

## **KIMBALL ELECTRONICS, INC. CORPORATE GOVERNANCE PRINCIPLES**

### **PHILOSOPHY**

As reflected in our Vision and Guiding Principles, Kimball Electronics, Inc. (the "**Company**" or "**Kimball**") is committed to the highest standards of ethical conduct in its business dealings. Kimball believes that the Company, through its Board of Directors ("**Board**"), Executive Management, and Employees, reflect these Guiding Principles in the structure of the governance of the Company. We are aligned, engaged, and operating in an environment of mutual trust and respect. While ethics cannot be legislated or mandated, they are the foundation of the Corporate Governance Principles which follow:

### **ROLE OF THE BOARD OF DIRECTORS**

The Board will protect the best interests of the Company's shareholders through oversight of its business by providing advice and consent for certain major decisions, and overseeing and monitoring management's performance. The Chief Executive Officer (CEO) reports to the Board, and the Board delegates to the CEO, and through that person to other members of senior management, the authority and responsibility for managing the Company's business.

### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

Among the Board's core responsibilities are to:

- Select and Evaluate the Board. Select individuals for Board membership and evaluate the performance of the Board, Board committees and individual directors.
- Select and Evaluate Senior Management. Select, monitor performance, and compensate the CEO and monitor the same for senior management.
- Executive Compensation Plans. Monitor the executive compensation plan design, annual plan formulation, assumptions, results and exceptions. This will be done directly or as appropriately delegated to the Compensation and Governance Committee.
- Monitor Management Succession Planning. Assure the management succession planning is adequate and current.
- Oversee Corporate Planning. Review and approve all significant Company plans, including, but not limited to:
  - Strategic Plans. Strategic sales and operational plans.

- Financial Plans. Financial projections and rolling forecasts.
- Monitor Results. Monitor Company performance and evaluate results compared to the strategic and financial plans and/or other long-range goals.
- Oversee Significant Capital Allocations. Review and approve significant capital allocations including:
  - Dividends. Dividend policy and declaration of dividends.
  - Share Buy-Backs. Share buy-back programs and their implementation.
  - Funded Debt. Major terms and condition of any funded debt incurred.
  - Capital Expenditures. Capital expenditures that individually exceed \$7,500,000, unless included as part of an approved Financial Plan and/or capital expenditures that collectively exceed an approved Financial Plan by \$7,500,000.
  - Acquisitions. Acquisitions that individually exceed \$7,500,000.
  - Divestitures – Sales of business operations or assets that individually exceed \$7,500,000.
- Oversee Financial Systems.
  - Controls. Review and approve the Company's financial controls and reporting systems.
  - Statements. Review and approve the Company's financial statements and financial reporting.
- Monitor Ethical Compliance. Review and approve the Company's ethical standards and legal compliance programs and procedures.
- Oversee Risk Management. Monitor the Company's management of enterprise risk, including review of geographical risks of operation locations.
- Oversee Relations with Constituents. Monitor relations with shareholders, employees, suppliers, customers and the communities in which the Company operates.

## **BOARD COMPOSITION**

### **A. Board Leadership Structure**

The Board believes that we best serve our Share Owners if the Board retains flexibility to decide what leadership structure works best for us under our current facts and in our current circumstances. Currently, the Board combines the roles of Chairman of the Board and Chief Executive Officer and, accordingly, maintains a separate position of Lead Independent Director. Our CEO has primary responsibility for our day-to-day leadership and strategic direction, and our Lead Independent Director facilitates oversight of management, promotes

communication among management and between management and the Board, presides over meetings of the independent directors, and helps to set and maintain Board culture. We believe that combining the Chairman and CEO roles at this time aligns the Board and management on key strategy and Board operations issues. In addition, our combined Chairman/CEO has multiple, in-depth perspectives on and knowledge of our markets and operations and can assist the Board in quickly enacting corporate initiatives. Our unified role ensures strong, central leadership, increases efficiency, and provides the Board with superior knowledge and timely information about our strengths and weaknesses and the issues we need to address moving forward.

