

**CTS CORPORATION**  
**BOARD OF DIRECTORS**  
**AUDIT COMMITTEE CHARTER**

**PURPOSE:**

The purposes of the Audit Committee are to (a) assist the Board of Directors in fulfilling the Board's oversight responsibilities with respect to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with applicable federal securities laws, and the rules and regulations of any exchange upon which company stock is listed, (iii) the independent auditor's qualifications and independence, (iv) the performance of the independent auditor and of the Company's internal audit function, (v) the quality and integrity of the internal controls and other accounting, auditing and reporting practices and processes of the Company, (vi) the Company's Code of Ethics; and (vii) such other duties as requested by the Board; and (b) oversee the preparation of the Committee's report made pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), to be included in the Company's annual proxy statement (the "Audit Committee Report").

**COMPOSITION:**

The Committee shall be solely comprised of a minimum of three (3) and a maximum of five (5) independent members of the Board whose qualifications shall be as follows:

- 1) Each Committee member shall meet the independence criteria of (a) the rules of the New York Stock Exchange, Inc., as such requirements are interpreted by the Board in its business judgment, and (b) Section 301 of the Sarbanes-Oxley Act of 2002 (the "Act") and any rules promulgated thereunder by the Securities and Exchange Commission ("SEC").
- 2) Each Committee member shall be financially literate or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. Additionally, at least one member of the Committee shall have accounting or related financial management expertise and shall meet the criteria of a financial expert within the meaning of Section 407 of the Act and any rules promulgated thereunder by the SEC. The Board shall determine, in its business judgment and upon the recommendation of the Nominating and Governance Committee, whether a member is financially literate and whether at least one member has the requisite accounting or financial expertise and meets the financial expert criteria.
- 3) Each Committee member shall only receive, as compensation from the Company, director's fees (which include all forms of compensation paid to directors of the Company for service as a director or Chair of a Board Committee).
- 4) Each Committee member shall serve on no more than two audit committees of public companies unless the Board of Directors has made an affirmative determination that such service would not detract from that Committee member's ability to give adequate time to the Committee.

The Board shall appoint the members and the Chairman of the Committee based on nominations

made by the Company's Nominating and Governance Committee. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

**RESPONSIBILITIES AND AUTHORITY:**

- 1) Retain Independent Auditor: The Committee shall have the sole authority to (a) retain and terminate the Company's independent auditor, (b) approve all audit engagement fees, terms and services, (c) approve all non-audit engagements with the Company's independent auditor, and (d) oversee, or direct the oversight of, the work of the independent auditor. The Company's independent auditor shall regularly report to the Audit Committee
- 2) Pre-Approvals: The Committee shall pre-approve all non-audit services to be performed by the independent auditor and shall have authority to grant any pre-approvals of non-audit work to be performed by the independent auditor and permitted by the Act, including the delegation of limited non-audit engagement approvals to the Chairman, acting on behalf of the Committee, and management, subject to ongoing oversight by the Committee. Such authority shall be exercised in a manner consistent with the provisions of the Act.
- 3) Review Independent Auditor's Quality Control: The Committee shall obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's assessment of quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years relating to one or more independent audits carried out by the firm, (c) any steps taken to address the foregoing issues, and (d) all relationships between the independent auditor and the Company. This information shall be included in the Committee's performance evaluation of the independent auditor.
- 4) Review Independence and Performance of Independent Auditor: The Committee shall evaluate the qualifications and performance of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and the Company's internal auditor. In connection with the retention of the Company's independent auditor, at least annually review the information provided by management and the auditor relating to the independence of the audit firm, including, among other things, information related to the non-audit services provided and expected to be provided by the auditor. The Committee is responsible for (a) ensuring that the independent auditor submits to the Committee, at least annually, a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard No. 1, (b) actively engaging in a dialogue with the auditor with respect to any disclosed relationship or services that may impact the objectivity and independence of the auditor, and (c) taking appropriate action in response to the auditor's report to satisfy itself of the auditor's independence. In connection with the Committee's evaluation of the

auditor's independence, the Committee shall also review and evaluate the lead audit partner and take such steps as may be required by law with respect to the regular rotation of the lead audit partner and the reviewing audit partner. Upon completion of its review, the Committee shall present its conclusions to the full Board.

- 5) Set Hiring Policies: The Committee shall set hiring policies for employees or former employees of the independent auditor which shall include the restrictions set forth in the Act.
- 6) Review Audit Plan: The Committee shall review with the independent auditor its plans for, and the scope of its annual audit, and other examinations, including those conducted pursuant to Section 404 of the Act, and monitor the conduct of such audits and examinations.
- 7) Conduct of Audit: The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended) relating to the conduct of the audit, as well as any audit problems or difficulties and management's response, including (a) any restriction on audit scope or on access to requested information, (b) any disagreements with management, and (c) significant issues discussed with the independent auditor's national office. Unresolved disagreements between management and the independent auditor regarding financial reporting shall be decided by the Committee.
- 8) Discuss Financial Statements: The Committee shall discuss with appropriate officers of the Company and the independent auditor, prior to filing of Form 10-K, or 10-Q, the annual audited and quarterly financial statements of the Company, including (a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (b) the disclosures regarding internal controls and other matters required to be reported to the Committee by the Act and any rules promulgated thereunder by the SEC. Upon completion of its review, the Committee shall make a recommendation to the Board as to whether the Company's audited financial statements and related disclosures meet the requirements to be included in the Company's Annual Report on Form 10-K to be filed with the SEC.
- 9) Discuss Earnings Press Releases: The Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies by the Company (including any use of "pro forma" or "adjusted" non-GAAP information).
- 10) Review Internal Audit Plans: The Committee shall review internal audit plans for and the scope of ongoing audit activities, including examinations under Section 404.
- 11) Review Internal Audit Reports: The Committee shall review the annual report of audit activities and examinations and the results thereof of the internal auditing department and monitor the progress of internal audit activities.
- 12) Review Systems of Internal Accounting Controls: The Committee shall review the

