



2020  
Environmental,  
Social & Governance  
Report





# About Kimball Electronics

## Who We Are and What We Do

Kimball Electronics was founded in 1961. We are a global, multifaceted manufacturing solutions provider. We provide contract electronics manufacturing services (“EMS”) and diversified manufacturing services, including engineering and supply chain support, to customers in the automotive, medical, industrial, and public safety end markets. We offer a package of value that begins with our core competency of producing “durable electronics” and have expanded into diversified contract manufacturing services for non-electronic components, medical disposables, precision molded plastics, and production automation, test, and inspection equipment. This package of value includes our set of robust processes and procedures that help us ensure that we deliver the highest levels of quality, reliability, and service throughout the entire life cycle of our customers’ products. We believe our customers appreciate our body of knowledge as it relates to the design and manufacture of their products that require durability, reliability, the highest levels of quality control, and regulatory compliance. We deliver award-winning service from our highly integrated global footprint which is enabled by a largely common operating system, a standardization strategy, global procedures, and teamwork. Our Customer Relationship Management (“CRM”) model is key to providing our customers convenient access to our global footprint and all of our services throughout the entire product life cycle. Because our customers are in businesses where engineering changes must be tightly controlled and long product life cycles are common, our track record of quality, financial stability, social and environmental responsibility, and commitment to long-term relationships is important to them.

Our services are sold globally on a contract basis, and we produce products to our customers’ specifications. Our manufacturing services primarily include:

- Design services and support
- Supply chain services and support
- Rapid prototyping and new product introduction support
- Product design and process validation and qualification
- Industrialization and automation of manufacturing processes
- Reliability testing (testing of products under a series of extreme environmental conditions)
- Production and testing of printed circuit board assemblies (PCBAs)
- Assembly, production, and packaging of medical disposables and other non-electronic products
- Design engineering and manufacturing of automation, test, and inspection equipment
- Design engineering and production of precision molded plastics
- Software design capabilities
- Complete product life cycle management

## Our Global Presence

Our global footprint supports our customers’ specialized manufacturing needs. Whether the requirement is in-region support for an end market, access to a lower cost market, or proximity to a customer team, Kimball Electronics has a solution.

### North America

- Jasper, Indiana  
*(1 Manufacturing Facility, World Headquarters)*
- Indianapolis, Indiana
- Tampa, Florida
- San Jose, California
- Reynosa, Mexico

### Europe

- Poznan, Poland
- Timișoara, Romania

### Asia

- Nanjing, China
- Suzhou, China
- Trivandrum, India
- Chiba, Japan
- Laem Chabang, Thailand
- Ho Chi Minh City, Vietnam





# Creating Quality for Life



**In 2020, we adopted our Company's Purpose Statement: Creating Quality for Life. It sums up why we exist as a company beyond earning profit and articulates the enduring value we deliver to our broad base of stakeholders.**

While our Purpose Statement is new, this approach to business has been with us since our Company's start—and has stood the test of time.

We strive to demonstrate our purpose of Creating Quality for Life every day.

**Kimball Electronics creates quality for life through the many life-saving and life-improving products we provide to our customers and their end users.** Our Purpose extends beyond simply building something. We expect that what we do will create a positive experience for the end user.

**Kimball Electronics creates quality for life for our people** through a respectful and rewarding company culture that encourages meaningful work, promotes a sense of family (at work and at home), and keeps their best interests in mind.

**Kimball Electronics creates quality for life for our communities** through our positive societal and environmental impacts.

**Kimball Electronics creates quality for life for our Share Owners** by providing a positive financial return and a sound financial investment.

Our Purpose Statement ties directly to our environmental, social, and governance philosophies and activities highlighted in this year's ESG report.





Dear ESG Readers,

Welcome to our second annual Environmental, Social and Governance (ESG) report, which provides us an opportunity to further showcase the many ways our Company and our employees worldwide live up to our Purpose Statement, “Creating Quality for Life.”

Our ESG beliefs and practices are near and dear to us. They are also important to all of our stakeholders and to the greater good of humankind. We will strive each year for improvements in our reporting and transparency.

Despite the global interruptions and challenges caused by the COVID-19 pandemic, 2020 brought out the best in our people in various ways, many of which are noted in this report.

### Environmental

In the Environmental section of this report, we note that the pandemic posed new challenges for us when it came to ensuring employee safety, which is always our number one priority.

We continued to make every effort to keep all of our facilities safe by utilizing protection shields, face masks, body temperature scanning, social distancing, and proper hygiene—all while doing a remarkable job of responding to customer needs. Because of the disciplined response and extraordinary effort of our people around the world, we were able to perform our mission as an “essential business” and support the significant increases from our medical customers for their respiratory care and patient monitoring products.

Of our 6,400 employees around the world, approximately 3% have tested positive for the virus, and in each positive test case, our responses followed established protocols for communication to our employees, contact tracing, self-quarantining, testing, and sanitization of the affected work areas.



We continue to address COVID-19 challenges in the right way. We take care of each other, and together, we take care of our customers. Our response to COVID-19 has made us an even stronger company.

### Social

The Social section of this report proves that the pandemic did not detract us from demonstrating our commitment to the human rights, labor, and societal elements of our social focus.

We remained committed to Creating Quality for Life when it comes to our people, their families, and our communities.

