

**FLEXSTEEL INDUSTRIES, INC.**  
**AMENDED AND RESTATED**  
**COMPENSATION COMMITTEE CHARTER**

**PURPOSE**

The Compensation Committee (the “Committee”) is established by and amongst the Board of Directors (“Board” or “Board of Directors”) of Flexsteel Industries, Inc. (the “Company”) for the primary purpose of assisting the Board in the oversight of:

- succession planning for company personnel;
- evaluating executive officer compensation plans, policies and programs;
- reviewing benefit plans for the Company’s executive officers; and
- providing an annual report on executive compensation for inclusion in the Company’s proxy statement.

The Committee has the authority to retain outside legal, accounting, compensation consultants or other advisors as deemed appropriate to perform its duties and responsibilities.

The Committee will be directly responsible for the approval of the fees and other retention terms of any compensation consultant or other outside advisor, including outside legal and accounting advisors (collectively, the “Advisors”), retained by the Committee. The Committee will be directly responsible for oversight of the work of Advisors. The Company will provide appropriate funding, as determined by the Committee, for payment of fees and costs to any Advisors hired by the Committee.

The Committee may select Advisors only after taking into consideration the following six factors, as well as any other factors required by the NASDAQ Stock Market, LLC (“NASDAQ”), the Securities Exchange Act and corresponding rules that may be amended from time to time:

1. Provision of other services to the Company by the entity that employs the Advisor.
2. Amount of fees paid by the Company to the entity that employs the Advisor, as a percentage of that entity’s total revenue.
3. Policies and procedures of the entity that employs the Advisor regarding prevention of conflicts of interest.
4. Any business or personal relationship between the Advisor and any member of the committee.
5. Ownership by the Advisor of the Company’s stock.
6. Any business or personal relationship between the Advisor, or any entity that employs the Advisor and any executive officers of the Company.

The Committee may select any Advisors they prefer, including ones that are not independent, after considering the above listed factors.

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

## **COMPOSITION AND MEETINGS**

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall (i) be independent directors (as defined by all applicable rules and regulations), (ii) not accept directly or indirectly any consulting, advisory or other compensation from the Company, other than compensation for services as a Company director, and (iii) be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Committee members will serve until their resignation, retirement, removal by the Board or until their successors are duly appointed and qualified. Committee members may be removed by the Board in its sole discretion for any reason or no reason. The Board may fill any vacancy on the Committee. The Chair of the Committee will be designated by the full Board or, if it does not do so, the Committee members will elect a Chair by the affirmative vote of a majority of the Committee's members. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate, provided that the subcommittees are composed entirely of independent directors as provided above. All actions of the Committee are to be in conformity with this Charter, the Articles of Incorporation and By-Laws of Flexsteel and governing law.

The Committee shall meet at least two 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 Chair of the Committee will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Committee will prepare minutes of each meeting, which will be provided to all Committee members and the full Board before the next regularly scheduled meeting of the Committee or the Board, as applicable. In addition, the Committee will make regular reports to the Board and will propose any necessary action to the Board, and review this Charter at least annually and make recommendations as appropriate. The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meetings of the Committee to provide such pertinent information as the Committee may request.

## **RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

### **A. Compensation**

1. Review and approve corporate goals and objectives, relevant to CEO and other executive officers' compensation; including annual performance objectives.
2. Evaluate the performance of the executive officers against the corporate goals and objectives and determine appropriate compensation levels for the executive officers based on such evaluations. The Company's CEO may be present during the meeting deliberations on these matters, but is not allowed to vote on these matters.
3. Evaluate the performance of the CEO against the corporate goals and objectives and determine appropriate compensation levels for the CEO based on such evaluations. The Company's CEO may not be present during deliberations or votes on these matters.

4. Periodically review the executive compensation programs and make recommendations to the Board of Directors with respect to new or modified plans, including incentive compensation and equity-based compensation.
5. Review, approve and administer all equity based compensation plans and grant stock awards or stock options under such plans.
6. Review and approve benefit plans of the Company's executive officers.
7. Periodically review director compensation for service on the Board and Board committees and recommend changes, if any, to the Board of Directors.
8. Prepare and publish an annual compensation committee report for inclusion in the Company's proxy statement in accordance with applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and NASDAQ, and to prepare any other report or disclosure required to be prepared by the Committee pursuant to the rules of the SEC and NASDAQ for inclusion in the Company's annual shareholder meeting proxy statement or other SEC filing.
9. Review and discuss the Compensation Discussion and Analysis required by SEC rules for inclusion in the Company's annual shareholder meeting proxy statement, Annual Report on Form 10-K or information statement, as the case may be, and based on such review and discussion determine whether or not to recommend to the Board that such Compensation Discussion and Analysis be included in such filing.
10. Periodically review the Company's executive compensation policies and practices to insure that these policies promote the appropriate level of risk-taking behavior.
11. Review, evaluate and discuss with management the results of the shareholder advisory Say-on-Pay vote and the proxy statement discussion and resolution for the advisory Say-on-Pay vote by shareholders.
12. Review the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval.

**B. Succession Planning**

1. Develop and maintain succession planning policies and criteria for the CEO and the Company's executive officers, and confer periodically with the Board of Directors on succession planning;
2. Make recommendations to the Board of Directors regarding succession planning in the event of an emergency or the retirement of the CEO or the Company's executive officers.
3. Establish and maintain specific criteria for successors for the CEO and the Company's executive officers.
4. Review and make recommendations to the Board of Directors regarding internal candidates for eventual promotions to executive officer positions.

Date Adopted: November 7, 2014

By: \_\_\_\_\_

Mary C. Bottie  
Chair-Compensation Committee

By: \_\_\_\_\_

Lynn J. Davis  
Chair-Board of Directors