adequacy of the Company's internal accounting controls and disclosure controls and procedures, the Company's auditing organization and personnel, and the Company's policies and compliance procedures with respect to business practices which shall include the disclosures regarding internal controls and matters required to be reported to the Committee by the Act and any rules promulgated thereunder by the SEC.

- 13) Review Recommendations of Independent Auditor: The Committee shall review with the senior internal audit executive and the appropriate members of management recommendations made by the independent auditor and the senior internal audit executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.
- 14) Review Audit Results: The Committee shall review with the independent auditor (A) the report of its annual audit, or proposed report of its annual audit, (B) the accompanying management letter, if any, (C) the reports of its review of the Company's interim financial statements conducted in accordance with Statement on Auditing Standards No. 71, and (D) the reports of the results of such other examinations outside of the course of the independent auditor's normal audit procedures as the independent auditor may undertake from time to time. The foregoing shall include the reports required by the Act and, as appropriate, (a) a review of major issues regarding (i) accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and (ii) the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, (b) a review of analyses prepared by management and/or 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, (c) a review of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company, and (d) review critical audit matters in accordance with Auditing Standard 3101.
- 15) Review Financial Accounting Risk Management Policies: The Committee shall review policies and procedures with respect to risk assessment and risk management to oversee the internal controls utilized by management in handling the Company's exposure to financial accounting risk and discuss the Company's major financial risk exposures and the steps management has taken to monitor and control these exposures.
- 16) Obtain Reports Regarding Conformity With Legal Requirements and the Company's Code of Ethics: The Committee shall (a) ensure in its review with management, the general counsel, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Ethics, (b) review reports and disclosures of insider and affiliated party transactions, (c) advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Ethics, and (d) establish procedures for the receipt, retention, and treatment of complaints

received by the Company regarding accounting, internal accounting controls, auditing matters or Code of Ethics and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting, auditing or Code of Ethics matters.

- 17) Review Other Matters: The Committee shall review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the Committee's functions described above.
- 18) Board Reports: The Committee shall report its activities regularly to the Board in such manner and at such times as the Committee and the Board deem appropriate, but in no event less than once a year. Such report shall include the Committee's conclusions with respect to its evaluation of the independent auditor.
- 19) Delegation of Authority: The Audit Committee may form sub-committees comprised of one or more members of the Audit Committee and delegate authority to such sub-committee. Any sub-committee to which such authority is delegated shall advise the Audit Committee at its next scheduled meeting of any of its activities including pre-approvals authorized by such sub-committee (if such authority is explicitly delegated to it).

#### **MEETINGS OF THE COMMITTEE:**

The Committee shall meet in person or telephonically at least quarterly or more frequently as it may determine necessary to comply with its responsibilities as set forth herein. One-third of the members, but not less than two members, shall constitute a quorum. The Committee shall be authorized to take any permitted action only by the affirmative vote of a majority of the Committee members present at a meeting at which a quorum exists. The Chairman of the Committee shall, in consultation with the other members of the Committee, the Company's independent auditor and the appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing agenda therefor and supervising the conduct thereof. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may request any officer or employee of the Company or the Company's outside legal counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. It is expected that the Committee shall routinely work with and through management to fulfil its roles and responsibilities except as required or prohibited by law. However, the Committee shall meet periodically in separate private sessions with management, the independent auditor, the internal auditor and the General Counsel to discuss such matters as either party deems appropriate. Additionally the Committee may elect to meet in separate private session with any other party they deem appropriate for private discussions.

#### **RESOURCES AND AUTHORITY OF THE COMMITTEE:**

The Committee shall have the authority appropriate to discharge its responsibilities and carry out its duties as required by law and this Charter, including the authority to engage outside auditors for special audits, reviews and other procedures and to engage independent counsel and other advisors, experts or consultants. The Company shall provide appropriate funding and other

resources as required by the Audit Committee to fulfill its responsibilities, including compensation of the independent public accountants, advisors retained under this section, and ordinary expenses of the Committee.

**AUDIT COMMITTEE REPORT:**

The Committee shall prepare, with the assistance of management, the independent auditor and outside resources (as deemed necessary), the Audit Committee Report.

**ANNUAL REVIEW OF CHARTER:**

The Committee shall conduct and review with the Board annually an evaluation of this Charter and recommend any changes to the Board. The Charter evaluation shall be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

**ANNUAL PERFORMANCE EVALUATION:**

The Committee shall conduct and review with the Board annually an evaluation of the Committee's performance with respect to the requirements of this Charter. This evaluation shall also set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation shall be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

**ACCOUNTABILITY OF THE AUDITOR:**

The independent auditor and the Company's internal auditor function are accountable to the Board of Directors and the Audit Committee as representatives of the Company's Shareholders.

**LIMITATION OF AUDIT COMMITTEE ROLE:**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.