

**2021**

**ENVIRONMENTAL,**

**SOCIAL & GOVERNANCE**

**REPORT**



### 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 has 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 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);
- Production and assembly of medical devices, medical disposables including packaging, and other non-electronic products;
- Drug delivery devices and solutions with and without electronics;
- Design engineering and manufacturing of automation, test, and inspection equipment;
- Design engineering and production of precision molded plastics;
- Software design; and
- 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

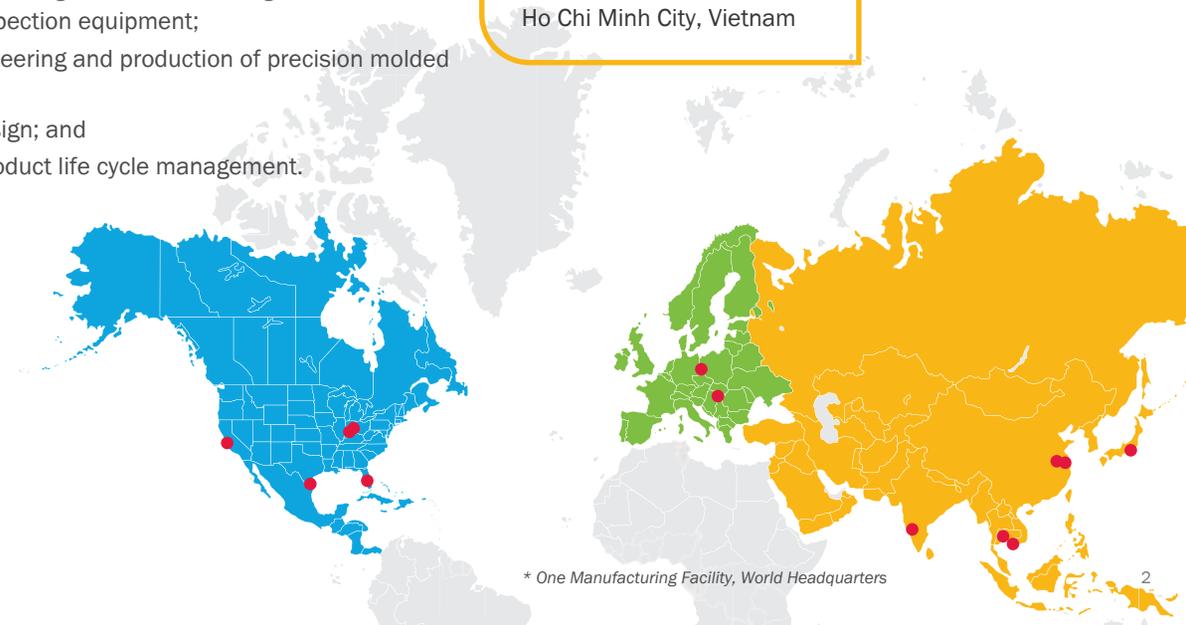
Jasper, Indiana\*  
Indianapolis, Indiana  
Tampa, Florida  
San Jose, California  
Reynosa, Mexico

#### 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

## for 60 YEARS

2021 marked our 60<sup>th</sup> year of Creating Quality for Life for our Customers and End Users, our Employees, our Communities, and our Share Owners. Kimball Electronics derives its success from a culture that fuses the foundational principles that drove our first 60 years with an entrepreneurial mindset that will carry us forward. Our time-proven principles that have driven the successes of our Environmental, Social, and Governance practices will continue with us on our journey into the next 60 years—and beyond.

Each year, we hope our ESG Report demonstrates how we evolve as a company and become even better at what we do.



“I’m proud to know that our ESG philosophies, with roots dating back to our company’s founding in 1961, are more than just words to us: they are our actual practices; they are our promises to the world.”

– Don Charron, Chairman and CEO

### Dear ESG Report Reader

**I am very excited to welcome you to our 2021 Environmental, Social, and Governance report.**

When we published our first ESG report in 2019, we did so with the expectation that in the following years this report would demonstrate how we had evolved as a company and improved our environmental, social, and governance practices. As I look back now on our three ESG reports, I believe we have met that expectation. To me, each report represents our commitment to the continuous improvement of our ESG philosophies. The broader ESG community has recognized our progress on ESG transparency, too. Our ESG scores that measure risk across the Environmental, Social, and Governance pillars improved by 60%, 83%, and 67% respectively since the start of 2020, according to a leading provider of corporate governance and responsible investment solutions.

I’m proud to know that our ESG philosophies, with roots dating back to our company’s founding in 1961, are more

than just words to us: they are our actual practices; they are our promises to the world.

Before I talk more about our ESG efforts, I’d like to acknowledge that Covid-19 continues to be a concern for all of us. Unfortunately, our global workforce has experienced four deaths due to Covid-19 complications. These employees, their families, and their close coworkers remain in our thoughts and prayers. We are a global family—and we have lost four of our own.

Despite the challenges posed by the pandemic and the global parts shortage, we not only delivered strong top line growth, excellent margin expansion, and impressive earnings growth in Fiscal 2021 but we also refused to be distracted from our ESG practices, all of which support our company purpose of Creating Quality for Life. Our people are the Company, and our customer is our business. Even in a tumultuous year, we achieved high satisfaction scoring via our employee engagement metrics and in our customer loyalty metrics.

Our number-one priority has remained the health and safety of our employees. We know that adversity created by Covid-19 is ongoing. To keep our people safe, we continue to follow appropriate crisis requirements, from increased social distancing, the use of PPE, temperature scanning, and enhanced sanitizing requirements, to strongly encouraging the vaccination of our employees. We have assisted, whenever possible, in making the vaccine available to our people worldwide.

I am so proud of our collective response to the Covid-19 pandemic and of the entire Kimball Electronics team who helped keep us moving forward at each of our global facilities. One fascinating example was our Global Equipment Services (GES) facility in Vietnam. Last summer, when Ho Chi Minh City faced another wave of Covid, the government had no choice but to limit travel, thus jeopardizing our customer commitments. In response, our facility there boldly adjusted its production plan, allowing employees to work *and live* on site in a safe, Covid-free environment—





“While 2021 has posed business challenges that have, at times, kept me awake at night, I have never doubted our people’s collective passion to do the right thing when it comes to our environmental, social, and governance practices.”

until the pandemic situation improved. We provided meals around the clock, sleeping arrangements at night, and opportunities for employees to bond via entertainment and exercise throughout their stay. We worked with local health officials to provide periodic Covid testing and vaccinations onsite. Employees lived and worked at the facility for over eight weeks until the government loosened travel restrictions and they could safely return to their homes and families. Their efforts did not go unnoticed by our customers, one of whom observed that, “The GES team has been doing an excellent job in spite of Covid limitations. The GES team has gone above and beyond in many instances to help us stay on schedule. We appreciate the amazing level of commitment and effort.”

