

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee (“Committee”) of United-Guardian, Inc. (“Company”) was established by the Board of Directors (“Board”) for the purpose of assisting the Board in fulfilling its oversight responsibilities, including but not limited to (1) overseeing the Company’s accounting and financial reporting processes, including preparation of financial statements and audits; (2) assuring the Company’s compliance with all legal, regulatory, and ethical responsibilities; (3) evaluating the qualifications and independence of the Company’s independent accountants; and (4) assessing the effectiveness of the Company’s internal controls and risk management procedures. However, the Committee is not responsible for guaranteeing the accuracy of the Company’s financial statements or the effectiveness of the Company’s accounting practices and financial reporting processes.

Committee Composition

The Committee shall be composed of three or more Board members, each of whom meets the independence requirements of the NASDAQ Stock Market and satisfies the requirements for audit committee service specified by the Securities Exchange Act of 1934. The Committee shall have at least one member with expertise in both accounting and financial reporting, or, as an alternative, the Committee shall retain an advisor who has the qualifications specified by the Securities and Exchange Commission and NASDAQ for this role. The Committee shall have the sole authority to obtain advice and assistance from such advisor or advisors, as necessary.

The Chair of the Committee and its members shall be elected annually by the Board, and members of the Committee may be removed or replaced, and any vacancies filled, by the Board.

Meetings

The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of Committee meetings, provided that the Committee shall meet a minimum of four times annually. The Committee shall also meet separately with management and the independent accountants at least once a year. The Committee Chair will also determine in advance of each meeting whether non-Committee Board members may attend the meeting and whether participation in the meeting by teleconference will be permitted. The Committee shall report regularly to the entire Board and shall submit to the Board minutes of its meetings.

Each member of the Committee shall have one vote. One-third of the Committee members, but not less than two, shall constitute a quorum. The Committee shall be authorized to take any permitted actions only by affirmative vote of a majority of the Committee members at any meeting at which a quorum is present, or by unanimous written consent of all the Committee members.

Duties and Responsibilities

A. Appointment of Independent Accountants

1. The Committee shall be directly responsible for the appointment, retention, termination, compensation and oversight of the work of the independent accountants employed by the Company (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountants shall report directly to the Committee.
2. The Committee shall have the sole authority to preapprove all audit services, including services relating to internal control over financial reporting, and permitted non-audit services to be provided by the independent accountants. The Committee shall also have the sole authority to preapprove all audit services to be provided by any accounting firm.
3. On an annual basis, or more frequently as the Committee considers appropriate, the Committee shall obtain and review with the lead audit partner and, if the Committee deems it appropriate, a more senior representative of the independent accountants, a report by the independent accountants describing (a) the independent accountants' internal quality-control review or peer review; (b) any inquiry, review or investigation of the independent accountants by any governmental, professional, or other regulatory authorities within the preceding five years regarding independent audits carried out by the independent accountants, as well as any steps taken to deal with any issues found; and (c) an assessment of the independence of the independent accountants, taking into account all relationships between the independent accountants and the Company.
4. The Committee shall review the experience, qualifications, rotation requirements and performance of the senior members of the independent accountants' team.

B. Financial Statements and Related Disclosures

1. The Committee shall review and discuss the annual audited financial statements with management and the Company's independent accountants, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," before the filing of the Company's Form 10-K. The Committee shall also review the Company's quarterly reports on Form 10-Q.
2. The Committee may, if practicable, and upon its request to management, discuss earnings press releases with management before they are issued.
3. The Committee shall discuss with management and the corporate audit staff (a) all critical accounting policies and practices to be used by the Company in preparing its financial statements, including any significant changes in the Company's selection or application of accounting principles; (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent accountants; and (c) other material communications between the independent accountants and management, such as any management letter or schedule of unadjusted differences. In addition, the Committee shall review with the corporate audit staff any audit problems or difficulties and management's response.

4. The Committee shall review with the independent accountants any important trends and developments in financial reporting practices and requirements and their potential impact on the Company's financial statements.

C. Performance of the Corporate Audit Function and Independent Accountants

1. The Committee shall review with management, the corporate audit staff, and the independent accountants, the scope, planning and staffing of the proposed audit for the current year. The Committee shall also review the internal audit function's organization, responsibilities, plans, results, budget and staffing. In addition, the Committee shall review and advise management on the appointment, replacement, reassignment, dismissal, and compensation of the principal members of the corporate audit staff.
2. The Committee shall review with management, the corporate audit staff, and the independent accountants the quality, adequacy and effectiveness of the Company's internal control over financial reporting, including reports regarding (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting, and discuss the appropriate corrective action.

D. Risk Management and Controls

The Committee shall assess the Company's policies on risk assessment and risk management, including risk of fraud, major financial risk exposures, and steps that management has taken to monitor and control such exposure. The Committee shall also review with management the Company's overall antifraud programs and controls.

E. Compliance Oversight and Responsibilities

1. The Committee shall review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Company, as well as any material reports or inquiries from regulatory or governmental agencies. The Committee shall receive from management any corporate attorney's reports of evidence of material violations of securities laws or breaches of fiduciary duty by the Company.
2. The Committee shall review periodically with management the effectiveness of the Company's procedures to monitor its compliance with all legal, regulatory, and ethical requirements and standards.
3. The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
4. The Committee shall review and reassess the Charter at least every two years and obtain approval from the board of any proposed changes or modifications.
5. The Committee shall establish procedures for the receipt, retention and treatment of complaints about accounting and audit matters.

G. Funding

The Company will provide the funding that the Committee determines is necessary to (a) compensate the independent accountants for the purpose of preparing or issuing an audit report or related work; (b) compensate any advisors the Committee retains; and (c) pay for any ordinary administrative expenses that are necessary and appropriate in order for the Committee to carry out its duties.

H. Evaluation of Related Party Transactions

1. The Committee is responsible for approving “related party” transactions. Related Parties are defined as (a) executive officers and directors of the Company and their immediate family members; (b) a stockholder owning in excess of 5% of the Company’s outstanding shares; and (c) entities in which any of the foregoing have a substantial ownership interest or control. Approval by the Committee shall apply to any transactions that exceed or are expected to exceed \$50,000 in a single calendar year.
2. The Committee shall review transactions that it determines are subject to the policy, and decide whether or not to approve or ratify those transactions. In doing so, the Committee will make a determination as to whether the transaction is in the best interests of the Company and its stockholders, taking into account (a) the benefits to the Company and its stockholders; (b) the extent of the related person’s interest in the transaction; (c) whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances; (d) the impact or potential impact on a director’s independence in the event the related party is a director, an immediate family member of a director, or an entity in which a director is a partner, shareholder or executive officer; and (e) the terms of each transaction.
3. Compensation for directors and officers is determined, with input from the Company’s President, and approved by the Company’s Compensation Committee which is exempt from this approval process and will be considered pre-approved.

Adopted: September 7, 2006
Updated: March 18, 2024