

June 30, 2018

# Statement of Integrity

For well over a century, the Board of Directors and employees of Flexsteel Industries, Inc. and its Subsidiaries have built the Company's reputation for integrity and high standards of business conduct. We are justifiably proud that Flexsteel Industries, Inc. and its Subsidiaries are companies of strong values.

The Company and the world in which we operate continue to change dynamically. Despite all the change, one thing is constant; integrity must remain as our core value. Flexsteel's competitive advantage begins and ends with our commitment to lawful and ethical conduct.

To demonstrate our commitment to lawful and ethical conduct, Flexsteel has adopted *Guidelines for Business Conduct*. Beyond requiring mere compliance with the law, Flexsteel requires that all its directors and employees conduct themselves in an honest and ethical manner. Directors and employees are asked to dedicate themselves to the principles contained in the *Guidelines for Business Conduct* and strive to exceed the standards set forth therein.

If you have a question or concern about what is proper conduct for you or anyone else, raise the issue with your manager or through our "Compliance Line". Nothing, including not "making the numbers", competitiveness or direct orders from a superior, should ever compromise our commitment to integrity.

Our managers have the additional responsibility of maintaining our culture in which compliance with our policies and applicable laws are at the core of our business activities. Concerns about appropriate conduct must be addressed with care and respect.

We are all privileged to work for one of the best companies in the world. It is now the responsibility of our generation to preserve and strengthen for those who will follow what has been the foundation for our success for more than 100 years – our commitment to integrity.



Eric S. Rangen  
Chair  
Flexsteel Industries, Inc.



Karel K. Czanderna  
President and Chief Executive Officer  
Flexsteel Industries, Inc.

**Guidelines for  
Business Conduct**

**Flexsteel Industries, Inc.  
and Subsidiaries**

**June 30, 2018**

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# **Flexsteel Industries, Inc. and Subsidiaries**

## **Code of Conduct**

- Obey the applicable laws and regulations governing our business conduct worldwide.
- Be honest, fair and trustworthy in all Flexsteel activities and relationships.
- Avoid all conflicts of interest between work and personal affairs.
- Foster an atmosphere in which fair employment practices extend to every director, employee, and potential employee of Flexsteel.
- Strive to create a safe workplace and to protect the environment.
- Through leadership at all levels, maintain a culture where ethical conduct is recognized, valued and exemplified by all directors and employees.

# **Guidelines for Business Conduct**

## **I. INTRODUCTION**

The following Guidelines for Business Conduct will be supervised by the Chief Executive Officer and the Chief Financial Officer and approved by the Audit and Ethics Committee of the Corporation's Board of Directors. These Guidelines apply to all members of the Board of Directors and employees of Flexsteel and its Subsidiaries.

The Code of Conduct and these Guidelines for Business Conduct may only be amended or modified in writing by the Audit and Ethics Committee of the Board of Directors. Amendments and modifications of this Code will be promptly disclosed by the Company, to the extent required, under the Securities Exchange Act of 1934 and the NASDAQ Listing Requirements.

## **A. REPORTING CONCERNS**

All matters to be reported pursuant to these Guidelines shall be reported to the Chief Executive Officer or the Chief Financial Officer. In the case of a conflict of interest, which may be first reported to a supervisor or department head, the supervisor shall report it to an officer, who shall report it to the Chief Executive Officer or Chief Financial Officer. You will not suffer any penalty for reporting in good faith any suspected violation of these Guidelines. Retaliation against anyone who reports suspected conduct that is believed to violate these Guidelines is strictly prohibited.

These Guidelines cannot address every situation that you may confront in your day-to-day activities at Flexsteel. This is especially true because business in today's world can be complex and the right thing to do may not always be clear. Flexsteel does not expect you to always determine the right answer to complex questions of law or ethics on your own. Instead, if you encounter a situation where the application of these Guidelines is not clear or if you are in doubt, you should ask for help. You may consult with your supervisor, any member of senior management, or call the Compliance Line.

## **B. COMPLIANCE LINE**

The Compliance Line is intended for use in cases where the caller does not feel comfortable reporting the issue internally.

