

**FRANKLIN ELECTRIC CO., INC.**  
**AUDIT COMMITTEE CHARTER**

**Effective: [October 30, 2015]**  
**(Supersedes the version adopted on October 24, 2013)**

**A. Purpose**

The purpose of the Franklin Electric Co., Inc. Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Franklin Electric Co., Inc. (the “Company”) in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control, risk management and legal compliance functions of the Company and its subsidiaries. Specifically, the Committee shall assist the Board in overseeing (a) the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements and the attestation on management’s assessment of the effectiveness of, and the effectiveness of, internal control over financial reporting, (b) the Company’s compliance with legal and regulatory requirements, (c) the qualifications and independence of the Company’s independent registered public accounting firm, and (d) the performance of the Company’s internal audit function and the independent registered public accounting firm. The Committee also shall review and approve the audit committee report required to be included in the Company’s annual proxy statement under the applicable rules of the Securities and Exchange Commission (the “SEC”).

**B. Duties and Responsibilities**

**1. Financial Reporting**

- Review the annual financial statements (including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operation”) and independent registered public accounting firm’s reports to be filed with the SEC, and determine whether to recommend to the Board that the financial statements be included in the Company’s annual report on Form 10-K for its most recently completed fiscal year.
- In connection with such review of the annual financial statements, consider and discuss with the Company’s independent registered public accounting firm and, if appropriate, management:
  - (a) the development, selection and disclosure of critical accounting estimates and judgments made by management;
  - (b) the initial selection of or changes in significant accounting policies or their application during the year;
  - (c) the accounting methods used to account for significant, complex or unusual transactions;

(d) any significant adjustments proposed by the independent registered public accounting firm; and

(e) all other matters required by professional standards to be communicated to the Committee by the independent registered public accounting firm, including the matters required to be communicated under Statement on Public Company Accounting Oversight Board – United States (PCAOB) Interim Auditing Standard AU Section 380, Communications with Audit Committees, as modified or supplemented from time to time.

- In connection with each audit, receive a report from the independent registered public accounting firm regarding (a) all critical accounting policies and practices used, (b) alternative treatments of financial information within GAAP related to material items that have been discussed with management, and the ramifications of the use of such alternatives and the treatment preferred by the independent registered public accounting firm, and (c) any other material written communications between the independent registered public accounting firm and management.
- Review the quarterly financial statements (including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operation”).
- Review the Company’s earnings press releases.
- Comply with the requirements of the SEC, The Nasdaq Stock Market (“Nasdaq”) and any other applicable regulatory requirements with respect to interim financial information that are determined to be applicable to the Committee.

## **2. Independent Registered Public Accounting Firm**

- Have the sole authority to engage, retain and terminate, and approve the funding for, the independent registered public accounting firm.
- Be directly responsible for overseeing the work of the independent registered public accounting firm (including the resolutions of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Review and pre-approve (a) all engagements in connection with audit, review and attest reports required under the securities laws and, (b) subject to the provisions of the Securities Exchange Act of 1934, as amended (the “1934 Act”), any non-auditing services to be provided by the independent registered public accounting firm, including the terms of the engagement and fees paid

to the independent registered public accounting firm, subject to the *de minimis* exception under the 1934 Act for the provision of non-auditing services that are approved by the Committee before the completion of the audit. The Committee may establish appropriate pre-approval policies and delegate to a subcommittee of one or more of its members the authority to pre-approve auditing and permitted non-auditing services. Any decision by such subcommittee to pre-approve auditing or non-auditing services shall be presented to the full Committee for its approval at its next scheduled meeting.

- Evaluate, at the time of the engagement and periodically thereafter, the independence of the independent registered public accounting firm and report its conclusions to the Board. In connection with such evaluation, the Committee shall require the independent registered public accounting firm to deliver at least annually a formal written statement delineating all relationships between the independent registered public accounting firm and the Company and addressing at least the applicable independence rules of the PCAOB, as such standard may be amended, supplemented or replaced from time to time, and shall discuss with the independent registered public accounting firm any relationships or services disclosed in the statement that may impact the objectivity and independence of the independent registered public accounting firm. The Committee also shall obtain and review the aggregate fees billed for each of the categories of services set forth in Item 9 of Schedule 14A under the 1934 Act.
- Ask the Company's independent registered public accounting firm to confirm, each year before work is begun on the audit of the Company's financial statements, that the persons who are serving as "audit partners," as defined in applicable SEC rules, in connection with such audit have complied with applicable SEC rules relating to audit partner rotation. The Committee shall also consider, as part of its annual review of the independence of its independent registered public accounting firm, whether or not there should be a regular rotation of the independent registered public accounting firm.
- Meet with the independent registered public accounting firm before each audit to discuss the planning and staffing of the audit.
- Evaluate the performance of the independent registered public accounting firm and the lead partner and report its conclusions to the Board. In connection with such evaluation, the Committee shall obtain, at least annually, from the independent registered public accounting firm a report that describes (a) the independent registered public accounting firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review or peer review of the independent registered public accounting firm or by any inquiry or investigation by any governmental or professional authority respecting one or more independent audits conducted by the independent registered public accounting firm, and (c) any steps taken to