We reinforced employee awareness of our Code of Conduct, which is shared publicly online, as well as our EthicsPoint hotline, which can be used by all employees to anonymously report ethics violations without retaliation. All EthicsPoint submissions come to me as well as other executives and Board members so that, collectively, we are able to most effectively fact find and address issues appropriately.

Our expectations regarding ethics and anti-corruption have never swayed. We strive to have all Board members and employees worldwide take Ethics and Compliance Essentials Training every year.

We remain human centered and purpose driven in our efforts to develop our people. We continue to support the personal development of our people and take pride in the many job promotions occurring at all levels within our Company. In 2020, we continued to hire new employees, asking them to help us become an even greater Company. In fact, we bolstered our talent management efforts by enhancing our manager preparation process for career development discussions, tracking our employees’ development plans digitally, and maturing in our understanding of data related to our human capital management.

While the pandemic greatly hindered our people from giving their time and/or talent in person to help worthy causes, we demonstrated our generosity in the form of Company donations and Company-supported employee fundraisers.





We also donated face masks and other forms of support to help our medical communities who bravely save the lives of others on the frontline of the pandemic.

Despite the pandemic, we continued striving to contribute up to 1% of our total fiscal year net income, globally, to charities and causes as a way to monetarily measure our dedication to our Citizenship Guiding Principles. Unfortunately, the pandemic prohibited many worthy causes from conducting traditional key annual fundraising events, lessening their requests for assistance and reducing our donations this year. Regretfully, we also had to lessen the frequency of our Company-sponsored blood drives. We will keep giving as we continue to achieve and sustain our Lasting Relationships and Global Success.

**Governance**

The Governance section of this ESG report provides a thorough overview of our commitment to good corporate governance.

Our Board oversees all of our principles and practices and regularly reviews our overall governance structure. During the last year, the Board approved governance changes to improve our voting processes for our Share Owners.

Governance, to us, means keeping an eye on the big picture, with a firm focus on doing the right thing when it comes to compliance.

**And Finally**

Our Company’s purpose is Creating Quality for Life for our wide range of stakeholders. I hope this ESG report demonstrates how Creating Quality for Life is the perfect purpose statement for us. It is simply what we do, and what we do well.

Our Company is a responsible guardian of our economic, environmental, and human resources. The actions we take in our ESG efforts positively affect our business strategies and benefit our people, our customers, and our communities.

This report highlights some of the actions taken since our 2019 ESG report that demonstrate our commitment to become even better in our environmental, safety, human rights, labor, societal, and governance efforts.

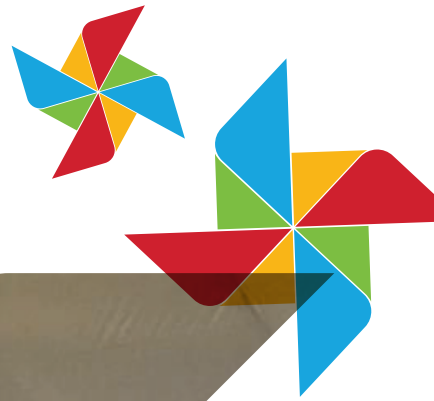
We have always taken pride in doing the right thing. What our 2020 ESG report clearly shows is that we can still do the right thing—even during the toughest of times.

I hope you enjoy our newest ESG report.

Stay safe and well.

Thank you.

Donald D. Charron  
Chairman and Chief Executive Officer





# Environmental

Making our communities better through a people-centered culture and a commitment to responsible operations.





## The pandemic brought challenges to the safety, environment, and facilities (SEF) areas of our business in 2020, though we always kept the safety of our people as our main priority.

We implemented plans, procedures, and protocols to help mitigate the spread of COVID-19, all of which continue to enable us to safely meet the significant demand from our medical customers for their respiratory care and patient monitoring products—essential items to combat the coronavirus.

COVID-19 disrupted global operations during the initial outbreak. Our suppliers and our facilities in China were initially adversely impacted. To help our Chinese teammates at a time when China was experiencing a face mask shortage, we sent face masks, purchased in the U.S., to our Nanjing and Suzhou manufacturing facilities. In return, our China team returned unused face masks to us in the spring at a time when the U.S. was experiencing a shortage.

To maintain the health and safety of our people, we provided masks and instituted strict mandatory face covering and social distancing measures within all facilities and a work-from-home approach whenever possible.

As COVID-19 spread around the world, it intensified the need for cooperation and collaboration between all of our global facilities. Our SEF council, consisting of representation from all of our facilities, shared best practices, documents, and data with one another, demonstrating that we are “one” and that together we will persevere.