The Compliance Line is available 24 hours a day, seven days per week, by calling 800-750-4972. Callers may provide their name or remain anonymous. The Compliance Line will document the call and establish a time for the caller to contact the Compliance Line for Flexsteel's response to their call. The Compliance Line will report the call to Flexsteel's management or the Chair of the Audit and Ethics Committee. The appropriate representative from Flexsteel will provide a response to the Compliance Line.

## **C. DISCIPLINE**

Failure to comply in all material respects as determined by the Audit and Ethics Committee with the standards contained in these Guidelines may result in disciplinary action that may include termination, referral for criminal prosecution and reimbursement to Flexsteel for any losses or damages resulting from the violation. Disciplinary action may be taken, for example, for the following:

1. Against directors or employees who authorize or participate directly in actions which are a violation of these Guidelines;
2. Against any director or employee who may have deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of these Guidelines;
3. Against the violator's managerial superiors, to the extent that the circumstances of the violation reflect inadequate supervision or a lack of diligence; or
4. Against any supervisor, department head, general manager or officer who retaliates, directly or indirectly, or encourages others to do so, against a director or employee who reports a violation of these Guidelines.

This list is not exhaustive and other incidents and behaviors can also result in disciplinary action, including termination.

## **D. CONFLICT OF INTEREST**

All directors and employees have a duty to avoid:

- Financial, business or other relationships which might be opposed to the interests of Flexsteel;
- Interfering with or diverting business opportunities of Flexsteel; and
- Causing a conflict with the performance of their duties.

Directors and employees should conduct themselves in a manner that avoids even the appearance of conflict between their personal interests and those of Flexsteel.

A conflict of interest situation may arise in many ways. Examples include, but are not limited to, the following:

1. Employment by a competitor, regardless of the nature of the employment, while employed by Flexsteel;
2. Acceptance of gifts, payments or services from those seeking to do business with Flexsteel;
3. Placement of business with a firm owned or controlled by a director, employee or his or her family;
4. Holding an ownership interest that is greater than 5%, directly or indirectly (as an owner, director, employee, stockholder, partner, joint venture, creditor or guarantor), in a company which is a competitor or a supplier of materials, services or equipment to Flexsteel, or in a company to which Flexsteel provides services or supplies, or engages in such activities with Flexsteel in your capacity;
5. Acting as a non-employee consultant to a Flexsteel supplier or customer;
6. Misusing information to which the director or employee has access by reason of his or her position – such as by disclosing confidential information (e.g., trade secrets, confidential information of a technical, financial or business nature or other “inside information”) to competitors or any person or entity outside Flexsteel, or using such information for his or her own benefit (e.g., trading in securities of a company or acquiring an interest in a business, an invention or other property in which Flexsteel has a present interest or has

indicated a prospective interest). These obligations also relate to transactions with respect to stock and other securities of Flexsteel as described in Section IV, Compliance;

7. Serving another commercial organization or individual in any capacity, such as a director, employee or consultant. Permission to provide any services to others must be authorized by the Chief Executive Officer or Chief Financial Officer; or
8. Appropriating to the director's or employee's personal benefit a business opportunity in which Flexsteel might reasonably be expected to be interested, without first making the opportunity available to Flexsteel.

Apparent conflicts of interest can easily arise. Any director or employee who feels that he or she may have a conflict situation, actual or potential, should report all pertinent details in a memorandum to his or her supervisor, the Chief Executive Officer or Chief Financial Officer, or the Audit & Ethics Committee of the Board of Directors. If reported to the supervisor, that supervisor will be responsible for referring the matter to an officer who is responsible to report it to the Chief Executive Officer or Chief Financial Officer.

## **II. COMPANY POLICIES**

### **A. HUMAN RESOURCES**

Flexsteel realizes that its greatest strength lies in the talent and ability of its directors and employees. In the United States, as well as in other countries we operate, it is Flexsteel's policy to comply with all applicable laws and to provide equal opportunity for employment and advancement without regard to race, color, sex, national origin, religion, physical or mental disability, age, genetic information, military service, citizenship, or any other protected basis. Flexsteel's policy prohibits harassment of any kind in relation to its employment practices. Examples of racial, ethnic, religious and sexual harassment may include such conduct as slurs, jokes or intimidation. Sexual harassment may include unwelcome sexual advances, unwelcome verbal or physical conduct of a sexual nature, or a perceived hostile workplace.

