



Audit Committee Charter of NLS Pharmaceuticals Ltd

1. Adoption of Charter

This charter of the Audit Committee (the "**Charter**") was adopted by the board of directors (the "**Board of Directors**") of NLS Pharmaceuticals Ltd. (the "**Company**") on January 28, 2021 and entered into force upon the listing of the shares of the Company on the Nasdaq Capital Market. Terms not defined in this Charter shall have the meaning as used or defined in the Articles of Association and the Organizational Rules.

2. Establishment of Committee; Purpose

The Audit Committee (the "**Committee**") is established as a permanent committee of the Board of Directors. As further described in Section 5 hereof, the Committee shall monitor (i) the integrity of the financial statements, (ii) the independent audits in compliance with applicable legal and regulatory requirements, (iii) the accounting and financial reporting processes, and (iv) the internal control, risk and compliance management processes of the Company, and perform such other duties as are assigned to the Committee in this Charter.

The Committee does not plan or conduct audits, nor does it determine that the Company's financial statements and disclosures are complete, accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. These functions are the responsibility of Company management and the independent registered public accounting firm.

3. Composition of the Committee

The Committee shall be comprised of at least one member. All members shall meet the independence requirements of The Nasdaq Stock Market LLC (the "**Nasdaq**") and applicable laws, including Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

To the extent required, members of the Committee will meet all financial knowledge and experience qualifications under the rules promulgated by Nasdaq, the Securities and Exchange Commission (the "**SEC**") or other governing body, and as may be in effect from time to time. In addition, the Board of Directors, together with the Nominating and Corporate Governance Committee will seek to appoint at least one person to the Audit Committee who shall, in judgment of the Board of Directors, be an "audit committee financial expert" in accordance with the rules and regulations of the SEC.

The Compensation, Nominating and Corporate Governance Committee shall recommend to the Board of Directors, and the Board of Directors shall designate the members of the Committee annually and as vacancies or newly created positions occur.

4. Committee Meetings and Procedures

The Committee meets (by person or by telephone) as often as business requires, but at least once each fiscal year.

The chairperson of the Committee shall be responsible for scheduling and presiding over meetings and making regular reports to the Board of Directors. Members of senior management, the independent auditor or others may attend meetings of the Committee at the invitation of the Committee and shall provide pertinent information as necessary.

The chairperson of the Committee shall approve the agenda of each meeting and arrange for the distribution of the agenda, together with supporting material, to the Committee members prior to each meeting. A majority of the members of the Committee present shall constitute a quorum. The vote of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee. The Committee also may take action by unanimous written consent. The Committee may establish its own policies, procedures or rules to implement its duties or responsibilities and to conduct the business of the Committee. The chairperson or a majority of the members of the Committee may call a special meeting of the Committee.

5. Responsibilities

The Committee has the following duties, and such other duties as may be assigned to the Committee by the Board of Directors from time to time:

5.1. Financial Statements

The Committee shall:

- review and discuss with management and the Company's external independent auditor (the "**Auditor**") the financial statements and reports intended for publication as well as any other financial statements;
- inform the Board of Directors on its assessment of the financial statements and decide whether to recommend the statutory financial statements to the Board of Directors for approval and presentation to the general shareholders' meeting; review and monitor in cooperation with the Auditor and the Board of Directors whether the accounting and financial principles applied by the Company are appropriate in view of the size and complexity of the Company;
- review and monitor, if applicable, legal matters with significant impact and findings of regulatory authorities, receive reports regarding irregularities and legal compliance; and
- review and monitor the Company's press releases with financial information prior to public dissemination as well as financial information and earnings guidance provided to analysts and rating agencies with particular attention to the use of financial information.

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5.2. Interaction with the Company's External Auditor:

The Committee shall:

- review and assess the qualifications, independence, performance and effectiveness of the Auditor, and recommend to the Board of Directors the nomination of the Auditor for the election by the general assembly of shareholders;
- oversee the Auditor and engage and determine compensation or termination of engagement of the Auditor;
- review the scope of the prospective audit by the Auditor, the estimated fees, and any other matters pertaining to such audit as the Committee may deem appropriate;
- approve any audit and non-audit services proposed to be provided by the Auditor to the Company to ensure Auditor independence; provided, however, that the chairperson of the Committee may pre-approve such services between scheduled Committee meetings subject to the ratification of such pre-approvals by the Committee at a subsequent meeting;
- review and assess the Auditor's report, management letters and take notice of all comments of the Auditor on accounting procedures and systems of control;
- review with the Auditors and management the Auditor's reports to the Committee/Board of Directors on critical accounting policies and practices used (and any changes therein), on alternative treatments of financial information discussed with management and on other material written communication between the Auditor and management; and
- review with the Auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the Auditor's activities or on access to requested information, and any significant disagreements with management.

5.3. Internal Control Over Financial Reporting, Risk Management, Compliance and Contingent Liabilities

The Committee shall:

- at least annually monitor, review and discuss with the Auditor and with management the adequacy and effectiveness of the Company's policies and procedures regarding internal controls over financial reporting and risk assessment, and the Company's compliance therewith;
- periodically review the Company's policies and procedures for risk management and assess the effectiveness thereof;
- periodically review the Company's policies and procedures designed to ensure compliance with laws, regulations and internal rules and policies; and
- discuss with management and, if appropriate, the Company's external advisors any legal matters (including the status of pending or threatened litigation) that may have a material impact on the Company's financial statements and any material reports or inquiries from regulatory or governmental agencies which could materially impact the Company's contingent liabilities and risks.

5.4. Committee Charter

The Committee shall review this Charter annually and submit any recommended changes to the Board of Directors for approval.

6. Reporting

The chairperson of the Committee shall report to the chairperson of the Board of Directors after each meeting and shall inform the Board of Directors at its next meeting on the activities as well as decisions taken by the Committee and the considerations which led to such decisions, including, without limitation, any discussions or decisions relating to the quality or integrity of the financial statements, compliance with legal or regulatory requirements, and performance and independence of Auditor. Urgent matters shall be communicated to the chairperson of the Board of Directors without delay.

7. Review

This Charter is subject to review and modification from time to time by the Board of Directors as the Board of Directors may deem appropriate and in the best interests of the Company and its shareholders, and as required by applicable laws and regulations.
