEE PROCESSES**

#### Review of Charter

Review and reassess the adequacy of the Audit Committee Charter at least annually or as conditions dictate.

Complete an annual Audit Committee self-evaluation.

Support the annual assessment of the Audit Committee by the Compensation and Governance Committee on behalf of the Board of Directors.

#### Staffing/Independence of Auditors

Review activities, organizational structure, and qualifications of the internal audit group. Select, retain, evaluate, and, where appropriate, replace the independent registered public accounting firm. The independent registered public accounting firm is ultimately accountable to the Audit Committee, as representatives of the shareholders.

On an annual basis, review the independent registered public accounting firm's internal quality control procedures and related material issues resulting from recent reviews.

On an annual basis, ensure the receipt of a written statement from the independent registered public accounting firm delineating all relationships between the firm and the Company, and a confirming that in the firm's judgment, it is independent of the Company. The Audit Committee will actively engage in a dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services which may impact the objectivity and independence of the firm. Based upon the information received from and discussions conducted with the independent registered public accounting firm, the Audit Committee will make a resolution that the firm is independent or, if necessary, take appropriate action to ensure the independence of the firm.

Approve all fees and other compensation to be paid to the independent registered public accounting firm. In addition, any audit or non-audit services by the independent registered public accounting firm are to be approved by the Audit Committee in advance of the services being performed. Under the pre-approval process as disclosed in the Company's public filings, the Chair of the Audit Committee may be delegated the authority to approve services to be performed.

#### Planning of the Audit

Provide an open avenue of communication with the independent registered public accounting firm, including discussion of items required to be communicated by auditing standards.

Review, at least annually, the independent registered public accounting firm's and internal audit group's joint business and financial risk assessment and resulting audit plan.

#### Audit Process

Review significant changes, if any, in the execution of the independent registered public accounting firm's and internal audit's previously reviewed joint audit plan.

Review significant changes to the Company's accounting principles and practices as suggested by financial management, the independent registered public accounting firm, or internal audit group.

Consider the independent registered public accounting firm's judgments about the preference and level of conservatism of the Company's accounting principles as applied in its financial reporting.

Ensure the independent registered public accounting firm conducts the appropriate Interim

Financial Review prior to the quarterly earnings release, if any, and the Company's filing of its Form 10-Q.

At least annually during a regular session, meet with financial management, the internal audit group, and the independent registered public accounting firm in separate executive sessions to discuss any matters, including the internal control environment, that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.

As a part of the regularly scheduled meetings, the Audit Committee members will meet at least two times annually in separate executive sessions.

Receive, review, and retain concerns regarding questionable accounting, internal accounting controls, or auditing matters received by the Company, or that were submitted confidentially and anonymously by employees, in accordance with the procedures set forth in Annex A.

Following completion of the Annual Audit, review separately with each of financial management, the independent registered public accounting firm and internal audit group any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

#### Reporting of Audit Results

Review the reports prepared by the independent registered public accounting firm and/or the internal audit group summarizing significant deficiencies and material weaknesses, including management's response to those weaknesses.

Review with financial management, the independent registered public accounting firm, and the internal audit group the quarterly earnings release, if any, prior to public dissemination.

Review and discuss the audited financial statements with management.

Discuss with the independent registered public accounting firm matters required to be discussed by auditing standards, including difficult or contentious matters, significant adjustments, significant unusual transactions, management judgments and critical accounting estimates, critical and/or significant accounting policies and practices, disagreements with management, as well as the auditor evaluation of the quality of the Company's financial reporting. As a part of this discussion, review with both the Company management and the independent registered public accounting firm (1) the selection, application and disclosure of critical accounting policies; and (2) all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent registered public accounting firm.

Obtain from, and review with, the independent registered public accounting firm the following: schedule of corrected misstatements, schedule of unadjusted differences, management representation letters, reports on observations and recommendations on internal control, and engagement letter.

Review and discuss other matters as required by auditing standards.

Prepare a report to be included in the Company's proxy statement in accordance with rules established by the Securities and Exchange Commission.

Report activities to the full Board of Directors on a regular basis, including whether the Audit Committee recommends that the audited financial statements be included in the Annual Report on Form 10-K, and report the Audit Committee's assessment of the independence of the independent registered public accounting firm.

**Annex A**  
**Procedures for the Submission of Complaints or Concerns  
Regarding Financial Statement Disclosures, Accounting,  
Internal Accounting Controls or Auditing Matters**

(i) The Company shall forward to the Audit Committee any complaints or concerns that the Company has received regarding financial statement disclosures, accounting, internal accounting controls or auditing matters.

(ii) The Company shall establish and publish on its website an e-mail address for receiving anonymous complaints or concerns related to financial statement disclosures, accounting, internal accounting controls or auditing matters. The Company may engage the services of a third-party service provider to receive such complaints on behalf of the Company via telephone, email or other appropriate method.

(iii) The Audit Committee shall review and consider any such complaints and concerns that it has received and take any action that it deems appropriate in order to respond thereto.

(iv) The Audit Committee may request special treatment for any complaint or concern, including the retention of outside counsel or other advisers.

(v) The Audit Committee shall retain any such complaints or concerns for a period of no less than five (5) years.

(vi) The Company's Business Ethics Policy prohibits any employee from retaliating or taking any adverse action against anyone for reporting or cooperating with an investigation regarding business conduct or ethical concerns.