Our GES team was not alone. Worldwide, our people continued to demonstrate an amazing level of commitment that enabled us to deliver on our promises to our customers, our employees, and our communities.

Without a doubt, the past two years have been among the most difficult in which to do business during our company’s 60-year history. Through it all, we continued to be resilient—and successful! That success, as always, is shared with our people through the elements of their total rewards package. One way Kimball Electronics creates quality for life for our people is 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.

While 2021 has posed business challenges that have, at times, kept me awake at night, I have never doubted our people’s collective passion to do the right thing when it comes to our environmental, social, and governance practices. Their passion never falters. The information in this report and in our other ESG disclosures like the Carbon Disclosure Project (CDP) and our expanded Human Rights Policy and annual Supply Chain Transparency Policy and Statement is a testament to that. In this report and elsewhere, we share both our successes and our challenges as we pursue a prosperous and environmentally stable future that meets the needs of our customers, our people, and our communities.

In the Environmental section of this report, we have included additional details this year about our progress toward our 2025 goals to reduce greenhouse gas emissions, water usage, electrical usage and air emissions, goals that we first made public in 2019. We remain committed to our Guiding Principle that states, “The Environment is our Home.”

In the Social section of this report, you will see how we have become more transparent in the past year regarding Human Rights. We have demonstrated our dedication to open dialogue that promotes cultural understanding via virtual all-employee events showcasing the personal stories of our African American, Asian American, Pacific Islander, Hispanic, Latino, and female team members around the world.

The Governance section in this report further illuminates our philosophies and practices that make us stand out (favorably) compared to other companies when it comes to transparent governance.

That’s all I’ll specifically mention about the content of each section this year. It’s not that I don’t want to ruin any surprises—if you know our company, none of this ESG information will come as a surprise. Mainly, I just don’t want to steal any thunder from the rest of this report. I’d prefer that you visit each section yourself to get a sense of the intense pride we feel in all that we do to demonstrate our company purpose of “Creating Quality for Life” for our various stakeholders.

Throughout 2021, our locations around the world demonstrated fun and meaningful ways to celebrate our 60<sup>th</sup> anniversary. Now that this major milestone year has ended, we have great confidence that our time-proven principles that have driven the successes of our ESG practices will continue with us on our journey into the next 60 years—and beyond.

I hope you enjoy this year’s ESG report.

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.



*Photo by Lance Lucas, Earth Day Nature Photography Contest Finalist*



## In 2021, we developed and implemented a corporate sustainability strategy:

Our sustainability strategy is to continuously reduce our global greenhouse gas emissions by utilizing sustainable technologies, sourcing from sustainable suppliers, and supporting customers with sustainable product strategies.

### OUR GOALS

- Continuous improvement in the area of sustainability to not only improve our business but also the communities in which we live and operate—and the world overall—with a goal of zero greenhouse gas emissions by 2050. Achieving our 2025 environmental goals (see page 9) will help us achieve this 2050 goal.
- Avoid building products in conflict with our sustainability goals.
- Educate and encourage employee behaviors that will reduce their personal carbon emissions.
- Continue participation in the Carbon Disclosure Project (CDP) and use its methodologies as a benchmark for emission reductions.



Kimball Electronics strives to create safe and secure workplace environments with an injury-free culture, truly believing that all injuries can be prevented. Employees are expected to work safely, follow safety policies and regulations, report unsafe conditions, and wear appropriate safety equipment. The [Safety, Environmental, and Facility Policy](#) at Kimball Electronics emphasizes that safety is a value—unlike priorities, values never change. Kimball Electronics promotes awareness and education among employees with the goal of eliminating exposures, or risks, that create unsafe conditions and behaviors.



*This meadow of wildflowers on our Poland property provides positive environmental impacts to our site.*



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

**Environmental Management**

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

**Carbon & Climate**

We have participated in the Carbon Disclosure Project (CDP) 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, and we have participated in the CDP water security questionnaire since 2019. Each location undergoes wastewater testing to assure that we are compliant with regulations.

**Waste, Toxicity, and Air Emissions**

We meet or even have less than the allowable air emissions at each facility, and we have procedures in place for the handling 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 sharing of best practices globally. The percentages reflect usage decreases on a per-unit produced basis from 2014 to 2020. This is even more amazing given that we added several facilities to our Company during the past six years.

24%

Reduction in Water Usage



71%

Reduction in Greenhouse Gas



23%

Reduction in Air Emissions



36%

Reduction in Hazardous Waste



We recycled or re-used **92%** of our waste in 2020, representing a **15%** increase over the past 7 years.

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



## ENVIRONMENTAL GOALS

	TARGET YEAR	PROGRESS REDUCTIONS*	ADDITIONAL INFORMATION
<b>10%</b> Reduction in Greenhouse Gases This equates to 234,000 trees.	2025	↓14%	On target
<b>20%</b> Reduction in Water Usage This equates to 71 million 8-ounce glasses of water.	2025	↑5%	Focusing on reducing, reusing, and recycling water across our global locations to achieve the absolute value reduction.
<b>15%</b> Reduction in Electrical Usage This equates to 16,420,000 miles driven by car and 856,300,000 smart phones charged.	2025	↓1%	Continuing to implement technology and automation to help reduce the absolute value of electrical usage while production increases.
<b>10%</b> Reduction in Air Emissions	2025	↓21%	On target

Goals established December 2019.

\* 12-month rolling total ending September 30, 2021.

Our culture is a recipe for always doing the right thing globally. Essentials to success include **keeping our people safe**, **keeping the environment clean**, and **keeping our factories in excellent condition**. Here are examples of what we have done recently at our global facilities to support our commitment to the environment, health, and safety.



**NANJING, CHINA**

- Earned the “2020 Excellent Company on Safety Management” award by the local government (only 40 out of 2,000+ companies honored).
- Employees created paintings supporting World Environment Day (see sample below) and hosted a “flea market” to promote waste reduction and reuse.
- Encouraged employees to walk or bike to work on Earth Day to promote Greener Traffic, Clean Air Car-Free Day campaign.
- For Earth Day, employees planted crabapple and cherry trees on company property (photo at right) and participated in an online quiz to promote recycling.



Photo by Yan Qiu Gao, Earth Day Nature Photography Contest Finalist



Painting by Rex Xiao

**HO CHI MINH CITY, VIETNAM**

- Achieved ISO 14001 Environmental Management System certification.
- Shared Earth Day information with employees and turned off power for one hour in our office to save energy and remind employees of the importance of conserving electricity.

