



**FLEXSTEEL INDUSTRIES, INC.**  
**AMENDED AND RESTATED AUDIT AND ETHICS COMMITTEE CHARTER**

**PURPOSE**

The Audit and Ethics Committee is established by and amongst the Board of Directors for the primary purpose of assisting the Board in the oversight of:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence;
- the performance of the company's independent auditor; and
- the Company's system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board have established.

The Audit and Ethics Committee shall encourage continuous improvement of, and adherence to, the Company's policies, procedures and practices at all levels. The Audit and Ethics Committee shall provide an open avenue of communication among the independent auditors, financial and senior management, and the Board of Directors.

The Audit and Ethics Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Audit and Ethics Committee, for compensation to the independent auditor and to any advisors that the Audit and Ethics Committee chooses to engage.

The Audit and Ethics Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in this Charter. The Audit and Ethics Committee will report regularly to the Board of Directors regarding the execution of its duties and responsibilities.

The Audit and Ethics Committee's job is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the independent outside auditor is responsible for auditing the annual financial statements and reviewing the quarterly financial statements. The Audit and Ethics Committee recognizes that financial management, as well as the independent outside auditor, have more direct knowledge and detailed information about the Company than do the Audit and Ethics Committee members. Consequently, in carrying out its oversight responsibilities, the Audit and Ethics Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent outside auditor's work.

**COMPOSITION AND MEETINGS**

The Audit and Ethics Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors (as defined by all applicable rules and regulations), and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the

Committee shall be a “financial expert” in compliance with the criteria established by the SEC and other relevant regulations. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC.

The Committee shall meet at least four times annually, or more frequently as determined by the Committee or the Board. Meetings may be held either in person or telephonically and at such times and places as the Committee determines. A majority of the members of the Committee shall constitute a quorum for transacting business at a meeting. The Committee may also take action by majority written consent. The Chairman and other designated Committee members shall meet and discuss with the independent auditors and management, the earnings press releases, the annual audited financial statements and quarterly financial statements, including the Company’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The Committee shall meet periodically with management and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

## **RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Audit and Ethics Committee shall:

### *A. Documents/Reports/Accounting Information Review*

1. Review this Charter periodically, at least annually, and recommend to the Board of Directors any necessary amendments as conditions dictate.
2. Review and discuss with management and the Company’s independent auditor the Company’s annual financial statements, quarterly financial statements, earnings press releases, and all internal controls reports (or summaries thereof).
3. Discuss with management financial information and earning guidance provided to analysts.
4. Review and discuss with management other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302, 404 and 906) and relevant reports rendered by the independent auditors (or summaries thereof).

### *B. Independent Auditors*

1. Appoint (subject to shareholder ratification), compensate, and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditors and remove the independent auditors if circumstances warrant. The independent auditors shall report directly to the Audit and Ethics Committee and the Audit and Ethics Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise. Consider whether the auditor’s performance of permissible nonaudit services is compatible with the auditor’s independence.
2. Review and resolve with the independent auditor any problems or difficulties and management’s response; review the independent auditor’s attestation, to the extent applicable, and report on management’s internal control report; and hold timely discussions with the independent auditors regarding the following:
  - all critical accounting policies and practices;
  - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and

- an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
3. At least annually, obtain and review a report by the independent auditor describing:
    - the firm's internal quality control procedures;
    - any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
    - all relationships between the independent auditor and the Company.
  4. Review and preapprove both audit and nonaudit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the Audit and Ethics Committee with any such preapproval reported to the Audit and Ethics Committee at its next regularly scheduled meeting. Approval of nonaudit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.

*C. Financial Reporting Processes and Accounting Policies*

1. In consultation with the independent auditors and the financial management, review the integrity of the Company's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls).
2. Meet periodically with the internal auditors (or other personnel responsible for this function), assist the Board of Directors in its oversight of the performance of this function and at least annually discuss with the independent auditor the responsibilities, budget and staffing of the internal audit function.
3. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
4. Review analyses prepared by management (and the independent auditor) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
5. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.
6. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

*D. Ethical Compliance, Legal Compliance, and Risk Management*

1. Establish, review and update periodically the Guidelines for Business Conduct and ensure that management has established a system to enforce this Code. Ensure that the Code is in compliance with all applicable rules and regulations.
2. Review management's monitoring of the Company's compliance with the Company's Ethical Code, and ensure that management has the proper review system in place to ensure that Company's financial statements; reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
3. Review with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
4. Discuss policies with respect to risk assessment and risk management. Such discussions should include the Company's major financial and accounting risk exposures and the steps management has undertaken to control them.

5. Review and approve all related party transactions involving potential conflict of interest situations.

*E. Other Responsibilities*

1. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit and Ethics Committee, have been implemented.
2. Prepare the report that the SEC requires be included in the Company's annual proxy statement.
3. Annually, perform a self-assessment relative to the Audit and Ethics Committee's purpose, duties and responsibilities outlined herein.
4. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Date Adopted: April 16, 2014

By: /s/ Eric S. Rangen  
FLEXSTEEL INDUSTRIES, INC.  
Chair – Audit and Ethics Committee

Date Approved: June 8, 2014

By: /s/ Lynn J. Davis  
FLEXSTEEL INDUSTRIES, INC.  
Chair – Board of Directors