address those issues. The Committee shall also solicit and take into account the opinions of management and of the Company's internal auditors.

- Ensure that the Company complies with applicable SEC rules relating to the hiring of employees or former employees of the independent registered public accounting firm who participated in the audit of the Company's financial statements.

### **3. Internal Control**

- Review with the independent registered public accounting firm, the internal auditors and with Company management the quality as well as the acceptability of the Company's accounting policies and the adequacy and effectiveness of the Company's procedures and controls, and elicit any recommendations for improvement thereof.
- Review with internal auditors and independent registered public accounting firm the circumstances with respect to the existence of unresolved disagreements or differences of opinion (if any) regarding accounting policies, treatments, procedures, controls, or financial disclosures and determine that such items have been resolved in a manner consistent with the Committee's knowledge and understanding of the issues.
- Annually assess management's performance in maintaining effective accounting, financial and compliance policies, procedures and controls.

### **4. Internal Audit**

- Review annually the internal audit function of the Company, including its proposed programs, the coordination of its programs with the independent auditors and the significant findings of internal audit reviews.
- Confirm and assist in assuring the independence of the internal audit function.
- Review with management the performance of the internal audit function and concur in the appointment, replacement, reassignment or dismissal of the manager of internal audit.
- Ensure that the internal audit function has adequate resources.

### **5. Compliance with Legal and Regulatory Requirements**

- Discuss with management and the independent registered public accounting firm any correspondence with the SEC, Nasdaq or other regulatory or self-regulatory agency relating to the Company's financial reporting obligations, including any comment letters received from the SEC on the Company's

financial statements and the Company's proposed response to those comments.

- Review the code of ethics for the Company's senior financial officers that complies with the requirements of the 1934 Act and applicable SEC rules and recommend to the Board, from time to time, for its approval, any changes to the code that the Committee deems necessary or appropriate.
- Review procedures established for monitoring compliance by the Company's directors, officers and employees with the Company's Code of Business Conduct and Ethics and advise the Board of any material compliance problems identified by the Committee as a result of such procedures.
- Review and assess the adequacy of the Compliance & Ethics Program Charter and the effectiveness of ethics and compliance activities at the Company, and recommend to the Board, for its approval, any changes the Committee believes are necessary or advisable to the Charter.
- Establish procedures for receiving, processing, retaining and handling complaints regarding any accounting, internal accounting controls or auditing matters, and anonymous or confidential submissions by Company employees of concerns regarding questionable accounting or auditing matters as required by applicable law.
- Discuss with the Company's Secretary and legal counsel, as appropriate, any litigation or other legal matters that may have a material effect on the Company's financial statements or its compliance policies.
- Obtain from the independent registered public accounting firm confirmation that they have not become aware of any illegal acts that are required to be disclosed to the Committee under the 1934 Act.

## **6. Risk Oversight**

- Review and discuss with management the significant risks and exposures of the Company and management's methodology for monitoring, controlling, mitigating and reporting such risks and exposures.
- Review proposed policies and changes in the policies with respect to the management of the Company's risks and exposures.

## **7. Other Duties**

- To the extent the Committee deems necessary or appropriate, engage and determine funding for independent counsel and other outside advisors and to pay administrative expenses that are necessary or appropriate in carrying out its duties.