**SUZHOU, CHINA**

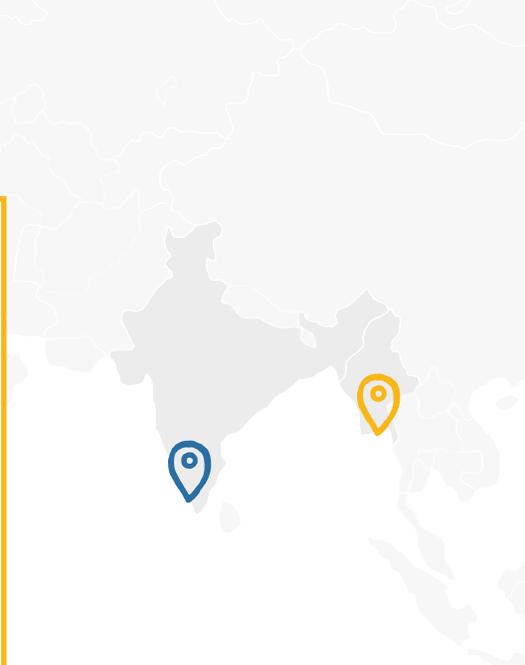
- Achieved ISO 14001 Environmental Management System certification.
- Decorated offices with green plants to improve air quality on World Environment Day.
- Shared Earth Day information with employees and turned off power for one hour in our office to save energy and remind employees of the importance of conserving electricity.

## ENVIRONMENTAL



### LAEM CHABANG, THAILAND

- Employees celebrated World Environment Day by sharing photos on social media about how they personally try to “restore our earth at home.”
- On Earth Day, gave employees vegetable plants to take back to their homes for planting (bottom photo). “We can save the Earth to be a better place, starting with the small things in our own daily lives, from one day to two days, from two days to one month, from one month to one year. Small things can be the big things. Together, we can save the Earth,” says Saranya Aimthaworn, Environmental System Engineer.
- Employees used biodegradable materials when creating their floating baskets as part of the Loy Krathong Festival in 2021 (photo at left).
- New facility construction in process includes a renewable energy solar panel system (to be completed in the first quarter of calendar year 2022).



### TIMIȘOARA, ROMANIA

- Encouraged employees to bring in used cooking oil to be recycled and repurposed into candles by OilRight, an eco-inclusive social responsibility business in Timișoara. The collected oil is transformed into candles with the help of people with disabilities. To date, 23 liters of cooking oil have been recycled by employees, resulting in 225 candles being created.
- A team of employees (see photo above) planted trees in a community event, called “My Forest,” organized by a non-profit organization, Ecostuff Romania. Says Health, Safety and Environment Manager Ramona Csejtei, “After many pandemic restrictions, we enjoyed contributing to volunteering, creating a pleasant environment for our community, and spending quality time together as colleagues. We worked with passion, and we believe that we have created quality actions for life.”



### TRIVANDRUM, INDIA

- On World Environment Day, employees shared emails highlighting inspirational stories about people who are trying to make a difference for the environment.
- Promoted zero waste at home and shared video, “Work With a Purpose From the IT Industry to Waste Management.”
- Despite mostly working remotely from home due to Covid-19, our India team (photo just above) still connected virtually to celebrate World Environment Day.



## ENVIRONMENTAL

### REYNOSA, MEXICO

- To avoid generating waste, donated obsolete measurement equipment to a high school to be used in technical career curriculum.
- Celebrated World Environment Day by giving employees trees to plant on their personal property.
- Planted an oak tree on site as symbolic gesture for World Environment Day.
- Held an aluminum can recycling contest to promote recycling in the community (resulted in 200% increase in aluminum recycling at our facility).
- Employees participated in a bottle cap recycling campaign to support a breast cancer awareness foundation.
- Established onsite pharmacy, giving employees deep discounts and freeing up personal time from having to go to an offsite pharmacy.
- On International Coffee Day, gave employees a reusable thermos to encourage lessening paper cup usage.
- Participated in an event to remove trash from a lake and surrounding property in Rio Bravo, Tamaulipas (top-right photo).
- New facility construction in process includes a renewable energy solar panel system (to be completed in the second quarter of calendar year 2022).
- Received an award from Technological University of Tamaulipas for creating job opportunities for persons with disabilities.



### TAMPA, FLORIDA

- On Earth Day, employees picked up litter on campus, reviewed an environmental video, and were encouraged to wear green to show their support of our planet.



Photo by  
John Henry  
Gonzalez,  
Earth Day  
Nature  
Photography  
Contest  
Finalist

### POZNAN, POLAND

- Earned the Polish Central Safety Labor Institute's Labor Safety Leader Gold Card level distinction from the Polish government, the highest level possible.
- Evacuation drill prepared in-house rescue team for potential crisis.
- Offered smoking cessation program to employees.
- Held contest for employees' children to create artwork from recycled materials (see scarecrow below).
- Initiated campaigns to encourage employees to personally recycle plastic and reduce office paper.
- Encouraged employees to follow proper battery disposal practices and emphasized the importance of using rechargeable batteries (offered battery chargers as a contest prize). "This is very important for me since I wanted to change the way we are looking at the batteries and initiate the change needed to help us move quicker from disposable to rechargeable sources of energy," says Marcin Kozinski, Quality and Infrastructure Manager.
- Donated water pump and rescue knives to local community fire brigade (see photo below).
- Organized an electro-waste awareness and collection campaign, which resulted in us diverting 560 kg of electronic waste from the landfill.
- Our popular KIMBIKERS program encourages employees to bicycle to work, and we help cover expenses for employees using public transportation. Both activities reduce the number of people who drive to work in their cars.



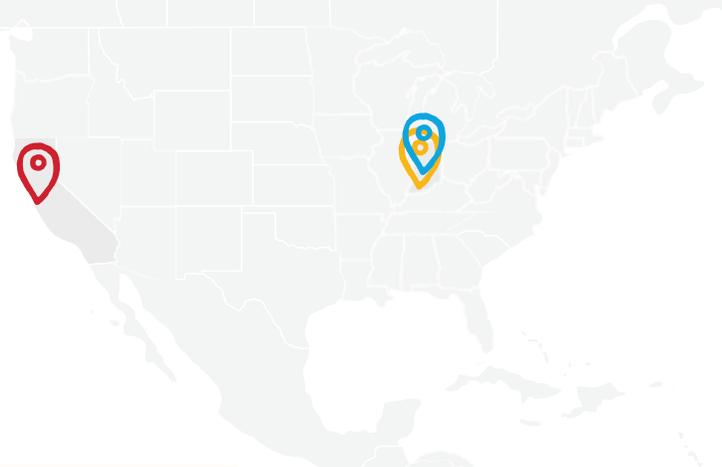
INDIANAPOLIS, INDIANA

- Earned ISO 14001 Environmental Management System certification.
- Honored by National Safety Council for focus on zero lost-time injuries.
- Employees cleaned our campus on Earth Day. Says Safety, Environmental and Facilities (SEF) Manager Cedric Rambert, “Everyone who participated had an awesome attitude and did a great job making our small piece of the world cleaner and less polluted.”
- Gave employees reusable grocery bags on International Plastic Bag Free Day.
- Celebrated 730+ accident-free days (see photo below featuring SEF team’s Cedric Rambert and Jay Nawroki).