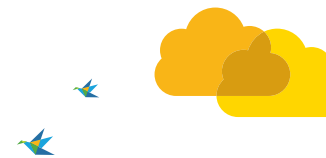
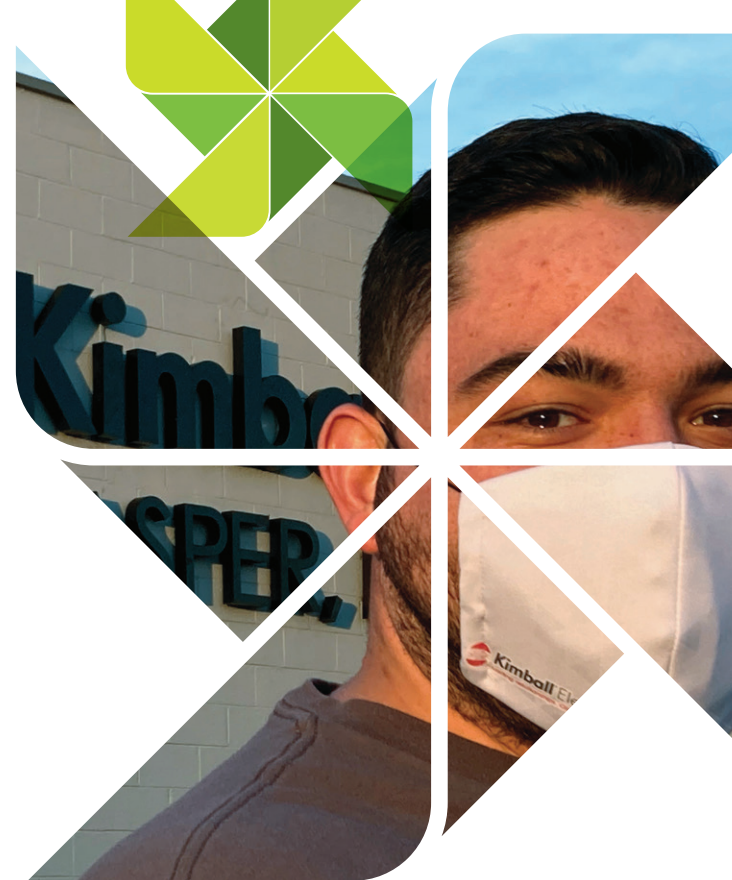
For however long we remain challenged by COVID-19, we will continue to meet the respective regulations established by the governments where our facilities are located to protect our number one priority, our people.

Our environmental efforts did not go unaffected by COVID-19. During the first two quarters of 2020, some customers reduced their demands, thus affecting our measures related to our five key environmental goals. However, at the start of the third quarter of this calendar year, we have seen these numbers improving. We are tracking our environmental performance monthly and reviewing all of our environmental data quarterly.

We remain committed to continued excellence, leadership, and stewardship when it comes to protecting the environment and promoting the health and safety of our employees and members of our communities.

Our SEF team has worked diligently throughout the pandemic, and our employees have remained committed to social distancing, wearing face masks, and good hygiene.

We are proud of our global team for their safety efforts.



## Our corporate environmental, health, and safety beliefs fall into five areas:



**ENVIRONMENTAL  
MANAGEMENT**



**CARBON &  
CLIMATE**



**NATURAL  
RESOURCES**



**WASTE &  
TOXICITY**



**HEALTH &  
SAFETY**



### Environmental Management

Our Environmental Management System is the foundation of our environmental best practices globally. We have developed a robust environmental management system that is ISO 14001 certified.

### Carbon & Climate

We have participated in the Carbon Disclosure Project since 2011 to help drive continuous improvement. We focus on increasing the efficiency of our electrical energy usage and reducing Greenhouse Gas Emissions. We utilize cost effective technology to help drive efficiencies.

### Natural Resources

We are focused on decreasing water usage and increasing water recycling. Each location undergoes wastewater testing to assure that we are compliant. We participated in the new water security questionnaire by the Carbon Disclosure Project.

### Waste & Toxicity

We meet or even have less than the allowable air emissions, and we have procedures in place to recycle all of our hazardous waste. We strive to reduce hazardous and non-hazardous waste and landfill usage. We focus on the reuse and recycling of our packaging material.

### Health & Safety

The safety of our employees is paramount. Our Safety Management System, programs, employee involvement, and training make us a safer place to work. Our goal is zero injuries—always. We are in the process of achieving ISO 45001 certifications across the enterprise.

## Environmental Success

Our impact on global climate is real. We strive to reduce our energy usage and Greenhouse Gas footprint, and that starts with our local environment, health and safety teams, and the subsequent sharing of best practices globally. The reduction percentages below reflect the time period from 2014 to 2019. This is even more amazing when we note that several facilities were added to our Company during the past six years.

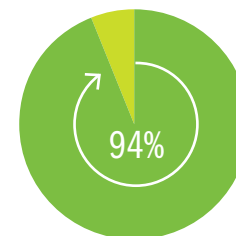
10% Reduction in Waste

23% Reduction in Air Emissions

40% Reduction in Water Usage

56% Reduction in Greenhouse Gas

52% Reduction in Hazardous Waste



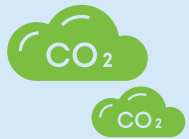
We recycled **94%** of our waste in 2019, representing a 10% increase in recycling over the past 6 years.





## Environmental Goals:

We are committed to building on our success and achieving the following additional reductions by 2025:



**10%**

### REDUCTION IN GREENHOUSE GASES

This equates to 234,000 trees.



**20%**

### REDUCTION IN WATER USAGE

This equates to 71 million 8-ounce glasses of water.



**15%**

### REDUCTION IN ELECTRICAL USAGE

This equates to 16,420,000 miles driven by car and 856,300,000 smart phones charged.



