

2019

# 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, and precision molded plastics. 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





Dear ESG Readers,

# I am excited to present to you Kimball Electronics' first-ever Environmental, Social and Governance (ESG) Report.

Excited, because it's a new way for us to showcase how our employees around the world share a strong sense of responsibility to protect the environment, sustain a safety focus at our facilities, and give back in meaningful ways to the communities where we live and work.

For Kimball Electronics, this is a new approach to reporting on our commitments and our progress. It will continue to evolve in future reports. What is not new is our demonstrated commitment to our Environmental, Social and Governance philosophies and practices. They have been a part of who we are since our founding in 1961.

We are proud to say Kimball Electronics is a responsible guardian of both economic and environmental resources, and because of this, our employees, customers, and communities truly benefit from the Company's presence, contributions, and actions. Each of our manufacturing locations has been recognized for leadership in these areas. From reducing waste, water, and energy usage, to increasing recycling efforts, to decreasing greenhouse gas emissions, we take pride in our record of action around the globe.

Our global manufacturing locations generally support customers within their geographic regions. This approach minimizes the environmental impact (and costs) associated with shipping.

## Our People Get It!

Our manufacturing locations throughout the world help make their communities better places to live. Kimball Electronics and our employees willingly provide time, talent, and treasure to support local, regional, and global community-support initiatives. Our people are represented by diverse cultures, yet they all embrace our Company's universal values.

Kimball Electronics is proud of our compliance to country-specific, national, federal, state, and local regulations related to the environment, safety, and human resources. Our employees are proud to have a role in manufacturing electronic assemblies for customer products designed to help the environment: environmentally-efficient electronic pump controls, climate controls, energy-efficient refrigeration lighting, and electric vehicles.

## Customer Benefits

Our employees understand that their work positively affects the safety and health of our customers' products' end users and that impact can be felt throughout daily life. We are proud to partner with our valued customers to create products like automotive occupant safety systems, steering and braking, mining safety equipment, medical patient care monitoring devices, and medical diagnostic devices, just to name a few.

## We Do the Right Thing

We take pride in our reputation as an ethical company, and we have long been proud of our Governance Principles, which our Board actively oversees. Kimball Electronics' Board also regularly reviews our overall governance structure and makes recommendations on our policies and practices.

We believe compliance means keeping an eye on the big picture, with an emphasis on doing the right thing. Period!

We take comfort in knowing that our employees worldwide take Ethics and Compliance Essentials Training and Information Security Awareness Training.

Also, I take pride in knowing that each member of our global workforce is encouraged to take our Guiding Principles survey every other year, which tells us how well we are doing when it comes to living up to the philosophies we have historically believed in. Results of the most recent round of surveys 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.

We strive to contribute up to 1% of our total fiscal year net income, globally, to charities and causes as a way to prove our dedication to our Citizenship Guiding Principles.



DON CHARRON

We know what's reported to you in this ESG Report is merely a snapshot of our journey. We celebrate the many living examples highlighted in this report, for we know they represent an integral part of who we are.

As we continue our Company's pursuit of continuous improvement, we are committed to supporting and encouraging our employees to be involved, to make a difference in the world, and to continue living our vision.

True, the successes we achieve through our ESG commitments positively affect our business strategies. But to us, it's simply doing the right thing.

Recently, Kimball Electronics became the first-ever recipient of the Indiana Manufacturing Association's Large-Tier Indiana Manufacturer of the Year Award. We felt honored to learn this news, especially given the worthy contenders in our manufacturing-rich state. Key factors to receiving this recognition included demonstrating a philanthropic spirit in the communities where we operate and our dedication to the manufacturing community as a whole.

Again, I am so proud of our employees and what our Company does to help those around us.

We will keep "giving" as we continue to achieve and sustain our Lasting Relationships and Global Success.



Don Charron, Chairman/CEO



# ENVIRONMENTAL

We are 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.

We believe the key aspects of our corporate sustainability, environment, and health & safety efforts fall into five areas.



#### Environmental Management

Our Environmental Management System is the backbone 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.