SAN JOSE, CALIFORNIA

- Reduced number of vendors’ print catalogues.
- Hosted a presentation on tips for coworkers to manage their energy usage on World Environment Day.



JASPER, INDIANA (WORLD HEADQUARTERS)

- Continued quarterly Adopt-A-Street cleanup events (bottom-right photo).
- Hosted a worldwide, virtual meeting focused on climate change, featuring professional expedition guide and photographer Sara Jenner.
- Planted a Dwarf Alberta Spruce as a symbolic gesture on World Environment Day.
- Employees donated money to a regional wildlife center that protects eagles, owls, and hawks.
- Sponsored Earth Day Nature Photography Contest for employees and the public to raise money for charitable grants in the community.
- Throughout April, employees shared photos of their home recycling setups to encourage coworkers to do the same.
- Encouraged employees to bring in recyclable materials from homes.
- Completed the upgrade of remaining interior building lighting to LED technology.
- Replaced the aged building heating system with high efficiency boilers.
- Implemented an ISO 45001 Occupational Health & Safety Management System.



(MANUFACTURING)

- Team of employees won company-wide health and wellness competition by tallying over 2.9 million steps collectively during four-week competition.
- Encouraged employees to bring in recyclable materials from home throughout Earth Day week.
- As a symbolic gesture on World Environment Day, donated and planted a Northern Red Oak at a senior citizens center (top-right photo).



# 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

As reflected in our Code of Conduct and Guiding Principles, Kimball Electronics is committed to the highest standards of conduct in our business dealings. We are a human-centered company. For us, human rights are more than just being compliant, they are about doing the right thing. Our Guiding Principles outline the critical role Kimball Electronics plays as a corporate citizen for our customers, our people, our partners, our environment, and our communities. Our human rights beliefs are deeply rooted in our Guiding Principles.



*Our Tampa employee Kiki Berry (center) celebrates Mother's Day with her coworkers. Kiki was a guest speaker during a company-wide Asian American and Pacific Islander Month event. She shared her personal story about immigrating from China and discussed her career growth within Kimball Electronics. In 2021, Kiki was promoted to the role of Associate Quality Engineer. We champion career development planning for all employees.*

We believe in the inherent value of all individuals and their inalienable rights and acknowledge the risks of specific impacts to particularly vulnerable segments of society, including minorities, women, and indigenous peoples. We respect internationally recognized human rights principles and our policies are derived from principles such as those defined in the United Nations' Universal Declaration of Human Rights and the two International Covenants making up the International Bill of Human Rights; the United Nations' Guiding Principles

on Business and Human Rights; the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work; the OECD Guidelines for Multinational Enterprises; the Ten Principles of the United Nations Global Compact, and the guidance provided by ISO 26000. We believe that no company should prosper while violating the basic human rights of others whether through unlawful slavery, servitude, forced or compulsory labor, or otherwise exploitative means.

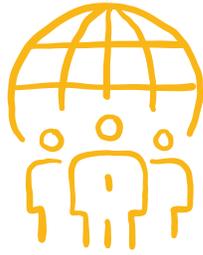
## Human Rights

- To raise awareness of our commitment to human rights, we train all of our employees worldwide on human rights issues annually.
- In recognition of National Human Trafficking Awareness Month in January, we provided information to employees to promote awareness and prevention of human trafficking.
- Any person or entity that engages in prohibited discrimination, harassment, or abuse is subject to discipline, up to and including immediate termination of the relationship with Kimball Electronics. This policy applies to conduct on Kimball Electronics premises and in the course of its business, as well as off-premises conduct that affects any employee in the workplace or that creates a hostile working environment.
- We support and comply with child and compulsory labor laws worldwide. We do not accept or condone any aspect of forced or unlawful child labor, or of human trafficking. In accordance with conventions of the ILO, we do not make use of forced, bonded, or child labor to manufacture or assemble products. In this context, a “child” is defined as a person younger than any of the following: the age of 16, the age for completing compulsory education in their country, or the minimum age for employment in their country.
- Many of our customers’ products are regulated by laws that are created to protect the environment and to prevent human health issues, the profiting of armed groups, and child labor. Our Product Compliance team helps our customers ensure that their products meet important product compliance requirements, including Conflict Minerals, REACH, RoHS, California Proposition 65, and more.
- The right to water is a fundamental human right. Kimball Electronics works toward understanding and applying sound practices for land and water use consistent with emerging international practices while considering the impact of its global activities on water stress (defined as lack of quantity, quality, and accessibility of water). Kimball Electronics strives to respect human rights in support of our environmental management policies and goals.
- We report any conduct that could reasonably be believed to be evidence of violations of our [Human Rights Policy](#) to management for further investigation. We are pleased that since our last report, zero forced labor, child labor, human trafficking, bribery, corruption, anti-competitive acts (including false/deceptive marketing practices), or other priority non-conformance incidents (including labor, health and safety, and compliance with our Global Supplier Quality Manual and Code of Conduct)

were reported to management and zero were forwarded to local authorities or, if appropriate, to a human rights organization for further investigation.



*In 2021, we donated \$5,000 to Water To Thrive to support a water relief project serving a rural village in Ethiopia. Stated our Chairman and CEO Don Charron, “Safe, fresh drinking water should be a basic human right for all, but sadly, it is not. This goes beyond just providing a safe water source. The wells also have a role in delivering gender equality, physical safety, female empowerment and sustainability.” (Photo courtesy of Water To Thrive.)*



## LABOR

We have worked toward building vitality and visibility in our talent pipeline. We leverage the talent we bring into our organization through our future-focused, individualized, performance management practices. Our people deserve more than a rating, so we empower them to own and drive their personal and professional development within the context of our overall business plan so that real needs, not rules, are met. We use accomplishments, aspirations, and challenges to qualitatively determine development needs. Our leaders are coaches who model our values, align expectations, and adapt to our people's needs. With a commitment to the role they play in our success, our people make our Company whole.



Our global locations recognize various employee milestones in ways that make sense for them locally. This year, employees around the world recognized a significant company milestone: Kimball Electronics' 60th anniversary.