### **B. Lead Independent Director**

If the Chairman and CEO roles are unified, the Board appoints a Lead Independent Director from among its ranks who will foster open communications among the Board, collect input from the independent directors for sharing with the CEO, preside over meetings in the Chairman's absence and generally liaise with the Chairman on behalf of the Board.

### **C. Size of Board**

The Company's Amended and Restated By-laws require that the Board consist of between 3 and 12 members, with the exact number being fixed from time to time by the Board of Directors.

### **D. Director Independence**

The exercise of independent judgment by the directors is critical to effective corporate governance. The majority of the directors on the Company's Board are classified as "Independent" in accordance with our stock exchange (NASDAQ) listing requirements, as well as an evaluation of the Board of any circumstances which may affect a director's ability to exercise independent judgment. Each independent director who experiences a change in circumstances that could affect such director's independence should deliver a notice of such change to the Company's General Counsel.

### **E. Board Membership Criteria**

The rapidly changing business conditions and markets, in which the Company operates, require a high-performance and committed Board. Expectations of our Board members include:

- Personal integrity.

- Commitment to the Company's Mission, Vision, and Guiding Principles.
- Practical judgment.
- Broad and complementary experience and expertise in areas relevant to the Company's business such that the members can bring a diverse set of skills and backgrounds to bear on the complicated issues which come before it.
- Prepare for, attend and participate in all Board and applicable committee meetings.
- Commitment to serve over a period of time sufficient to understand the Company's history, markets, and business operations.
- Willingness to think independently and present reasoned points of view.

#### **F. Shareholder Board Member Recommendations**

The Compensation and Governance Committee will consider candidates recommended by shareholders. A shareholder who wishes to recommend a director candidate for consideration by the Compensation and Governance Committee should send such recommendation to the Secretary of the Company at 1205 Kimball Blvd., Jasper, IN 47546, who will forward it to the Committee. Any such recommendation should include a description of the candidate's qualifications for Board service; the candidate's written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the shareholder and the candidate for more information. A shareholder who wishes to nominate an individual as a director candidate at the annual meeting of shareholders, rather than recommend the individual to the Compensation and Governance as a nominee, must comply with the advance notice requirements mandated by the Company's By-laws.

#### **G. Conflicts of Interest**

A relationship by a Board member, or a member of his or her family, with a customer, supplier, or other relationship which may impair a director's ability to exercise independent judgment is prohibited.

#### **H. Director Resignation**

Any non-employee Director who changes his or her principal occupation or employment, or retires, is required to offer his or her resignation to the Chair of the Corporate Compensation and Governance Committee. The Committee, in consultation with the CEO and the Lead Independent Director or Chair of the

Board, shall recommend to the full Board whether to accept or decline the offered resignation.

### **I. Board Refreshment**

The Company's Amended and Restated By-laws provide that no board member may serve more than four consecutive three-year terms or stand for re-election after reaching seventy-two (72) years of age.

## **BOARD OPERATION**

### **A. Scheduling Meetings**

Board meetings are scheduled in advance. There are four regularly-scheduled meetings per year. The Board can also meet at other times or act by unanimous written consent, as appropriate in the circumstances.

### **B. Agenda**

The Chairman and Chief Executive Officer, in common consultation with the Lead Independent Director and Secretary, drafts the agenda of each meeting and distributes it in advance to the Board. There is an annual cycle of agenda items which include governance matters, operational, strategy, succession and talent reviews and finance reports by the Chief Executive Officer, Chief Financial Officer and/or operating unit executives.

### **C. Attendance**

It is expected that directors attend all Board meetings, as well as the annual meeting of shareholders.

### **D. Preparation**

Relevant materials are sent in advance of the Board meeting for review and adequate preparation by Board members.

### **E. Board Access to Management**

The Board has complete and open access to any member of the Company's management. Senior Executive Management is often present at Board meetings which allow access directly to the Board members.