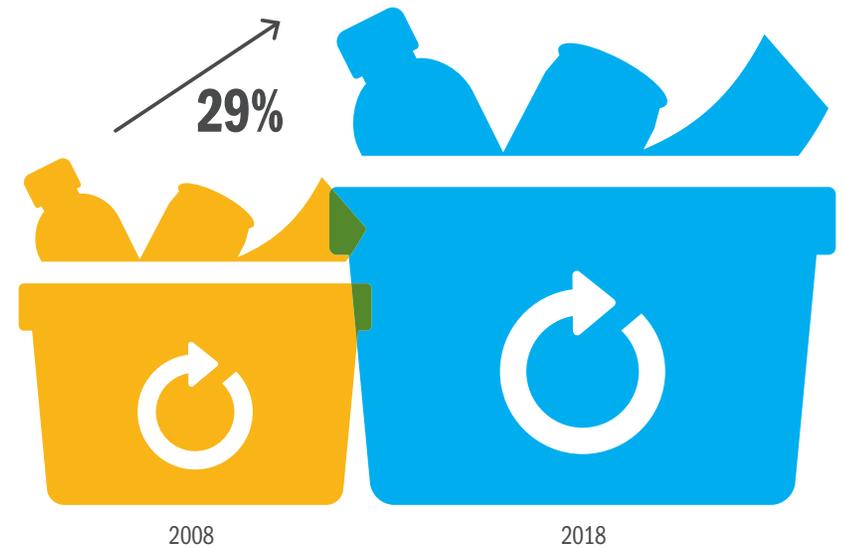
#### Waste & Toxicity

We meet or even have less than the allowable air emissions and 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 recycled 96% of our waste in 2018, representing a 29% increase in recycling over the past 10 years.

### 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 2008 to 2018. This is even more amazing when we note that we added several facilities to our Company during the past three years.

**38%**

Reduction in Waste

**31%**

Reduction in Air Emissions

**59%**

Reduction in Greenhouse Gas

**15%**

Reduction in Hazardous Waste



# ENVIRONMENTAL GOALS

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



## GREENHOUSE GASES

(pounds per unit produced)

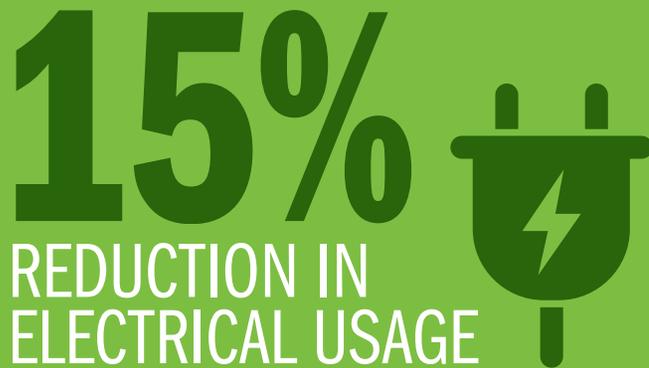
This equates to 234,000 trees.



## REDUCTION IN WATER USAGE

(gallons per labor hour)

This equates to 71,000,000 8-ounce glasses of water.



## REDUCTION IN ELECTRICAL USAGE

(kwh per labor hour)

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



## AIR EMISSIONS

(pounds of VOCs per units produced)



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

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**

- Named “2018 Excellent Company on Safety Management” by Jiangning government
- *World Environment Day*: Contest encouraged employees to make handicrafts with recycled materials

**Tampa, Florida**

- Recognized by Florida Public Service Commission for employee involvement in overall energy effectiveness
- Participated in OSHA’s Safe + Sound Week

**Timișoara, Romania**

- Certified to both ISO 50001, global standard for energy efficiency, and ISO 45001, global standard for safety management system
- *World Environment Day*: Educated students about e-waste recycling
- Earned Energy Efficient Company award from the Timis County Chamber of Commerce and Industry

**Ho Chi Minh City, Vietnam**

- On Earth Day 2019, turned off office lights for one hour, encouraging employees to save energy and protect the environment

**Indianapolis, Indiana**

- Involved in City’s Adopt-A-Median program
- *Earth Day*: Cleaned campus grounds

**Laem Chabang, Thailand**

- Health and wellness promoted via onsite sporting tournaments and yoga classes
- Released aquatic life into a body of water to help preserve a local mangrove
- *World Environment Day*: Started working with canteen vendors to reduce Styrofoam