Any complaint by a director or employee, who is subjected to harassment, or any information concerning potential harassment, whether sexual, racial, ethnic, religious or other nature, should be reported immediately.

## **B. DRUG ABUSE**

The use, possession, trafficking or promotion of illegal drugs is against the law and absolutely forbidden in or on any Flexsteel property and anywhere else when actively working for Flexsteel.

No director or employee shall be under any influence of drugs or alcohol on or about Flexsteel property or anywhere else when working for Flexsteel. However, the consumption of alcohol during events or meals sponsored by the Company, or in conjunction with business related events (such as dinner with a vendor), is subject to local customs, rules, and management discretion.

For the safety and health of all Flexsteel directors and employees, and for the protection of the Flexsteel image and the continuation of the excellence of Flexsteel products, all violations of this section shall be immediately reported by any directors or employees to the Human Resources Department in compliance with each facility's substance abuse and drug testing policy.

## **C. RELATIONS WITH FORMER GOVERNMENT EMPLOYEES**

Laws and regulations pertaining to former country and federal government employees and former military personnel impose restrictions on the duties they perform for Flexsteel, whether as consultants, directors or employees. The Chief Financial Officer or In-House Corporate Counsel shall be consulted prior to hiring or retaining former government employees or military personnel who are covered by these laws and regulations.

## **D. ENTERTAINMENT, GIFTS AND PAYMENTS**

The sales of Flexsteel products and services should always be free from the inference, perception or fact that favorable treatment was sought, received or given on the basis of directors and employees receiving gifts, entertainment, favors, hospitality or other gratuities. Similarly, purchase of supplies, materials and services from vendors, suppliers, and subcontractors must be accomplished in a manner that preserves the integrity of a procurement process based on quality and performance.

Flexsteel specifically prohibits offering, giving, soliciting or receiving any form of bribe or kickback.

The following guidelines should be observed in relation with customer and supplier personnel:

## 1. **GIVING OF ITEMS BY FLEXSTEEL'S DIRECTORS OR EMPLOYEES**

- Furnishing meals, refreshments and entertainment in conjunction with business discussions with non-government employees is a commonly accepted business practice. Flexsteel permits its directors and employees to engage in this practice. The furnishing of meals, refreshments or entertainment, however, should not violate the standards of conduct of the recipient's organization.
- Other than nominal or conventional gifts, Flexsteel prohibits gifts to any private individual, firm or entity with which we do business or seek to do business.
- Directors or employees who make, and supervisors who approve expenditures for meals, refreshments or entertainment, must use discretion and care to ensure that such expenditures are in the proper course of business and could not reasonably be construed as bribes or improper inducements.

## 2. **RECEIPT OF ITEMS BY FLEXSTEEL'S DIRECTORS OR EMPLOYEES**

- Flexsteel directors and employees may accept meals, refreshments or entertainment of nominal value in connection with business discussions. While it is difficult to define the term "nominal" by means of a specific dollar limitation, a common-sense determination should dictate what one would consider lavish, extravagant or frequent.
- It is the personal responsibility of every director and employee to ensure that his or her acceptance of such meals, refreshments or entertainment is proper and could not reasonably be subject to being construed as an attempted bribe by the offering party to secure favorable treatment.
- Flexsteel directors and employees are not permitted to accept other than nominal gifts from individuals, firms or representatives of firms who have or seek business relationships with Flexsteel. Should circumstances arise where substantial gifts are received and cannot be returned, such gifts shall be turned over to the Chief Executive Officer or Chief Financial Officer for disposition.
- Except for loans by recognized banks and financial institutions, which are generally available at market rates and terms, a Flexsteel director, employee or member of his or her family may not accept from an individual or firm doing or seeking business with Flexsteel any loan, guarantee of loan or payment.

- Directors and employees should report any instance in which they are offered money, a substantial or out-of-the-ordinary gift, or anything else of value by a supplier or prospective supplier or a customer or prospective customer.

## **E. IDENTITY THEFT PREVENTION (RED FLAGS RULE)**

The Company is committed to safeguarding sensitive data (Personal Identifying Information) held in its files and on its computers and has issued an Identity Theft Policy. Personal Identifying Information is any information that can be used to identify a specific person or business, for example, name, social security number, date of birth, driver's license, passport number, employer or taxpayer identification number, bank account number, credit card number, etc. All directors and employees must comply with the Company's Identity Theft Policy.