- Our Leadership Development strategy is designed to prepare our employees to lead by utilizing a structured high-impact, culturally congruent program, called *Leading, the Kimball Way*, which we created to develop our leadership pipeline for the next 100 years.
- The design of our *Leading, the Kimball Way* journey has been grounded in research about effective behavior change and leadership development. We continue to build capabilities of advocacy and inquiry in our leaders, especially as it relates to leading others. Our growth and development efforts aim to close the identified gaps in leadership capabilities required to execute our business strategy by designing leadership development, leveraging face-to-face education, virtual learning, peer learning, mentoring and developmental feedback.
- Since the initial roll-out of *Leading, The Kimball Way* in 2018, we have successfully assessed more than 900 employees through the Predictive Index tool and managed over 400 personal development plans via our human resources information system, Workday.
- We are committed to protecting the privacy of those who entrust us with their personal information, including our customers, suppliers, website visitors, employees, and all those who do business with us. Whenever possible, we explain how personal information can be corrected, updated, or deleted. We keep personal information secure and follow the applicable laws governing that information.

## Labor

- Kimball Electronics aims to ensure that the provision of security to our operations and our engagement with public and any private security forces is consistent with the laws of the relevant country and international standards and guidelines, such as the Voluntary Principles on Security and Human Rights. We adapt our security arrangements to balance the need for safety while respecting human rights.
- We train our employees annually on our Code of Conduct and other core human rights matters, including how employees, suppliers, customers, and third parties can report matters of concern to Kimball Electronics. This past calendar year, we communicated the updated version of Code of Conduct, including our Global Human Rights Policy and Supply Chain Transparency Policy and Statement, to 100% of our global employees, including 100% of our employees in procurement. In addition, as part of this core curriculum, 99.40% of our United States-based managers completed additional role- and state-specific training on unconscious bias, workplace diversity and inclusion, equal employment opportunity, and how they can prevent discrimination and harassment. Through our Code of Conduct training, we trained all of our employees globally this past year on safe and healthy work environments, anticorruption/anti-bribery, information

security, equal employment opportunity, nondiscrimination, and harassment.

- Our employee training covers how to recognize signs of potential human rights abuses, corruption, and bribery. In support of open, non-defensive communication, our Guiding Principles, and our Open Door Policy, employees are encouraged to report potential violations of our Code of Conduct via various company management contacts. Or, they can utilize an anonymous, confidential, third-party ethics “hotline” reporting system. Our investigatory process is prompt, impartial, and transparent to those involved. For each of the 11 reports to our hotline in Fiscal 2021, we opened dialogues with the reporting parties and began investigations within 24 hours of receipt and we completed necessary investigations and actions in less than seven days. Kimball Electronics promptly investigates all reports and does not retaliate nor tolerate retaliation against any person or entity who, in good faith, makes a report or cooperates in an investigation.
- Any person or entity that retaliates or threatens retaliation against anyone who makes a report or cooperates in an investigation is subject to discipline, up to and including immediate termination of the relationship with Kimball Electronics.



- 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. The survey results show that the vast majority of our employees would recommend Kimball Electronics to friends and family as a strong employer with which to seek a career.
- In 2021, to enhance the timeliness and effectiveness of this valuable employee feedback opportunity, we kicked off a plan to administer the survey annually, instead of biannually. We updated the survey to include a question focused on how connected our employees feel to our company purpose, Creating Quality for Life. We also added a question seeking input from employees on how well we are doing when it comes to creating a sense of belonging through our diversity, equity, and inclusion efforts.
- As a global company, Kimball Electronics recognizes the benefits

of a diverse workforce and inclusive work environment. By developing an atmosphere of mutual respect, dignity for the individual, and a sense of family, we are better able to meet the unique needs of our employees, Share Owners, customers, communities, and suppliers.

- We remain human centered and purpose driven in our efforts to develop our people and take pride in the job promotions that occur at all levels.
- Our world headquarters in the U.S. and our manufacturing facility in Romania have achieved ISO 27001 certification of their information security management systems (ISMS).
- Kimball Electronics employees worldwide are routinely tested multiple times each year on their cyber security knowledge to help identify and avoid online phishing techniques and social engineering practices that could threaten the Company. We have had no reportable breaches in the past three years.

## Labor/Diversity

- We require our suppliers, vendors, contractors, and partners to meet each of the global Human Rights Standards described in our [Code of Conduct](#) and [Global Supplier Quality Manual](#). We reserve the right to terminate a contract, withhold payment, and assess fees and/or costs for any non-compliant supplier, vendor, contractor, or partner.
- We firmly believe that identifying and understanding employee, health, safety, and environmental issues, including any potential human rights concerns, are critical to our supply chain, our business development efforts, and any acquisition activities. We actively monitor and audit internal compliance with our Code of Conduct and our responses to any reported concerns. We conduct thorough due diligence investigations prior to engaging with suppliers or vendors, acquiring businesses, and selecting partners, and apply appropriately higher levels of scrutiny where there are traditionally higher risks of compliance violations and/or human rights abuses.
- We escalate and remediate any issues after our relationship with a third party begins and as we integrate operations that we acquire into the Kimball Electronics family.
- We expect that all employees and suppliers understand and comply with our Human Rights Policy. We actively monitor and audit internal and external compliance through annual audits and training, including conducting annual audits of our supply chain. This year, Kimball Electronics' audits covered approximately 99% of our inventory and 98% of our accounts payable, and we conducted a dozen audits of our own company and its subsidiaries. Given the unique obstacles presented by the Covid-19 pandemic, we conducted many of these audits remotely this year. All such audits were conducted using protocols and procedures developed by our internal auditor teams.
- We maintain a certification program for suppliers, ensuring that we obtain written acknowledgment of their obligation to comply with all applicable laws, key environmental standards, our Code of Conduct, and our Human Rights Policy. By accepting our Global Supplier Quality Manual and associated Quality Clauses, our certified suppliers also commit to allowing us to conduct supply chain audits for safety and compliance, to engaging in only

In 2021, our Romania facility was honored for sustaining a "Culture of Excellence" in the Banat region.

- legitimate and ethical business and labor practices, and to ensuring that their employees, supply chain, and stakeholders understand how to report any actual or suspected misconduct using our ethics hotline. We reserve the right to terminate the certified supplier relationship and/or any contract, withhold payment, and assess fees and/or costs for any non-compliant supplier.
- Customers or any person in our supply chain can utilize an anonymous, confidential, third-party ethics "hotline" reporting system—the same service our employees are also encouraged to use—to report violations.

### DIVERSITY

- 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 do not tolerate racial bias, hate, or injustice.
- We value the diverse composition of our global team.
- Diversity, equity and inclusion make us strong, not only as a company, but as a global society. While we are proud of our diversity, we know we can always do more to ensure that diverse employees and candidates in the U.S. and worldwide get equal opportunities to excel, grow, and lead.
- We believe a company must have a conscience and exercise its core values—all of which have been defined in our Guiding Principles.
- In 2021, we made great efforts to become even more transparent with how we live up to our Guiding Principles. We encouraged the creation of employee teams to coordinate virtual events designed to share personal stories of what it's like to be African American, Asian American, Pacific Islander, Hispanic, Latino, or Native American.
- We celebrated Black History Month with weekly virtual events in February to further generate discussion and enlightenment regarding the important accomplishments of African Americans in society. Guest speakers included our Indianapolis team member Cedric Rambert; Uhriel Bedoya, General Manager of REEF, in Miami; and New Jersey City University's Gail Marquis, an American female basketball player who competed in the 1976 Summer Olympics and a former Wall Street executive. The final event featured a Q and A discussion with our CEO and employee members of the Black History Month Celebration Committee.