- 1 Our India employees celebrated World Environment Day by helping the Environmentalist Foundation of India clean a beach. They also planted trees in their Techno Park.
- 2 Our Thailand employees joined a public march focused on workplace safety awareness in their community. The safety goal of all of our locations worldwide is zero injuries.

continued

### Jasper, Indiana

- Hailed by State of Indiana for going “above and beyond environmental requirements”
- Offered onsite yoga, led by a coworker
- Sustained support of Adopt-A-Street
- *Earth Day*: Gave employees wildflower seeds, plants, and tree seedlings
- Since 2004, retained Indiana Voluntary Protection Program (VPP)-STAR status, the leading occupational safety and health organization dedicated to safety and health management

### San Jose, California

- *Earth Day*: Previewed “A Plastic Ocean” documentary, to encourage less use of plastics
- *World Environment Day*: Energy Clinic addressed saving money on home electrical bills

### Reynosa, Mexico

- *World Health Day*: Provided free health screenings to employees
- *Earth Day*: 200 employees given fruit trees in exchange for plastic bottles brought from home to be recycled

### Suzhou, China

- *Earth Day*: Promoted energy conservation and started cardboard recycling program
- *World Environment Day*: Promoted how individuals can reduce air pollution in their daily lives

### Poznan, Poland

- Certified in ISO 45001, the global standard for safety management systems
- Placed second in national contest to improve working conditions, sponsored by the Ministry of Family, Labor and Social Policy
- Named member of nation’s prestigious Safe Work Leaders organization
- *Earth Day*: Exchanged plants for e-waste brought from home

“Our goal is to create safe, secure working environments for our people. We strive for an injury-free culture.”

Chris Whann, Kimball Electronics, Director, Safety, Environment, Facilities



- 1 Our Mexico facility recognized this year’s Earth Day by giving employees tree seedlings to plant. Species included walnut, avocado, apricot, laurel, pear, plum, mango, and apple.
- 2 Our Romania team participated in a community event called “Make it! Race it! Recycle it!” It was organized by a well-known environmentally-minded association, Ecostuff Romania. To prepare, several KERO employees built a boat out of recycled materials to float on the Bega River in Timișoara.





# 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.





## Our corporate social beliefs fall into three areas:



### Human Rights

Kimball Electronics believes that no company should prosper while violating the basic human rights of others through unlawful slavery, servitude, and forced or compulsory labor. We do not condone child labor. We are committed to working with our customers and suppliers to responsibly source the materials and components we use in manufacturing our customers' products which may contain conflict minerals. Through our [Code of Conduct](#), we adhere to the highest standards of legal and ethical conduct in all of our locations around the world.



### Labor

To be the employer of choice, we know we must support the education, personal growth, and development of our employees. We believe in open communication. To date, over 90% of our employees worldwide provide us feedback regarding their satisfaction with Kimball Electronics. The majority say they would recommend Kimball Electronics to their friends and family. We hold our suppliers to the same ethical standards that we expect of ourselves. We expect our work culture to be diverse, inclusive, and free of harassment and discrimination—and one that respects employee rights and laws. To attract top talent, we offer fair, market-valued compensation. All of our locations recognize employee milestones.



### Society

The Society area is represented by several integral components supporting our Social beliefs and practices. In support of our ethics and anti-corruption beliefs, all Board members and employees worldwide take annual Ethics and Compliance Essentials Training. Our EthicsPoint hotline is available via internal and external links for employees to report violations of our Ethics Policy without retaliation. We respect employees' personal political beliefs, and we make political contributions and participate in lobbying activities related to our business. Through a giving spirit, Kimball Electronics locations help make our communities great places to live.



1 In 2019, our Tampa facility held its first-ever "Diversifest." Employees representing 14 countries and the African continent demonstrated their culture and customs. "It was a great day for us," says Mahmoud Zand, General Manager.

2 International Women's Day is recognized by Kimball Electronics facilities around the world. Our IT Vice President, Sandy Smith, was one of the speakers during a panel discussion, which was streamed live to all our locations.



Training: Employees engage in mandatory role-based and elective compliance curriculum via an online platform.