Policy Guidelines:

1. Safeguard all Company, vendor and customer information.
2. Keep a clean work environment. Whenever a workstation is left unattended, all Personal Identifying Information should be secured – out of sight.
3. Secure your workstation. Utilize a password protected screen saver or log off of your computer whenever leaving your workstation for more than a few minutes.
4. Do not leave customer information on your computer screen or paper documents on your desk or in your possession longer than necessary to execute transactions.
5. Avoid using any Personal Identifying Information in any e-mails or written communications. If any such information is included in an electronic or paper document, that document becomes confidential and must be handled accordingly.
6. Know who it is that you are communicating with when sharing Personal Identifying Information.
7. Do not divulge any information over the phone, by e-mail, in writing or in person that may be confidential.

Directors and employees with access to this information must use good business judgment at all times. If there is suspicion of unusual activity, the director or employee should notify their supervisor immediately. If the supervisor believes further investigation or action is required, the supervisor must notify the Chief Financial Officer or In-House Corporate Counsel.

### **III. GOVERNMENT RELATIONS AND ACTIVITIES**

#### **A. POSSIBLE IMPROPER OR ILLEGAL CONDUCT**

Directors and employees of Flexsteel must avoid improper acts and the violation of any governmental law or regulation in the course of performing their work, and they must adhere and comply with basic moral and ethical standards in the conduct of business. Certain specific areas are discussed in these Guidelines, many of which are mandated by specific federal, state or local laws. However, as pointed out above, these Guidelines are not limited to compliance with such enumerated laws and standards.

Flexsteel directors and employees shall not conduct the following:

No Flexsteel funds or assets shall be used for any purpose, which is improper or unlawful under the laws of any jurisdiction (domestic or foreign). Neither Flexsteel nor any director or employee shall:

- Pay or offer to pay anything of value to any foreign political party or official thereof or any candidate for foreign political office or any officer, director, employee, or any person acting in an official capacity for or on behalf of, a foreign government or any department, agency or instrumentality thereof, for any purpose of influencing an official act or decision of such person or inducing such person to exert his or her influence to affect the acts or decisions of a foreign government, in each case to obtain, retain or direct business of any person. This prohibition, which is mandated by the Foreign Corrupt Practices Act of 1977, also includes payments to any person where the payer knows or has reason to know that all or a portion of the payment will be offered or given, directly or indirectly, to persons in the categories described above for the aforesaid purposes.
- Pay or offer to pay anything of value in an attempt to influence the action of any federal, state or local government official or employee. This prohibition also applies to payments to any person where the payer knows or has reason to know that some part of the payment will be used as a bribe or otherwise to influence government action.
- Pay or offer to pay bribes, kickbacks or other similar payments and benefits, directly or indirectly, to any suppliers or customers of Flexsteel or their agents or employees. This includes unusually large gifts or entertainment since such gifts or entertainment may be construed as constituting an improper inducement to such persons.

- Use Flexsteel funds, property or resources to support, directly or indirectly (as through reimbursement for individual contributions), any foreign, federal, state or local political party or candidate. A director or employee's political activity must, therefore, take place on his or her own time and expense.

No director or employee shall accept or receive any payment or other thing of value (except for the nominal gifts and entertainment described in Section II, D., 2.) from anyone having a business relation with Flexsteel (whether characterized as a kickback, bribe, rebate, refund or otherwise, and whether intended by the payer to be for Flexsteel or for personal benefit of the director or employee), unless the payment is in the nature of a refund to Flexsteel which is permitted under applicable laws and regulations.

No payment on behalf of Flexsteel shall be approved or made with the intention or understanding that a part or all of such payment is to be used for any purpose other than that described by the document supporting the payment.

No director or employee shall enter into any transaction or arrangement, which the director or employee knows or reasonably should know, would violate any foreign or domestic laws, nor shall any director or employee assist any third party in violating such laws.

Any director or employee having information or knowledge of any of the foregoing prohibited acts shall promptly report such matter to the Chief Executive Officer or Chief Financial Officer or Compliance Line.