## Diversity

- In response to the rise in hateful words, threats, and acts of outright violence aimed at people of Asian descent—in the U.S. or elsewhere—we used social media to express our stance against systemic racism and our condemnation of racial bias, hate, and injustice that they experience. We encouraged employees to visit the Stop AAPI Hate website for more information.
- We recognize Martin Luther King, Jr. Day as a paid holiday for all U.S. employees. We held our first global, virtual discussion about Dr. King, which featured guest speaker Marquis D. Bynum, host of BLVCK | Story Podcast and author of “The List: From Slavery to George Floyd,” a 60-point historical timeline connecting the very first slaves in America to the 2020 civil rights movements. Employees who joined the event then selected the Alliance for Children’s Rights, based in Los Angeles, to receive a \$1,000 donation to further the charity’s mission to protect children in poverty and those overcoming abuse and neglect by delivering free legal services, supportive programs, and systemic solutions.
- To celebrate Asian American and Pacific Islander (AAPI) Heritage Month (May), we hosted a virtual event for all employees that featured our Tampa employee Kiki Berry sharing her story as an Asian American who immigrated from China, and San Jose State University Professor Hien Duc Do, whose presentation addressed the history of AAPI in the U.S., with an emphasis on current events involving people of Asian descent in the U.S.
- We celebrated Juneteenth with a virtual event that featured Syracuse University students Tysean Canada and Jordan Pierre. We also gave away copies of the book, “On Juneteenth,” by Harvard Professor and Pulitzer Prize Winner Annette Gordon-Reed, as prizes for employees, as well as for non-employees via social media.
- We held a virtual event focused on people of Puerto Rican descent, which featured our San Jose team member Efrain Quiles and an outside guest, Paola Marizan, creator/producer of Que Pasa Midwest?, which is an award-winning bilingual podcast that creates a sense of community for Midwestern Latinx who are missing an essential piece of their cultural identity.
- We held two virtual events celebrating Hispanic Heritage Month (September/October), during which our teammates, Eber Menjivar, Gerson Garay, Josue Fernandez and Gonzalo Arias, shared their stories as Hispanics living in the U.S. and Mexico.

### Kimball Electronics Diversity Metrics



OVER  
**13%**  
of our U.S.  
workforce is  
racially diverse

OVER  
**9%**  
of our U.S.  
workforce  
is ethnically  
diverse

OVER  
**50%**  
of our global  
workforce  
is female

**44%**  
of our executive  
management  
team is female

**6%**  
of our U.S.  
workforce are  
individuals with  
disabilities

**5%**  
of our U.S.  
workforce are  
veterans

- We held an event celebrating Indigenous Peoples’ Day (October), which featured Native American college lecturer and diversity consultant Marin “Mark” Webster Denning, who shared his passion about changing the stereotyped visions of Native Americans, and his perspective on race-based mascots used by sports teams.

### CELEBRATING WOMEN IN THE WORKPLACE

- During International Women’s Day (IWD) in March, all locations were invited to join a virtual presentation led by a guest speaker, Susanne Wilson, Director of Water to Thrive, an Austin-based charity that transforms lives in rural Africa by working with partners and beneficiaries

to bring clean, safe water to those lacking it. Our company donated \$5,000 to Water to Thrive to support a water relief project serving an Ethiopian village (see photo on page 16). “Susanne’s work with Water to Thrive made her a natural fit for our IWD celebration this year, as well as a perfect partner to help us further demonstrate our company purpose of Creating Quality for Life,” stated Chairman and CEO Don Charron.

## Diversity

### Other Ways Our Locations Celebrated International Women's Day at a Local Level

- In Indianapolis, a guest speaker specializing in executive leadership development and executive coaching spoke to employees. Women received shower soap purchased from a local business.
- In Thailand, female employees posted before and after photos on social media showing what they looked like when they were first hired and what they look like now.
- In Romania, female coworkers were surprised with a gift package containing personal care products and a red rose.
- San Jose employees received aromatherapy kits and tea sets.
- Employees in our Jasper manufacturing facility delivered key messages for International Women's Day (bottom-right photo).

### Other Ways We Celebrated Women in the Workplace

- Our locations around the world were invited to join a virtual event featuring six of our women engineers from around the globe who shared their personal journeys in a field predominantly represented by men. Says Kathy

Thomson, VP, Global Business Development and Design Services, “Engineering is about turning ideas into reality, and this is really a direct link into our purpose statement to create quality for life. It’s really important that we have a balance of both men and women in engineering because those creations that come from engineering really affect all aspects of everyone’s lives.”

- We formed a peer group of women engineers who meet regularly to discuss challenges they face and successes they’ve experienced in their roles. We also provided them membership in the Society of Women Engineers, whose mission is to empower women to achieve their full potential in careers as engineers and leaders; expand the image of the engineering and technology professions as a positive force in improving quality of life; and demonstrate the value of diversity and inclusion.
- Our Thailand facility offered a “Mother Class” to employees experiencing their first pregnancies (top-right photo).
- Our Tampa teammates surprised expectant coworkers with “baby showers.”



## SOCIETY

Giving back to our local communities around the world illustrates our global shared values as expressed in our Citizenship Guiding Principles.



### JASPER, INDIANA (WORLD HEADQUARTERS)

- Participated in a pet photo contest to raise money for a local humane society.
- Co-sponsored a Latino Culture Fest.
- Committed \$100,000 to the Southwestern Indiana Child Advocacy Center Coalition to help fund their new center. Employees then painted rooms at the center (see photo bottom-right).
- Organized Company blood drives.
- Co-sponsored a PRIDE pool party in support of the Jasper High School Gay/Straight Alliance.
- Helped an area summer camp for disabled people prepare for their new season.
- Donated money to an area fire department to purchase a manikin for rescue training.
- Donated money to various community, charitable, and educational organizations in the Dubois County, Indiana, area.
- Our Kimball Electronics Gives (KEG) employee giving circle awarded \$10,500 in grants to eight worthy causes during its annual Fall Granting event. Since 2018, KEG has granted \$33,000 to non-profit charities.
- On Veteran's Day, donated \$1,000 to support humanitarian relief efforts focused on Afghan family resettlement in the U.S.

