

# **Kimball International, Inc.**

## **Audit Committee of the Board of Directors Charter**

(As amended and restated on April 24, 2017; approved by the Board of Directors on April 25, 2017)

### **Purpose**

The purpose of the Audit Committee is to assist the Board of Directors (the “Board”) of Kimball International, Inc. (“Kimball”) in oversight of the:

1. Integrity of the financial statements, the financial reporting process, the system of internal controls of Kimball and the audit of Kimball’s financial statements;
2. Independent registered public accounting firm’s qualifications and independence;
3. Performance of Kimball’s internal audit function and independent registered public accounting firm; and
4. Compliance by Kimball with legal and regulatory requirements.

The Audit Committee is responsible for preparing disclosures required by the Securities and Exchange Commission (the “SEC”) regulation S-K Item 407(d)(3)(i) relating to the Audit Committee report to be included in the annual proxy statement.

In order to carry out its duties, the Audit Committee has the authority to engage independent advisors to advise the committee as it determines necessary. Kimball is responsible for providing the funding that the Audit Committee determines appropriate to carry out its duties and responsibilities.

The Audit Committee will endeavor to provide an open avenue of communication among Kimball’s independent registered public accounting firm, financial and senior management, the internal audit group, and the Board. Each Audit Committee member will maintain an understanding of the requirements of membership which are necessary to meet and fulfill Audit Committee responsibilities.

### **Committee Membership**

The Audit Committee shall consist of at least three directors as determined by the Board, each of whom shall meet the independence and experience requirements of the New York Stock Exchange, Rule 10A-3(b)(1) of the Securities Exchange Act (the “Exchange Act”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”).

All Audit Committee members shall be able to read and understand fundamental financial statements, in accordance with the requirements of the Nasdaq Rules. At least one member of the Audit Committee shall be an “Audit Committee financial expert” as defined by the SEC.

The members of the Audit Committee shall be appointed by the Board at the annual organizational meeting of the Board or at such other time as the Board deems appropriate. The Board shall designate one member of the Audit Committee as the Chair of the Committee.

### **Meetings**

The Audit Committee shall hold at least three in-person meetings each year and additional quarterly teleconference calls in order to discuss the results of Kimball’s independent registered public accounting firm’s review of the quarterly financial statement and to review, prior to issuance or filing, the earnings press release and the periodic report to be filed with the SEC for the applicable period. Attendance by the Audit Committee Chair, or his designee, shall constitute a quorum for the transaction of business.

As part of its responsibility to foster open communication, the Audit Committee shall meet periodically in separate executive sessions with management, the internal auditors and the independent registered public accounting firm, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate.

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

## Audit Committee Processes

The following functions shall be the common recurring activities of the Audit Committee in performing its oversight function.

### Review of Charter

Review and reassess the adequacy of the Audit Committee Charter at least annually or as conditions dictate and recommend any changes to the Board for approval.

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. The Audit Committee also ensures that the internal audit function remains independent when performing audit engagements.

Select, retain, evaluate, compensate, and, where appropriate, terminate the independent registered public accounting firm. The Audit Committee shall be directly responsible for the appointment and oversight of the work of the independent registered public accounting firm, including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting, as required by Rule 10A-3 of the Exchange Act. The independent registered public accounting firm shall report directly to the Audit Committee.

On an annual basis, obtain and review a report by the independent registered public accounting firm describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality-control review, peer review, or review by the Public Company Accounting Oversight Board of the independent registered public accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, representing one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and any other required reports from the independent registered public accounting firm.

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 Kimball, and a letter confirming that in the firm's judgment, it is independent of Kimball. 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 shall present its conclusions to the Board and, if necessary, shall take, or shall recommend that the full Board take, appropriate action to oversee the independence of the independent registered public accounting firm.

Approve all services and fees and other compensation to be paid to the independent registered public accounting firm. Any audit or permissible non-audit services by the independent registered public accounting firm, subject to the de minimis exception for non-audit services described in Section 10A(i)1(B) of the Securities and Exchange Act of 1934 are to be approved by the Audit Committee in advance of the services being performed. Under the pre-approval process established by the Audit Committee and disclosed in Kimball's public filings, the Chairperson of the Audit Committee may be delegated the authority to pre-approve audit and permissible non-audit services for any potential services that arise between Audit Committee meetings, provided that such pre-approvals are reported to the Audit Committee at its next regularly scheduled meeting, or sooner as appropriate.

### 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 business and financial risk assessments and resulting audit plans, including the adequacy of staffing.

### Audit Process

Review the effectiveness of the internal audit activity, including conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

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

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

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

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

Provide oversight of, and review at least annually, Kimball's risk management policies, unless reviewed by Kimball's Board of Directors.

Receive, review and retain concerns regarding questionable accounting, internal accounting controls, or auditing matters received by Kimball or that were submitted confidentially and anonymously by Kimball employees.

Discuss with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding Kimball's consolidated financial statements or accounting policies.

Discuss with management and, if applicable, Kimball's legal counsel, any legal matters that may have a material impact on Kimball's financial statements or compliance policies.

Following completion of the annual audit, review separately with each of financial management, the independent registered public accounting firm and internal audit group the results of the audit and 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 and discuss with management, the internal audit group and the independent registered public accounting firm the design, implementation, maintenance and quality of Kimball's accounting, financial and other internal controls and procedures, including their assessment of the adequacy of such controls.

Review and discuss with management and the independent registered public accounting firm, Kimball's quarterly earnings releases, financial information, and earnings guidance prior to public dissemination.

Review and discuss with management and the independent registered public accounting firm Kimball's quarterly consolidated financial statements, including disclosures made in management's discussion and

analysis, and the independent registered public accounting firm's review of Kimball's quarterly consolidated financial statements, all prior to the filing of Kimball's Form 10-Q for such period.

Review and discuss the audited financial statement with management and the independent registered public accounting firm, including disclosures made in management's discussion and analysis, all prior to the filing of Kimball's Form 10-K for such period.

Discuss with the independent registered public accounting firm matters required to be discussed by the Public Company Accounting Oversight Board auditing standards, including any difficulties encountered in the conduct of the audit, including any restrictions on the scope of activities or access to requested information, 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 Kimball's financial reporting. As a part of this discussion, review with both Kimball management and the independent registered public accounting firm (i) the selection, application and disclosure of critical accounting policies; and (ii) 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.

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.

### **Limitation of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the audit committee to plan or conduct audits or to determine that Kimball's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent registered public accounting firm.