**10%**

### REDUCTION IN AIR EMISSIONS





## Our culture is a recipe for always doing the right thing globally. Essentials to success include:



**KEEP OUR PEOPLE SAFE**



**KEEP THE ENVIRONMENT CLEAN**



**KEEP OUR FACILITIES IN EXCELLENT CONDITION**



2

Here are specific things we are doing or have achieved recently in our global facilities that support our commitment to environment, health, and safety.

### Nanjing, China

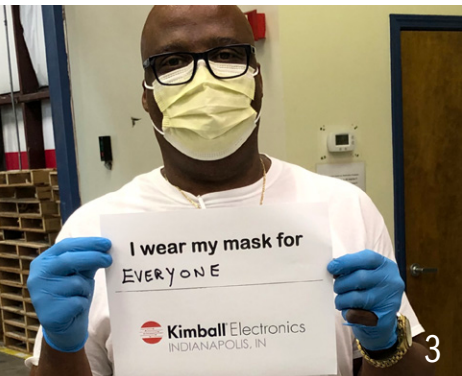
- Coworkers planted trees at our facility on Chinese Arbor Day.
- To celebrate Earth Day, we shared information with all employees about how to protect the planet. We also assessed the waste practices at our facility and made plans to further train employees on recycling and waste management.
- For World Environment Day, we encouraged bicycling, reducing food waste, reusing items from home, and held a protect the environment quiz.

### Timișoara, Romania

- Achieved ISO 14001: 2015 environmental management system recertification.
- Achieved ISO 45001: 2018 safety management system surveillance audit completion.
- Achieved ISO 50001: 2018 energy efficiency management system surveillance audit completion.
- To promote health and wellness, our team named Friday “FruFriday,” giving employees fruit.

### Trivandrum, India

- On Earth Day, employees shared ways they are personally helping the environment at home.



3

### Jasper, Indiana (Manufacturing)

- Some employees used personal 3D printers at home to make face mask fasteners for coworkers.
- On Earth Day, we encouraged employees to bring in recyclables from home.

### Indianapolis, Indiana

- Employees received reusable tumblers to reduce paper cup usage.

- 1 A manufacturing engineer at our Jasper manufacturing facility coached a local middle school team during a Future City project focused on sustaining clean drinking water as part of a statewide competition promoting Science, Technology, Engineering, and Mathematics (STEM).
- 2 During World Environment Day, employees in Nanjing were encouraged to bike to work to help reduce vehicle emissions.
- 3 Our Indianapolis facility created a campaign, “I Wear My Mask For . . .”, to further communicate the importance of wearing face masks to help reduce the risk of spreading COVID-19.

### Laem Chabang, Thailand

- Ten employees donated 1.5 hours each to pick up litter at a local beach.
- Sustained Green Industry Level 3 Certification issued by Ministry of Industry of Thailand.
- During Thai Environment Day, we educated employees about reducing energy usage. Also, employees participated in an environmental quiz, in which winners were awarded cloth bags to be used instead of plastic bags, promoting personal efforts to help reduce global warming. Employees were encouraged to submit suggestions and ideas to promote wise environmental practices at work.
- On Earth Day, employees shared ways to help the environment at home and received eggplant, basil, pepper, and tomato plants to promote healthy diets.
- On World Environment Day, we challenged employees to come up with creative ways to reuse material waste for new, practical purposes. (The photo on page 5 shows an employee who turned an old tire into a planter.)

### Jasper, Indiana (World HQ)

- CEO Don Charron participated in videos reinforcing the importance of face masks, social distancing, and proper hygiene.
- We piloted our first-ever High School Environmental Council involving seven students, with the goal of creating an Earth Day project. The team selected two environmental-related worthy causes to receive donations: Dubois County 4H (local) and Blue Ring ocean conservation (international). We also provided virtual access to three guest speakers based in Chicago (ocean conservation), New York City (waste), and Costa Rica (sea turtle protection).
- We held a photography contest to promote nature and earth.

### Poznan, Poland

- We earned the coveted Safety Leader Green Card from the Polish Central Institute for Occupational Safety and National Research Institute and Safety Leaders Association.
- In response to COVID-19, our engineers designed and constructed a temperature measuring device for employees to use when entering the building. The device's design and operating instructions were then made available to 150+ companies belonging to the Forum of Leaders of Safe Work, an organization run by the Central Institute for Labour Protection.
- Our team proudly earned third place in Poland's Work Environment Improvement contest, administered by the Central Institute for Occupational Safety—National Research Institute.
- We were recognized by the Polish Ministry of Labor for two projects improving workplace ergonomics. One project resulted in a 50% reduction in force needed to roll transport trolleys. The other project introduced a fixture that reduces back strain.
- Thirty-one employees accepted the Kimbikers challenge, riding their bikes to work instead of driving. From May through September, after 1,067 rides, they accumulated 25,312 kilometers. Since the program started in 2015, 151 participants have pedaled 202,256 kilometers (125,676 miles)—more than halfway to the moon.
- We rewarded employees with house plants if they brought in e-waste from home for recycling.
- More than 80 of our employees regularly train to ensure coworker safety on every shift and are prepared to administer first aid if necessary. (The photo on page 7 shows some of the trained employees.)
- We offered a program to help employees quit smoking.