### JASPER, INDIANA (MANUFACTURING)

- Participated in a pet photo contest to raise money for a local humane society.
- Donated leftovers from an employee recognition meal to those in need.
- Organized Company blood drives (see photo top-right).
- Helped an area summer camp for disabled people prepare for their new season.
- Supported a high school robotics team.
- Donated time and talent to a Junior Achievement event.



*Saving Lives: Due to company-organized blood drives, 236 units of blood were donated by employees in Tampa, Mexico, Jasper, Indianapolis and Thailand. Because of these donations, 708 lives will potentially be saved, according to blood center calculations.*



## Local Successes

### INDIANAPOLIS, INDIANA

- Participated in a pet photo contest to raise money for a local humane society.
- Sponsored a Million Meal Movement event. Employees packaged enough macaroni and cheese meals to feed 8,100 people (see photo below).
- In support of Pride Month, donated money to the Indiana Youth Group.
- Sponsored a charity golf event in support of spinal cord and brain injury rehab.
- Donated meat to a local hunger relief agency.
- Organized Company blood drives.



### TAMPA, FLORIDA

- Held a cereal donation drive in support of an organization focused on ending child hunger in the Tampa area (see photo below).
- Organized Company blood drives.
- Supported a holiday toy drive.
- Donated frozen turkeys and canned goods to Metropolitan Ministries.
- Donated Halloween costumes to Children's Home Network.



### SAN JOSE, CALIFORNIA

- Donated items to Backpacks for Success drive to help disadvantaged school children.
- Supported a Toys for Tots drive.



### REYNOSA, MEXICO

- Supported Mercy Foundation, which provides medical care to low-income people.
- Donated money to the Mexican Red Cross to fight Covid-19.
- Donated to a foundation that helps financially disadvantaged women who have cancer.
- Donated computer equipment to schools (see photo above).
- Donated money to a foundation that provides food and training to disadvantaged people.
- Donated blankets, toys, money, and medical supplies to people in need.
- Supported the Teletón foundation, which assists people with cancer and autism.
- Supported Reynosa food bank.
- Organized our first Company blood drive in Mexico.
- Received an award from the Technological University of Tamaulipas for the creation of job opportunities for persons with disabilities.

## Local Successes



### TIMIȘOARA, ROMANIA

- Raised money for “Grow Big,” a program that supports the education of children in foster care and disadvantaged environments (top-left photo).
- Raised money to help fund the purchase of infrared thermometers and fingertip pulse oximeters for a local children’s hospital.
- KIMM Kind HERO volunteers funded blankets and packages (food, clothes, hygienic products, etc.) for a homeless center.

### NANJING, CHINA

- Employees donated money to flood victims in Henan Province.

### LAEM CHABANG, THAILAND

- Organized a Company blood drive.
- Donated money and household items to a local Buddhist temple (see photo below).
- Donated money and travel bags to school children as part of National Children’s Day.

### POZNAN, POLAND

- Donated money to The Great Orchestra Christmas Charity foundation, which provides medical equipment to help save children’s lives.
- Supported a pet food drive for a local animal shelter.
- Recognized Teddy Bear Day by donating toys, board games, and art supplies to a charity that supports children with cancer in Poznan (bottom-left photo).



## Celebrating 60 Years

To celebrate our 60-year milestone, we gave \$1,961 to each of our locations to give to their worthy causes of choice. The money donated through this 1961/\$1,961 anniversary project was in addition to what our locations already gave to worthy causes as part of their annual giving practices.



### JASPER, INDIANA

Community CHEW, which focuses on ending child hunger.

### INDIANAPOLIS, INDIANA

United Negro College Fund; Wheeler Mission; Coburn Place Safe Haven; Food 4 Souls.

### HO CHI MINH CITY, VIETNAM

Government Vaccination Fund.

### TAMPA, FLORIDA

Children's Home Network.

### TIMIȘOARA, ROMANIA

Association of Little People; We Grow Big; Ecostuff; Ecoclub; Association Hope for Animals; Association Happy Tails.

### LAEM CHABANG, THAILAND

Pattaya Redemptorist Technological College for People with Disabilities; Pattaya Orphanage; Bon-Kongyai School.

### NANJING, CHINA

Henan Province Flood Victims.

### REYNOSA, MEXICO

A foundation helping cancer patients.

### POZNAN, POLAND

Laboratory of Dreams Foundation.

### SAN JOSE, CALIFORNIA

Second Harvest of Silicon Valley.

### SUZHOU, CHINA

Poverty-stricken village in Sichuan Province.

### TRIVANDRUM, INDIA

Study materials and equipment for schools in poverty-stricken regions.

### CHIBA, JAPAN

An association helping disabled children. A university program focused on treatment of disease in times of natural disaster.



# GOVERNANCE

We are committed to good corporate governance.

*Photo by Jacek Szulc, Earth Day Nature  
Photography Contest Finalist*

## Good governance at Kimball Electronics has four key foundations: An Effective Board, Fair Compensation, Share Owner Engagement, and Financial Integrity.

Each of the four key foundations of governance above are anchored in our Guiding Principles. We demonstrate our commitment to governance by evolving our processes to reflect the latest developments in governance practices after careful consideration of what is best for our Company and stakeholders. We believe that good governance is being transparent in reporting and accounting, paying fair wages and benefits, enabling better decision-making through diversity, equity, and inclusion, and operating with integrity and honesty. We believe that good governance requires a commitment from our partners, too. That is why we apply our Code of Conduct, our occupational health and safety policy, our human rights policy, and other foundational governance policies not just to our operations, but also to our suppliers, our vendors, and our partners.

Robust and effective governance makes a critical contribution to Kimball Electronics' ability to deliver exceptional service to our customers, to enhance Share Owner value, and to support our strong company culture and purpose of Creating Quality for Life. Even amid the very challenging circumstances that have followed the outbreak of the Covid-19 pandemic, we have succeeded by measures both absolute (we experienced no information security breaches in the last three years before this report) and relative (we continued to improve our governance relative to the market and our peers, as measured by third party governance scores, and as illustrated by our Share Owners' continued strong support of our Board).

As part of our constant examination of our governance practices and principles, our Board adopted important changes to our governing documents and enhanced key governance disclosures this year, including:

### 1. Clarifying our Intentions under the Indiana Classified Board Statute

As an Indiana company, state corporate statutes mandate a classified board structure. This year, we amended our By-Laws to indicate that we do not intend for the provisions of these statutes to apply to us. Our Board has concluded that a three-tiered classified board is the appropriate governance structure for Kimball Electronics and in the best interests of our Share Owners. By changing our By-Laws,

we expressed our view that governance structures like these are best determined by the Company and its Share Owners.

### 2. Share Owner Amendment of By-Laws

We also amended our Articles of Incorporation and By-Laws to provide Share Owners the right to amend our By-Laws by majority vote. The Board also retains its right to amend the By-Laws. This change expands flexibility in amending our governing documents and provides additional accountability to our Board, underscoring our robust commitment to direct engagement with our Share Owners on corporate governance.

