



## **Audit Committee Charter**

### **1. Members.**

The Board of Directors of Sharps Compliance Corp. ("Sharps" or the "Company") shall appoint an Audit Committee of at least three members, consisting entirely of independent directors of the Board, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Audit Committee. Members of the Audit Committee shall be appointed by the Board of Directors of the Company. For purposes hereof, the term "independent" shall mean a director who meets the independence requirements of the Securities and Exchange Commission ("SEC"), including Rule 10A-3 of the Securities Exchange Act of 1934, as amended, and the NASDAQ Stock Market.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that leads to financial sophistication. At least one member of the Audit Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

### **2. Purposes, Duties, and Responsibilities.**

The purposes of the Audit Committee shall be to:

- oversee the Company's accounting and financial reporting processes and the audit of the Company's financial statements;
- represent and assist the Board of Directors in discharging its oversight responsibility relating to: (i) the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements; (ii) the surveillance of administration and financial controls and the Company's compliance with legal and regulatory requirements; (iii) the outside auditor's qualifications and independence; and (iv) the performance of the Company's outside auditor; and
- review and produce the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Among its specific duties and responsibilities, the Audit Committee shall:

- i. Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation and oversight of the work of the outside auditor. In this regard, the Audit Committee shall appoint and retain, compensate, evaluate, and terminate, when appropriate, the outside auditor, which shall report directly to the Audit Committee.
- ii. Obtain and review, at least annually, a report by the outside auditor describing: the

outside auditor's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer 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 outside auditing firm, and any steps taken to deal with any such issues.

- iii. Approve in advance all audit services to be provided by the outside auditor. By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been pre-approved.
- iv. Establish policies and procedures for the engagement of the outside auditor to provide audit and permissible non-audit services, which shall include pre-approval of all permissible non-audit services to be provided by the outside auditor.
- v. Consider, at least annually, the independence of the outside auditor, including whether the outside auditor's performance of permissible non-audit services is compatible with the auditor's independence, and obtain and review a report by the outside auditor describing any relationships between the outside auditor and the Company or any of the Company's subsidiaries or any other relationships that may adversely affect the independence of the auditor.
- vi. Review and discuss with the outside auditor: (A) the scope of the audit, the results of the annual audit examination by the auditor, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditor's activities or on access to requested information, and any significant disagreements with management; and (B) any reports of the outside auditor with respect to interim periods.
- vii. Review and discuss with the outside auditor: (A) all critical accounting policies and practices to be used in the audit; (B) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative treatments, and the treatment preferred by the auditors; and (C) other material written communications between the auditors and management.
- viii. Review and discuss with management and the outside auditor the annual audited and quarterly financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations; and receive reports from the outside auditor as required by SEC rules.
- ix. Recommend to the Board based on the review and discussion described in paragraphs (v) - (viii) above, whether the financial statements should be included in the Annual Report on Form 10-K.

- x. Review and discuss the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the outside auditor or management.
- xi. Review and discuss the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.
- xii. Review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program.
- xiii. Review and discuss corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies.
- xiv. Review and discuss the Company's policies with respect to risk assessment and risk management.
- xv. Oversee the Company's compliance systems with respect to legal and regulatory requirements.
- xvi. Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding questionable accounting and auditing matters.
- xvii. Establish policies for the hiring of employees and former employees of the outside auditor.
- xviii. Annually evaluate the performance of the Audit Committee and assess the adequacy of the Audit Committee charter.

### **3. Outside Advisors.**

The Audit Committee shall have the authority, in its sole discretion, to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its functions and shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to any such advisors and ordinary administrative expenses. The Audit Committee shall set the compensation, and oversee the work, of any such advisors.

### **4. Meetings.**

The Audit Committee shall meet at least four times per year, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session as deemed appropriate. The Audit Committee shall report regularly to the full Board of Directors with respect to its activities. The majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Audit Committee may deem appropriate in its sole discretion.

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