### Reynosa, Mexico

- Our team launched a recycling campaign called “Living the Present, Preserving our Future,” during which employees brought recyclable materials from home to work. The team that brought in the most recyclable materials won a lunch paid for by the environmental engineers.
- We were recognized by The Mexican Confidential Information Destruction Association for ensuring the privacy of information when handling the disposal and recycling of hard copy documents.
- To celebrate World Energy Efficiency Day, we gave employees decals that encouraged them to minimize energy consumption and increase energy efficiency.

### Ho Chi Minh City, Vietnam

- We hosted an annual health screening for all employees.
- To further stress the value that we place on the environment, we improved the landscaping associated with our facility's trees.



World Headquarters volunteers continued quarterly Adopt-A-Street sessions, picking up roadside litter.







# Social

We are committed to engaging in meaningful ways to support our corporate citizenship beliefs around the world. To us, it's simply doing the right thing.





# Human Rights

We are a human-centered Company that fully supports human rights. We are proud of our facilities' compliance to human rights regulations throughout the world. For us, it's more than just being compliant, it's about doing the right thing. Our human rights beliefs are deeply rooted in our Guiding Principles.

Kimball Electronics promotes respect for fundamental human rights and views them as an essential element of responsible corporate citizenship. We believe that no company should prosper while violating the basic human rights of others through unlawful slavery, servitude, forced, or compulsory labor. Additionally, we are committed to working with our customers and suppliers to responsibly source the materials and components we use in our customers' products.

Our most recent online Global Supply Chain Transparency Statement details our compliance with the UK's Modern Slavery Act and U.S. regulation Combating Trafficking in Persons (48 CFR 52.222-50). It was approved by our Board of Directors. Key passages include:

- We champion both transparency and accountability for ourselves and our supply chain through our [Global Supplier Quality Manual](#).
- Our employee training includes identifying signs of potential human rights abuse.
- KEI has conducted numerous on-site audits of its subsidiaries and third-party suppliers. As a result of these audits, any suspect behavior which would reasonably be believed to evidence slavery, servitude,

or forced or compulsory labor has been reported to management for further investigation. We are pleased to report that zero incidents have been reported to management.

- Specifically, Kimball Electronics has conducted audits in the following countries: Austria, Canada, China, Czech Republic, Germany, Japan, Mexico, Poland, Italy, South Korea, Taiwan, Thailand, and the United States.

In response to social tensions that again exposed the problem of systemic racism in the U.S., our CEO shared a message with employees and social media expressing our support of the African American community. He also reinforced our overall beliefs in human equality:

- We do not tolerate racial bias, hate, and injustice.
- We value the diverse composition of our global team. Diversity and inclusion are what make us strong, not only as a company, but as a global society.
- A company must have a conscience and exercise its core values.
- We don't accept any action that threatens the human rights of others or puts diversity and inclusion at risk.

In honor of Juneteenth, we posted the following statement on social media: "It is a time to pause and reflect on the unquestionable value of respecting the dignity of the individual and the undeniable importance of human freedom."

We announced the addition of Martin Luther King, Jr. Day as a paid time-off holiday for U.S. employees starting in 2021. We selected this day as an added holiday because of what it stands for: a time to remember Dr. King's fight for the freedom, equality, and dignity of all races and

peoples through nonviolence, as well as the holiday's positioning as a national day of service encouraging volunteerism to help improve our communities.





## Labor

### We seek a diversified group of employees who are committed to preserving and enhancing our Values.

- This year, we raised the bar for our external recruiters and pushed them to expand our candidate pools to find the most qualified individuals available to us. This has resulted in a higher proportion of diverse candidates advancing in our interview process for specific critical roles. Our recruiters tell us that we stand out from other companies when it comes to this expectation, enabling us to hire the most qualified candidates from a more robust and diverse talent pool.
- We remained human centered and purpose driven in our efforts to develop our people and took pride in the job promotions that occurred at all levels.
- We regularly train and educate our leaders about the value of diversity—both from a personal perspective and a diversity of thought perspective—in order to continually drive improvement in our organization.
- We celebrated International Women’s Day (IWD), inviting a guest speaker to share her thoughts on opportunity, risk, passion, courage, transformation, and empowerment. On that day, we also donated money to Girls on the Run of Southwestern Indiana, which is dedicated to creating a world where every young woman knows and activates her limitless potential and is free to boldly pursue her dreams.
- We created awareness of both National Hispanic Month and National Indigenous People’s Day via social media and internal communication. To encourage a better understanding of Native American cultures, we hosted

a virtual poetry reading featuring world-renowned Native American poet and former Wisconsin Poet Laureate Kimberly Blaeser.

- Our facilities worldwide are gaining pace in their journeys to achieve ISO 27001 certification level compliance of their information security management systems (ISMS). Our World Headquarters and manufacturing facility in Romania are already officially certified to this standard.
- Kimball Electronics employees world wide are routinely tested on their cyber security knowledge to help identify and avoid online phishing techniques and other social engineering practices that could otherwise threaten the Company.
- As a result of open, non-defensive communication stemming from our 2019 International Women’s Day effort, we accepted the challenge to become more flexible and human centered to enhance our leave practices, specifically for new parents. We are committed to creating a working environment that is conducive to employees becoming better role models for their own family members through a healthy work-life balance.
- Since the initial roll-out of Leading, The Kimball Way in 2018, which was created to develop our leadership pipeline for the next 100 years, we have successfully assessed more than 400 employees through the Predictive Index tool and managed over 200 personal development plans via our human resources information system, Workday.
- Each member of our global workforce is encouraged to take our Guiding Principles survey, which tells us

how well we are living up to the philosophies we have historically believed in. Results of the most recent round of surveys continue to show that more than 90% of our employees participate in the survey, and more than 80% of our employees would recommend Kimball Electronics as an employer of choice to friends and family. To enhance the timeliness and effectiveness of this valuable employee feedback opportunity, our goal is to administer the survey annually, instead of biannually, starting in 2021.