### **F. Access to Independent Advisors**

The Board of Directors and its Committees have the authority to the extent necessary to carry out their duties, the right to retain legal, financial, compensation, or other advisors.

### **G. Executive Sessions of Independent Directors**

Independent Board members have the opportunity to meet without management present at least twice annually at regularly scheduled meetings.

### **H. Board Communications with Shareholders**

Shareholders may communicate with Board members by sending comments in care of the Company's Corporate Secretary at 1205 Kimball Blvd., Jasper, IN 47546. The Corporate Secretary has the discretion to forward the correspondence to the director, or if circumstances dictate, to other departments within the Company to which such communication is more appropriately addressed. A log of correspondence received and copies are available to any director who wishes to review it.

### **I. Board Evaluation**

The Board will conduct a regular review of its operation, its committees, and its members, with the opportunity for annual evaluations, utilizing a third-party evaluator as appropriate, with a focus on determining the effectiveness of the Board in operating as a coherent and effective governing body.

## **COMMITTEES**

Committees are established by the Board from time-to-time to assist in the execution of the Board's responsibilities. There are standing committees, as well as the opportunity if necessary to appoint ad hoc committees for a specified purpose. There are currently no ad hoc committees of the Board, and there exist two standing committees:

Audit  
Compensation and Governance

Members of all standing committees are appointed by the Board. These committees will normally meet quarterly, or more frequently as circumstances dictate. Each committee carries out its responsibilities in accordance with the authority delegated in its Charter from the Board of Directors. The Chair of each committee of the Board will, in consultation with appropriate committee members and members of management, and in accordance with the committee's charter, determine the frequency and length of committee meetings and develop the committee's agenda. Each committee has the

authority to engage outside advisors and reports its findings and recommendations for action.

A brief description of the standing committees is as follows:

Audit Committee – The primary function of the Audit Committee is to provide independent, objective oversight of the Company's accounting functions, internal controls, enterprise risk, cybersecurity, and financial reporting. Its primary duties and responsibilities are to monitor and oversee the accounting functions, internal controls, serve as an independent and objective party to review and appraise the audit efforts of the Company's outside auditor and internal audit group, and provide an open avenue of communication among the outside auditor, financial and senior management, the internal audit group and the Board of Directors.

The Audit Committee will ensure that the lead audit partner and the audit review partner be rotated every five (5) years as required by SEC rules.

Compensation and Governance Committee – The Committee's primary functions are to assist the Board of Directors discharge of its obligations relating to the fair and competitive compensation of the Chief and other Executive Officers of the Company, identification of individuals qualified to be Board members, Board committee nominations, corporate governance practices, Board member evaluations, orientation, and succession planning.

## **CLAWBACK POLICY**

Kimball believes that it is in the best interests of the Company and its shareowners to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. Therefore, Kimball has adopted a policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws.

## **POLICY PROHIBITING SPECULATIVE TRANSACTIONS**

Kimball considers it improper and inappropriate for any director or executive officer to engage in short-term or speculative transactions in Company stock or debt. Such activities may put the personal gain of the individual in conflict with the best interests of the Company and its shareowners, may create the appearance that the individual is trading based on material non-public information, is focused on short-term performance at the expense of long-term objectives, and/or be a potential violation of the law. Therefore, Kimball has

adopted a policy prohibiting such transactions including Short Sales, Hedging Transactions, Publicly Traded Options, Margin Accounts, and Pledges.

### **BOARD STOCK OWNERSHIP GUIDELINES**

To more closely align the interests of our directors with those of our stockholders, the Board has adopted stock ownership guidelines which outline the desired holding of certain levels of equity interest in the Company by not only executives, but directors as well.

### **PERIODIC REVIEW OF CORPORATE GOVERNANCE PRINCIPLES**

These principles shall be reviewed periodically by the Compensation and Governance Committee and the Board will make appropriate changes based on recommendations from such committee.

*Last updated: May 2021*