## **B. RELATIONS WITH GOVERNMENT EMPLOYEES**

1. Federal, state and local government departments and agencies have regulations concerning acceptance by their employees of entertainment, meals and gifts from firms and persons with whom the departments and agencies do business or over whom they have regulatory authority. Flexsteel's directors or employees may not give, or offer to give, to such government employees any entertainment, meal or gift.
2. Flexsteel directors or employees may not make loans, guarantee loans or make payments to such federal, state or local government employees.
3. Flexsteel will scrupulously adhere to the letter and spirit of the Foreign Corrupt Practices Act, which prohibits giving money or items of value to a foreign official for the purpose of influencing a foreign government. The Act further prohibits giving money or items of value

to any person or firm when there is reason to believe that it will be passed on to a government official for this purpose. All matters pertaining to this statute must be coordinated with the Chief Financial Officer or In-House Corporate Counsel.

### **C. POLITICAL PARTICIPATION**

No Flexsteel funds or assets, including the work time of a director or employee, will be contributed, loaned or made available directly or indirectly to any political party or to the campaign of any candidate for a federal, state or local office. No funds or assets of Flexsteel may be used for or contributed to any foreign political party, candidate or committee.

Flexsteel encourages its directors and employees to become involved in civic affairs and to participate in political activities. Directors and employees must recognize, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. Further, when a director or employee speaks on public issues, it must be made clear that comments or statements made are those of the individual and not Flexsteel.

### **D. CONTRACTS – BIDDING, NEGOTIATION AND PERFORMANCE**

All directors and employees will strictly observe the laws, rules and regulations which govern acquisition of goods and services by the government. We will compete fairly and ethically for such business opportunities. No Flexsteel director or employee shall attempt to obtain, from any source, government information that is procurement-sensitive or security-classified, or information regarding competitor's bids or proposals in circumstances where there is reason to believe the release of such information is unauthorized.

Personnel involved in the negotiation of contracts shall ensure that all statements, communications and representations to customer representatives are accurate and truthful.

It is specifically prohibited for any directors or employees to submit or concur in the submission of any claims, bids, proposals or any other documents of any kind that are false, fictitious or fraudulent. Such acts are criminal violations (felonies), which could result in criminal prosecution of Flexsteel and the director or employee involved.

Flexsteel is dedicated to developing, producing and furnishing products and services of the highest quality -- products and services that meet or exceed the requirements of customers. The customer has the right to expect -- and we have an obligation to ensure -- that such products and services are delivered at a fair price. This can be accomplished only by continuing dedication to

fair negotiation and strict adherence to all contractual obligations.

#### **IV. COMPLIANCE**

It is the policy of the Company that all directors and employees obey all applicable governmental and regulatory laws, rules and regulations during the performance of their duties.

##### **A. SECURITIES LAWS AND REGULATIONS**

Flexsteel is required by the Securities and Exchange Commission (SEC) and NASDAQ to make full, fair, accurate, timely and understandable public disclosure of “material information” regarding the Company. This is information that affects investor decisions and the market price of Flexsteel’s stock.

There will be occasions when a director or employee knows important information affecting Flexsteel’s activities that has not been publicly released. In such cases, the director or employee must hold the information in the strictest confidence. It is a violation of federal law to purchase or sell our securities or the securities of any other company using what is known as “material inside information”.

Directors and employees should not buy or sell Flexsteel stock when in possession of “material inside information” or provide information to others for that purpose. Further, directors and employees should not buy or sell securities in any other company about which they have “material inside information” obtained in the performance of their duties. Stockholders or companies damaged by those buying or selling securities based on “material inside information” may attempt to recover damages.

“Material inside information” includes information that is not available to the public at large which could affect the market price of the security and to which a reasonable investor would attach importance in deciding whether to buy, sell or retain the security. Either positive or negative information may be material. Common examples of information that may be regarded as material are as follows (such examples are offered by way of illustration and not limitation and should not be considered exhaustive):

- Projections of future earnings or losses or other earnings guidance;
- Earnings that are inconsistent with the consensus expectations of the investment community;

- A pending or proposed merger, acquisition or tender offer or an acquisition or disposition of significant assets;
- A change in management;
- Major events regarding the Company's stock, including the declaration of a stock split or the offering of additional securities;
- Severe financial liquidity problems;
- Actual or threatened major litigation or the resolution of such litigation;
- Potential new major contracts, orders, suppliers, customers or finance sources, or the loss of any of them; and
- News or information regarding a material business opportunity that the Company is considering.

Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. Pursuant to the SEC's Regulation FD (Fair Disclosure), disclosures of "material inside information" must be coordinated, approved and released to the news media through the Chief Executive Officer and Chief Financial Officer.

Only the following persons may discuss material inside information with securities professionals and holders of the Company's securities:

- the Chief Executive Officer; and
- the Chief Financial Officer.

All "material inside information" about the Company that has not been publicly disseminated may be distributed within the Company only on a strict "need-to-know" basis. All directors, officers and employees with access to "material inside information" must maintain its confidentiality to avoid improper disclosure and may not use such information to personal advantage or for the benefit of others.

## **B. ANTITRUST LAWS**

U. S. federal and many state antitrust statutes prohibit a variety of acts and practices, which include:

- Conspiracies and understandings that restrain trade;
- Monopolization or attempts to monopolize;
- The giving or offering of certain benefits to some customers and not to others;
- The knowing receipt of certain of such benefits; and
- Other unfair trade practices.

It is important to note that the concept of an “agreement” or “understanding” under the antitrust laws is extremely broad and need not be reduced to a written document. It can be oral or even a meeting of the minds inferred from a course of conduct, including being present when any prohibited matters are discussed. Accordingly, when there is any doubt whether any discussion or activities violate the antitrust laws, whether relating to the matters enumerated below or otherwise, you should immediately terminate any such discussions or activities and consult the Chief Financial Officer or In-House Corporate Counsel. Failure to comply with the antitrust laws could result in serious consequences not only for Flexsteel, but also to the offending director or employee. Violations of many antitrust laws are considered crimes, subject to fines and possible imprisonment.

To give you some guidance, we have compiled the following list of arrangements as to certain typical unlawful relationships and dealings under the antitrust laws.

1. Agreements or understandings among competitors as to:
  - their pricing policies (including discounts, credit terms, etc);
  - the amount of their production;
  - the division or allocation of markets, territories or customers; or
  - boycotting of third parties.
2. Agreements or understandings with customers establishing the prices, what they will

charge for their products, or the prices which others will charge for resale.

3. Sales of products of like grade and quality to competing customers at contemporaneous times, but at different prices, the effect of which will probably injure competition. Prices set in good faith to meet (but not to beat) a bonafide price offered by a competitor, or price differences, which may be justified in appropriate circumstances on the basis of cost savings, are permissible.
4. Promotional payments, services or facilities (such as advertising displays) extended to one customer, but not made available on proportionally equal terms to all other competing customers. It is lawful, however, to grant promotional assistance to a particular customer if done in good faith to meet (but not to beat) a bonafide offer of such assistance by a competitor of Flexsteel.
5. The antitrust laws also prohibit “reciprocity”, where it is shown that a buyer with substantial purchasing power has purchased a product from another on condition that the other party makes purchases from it in substantial amounts. This does not mean that Flexsteel cannot purchase from companies who purchase from it. It does prohibit any understandings or agreement to the effect that purchases by each party are conditioned upon purchases by the other where the above-described conditions are present.

U.S. federal antitrust laws also apply to international operations and transactions related to imports to or exports from the United States. Moreover, the international activities of Flexsteel could be subject to antitrust laws of foreign nations or organizations such as the European Economic Community. *See also Section V., B.*

### **C. INTERNATIONAL BOYCOTTS AND RESTRICTIVE TRADE PRACTICES**

It is illegal to enter an agreement with others who refuse to deal with potential or actual customers or suppliers, or otherwise to engage in or support restrictive international trade practices. Flexsteel will not directly or indirectly engage in any activity, which reasonably could have the effect of promoting a restrictive international trade practice. Since the mere receipt of a request to engage in such activity becomes a reportable event by law, all directors or employees should immediately seek advice from the Chief Financial Officer or In-House Corporate Counsel should any such request be received that even seemingly seeks information or involvement in such a restrictive trade practice.