- Review and consider the impact of emerging business issues and changing conditions on the scope of the internal and external audit activities. Inquire about significant risks or exposure and assess the steps management has taken to minimize or mitigate such risks or exposures.
- Review and approve all related-party transactions required to be disclosed pursuant to Item 404 of Regulation S-K.
- Review annually the results and administration of the various defined benefit and defined contribution plans of the Company.
- Review annually expenses reported by officers and directors of the Company and the policies and procedures in effect for considering such expenses.
- Conduct or authorize investigations into any matters within the Committee’s scope of responsibility. The Committee may retain independent counsel, accountants and others to assist it in the conduct of such investigations.
- Annually review the Audit Committee Charter and recommend to the Board, for its approval, any changes the Committee believes are necessary or advisable.
- Annually conduct and review with the Board a performance evaluation of the Committee, which evaluation shall compare the performance of the Committee against the requirements of this Committee Charter and set the goals of the Committee for the upcoming year.
- Meet separately, from time to time, with management, the internal auditors, and the independent registered public accounting firm, as appropriate, to discuss matters within the scope of the Committee’s duties.
- Report, at each Board meeting, on Committee activities.

**C. Committee Membership**

The Committee shall consist of at least three directors, all of whom shall be “independent directors” under the Company’s Corporate Governance Guidelines and the applicable rules of the SEC and Nasdaq.

The Board shall appoint the Committee members and the Chairman of the Committee annually based on the recommendations of the Company’s Corporate Governance Committee. The Board may fill vacancies on the Committee and remove a member from Committee membership at any time with or without cause.

All Committee members shall have, in the judgment of the Board, the literacy and experience requirements under the applicable rules of the SEC and Nasdaq. Each Committee member must be able to read and understand fundamental financial statements, including a

company's balance sheet, income statement and cash flow statement. At least one Committee member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, such as serving or having served as a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, as required by applicable Nasdaq rules. At least one Committee member shall be an "audit committee financial expert," as defined by applicable SEC rules.

Committee members shall not simultaneously serve on the audit committee of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such Committee member to serve effectively on the Committee.

#### **D. Committee Structure and Operations**

##### **1. Meetings**

The Committee shall meet at least four times a year. Additional meetings may be held, or actions may be taken by unanimous written consent, as deemed necessary or appropriate by the Committee Chairman or by any other member of the Committee. Minutes of each meeting shall be prepared by the Secretary or any Assistant Secretary of the Company or such other person designated by the Committee Chairman as Acting Secretary of the Committee, and when approved, shall be distributed to all Board members.

The Committee may meet with the CEO, other members of management, the Company's internal auditors, the Company's independent registered public accounting firm, and outside consultants or advisors as it may deem necessary or appropriate. The Committee shall meet separately, periodically, with management, the Company's internal auditors, and the Company's independent registered public accounting firm, in each case to discuss any matters that the Committee or any of the above persons or firms believes should be discussed privately.

##### **2. Resources**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities. In particular, the Committee shall have (a) direct and unrestricted access to the Company's management and non-management personnel, all corporate records and the Company's independent registered public accounting firm, and (b) the authority to obtain advice and assistance from internal or external legal, accounting or other advisors, without the approval of the engagement by the Board or management, and may direct the proper officers of the Company to pay the reasonable fees and expenses of any such advisor. The Committee may request its advisors to attend a meeting of the Committee or to meet with members of the Committee.

##### **3. Delegation of Authority**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

#### **4. Compensation**

Director's fees (including any additional amounts paid to chairmen of committees and to members of committees of the Board) are the only compensation a member of the Committee may receive from the Company; *provided, however*, that a member of the Committee may also elect to receive deferred compensation for prior service so long as such compensation is not contingent in any way on continued Board service.

#### **E. Limitations on Audit Committee's Duties and Responsibilities**

The Committee's responsibility is one of oversight. The responsibility for the completeness and accuracy of the financial statements rests with the Company's management. The responsibility of the Company's independent registered public accounting firm is to perform an audit of the Company's financial statements and to express an opinion on (i) the conformity of the Company's annual financial statements with generally accepted accounting principles, (ii) management's assessment of the effectiveness of internal control over financial reporting, and (iii) the effectiveness of internal control over financial reporting.

The Committee shall perform its responsibilities in accordance with the requirements of the Act, the SEC and Nasdaq.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing, including in respect of auditor independence. Each member of the Committee shall be entitled to rely on (a) the integrity of those persons and organizations within and outside the Company from which he or she receives information, (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (c) representations made by the Company's management as to any information technology, internal audit and other non-audit services provided by the Company's independent registered public accounting firm to the Company. Furthermore, it is the responsibility of the Company's management to assure the compliance of the Company and its employees with laws and regulations and with the Company's Code of Business Conduct and Ethics.

The Company's independent registered public accounting firm shall be accountable to the Board and the Committee. The independent registered public accounting firm shall report directly to the Committee. The Committee shall have the authority and responsibility to evaluate, select, and, as appropriate, replace the Company's independent registered public accounting firm.