Our facility in Tampa recognizes career advancement by inviting those promoted to pose for a photo while holding a sign referencing their growth.



## Society



### Reynosa, Mexico

- We donated medical necessities to a local children’s hospital and other healthcare facilities to help fight COVID-19.
- We promoted breast cancer awareness and prevention by offering employees pap smears and mammograms and by donating money to two cancer-related organizations.
- The company and employees donated money to the Teletón Foundation, which helps children and adults with disabilities, autism, and cancer.
- We continued our relationship with a local food bank that serves 7,000 people.
- We donated blankets to nursing home residents during the cold season.
- We donated mattresses to 30 team members whose houses were flooded during Hurricane Hanna.
- Jerseys, shorts, socks, and a ball were donated to a high school women’s soccer team.
- We continued to support a local drug rehabilitation center which helps addicts develop skills and confidence to return to society.

### Jasper, Indiana (World HQ)

- We donated N95 masks to the medical community.
- Since 2018, our employee giving circle, Kimball Electronics Gives (KEG), has granted \$22,000 to worthy charities in our communities. Employees voluntarily pay an annual fee to join KEG, which also supports our Kimball Electronics, Inc. Endowment.
- In the past three years, our World Headquarters Donations Team has given \$179,000 to worthy causes in the Jasper, Indiana region.

- Our team members made a difference in their communities in many ways, including helping upkeep snowmobile trails, wrapping presents for pediatric oncology patients, riding a motorcycle to raise money for fighting prostate cancer, and visiting a nursing home with a horse to raise residents’ spirits.
- Our Resident Engineer team in Fort Wayne, Indiana, participated in a United Way project, sponsored by a customer, focused on the upkeep of a memorial shrine for military veterans. (See photo on page 11.)

### Tampa, Florida

- We donated N95 masks to the medical community.
- We hosted an event for high school students interested in engineering.
- Our team partnered with Operation Gratitude to make paracord bracelets to support military veterans and emergency first responders.
- We donated hygiene and cleaning supplies and toys and games to a domestic abuse shelter.
- Our team donated school supplies to children in need.
- We provided canned goods and frozen turkeys to those in need through Metropolitan Ministries.
- By donating toys, our team supported the Marine Corps Toys For Tots program.



1 Our Mexico facility donated money to the Mexican Red Cross to support frontline workers battling the pandemic.

2 Our Marketing team created a “Thank You to our Heroes!” video and posted it on social media. Featured was the artwork of employees’ children honoring frontline heroes during the pandemic.





### Jasper, Indiana (Manufacturing)

- Our team sponsored several Career Advancement Partnership (CAP) students who attend a local university.
- Employees supported an agency that provides forensic interviewing services to children reporting abuse in southwestern Indiana.
- Through a bake sale, our employees raised money for a charity that provides comfort items to patients at a local cancer center.
- Our Cute Pet contest raised funds for a local animal shelter.
- We hosted employee blood drives.
- Our employees volunteered time to support the annual Young Women LEAD conference.
- We sponsored a robotics competition involving area schools and volunteered time to coach and run the event.

### Timișoara, Romania

- We donated money to a hospital to help fight COVID-19.
- Through a social responsibility project called KIM Kind HERO, more than 100 of our employees organized fundraisers for people in need in the community.



- Since first supporting Little People Association in 2018, our employees have continued encouraging and assisting children during their cancer battles.
- We continued to sustain a dual education program by facilitating scholarships to students at a technical vocational school.
- We recognized children of employees for the art they created to spread an “Everything Will Be OK” message in their neighborhoods during the pandemic.
- Our team hosted 63 eighth-grade students and their teachers and educated them on what type of jobs are offered in today’s electronics manufacturing environment.

### Nanjing, China

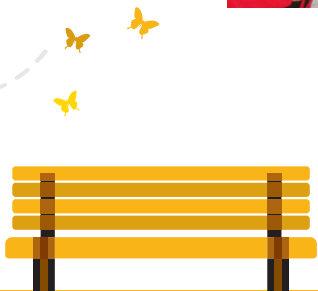
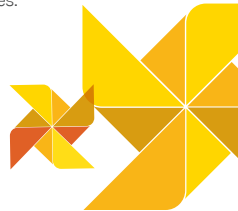
- Our team in China created a video for other Kimball Electronics employees worldwide expressing their moral support during the pandemic.
- More than 320 employees donated a total of 13,746 KRMBs (about \$2,000) to a charitable campaign benefiting hearing-impaired children.

- We rewarded employees with dessert for their vital role in serving customers during COVID-19.
- Our employees visited a school for hearing-impaired children, giving them books, candies, and cookies.

### Laem Chabang, Thailand

- We celebrated Thailand National Children’s Day by presenting gifts and scholarships to children at a local school.
- Team members volunteered to clean a local Buddhist temple.

