# LCI Industries
# Compensation Committee Key Practices

**LCI INDUSTRIES**
**COMPENSATION COMMITTEE KEY PRACTICES**

The Compensation Committee has adopted the following key practices to assist it in undertaking the functions and responsibilities set forth in its Charter:

1. **Meetings**. The Committee will meet at least three times each year.

2. **Compensation Principles**. The Committee believes that its principal responsibilities in compensating executives is to incentivize and reward officer and employee performance that will lead to long-term enhancement of stockholder value, while mitigating against inappropriate compensation-related risks. The Committee regularly evaluates the effectiveness of the different elements of the Company's basic executive compensation program. The Committee relies upon its judgment in making compensation decisions, after reviewing the performance, leadership qualities, operational performance, business responsibilities, current compensation arrangements, and long-term potential to enhance stockholder value. The Committee does not adhere to rigid formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements. Each year, the Company reports the compensation paid to its principal executive officer, principal financial officer, and the other "named executive officers" in the Proxy Statement, and the Committee explains the reasons for its key compensation actions in a report and in a discussion and analysis included in the Proxy Statement.

Each element of the Company's executive compensation program serves a somewhat different purpose, and the Committee endeavors to provide a combination of compensation elements that enable the Company to attract, retain, incentivize and reward executives of superior ability who are dedicated to the long-term interests of the stockholders.

a) **Base Salary**. Salary payments compensate on-going performance throughout the year, and depend on scope of responsibilities, leadership skills, performance, and length of service and accumulated experience.

b) **Incentive Compensation.** Performance-based incentive compensation for executive officers is based upon incentive programs that the Committee develops to reward each executive's contribution to the long-term interests of the Company and its stockholders.

c) **Discretionary Bonus.** Bonuses may be granted in the discretion of the Committee based on an executive's performance and execution of responsibilities, or when it is in the best interest of the Company to avoid linking compensation directly to reported financial results.

d) **Equity Awards**. The Committee considers equity awards, subject to appropriate holding periods, to be an extremely effective form of compensation for officers and other key employees because they provide incentives for superior performance over an extended period leading to enhanced stockholder value. Equity awards also promote retention of key employees because they vest over a period of years. The Committee considers the grant size and other terms of the awards when making award decisions, weighing the cost of these grants with their potential benefits as a compensation tool, as well as the Company's performance and relative stockholder return, the value of similar awards at comparable companies, and awards granted in past years.

e) **Contingent Long-Term Performance Awards**. Contingent long-term performance awards may be granted periodically by the Committee to senior operating managers and key executives to provide additional emphasis on the attainment of specific financial measurements designed to enhance long-term stockholder value.

f) **Retirement Plans.** The Company may (1) maintain discretionary retirement plans (401(k)) for eligible employees and may match a portion of employees' contributions and (2) grant post-retirement compensation and benefits to certain executives in the sole discretion of the Committee.

g) **Benefits.** The Company may maintain such perquisites and benefits as the Committee deems reasonable, competitive and consistent with the Company's overall executive compensation program.

All equity-based awards are granted in accordance with the terms of the Company's Equity Award and Incentive Plan, as approved by the Stockholders from time to time.

To encourage Directors' long-term ownership of the Common Stock of the Company, Directors may elect to accept restricted stock or deferred stock units in lieu of cash compensation in payment of Directors' fees. An initial election to defer compensation for a calendar year must be made prior to December 31$^{st}$ of the preceding calendar year. Deferred stock units or restricted stock shall be issued in accordance with the Company's Equity Award and Incentive Plan. The number of shares of restricted stock or deferred stock units, credited at the fair market value of the stock on the date credited, is equivalent to 115% of the deferred fee. The restricted stock or deferred stock units are distributed in the form of shares of the Common Stock of the Company at the end of the initial restriction or deferral period, as appropriate, or in the case of deferred stock units, any extended deferral period selected by the Director, subject to earlier distribution upon death, disability, or certain changes of control of the Company, and are intended to comply in all respects with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. Until shares representing the deferred stock are distributed, the Director does not have any rights of a stockholder of the Company with respect to such shares. Deferred stock units will accumulate dividend equivalent payments, if any, which shall be reinvested into additional deferred stock units with the same conversion date as the underlying units.

3. **Stock Ownership Guidelines.** To help align the personal interests of senior management with the interests of stockholders, the Committee has established the following guidelines for ownership

of Company stock or deferred stock units by the following executives (the "Restricted Executives"), as a multiple of each Restricted Executive's Base Cash Salary:

| Position | Market Value as a Multiple of Base Cash Salary | Time To Attain |
|---|---|---|
| CEO | 5 X | 3 years |
| President | 4 X | 3 years |
| CFO | 3 X | 3 years |

Equity interests that count toward satisfaction of the guidelines include shares owned outright by, or held in trust for the benefit of, a Restricted Executive and his or her immediate family members residing in the same household, plus deferred stock units or stock awards (whether vested or unvested). Stock options (whether vested or unvested) would not count toward satisfaction of the guidelines. Restricted Executives are required to achieve ownership in accordance with the guidelines within three years of the date they assume their position, which ownership shall be periodically reviewed by the Compensation Committee to determine satisfaction of the guidelines.