Here are just some ways our locations help worthy causes in their communities.

• TAMPA, FLORIDA



Donated everyday items to victims of Hurricane Dorian in the Bahamas.



SUPPORTED LOCAL AGENCY THAT HELPS AT-RISK CHILDREN AND FAMILIES

Our manufacturing facility in Reynosa, Mexico, welcomes people who are deaf into our global family. 28 employees completed First Level Sign Language training to bridge the gap between silence and sound. "Thank you for the opportunity to get ahead in our lives," wrote an employee.



sponsored local blind athlete in the 2019 INTERNATIONAL BLIND TENNIS TOURNAMENT



REYNOSA, MEXICO



Donated time, skills, money, and equipment to help improve the conditions of a local school low on funding and upkeep.

INDIANAPOLIS, INDIANA



Packaged 12,000 bags of food for Million Meal Movement. 72,000 potential lives were impacted.

\$2,900

raised for the American Diabetes Association 2018 campaign.



\$4,500 raised in the 2019 campaign to benefit Peyton Manning Children's Hospital.

387

lives have been impacted through employee blood drives since 2018.

continued

• **TIMIȘOARA, ROMANIA**



Supported *The Little People*, which provides psychosocial support for kids with cancer.

**DONATED MONEY AND ITEMS TO HELP MAKE PATIENTS AT A PEDIATRIC HOSPITAL MORE COMFORTABLE**



**TRIVANDRUM, INDIA**

Participated in charity run for the health and education of the children under the care of the Kerala government's *Department of Women and Child Development*.



Donated daily living items as part of the Assam Flood Relief Campaign.



**LAEM CHABANG, THAILAND**

Continuously supports local Buddhist temple by providing everyday necessities for resident monks, including candles, light bulbs, a water cooler, cleaning appliances, and money.



Since 2018, periodic employee blood drives have impacted 66 lives.



Each year, our Poland leadership team donates time and talent to help an orphanage.



**POZNAN, POLAND**



Since 2018, employee blood drives have impacted 60 lives.



Employees actively participate in the annual Poznan Business Run, which helps raise money and equipment for disabled people.



**DONATED PET FOOD TO LOCAL ANIMAL SHELTER**

continued

## JASPER, INDIANA

# \$148,000

donated by headquarters to worthy causes in the Jasper, Indiana region in past two years.



Manufacturing supported various worthy causes, such as Soles4Souls, Toys For Tots, Mentors For Youth, and local animal shelter.

Employees volunteered at animal shelter to walk dogs during Dog Day Out.



Recently, a group of employees in Jasper formed the Kimball Electronics Gives (KEG) giving circle. Participating employees voluntarily pay \$120 to be a KEG Partner. To date, through membership dues and fundraisers, KEG has raised \$13,000 for several worthy causes while also growing the Kimball Electronics Endowment.

**561** lives impacted through blood drives since 2018.  
(MANUFACTURING EMPLOYEE VOLUNTEERS)

**162** lives impacted through blood drives since 2018.  
(HEADQUARTERS EMPLOYEE VOLUNTEERS)

## MANUFACTURING'S ANNUAL "SOUPER BOWL" EVENT RAISED MONEY FOR FOOD BANK



While in Chicago for business, our Business Development and Design Services Leadership Team volunteered at the Greater Chicago Food Depository. Their efforts helped the charity provide 17,100 meals to the community.





# GOVERNANCE

We are committed to good corporate governance.



“Good corporate governance is based on Independence, Diversity of Thought, and Transparency.”

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

## Good governance has these four key foundations:



**Board Structure –  
Membership and  
Operation**



**Compensation**



**Share Owners’  
Rights**



**Financial Oversight**



### Board Membership

We believe the following qualities are critical for Board members:

QUALITY	WHY	OUR PRACTICE
Independence	Allow clear oversight.	6 of 7 directors are independent.
Fairly Compensated	To attract top talent.	Pay market-based compensation.
Aligned Financial Interests	Allow long-term focus over short-term gain.	Hedging or pledging company stock prohibited.
Ownership	Align director personal financial success with company success.	Stock ownership guidelines requiring director stock ownership valued at 3 times compensation.
Regular Performance Evaluations	To continuously improve Board performance.	Biennial third-party evaluations.
Limited Tenure	Periodic Board refreshment and new ideas.	Age 72 or 4 consecutive 3-year term limits.
Proper Size	Adequate to provide breadth of viewpoints.	7 is proper for current company size and business complexity.
Diverse	Provide broader range of thoughts and experiences.	57%/43% male/female Board composition.
Full Participation	Understanding of issues and contribution to decisions.	Expectation that directors attend all meetings.
Capacity	Value of other Board service or experience recognized, but no director too burdened with other Board or career obligations such that he or she cannot devote adequate time to company matters.	No formal limits but actively monitored.



Compliance means keeping an eye on the big picture, with an emphasis on doing the right thing. Period! We emphasize this as part of our corporate culture.

### Board Operation

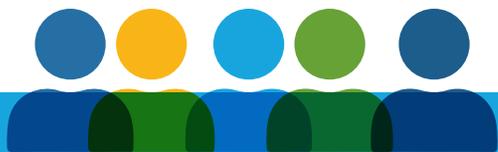
Board leadership and open communication between the Board and management is critical for effective Board operation. We believe the following are key components of an effectively operating Board:

COMPONENT	WHY	OUR PRACTICE
Leadership	Open communication and alignment between the Board and management.	Positions of Chairman of the Board and Chief Executive Officer are combined into a single role. In addition, we have a strong Lead Independent Director.
Transparency	Clear, concise, and relevant communication to our Share Owners.	Publish our Corporate Governance Principles and outline practices extensively in our proxy.
Share Owner Proposals	Value substantive Share Owner proposals relating to our operations.	Procedures for encouraging open communication with the Board and evaluating proposals.
Retention	Directors must have the support of our Share Owners.	Modified majority voting standard for director election.
Succession	Ensure continuity and effective operation of the Board and the Company.	Utilize a professional recruiter to ensure a qualified and diverse pool of candidates is considered. New Board members receive thorough training on Board operations and philosophies.

### Compensation

Appropriate compensation is critical to successfully attracting, engaging, and retaining our most important resource—our people. These compensation principles anchor our compensation philosophy:

PRINCIPLE	WHY	OUR PRACTICE
Return of Improper Compensation	Officers or directors should return financial performance-based compensation if the financial performance was ultimately shown to be incorrect.	“Clawback” policy requires recoupment of compensation if the Company’s financial statements must be restated due to material errors or omissions.
Fair Compensation	Compensation should be fair and market based to be able to attract top talent.	We believe our salaries are fair and competitive in the relevant markets in which we operate, and we regularly review relevant market compensation data (with appropriate use of outside consulting).
Performance-Based Compensation	To align with Share Owner interests, a significant portion of an employee’s compensation should be “at-risk,” meaning based upon the financial and/or other measured performance criteria.	Our profit-sharing bonus and stock compensation programs are based upon sales growth as well as economic profit.
CEO Compensation	CEO compensation should be fair and market based.	The Board reviews the CEO pay annually, evaluating performance with comparison to market compensation data.





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.

[CLICK HERE TO LEARN MORE →](#)

## Share Owners' Rights

The interests of Share Owners are best served by these key principles:

PRINCIPLE	WHY	OUR PRACTICE
Election	Share Owners elect our directors.	We have a three-tiered classified Board. We believe it is the appropriate governance structure for Kimball Electronics and in the best interests of our Share Owners because it provides for independence, stability, and continuity, a long-term focus, and value creation without compromising Share Owner accountability.
Voting	A majority of votes should determine the outcome of voting.	We have majority voting on key corporate issues such as mergers or acquisitions. We recently reviewed and eliminated a super majority voting requirement for certain amendments to our Articles of Incorporation and adopted modified majority voting for our directors to enhance Share Owner accountability.
By-Laws	By-Laws represent the key operating rules for Kimball Electronics.	We believe By-Law provisions are best managed by the Board of Directors to allow for more effective Board operations.
Single Stock Class	Multiple classes of stock with differing voting rights are a significant reduction of Share Owner rights.	One Stock Class.