- 1 Kimball Electronics employees in Romania provided basic food, clothes, and Christmas items for two elderly people and eight children in need.
- 2 In Nanjing, children of employees created “We Are In This Together” artwork to lift the spirits of employees worldwide.
- 3 Our Thailand facility sponsored onsite employee blood drives.





### Poznan, Poland

- We continued supporting an area orphanage with financial donations and provided gifts to the children.
- Our team celebrated the facility's 20-year anniversary with a large order of colorful, tasty macaroons purchased from a small, nearby cafe as a way to support local business during COVID-19.
- HR donated a stuffed toy version of our mascot to the Kimball Electronics Gives employee giving circle to help raise money for worthy causes in Jasper, Indiana. This was a unique way that a Kimball Electronics facility supported the charitable efforts of another facility.

### Indianapolis, Indiana

- We donated face masks and meals to the medical community.
- We provided "Love Wins" T-shirts to employees in celebration of diversity and inclusion.
- Our team held an employee Candy Grams event on Valentine's Day to raise money for Make-A-Wish.
- We sponsored a robotics competition for students.

### San Jose, California

- Our team supported a clothing drive in which employees donated "professional" clothing to help those in need who plan to participate in job interviews.

### Suzhou, China

- We supported a local lake in our community by holding a Family Day for employees there.

### Ho Chi Minh City, Vietnam

- We supported a local resort by holding a day dedicated to team building and fun there.



1 As part of our Poland facility's 20<sup>th</sup> anniversary in 2020, we awarded 20 scholarships to students in a local technical school's electronics classes.

2 Our India facility supported a competition between students challenged to come up with cost-cutting solutions involving real issues faced by governmental departments.





# Governance

We are committed to good corporate governance.





# Good governance at Kimball Electronics has these four key foundations:



**EFFECTIVE BOARD**



**FAIR COMPENSATION**



**SHARE OWNER ENGAGEMENT**



**FINANCIAL INTEGRITY**

Governance is dynamic. The world is in constant change. This was no more evident than in 2020 when the COVID pandemic roiled the world. Good corporate governance must change and adapt. Here are a few of the ways in which we adapted to help navigate the pandemic:

- We appointed a COVID Task Force of executives to closely monitor the developments, science, and spread of the disease.
- We held regular conference calls to update the Board of Directors.
- We adopted safety protocols in all facilities such as temperature testing, mandatory mask wearing, and contact tracing.
- We conducted regular Board meetings virtually.
- We held our first virtual annual Share Owners meeting.

Beyond external factors, good governance also requires a constant examination of our current practices and principles. After careful consideration, we proposed two significant changes to our Share Owners to improve our corporate governance, both of which were overwhelmingly approved:

1. **Supermajority Voting for Articles Amendment**  
We eliminated a supermajority voting requirement for amendment of our Articles of Incorporation. The Board felt this was appropriate for three key reasons:
  - (1) **Share Owner Accountability**—Share Owner voting rights are important and the primary way in which Share Owners can make their voices heard. If most of our Share Owners approve of a change to the Articles, the change should be made.
  - (2) **Evolution Post-Spin**—many of our governance structures were adopted and appropriate for a newly spun company. We have been a stand-alone public company now for many years, and some of the more restrictive practices have served their purposes.
  - (3) **Benchmarking**—the change is consistent with the practices of most public companies.
2. **Modified Majority Voting for Director Election**  
Modified Majority Voting means that if any incumbent director fails to receive a majority of “for” votes cast in an uncontested election, that director must tender his or her resignation, which will be considered for acceptance or rejection by the remainder of the entire



The Board of Directors of Kimball Electronics sets high standards, recognizing the importance of sound corporate governance. Those standards are clearly set forth in our Corporate Governance Principles.

Visit the [Corporate Governance](#) section of our Investor Relations web page to learn more.



Board. In addition to the reasons noted above, the Board felt this was appropriate because the modified approach provides for a Board review prior to the final dismissal of an incumbent director to avoid any inadvertent, negative, or unforeseen consequences. While there will be no automatic dismissal of any incumbent director who fails to receive the most votes, the Board is committed to a careful consideration of the potential reasons and rationale for the vote to ensure the Share Owner concerns as expressed by the vote are addressed.



**“Good corporate governance must change and adapt.”**

— John Kahle, VP, General Counsel, Chief Compliance Officer, and Secretary, Kimball Electronics





# Effective Board



## INDEPENDENCE

Except for our CEO, all six of our remaining Board members are totally independent.

## BOARD LEADERSHIP

We believe we best serve our Share Owners if we have the flexibility to decide what leadership structure works best for us under our current conditions and circumstances. Since we combine the roles of Chairman of the Board and Chief Executive Officer, we also have a separate Lead Independent Director. The Lead Independent Director facilitates oversight and communication between management and the Board, presides over meetings of the independent directors, and helps to set and maintain Board culture. Our combined Chairman/CEO has multiple, in-depth perspectives on and knowledge of our markets and operations, aligns the Board and management on key strategy and Board operations issues, and can assist the Board in quickly enacting corporate initiatives. Our unified role ensures strong, central leadership, and increases the efficiency of Board operations.