### 3. Adoption of a Formal Executive Severance Plan

Our Board developed a formal severance plan for our executives that is consistent with current best practices for public companies and eliminated individual employment agreements. Not only did the changes continue best practices on matters such as long-term award vesting, change-in-control payments, and other areas tied to tenure and position, but they also ensured that we can attract and retain our top talent as we grow.

### 4. Additional Disclosures

As part of our focus on transparency in our ESG practices, we adopted a formal Global Human Rights Policy and expanded our annual supply chain transparency statement to supplement some of the important disclosures we make in this

report each year. In our proxy, we provided additional detail about our incentive compensation programs and how we benchmark our performance against those of our industry peers. Finally, and most importantly, our People are the Company, so we went beyond the basic requirements of a new SEC rule to share why we believe our people are our competitive edge for service, quality, and value. This new section of our proxy statement shows how we attract, develop, and retain best-in-class teams while building and maintaining an inclusive culture.

**“We can only achieve our purpose of Creating Quality for Life through demonstrable good governance and transparent disclosures in their broadest senses.”**



Doug Hass,  
Chief Legal and  
Compliance  
Officer

# Effective Board



## INDEPENDENCE

All of our non-executive Board members are independent, extending accountability for our stakeholders beyond just our executive team.

## DIVERSITY

Our current Board is 43% female. Our directors come from diverse backgrounds in terms of viewpoint, professional experience, education, background, and skill, all of which help to create a well-balanced and effective Board.

## PERFORMANCE EVALUATION

Performance evaluations are critical for continuous improvement in Board performance. Our Board conducts annual performance evaluations of itself and our CEO, 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.

## 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 annual disclosures like this one, demonstrate the high standards we set with our governance philosophies and practices and the commitment to transparency in reporting and accounting.

## BOARD LEADERSHIP

We believe 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 present 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.

## ALIGNED FINANCIAL INTEREST

Each independent director is required to maintain ownership of shares of our common stock equal to three times their annual retainer. Hedging or pledging our stock is prohibited.

## SHARE OWNER RIGHTS

- Single class of shares with each share entitled to one vote.
- No multiple voting rights, enhanced voting rights, voting certificates, or non-voting shares.
- Majority voting standard for directors in uncontested elections.
- Simple majority vote to amend our By-Laws.
- Share Owner approval required to materially modify our equity capital structure.
- Confidential voting policy.
- Robust Board tenure policy.

## 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. Our three-tiered classified board structure also ensures that the average tenure of our Board's independent directors does not exceed 10 years.

## SUCCESSION

The Board reviews its management succession and retention plans annually. Additionally, the Board oversees the risks and exposures associated with management succession planning. Our directors and executive officers collaborate on succession planning and the entire Board is involved in the critical aspects of the management succession planning process, including establishing selection criteria that reflect our business strategies, identifying and developing internal candidates to ensure the continuity of our culture, and making key management succession decisions.

# Stakeholder Engagement



## BY-LAWS

By-Laws are the operational rules for the legal organization of the Company and the Board and include items such as principal 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. Our Share Owners play an important role in shaping these rules, which is why our Share Owners also have the right to amend our By-Laws by majority vote.

## BOARD STRUCTURE

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

## OUTREACH AND FEEDBACK

Our Board and management team engage year round with a range of stakeholders, including not only our Share Owners, but also our workforce, our vendors, our customers, and our communities. We hired a full time Head of Investor Relations in Fiscal 2021, and our engagement program includes maintaining formal global councils and task forces within our Company on subject matters including human resources and employee engagement; Covid-19; safety, environmental, and facilities (SEF); enterprise information security and cybersecurity; materials management; supplier quality; quality systems; digital processes; community engagement/outreach; and business planning.

## GLOBAL PERSPECTIVES

Each of our councils and task forces holds regular meetings and collaborates and engages with their own internal and external stakeholders. They each report back to our executive team and our Board. Our global councils provide us a system to consult and engage with our internal and external stakeholders formally and to offer them ongoing opportunities to provide feedback and to direct and influence our business in support of our sustainable growth.

## EQUAL VOTING RIGHTS

We believe a classified stock structure is a significant diminution of Share Owner rights, so we maintain a single-class structure. We adhere to the principle that all shareholders should have equal voting rights in public companies and each shareholder should have one vote.

# Fair Compensation



## MARKET COMPENSATION PRACTICES

The Board reviews pay for our CEO and each of our executives annually, often with the assistance of a third-party compensation consultant. The Board develops and consults relevant benchmarks to ensure our pay is competitive and the incentives we provide management are relevant and aligned with the Company’s long-term interests.

## STRONG CLAWBACK POLICY TO ENSURE ACCOUNTABILITY

Any performance-based compensation ultimately shown to be based on 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.

## ALIGNMENT WITH SHARE OWNER VALUE CREATION

We do not lose sight of governance and market best practices when crafting fair compensation programs for our executives. We tie a large portion of both short and long-term executive compensation to company performance. Our executive compensation plans reward significant positive performance relative to our industry. We require a minimum one-year vesting period for performance shares granted under our stock plan, and our executives must retain 100% of all net shares (post-tax) that vest until achieving their stock ownership requirements.

## PERFORMANCE-BASED COMPENSATION

Incentive compensation has been a bedrock principle of our compensation philosophy since our founding. We believe it is important for our salaried employees, especially our executive officers, to have a significant portion of their compensation “at risk” based on our financial results and operational metrics. The incentivized nature of our compensation drives collaboration, cooperation, personal development, and continuous improvement to create long-term Share Owner value by rewarding performance, aligning with our Share Owners’ interest, retaining executive talent, and enhancing collaboration as employees achieve results as a team.



# 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.

## ROBUST EXTERNAL AUDIT

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

## 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 and “financially sophisticated,” exceeding the minimum standards set by the SEC and Nasdaq.

## STRONG INTERNAL CONTROLS

Strong internal controls are critical to accuracy in our financial reporting. Our internal audit 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 Chief Legal Officer. The committee meets at least quarterly or more often as appropriate with members of our finance and internal audit teams. Its purpose is to carefully review our public filings and financial disclosures for accuracy, compliance, and consistency.

## PROACTIVE RISK MANAGEMENT

We employ a formalized Enterprise Risk Management (ERM) process that helps us evaluate a broad range of operational, strategic, compliance, and reporting risks. Our senior leaders meet quarterly, and we also identify risks through interviews, surveys, and discussions with our leadership teams and others throughout our organization. Our leaders rank and prioritize our potential risks along the two continuums of “likelihood” and “impact,” and our team develops a specific remediation strategy for the significant risks. Individually and collectively, our leaders continually monitor, reassess, and validate risks and mitigation efforts throughout the year.



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