## Financial Oversight

Accurate financial statements and transparent public disclosure of results are absolute requirements which we believe are best exemplified in these principles:

PRINCIPLE	WHY	OUR PRACTICE
Financial Integrity	Accurate financial statements and transparent public disclosure of results is a given.	Multiple procedures, standards, and audit checks are in place to enable the highest standard of financial integrity.
Internal Controls	Strong internal controls are integral to effective operations and accuracy in our financial reporting.	We regularly review and test our internal controls, working closely with our outside auditors.
External Audit	A robust external audit is necessary to verify our financial disclosures.	We utilize a large nationally recognized public accounting firm as our external auditor.
Audit Committee Financial Expertise	At least one member of the audit committee of the Board must be classified as a "financial expert."	We have a declared financial expert chairing our audit committee and several other qualified financial experts on our Board.



## FINANCIAL INTEGRITY

Accuracy  
Transparency  
Regulatory Compliance

# Good Governance at Kimball Electronics: THE KIMBALL ELECTRONICS WAY

## INDEPENDENCE

Except for our CEO, all 6 of our remaining Board members are independent. None are former employees or have any family connections to the Company.

# 6/7

Board members are independent

43% BOARD MEMBERS  
ARE FEMALE



## DIVERSITY

Our current Board is 43% female. Our directors come from a variety of backgrounds and bring diverse personal attributes, strengths, skills, and experiences. Our proxy disclosure includes a Skills and Experience matrix, highlighting this diversity relative to a specific set of factors we feel are most important to a well-balanced and effective Board.

## LEADERSHIP

# ALIGNMENT BETWEEN THE BOARD AND MANAGEMENT



We believe that combining the positions of Chairman of the Board and Chief Executive Officer into a single role is critical to alignment between the Board and management on our business strategy and Board operations. A unified role promotes strong central leadership, increased efficiency, rapid execution of corporate initiatives, and in-depth knowledge of the Company's strengths, weaknesses, and critical issues. Recognizing that efficiency is also increased when the independent directors can speak in a unified voice, we have a Lead Independent Director whose role is to foster open communication among the independent directors and collect their input for feedback to the Chairman and CEO.

## 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, repricing, etc., we believe that once our employees have earned their compensation, they should be able to reap the benefits. We also believe that our stock ownership guidelines provide a strong incentive. Beginning in 2018, our Share Owners began voting annually on their non-binding view of the compensation of certain executive officers. In 2019, their compensation was approved by over 96% of our Share Owners.

# 96%

Share Owner approval of  
executive compensation



# Good Governance at Kimball Electronics: THE KIMBALL ELECTRONICS WAY

## BY-LAWS

By-Laws are primarily the procedural rules for running Kimball Electronics, including such things as office location; Share Owner, Board, and committee operations; director and officer roles and responsibilities; etc. These types of matters are properly left in the hands of the Board to allow for flexibility, lower cost, and certainty should the Board determine that procedural or operational changes are necessary. We also feel that responsibility for the By-Laws strikes an appropriate balance of authority and responsibility between the Board and Share Owners.



## ABSOLUTE FINANCIAL INTEGRITY

We are committed to the highest standard of financial integrity. We have never received an adverse auditor opinion, restated our financial statements, or been late on financial disclosure filings, and we have had no regulatory enforcement actions brought against us (and none are pending).



## STRONG INTERNAL CONTROLS

Our internal audit and management services team regularly reviews and tests our internal controls, working closely with our outside auditors. We have never reported a material internal control weakness.

## ROBUST EXTERNAL AUDIT

We have experienced a positive working relationship with our external auditors, Deloitte and Touche, for many years. They coordinate well with our internal audit group. Deloitte personnel are regularly rotated.

## AUDIT COMMITTEE FINANCIAL EXPERTISE

It is important that at least one member of the audit committee of the Board be classified a “financial expert” under SEC rules to ensure proper Board oversight of our financial disclosures. We have a declared financial expert chairing our audit committee and several other qualified financial experts on our Board.

**THE SEC REQUIRES THAT WE HAVE ONE FINANCIAL EXPERT ON OUR AUDIT COMMITTEE.**



## PERFORMANCE-BASED 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. Our profit-sharing bonus and stock compensation programs are based upon sales growth as well as economic profit.



**World Headquarters**

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