## DIVERSITY

Our current Board is 43% female. Our directors come from a variety of backgrounds and bring diverse personal attributes, strengths, skills, and experiences, which is most important to a well-balanced and effective Board.

## ALIGNED FINANCIAL INTEREST

Directors should own stock to be sure their financial interests are aligned with Share Owners. We have stock ownership guidelines which require that directors own stock valued at least three times their board compensation. Hedging or pledging company stock is prohibited.

## REFRESHMENT

Rotation of directors is important to provide for new ideas and perspectives. We have tenure limits for Board membership of age 72 or four consecutive three-year terms.

## TRANSPARENCY

Clear, concise, and timely communication to our Share Owners is critical to their understanding of our company. Our Corporate Governance Principles, as well as our annual proxy disclosures, provide an in-depth disclosure of the high standards we set for our governance philosophies and practices, including the procedures for receipt and evaluation of Share Owner proposals.

## PERFORMANCE EVALUATION

Performance evaluations are critical for continuous improvement in Board performance. Our Board conducts regular performance evaluations, utilizing an independent third-party evaluator as appropriate. Participation is a critical component of performance, and all Board members are expected to attend all Board and committee meetings.

## OVERBOARDING

Director service on other Boards is valuable in providing insights and perspectives on Board operations, but it is important that no director become too burdened with other Board obligations such that adequate time cannot be devoted to Kimball Electronics matters. We have no formal limits on outside board service but do monitor effectiveness through individual Board member evaluations.

## RETENTION

Our Share Owners' oversight through the voting process was enhanced by the adoption of Modified Majority Voting as highlighted on the previous page of this report.

## SUCCESSION

Succession planning is critical to ensure continuity and effective operation of the Board and the Company. The Board regularly reviews succession plans for management and the Board itself. We utilize professional recruiters to develop a qualified and diverse pool of candidates.







## Share Owner Engagement

### BY-LAWS

By-laws are the operational rules for the legal organization of the Company and the Board and include items such as principle office location, officer and director roles and responsibilities, and meeting rules. We believe these types of matters are best managed by the Board to allow for flexibility and effective operation in an ever-changing business landscape.



### STOCK CLASSIFICATION

We believe a classified stock structure is a significant diminution of Share Owner rights, so we maintain a single-class structure.

### BOARD STRUCTURE

We believe our current three-tiered classified Board provides an appropriate balance between Company and Share Owner interests because it provides independence, stability, continuity, and long-term focus, and it promotes value creation while still providing full Share Owner accountability.



## Fair Compensation

### CEO COMPENSATION

The Board reviews the CEO pay annually, often with the assistance of a third-party compensation consultant, and compares with relevant benchmarks to ensure CEO pay is competitive.

### RETURN OF IMPROPER COMPENSATION

Any performance-based compensation ultimately shown to be based upon incorrect financial results or other criteria should be returned to the Company. We have a specific “clawback” policy that requires recoupment of any officer or director compensation earned if the Company’s financial statements must be restated due to material errors or omissions.



### PERFORMANCE-BASED COMPENSATION

Incentive compensation has been a bedrock principle of our Company’s compensation philosophy since its founding. It is also clearly aligned with Share Owner interests in that a significant portion of an employee’s compensation is “at-risk,” meaning based upon financial and/or other measured performance criteria. Our profit-sharing bonus is paid out based on economic profit. Our long-term stock compensation program is paid out based on sales growth and economic profit.

### FAIR COMPENSATION

We believe our salaries are fair and competitive in the relevant markets in which we operate. Our stock compensation program is based upon a direct distribution of shares without restriction. While many companies may restrict awards or have unique provisions such as minimum holding periods, we believe that once our employees have earned their compensation, they should be free to manage it as they see fit. Beginning in 2018, our Share Owners began voting annually on their non-binding view of the compensation of certain executive officers. In 2020, their compensation was approved by over 97% of our Share Owners.



# Financial Integrity

## ABSOLUTE FINANCIAL INTEGRITY

We are committed to the highest standard of financial integrity. We have never received an adverse auditor opinion, nor restated our financial statements. Multiple procedures, standards, and audit checks are in place to maintain our financial integrity.

## STRONG INTERNAL CONTROLS

Strong internal controls are critical to accuracy in our financial reporting. Our internal audit and management services team regularly reviews and tests our internal controls, working closely with our outside auditors.



## DISCLOSURE COMMITTEE

We have a Disclosure Committee composed of our CEO, CFO, and General Counsel. The committee meets at least quarterly or more often as appropriate. Its purpose is to carefully review our public filings and financial disclosures for accuracy, compliance, and consistency.

## AUDIT COMMITTEE FINANCIAL EXPERTISE

It is important that the audit committee of the Board have a “financial expert” under SEC rules to ensure proper Board oversight of our financial disclosures. All members of our audit committee are qualified financial experts.

## ROBUST EXTERNAL AUDIT

We enjoy a positive working relationship with our external auditors, Deloitte and Touche. They work closely with our internal audit and management services team, and Deloitte personnel are regularly rotated to provide fresh audit insights.



## FINANCIAL INTEGRITY

Accuracy  
Transparency  
Regulatory Compliance





**World Headquarters**

Kimball Electronics, Inc.  
1205 Kimball Blvd.  
Jasper, IN 47546

[www.kimballelectronics.com](http://www.kimballelectronics.com)

