

## **KEMET CORPORATION**

### **CHARTER OF AUDIT COMMITTEE**

#### *Organization*

The Audit Committee shall have at least three members, composed solely of independent directors as such term is defined by the applicable rules of the New York Stock Exchange. The members of the Audit Committee must also satisfy the financial literacy requirements of the New York Stock Exchange. At least one member of the Audit Committee shall be designated as a financial expert.

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. Members shall serve for one-year terms unless reappointed.

The Audit Committee shall meet at least four times each year, or more frequently as circumstances dictate. As part of the responsibility to foster open communication, the Audit Committee should meet at least annually with management and the internal audit manager and the independent auditor in separate sessions to discuss any matters that the Audit Committee or either of these groups believe should be discussed privately. Meetings may be held in person or by telephone, as appropriate.

The Committee shall keep a separate book of minutes of its proceedings and actions. All meetings shall be at the call of the Chairman of the Committee. The Committee shall elect a Secretary to the Committee who shall give notice personally or by mail, telephone, facsimile or electronically to each member of the Committee of all meetings, not later than the close of business on the day before the meeting, unless all of the members of the Committee in office waive notice thereof in writing at or before the meeting, in which case the meeting may be held without advance notice. A majority of the members of the Committee shall constitute a quorum for the transaction of business.

#### *Purpose*

The Audit Committee's primary duties and responsibilities shall be:

- To monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and associated legal compliance.
- To monitor the independence and performance of the Company's independent auditors and monitor the performance of the Company's internal audit function.
- To hire, dismiss and replace the Company's independent auditor and approve any non-audit work performed by the independent auditor for the Company.
- To provide an avenue of communication among the independent auditors, management and the Board of Directors.
- To prepare the Audit Committee report required by the Securities and Exchange Commission ("SEC") rules to be included in the Company's annual proxy statement.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

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 are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Nor is it the duty of the Audit Committee to conduct general investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's compliance policies.

### *Responsibilities And Duties*

To fulfill its responsibilities and duties, the Audit Committee shall:

#### *Review Procedures*

- (i) Review and reassess the adequacy of the Charter at least annually.
- (ii) Submit the Charter to the Board for approval and have the document published at least every three years in accordance with regulations promulgated by the SEC and the New York Stock Exchange rules.
- (iii) Review the Company's annual audited financial statements and quarterly financial statements prior to filing with the SEC and distribution to stockholders and the public. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Based on review and discussions, make recommendations to the Board whether the Company's financial statements should be filed with the SEC. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards (SAS) No. 61, *Communication with Audit Committees*, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the PCAOB in Rule 3200T.
- (iv) Review earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP presentations, as well as financial information and earnings guidance provided to analysts and ratings agencies.

#### *Independent Auditors*

- (i) Appoint, dismiss or replace the independent auditor (subject, if applicable, to stockholder ratification), and approve all audit engagement fees and terms (including providing comfort letters in connection with securities underwritings) and all significant non-audit engagements with the independent auditors. The Audit Committee may consult with management but shall not delegate these responsibilities. Ensure the rotation of the lead audit partner, and any other partner on the Company's audit, as required by law and consider whether to rotate the audit firm itself.

- (ii) On an annual basis, review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditor's independence.
- (iii) Review the independent auditor's audit plan. Discuss scope, staffing, locations, reliance upon management and general audit approach.
- (iv) The Company's independent auditors shall not perform the following services for the Company:
  - accounting or bookkeeping services;
  - internal audit services related to accounting controls, financial systems or financial statements;
  - financial information systems design implementation;
  - broker, dealer, investment banking or investment adviser services;
  - appraisal or valuation services;
  - actuarial services;
  - management services or human resources; and
  - legal or other expert services.
- (v) Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
- (vi) Obtain and review a report by independent auditor describing auditor's internal quality-control procedures and all material issues raised by the most recent internal quality-control review or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and all steps to deal with such issues.

#### *Financial Reporting Process*

- (i) Prior to releasing year-end earnings, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to audit committees in accordance with SAS No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the PCAOB in Rule 3200T, including such things as management judgments and accounting estimates, significant audit adjustments, disagreements with management and difficulties encountered in performing the audit.
- (ii) Consider the independent auditor's judgments about the quality (not just the acceptability) and appropriateness of the Company's accounting principles as applied in financial accounting. Inquire as to the independent auditor's views about whether management's choices of accounting principles appear reasonable from the perspective of income, asset and liability recognition, and whether those principles are common practices or minority practices.

- (iii) In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and controls, both external and internal. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures, including the Company's risk assessment and risk management policies. Review significant findings prepared by the independent auditors together with management's responses, including the status of previous recommendations.
- (iv) Review (a) the accounting treatment accorded significant transactions, (b) any significant accounting issues, including any second opinions sought by management on accounting issues, (c) the development, selection and disclosure of critical accounting estimates and analyses of the effects of alternative GAAP methods, regulatory and accounting initiatives, and off-balance sheet financing structures on the financial statements of the Company and (d) the Company's use of reserves and accruals, as reported by management and the independent auditor.

#### *Internal Controls and Legal Compliance*

- (i) Review the budget, plan, changes in plan, activities, organizational structure and qualifications of the internal audit group, as needed. Review significant reports prepared by the internal audit group, together with management's response and follow-up to these reports.
- (ii) Review the appointment, performance and replacement of the controller and any other senior personnel responsible for financial reporting.
- (iii) Consider and review with management, the internal audit group and the independent auditors the effectiveness or weakness on the Company's internal controls. Develop in consultation with management a timetable for implementing recommendations to correct identified weaknesses.
- (iv) Review the coordination between the independent public accountants and internal auditors and review the risk assessment processes, scopes and procedures of the Company's internal audit work and whether such risk assessment process, scopes and procedures are adequate to attain the internal audit objectives as determined by the Company's management and approved by the committee; and review the quality and composition of the Company's internal audit staff.
- (v) Review management's monitoring of the Company's compliance with laws and the Company's Code of Business Conduct and ensure the management has proper review systems in place to ensure that the Company's financial statements, reports and other information disseminated to governmental organizations, and the public, satisfy legal requirements.
- (vi) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounts controls and auditing matters.
- (vii) Obtain from the independent auditor assurance that Section 10A (audit requirements) of the Securities Exchange Act of 1934 has not been implicated.

*Reports of the Audit Committee*

- (i) Annually review the report to shareholders as required by the SEC in the Company's annual proxy statement.