A Restricted Executive is prohibited from selling shares owned outright, or net shares received as a result of exercising stock options or on the conversion of deferred stock units, if, immediately after such sale, the Restricted Executive would not own equity interests with a market value at least equal to the required multiple of base cash salary. "Net shares" are the shares that remain after shares are sold to pay the exercise price of stock options or any withholding taxes due in connection with such exercise of stock options. With respect to deferred stock units, "net shares" are the shares that are issued after deducting any withholding taxes due in connection with the conversion of deferred stock units.

The guidelines may be waived in the discretion of the Compensation Committee if compliance would create a severe hardship, or prevent the Restricted Executive's compliance with a court order, or under any other circumstances which the Compensation Committee reasonably believes justifies a waiver. Failure by any Restricted Executive to be in compliance with this guideline shall be subject to such sanction as the Compensation Committee shall in its sole discretion deem reasonable and appropriate under the circumstances.

4. **Stock Option Holding Period.** In order to assure that the exercise of stock options is not motivated by short-term increases in the market price of the Company stock, the Committee has determined that the Restricted Executives are required to hold for at least one year the net shares of Company stock that they receive by exercising stock options. For this purpose, "net shares" means the number of shares obtained by exercising the option, less the number of shares sold or used for payment to: (a) pay the exercise price of the options; and (b) pay the applicable withholding taxes and any applicable brokerage commissions. This provision is waived if the Restricted Executive previously owned at least an equivalent number of Company shares,

including vested non-forfeitable deferred stock units, as the number of shares exercised and sold by the Restricted Executive.

5. **Prohibit Stock Option Repricing.** The Company will not reprice stock options to lower their exercise price, or cancel outstanding options and replace them with new options.

6. **Deferred Compensation.** To provide a means for deferral of taxation on compensation, the Company maintains an Executive Non-Qualified Deferred Compensation Plan for certain executive officers. Pursuant to the plan, eligible participants may defer all or a portion of their earned base salary and incentive compensation. An initial election to defer compensation for a calendar year must be made prior to December 31$^{st}$ of the preceding calendar year. Each participant is fully vested in all deferred compensation and earnings on investments credited to his or her account because the participant has made all the contributions. The Company does not make any contributions to the plan, but is responsible for certain costs of plan administration. The plan is intended to promote retention by providing a long-term savings opportunity on a tax-efficient basis.

7. **Recoupment Policy.** To reflect sound corporate governance, the Committee has adopted a recoupment policy for executive officers that allows for the recovery of performance-based compensation amounts paid under an incentive compensation plan, including any discretionary bonus amounts and equity awards under the Company’s Equity Award and Incentive Plan or any successor plan, the amount, payment and/or vesting of which was calculated based wholly, or in part, on the application of financial performance criteria.

This policy applies in the event there is a required financial restatement due to material noncompliance with any financial reporting requirements under the securities laws, as determined by the Board of Directors, which results in performance-based compensation that would have been a lower amount if such compensation had been calculated based on such restated results. The Company will, within 12 months of such a restatement, seek reimbursement from current and former executive officers for the three-year period preceding the date that the Company determines it is required to restate financial statements. The amount of reimbursement will be the excess, if any, of the amount actually paid to (or in the case of equity awards, the number of shares earned by) the affected executive officer over the amount or number of shares which should have been paid or earned based upon the restated results. The Committee will be responsible, in its reasonable discretion, for (i) determining the individuals subject to the recoupment, and (ii) approving the amounts to be recouped, after taking into consideration the effect of any such restatement on all years considered.

If the Committee determines to seek a recovery pursuant to this policy, it shall make a written demand for repayment from the executive officer and, if the executive officer does not within a reasonable period tender repayment in response to such demand, and the Committee determines that he or she is unlikely to do so, the Committee may offset such amount against amounts otherwise owed to such individual, seek a court order against the executive officer for such repayment, or pursue other remedies available at law or in equity.

This policy will be disclosed on the Company's website, to executive officers of the Company who receive performance-based awards, and in the Company's proxy statement for its annual meeting of shareholders. For purposes of this policy, the term "executive officer" shall refer to any "officer" of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, as determined from time to time by the Board of Directors, and such other officers of the Company and/or its operating subsidiaries as the Committee may establish by resolution from time to time.

This policy does not apply to restatements that the Board determines are required or permitted under generally accepted accounting principles in connection with the adoption or implementation of a new accounting standard or caused by the Company's decision to change its accounting practice as permitted by applicable law.

Any determination or other action by the Committee pursuant to this policy shall be made and taken by a vote of a majority of its members and submitted to the Board of Directors for approval. This policy will be modified to the extent that the Securities and Exchange Commission issues guidance that requires changes in order for the Company's securities to continue to be listed on an applicable stock exchange.