## **V. CORPORATE CONDUCT AND SOCIAL RESPONSIBILITY**

Flexsteel has developed policies and procedures governing its corporate conduct and social responsibility, including but not limited to, the following:

### **A. COMPLETE AND ACCURATE BOOKS, RECORDS AND COMMUNICATIONS**

Applicable laws and regulations establish the following requirements with regard to record keeping and communications:

1. Flexsteel's financial statements and all books and records on which they are based must reflect accurately all transactions of Flexsteel;
2. All disbursements of funds and receipts must be properly and promptly recorded;
3. The falsification of time cards or other cost records will not be tolerated. Every supervisor is personally responsible for assuring that the time reported as work hours, vacation, sick or other compensable time for employees that report to them is recorded and reported promptly and accurately;
4. No undisclosed or unrecorded funds may be established for any purpose;
5. No false or artificial statements or entries may be made for any purpose in the books and records of Flexsteel or in any internal or external correspondence, memoranda or communication of any type, including telephone or wire communications; and
6. No director or employee shall make any false, misleading or incomplete statements, nor shall such director or employee omit to state, or cause another person to omit to state, any facts necessary to make any statements made, in light of the circumstances under which such statements were made, not misleading, to any accountant, whether Flexsteel's independent auditors or internal auditors, in connection with any audit or examination of the financial statements of Flexsteel or in any preparation of a filing of any document or report required to be filed with any federal, state or local governmental agency.

Penalties for violations in this area could be severe for Flexsteel as well as for the director or employee involved.

## **B. PRESERVATION OF ASSETS AND COST CONSCIOUSNESS**

Every director and employee is charged with the duty to preserve Flexsteel's assets, its property, plant and materials that have been furnished by our customers and suppliers.

Because Flexsteel is from time-to-time a government contractor, it is imperative that we demonstrate additional sensitivity to control costs. Flexsteel is, and must continue to be, a cost-conscious contractor. Materials and services for the conduct of Flexsteel's business must be acquired in accord with the most rigorous procurement standards by obtaining items of appropriate quality at the best possible price.

Flexsteel's policies provide for reimbursement of reasonable expenses incurred by directors and employees who travel on business or to Corporate-sponsored events. Economies of travel should be practiced at all times in the selection of air carriers, vehicle rentals, accommodations and expenditures for meals.

## **C. ENVIRONMENTAL STEWARDSHIP**

Flexsteel directors and employees have a responsibility to protect our environment by identifying our environmental footprint and reducing our impact on the environment. Flexsteel directors and employees must be committed to sustainable business practices and dedicated to the stewardship of resources. Our policy on environmental stewardship can be found at <http://www.flexsteel.com/about-us/sustainability>.

## **D. THE CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT OF 2010**

The California Transparency in Supply Chains Act of 2010 requires manufacturers and other companies who do business in California to disclose their efforts to eradicate slavery and human trafficking from their supply chains. Flexsteel prohibits illegal child labor, human trafficking, prison labor, slave, involuntary, indenture, forced and bonded labor, physical or psychological abuse of workers, harassment, corruption, bribery and unfair business practices. Our policy on social responsibility can be found at <http://www.flexsteel.com/about-us/social-responsibility>.

## **E. SUPPLIER CODE OF CONDUCT**

Flexsteel requires its suppliers to maintain compliance programs and be able to demonstrate a satisfactory record of compliance with applicable laws in the conduct of its business, including compliance programs related to humane treatment of employees and contractors, safe working

conditions, responsible recruitment and hiring practices, legal work hours, pay and benefits, and working environments free of discrimination, harassment, corruption and bribery. Flexsteel's Supplier Code of Conduct applies to all suppliers and the suppliers' contractors who provide products and services to Flexsteel. These policies and requirements are incorporated in our Supplier Agreements and our purchase orders require compliance with all laws and regulations.

#### **F. ANNUAL REQUIREMENT**

In connection with each annual audit, all members of the Board of Directors, officers and employees, designated by the Audit & Ethics Committee or Chief Executive Officer, will be required to sign the following statement:

"I have completed the Business Conduct training, and I am not and to the best of my knowledge none of our employees is in violation of the Company's Guidelines for Business Conduct with regard to Company Policies, Government Relations and Activities, Compliance and Corporate Conduct, and that these policies and practices are reviewed with key employees, that report to me, annually."