

THE SHYFT GROUP, INC.

AUDIT COMMITTEE CHARTER

Updated July 20, 2020

This Charter governs the organization and operation of the Audit Committee of the Board of Directors of The Shyft Group, Inc. (the “Company”) and has been approved by the Company’s Board of Directors. All amendments to this Charter shall be approved by the Board of Directors.

I. ROLE:

The primary purpose of the Audit Committee is to provide assistance to the Board of Directors in fulfilling its oversight responsibility relating to the Company’s financial statements and the accounting and financial reporting process, the Company’s systems of internal accounting and financial controls, the qualification and independence of outside auditors, the annual independent audit of the Company’s financial statements, legal and regulatory compliance and ethics issues. In so doing, it is the Audit Committee’s responsibility to maintain free and open communication between the Audit Committee, the independent auditor and management. In discharging its oversight role, the Audit Committee is empowered to investigate and/or review any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Audit Committee is empowered to retain outside legal counsel and accounting or other experts and advisors as the Audit Committee deems necessary to carry out its duties. However, while the Audit Committee is empowered to retain outside consultants, it is not expected to do so routinely. Rather, it is expected that such authority would be exercised in response to specific circumstances giving rise to an Audit Committee determination that such action is in the best interest of the Company and its shareholders.

II. MEMBERSHIP:

- A. Independence / Composition. The Audit Committee shall be comprised of not less than three members. The members of the Audit Committee:
1. Shall be Independent Directors, as defined in the Listing Rules of the NASDAQ Stock Market, Inc.
 2. Shall be independent of management and the Company and its subsidiaries. Members of the Audit Committee shall be considered independent if they (a) have no relationship that may interfere with the exercise of their independence from management and the Company, (b) receive, directly and indirectly, only the directors’ fees and other compensation that is permitted under applicable laws, rules and regulations, including Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), other rules and regulations of the Securities and Exchange Commission (the “Commission”)

and applicable rules, listing standards and other requirements of The Nasdaq Stock Market, Inc. (collectively, “Laws”), (c) are not affiliated persons (as defined in Rule 10A-3 under the Exchange Act or other applicable Laws) of the Company or any of its subsidiaries, (d) have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years and (e) otherwise qualify as independent under applicable Laws.

3. At the time of their appointment to the Audit Committee, shall be financially literate, able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement, and have a working familiarity with basic financial and accounting practices and audit committee functions. Committee members are encouraged to participate in relevant and appropriate continuing education to better understand the Company’s business and the environment in which the Company operates.
4. In addition, at least one member of the Audit Committee shall be designated a “financial expert” as defined by applicable Laws.

Any questions concerning a director’s independence or qualification to serve on the Audit Committee will be determined by the Board of Directors in its business judgment and in accordance with applicable Laws and any guidelines established by the Corporate Governance and Nominating Committee of the Board.

B. Appointment. The members of the Audit Committee shall be nominated by the Corporate Governance and Nominating Committee and appointed annually by the Board of Directors. Corporate Governance and Nominating Committee shall recommend, and the Board shall designate, one member of the Audit Committee as Chairperson. Audit Committee members may be removed and replaced by the Board.

III. MEETINGS:

A. Schedule. The Audit Committee shall hold regular meetings at least quarterly each fiscal year. The meeting schedule shall include sessions with management, and the independent auditor. Each regularly scheduled meeting of the Audit Committee shall, however, conclude with an executive session of the Audit Committee, absent members of management and on such terms and conditions as the Audit Committee may determine. Special meetings of the Audit Committee may be called by the Audit Committee Chairperson or the Chief Financial Officer (“CFO”), or pursuant to any other procedures established by the Audit Committee. In addition, the independent auditor or legal counsel may, at any time, request and cause to be convened a meeting with the Audit Committee or Committee Chairperson, with or without management attendance. Pre-meeting materials are expected to be distributed to Audit Committee members in sufficient time prior to meetings to permit review by members before such meetings. Audit Committee members are expected to review those materials before the meeting. Meetings will focus on

substantive issues of current importance and be of duration adequate to permit full discussion of all agenda items.

B. Minutes / Reports. The Audit Committee shall keep written minutes of its meetings, including a report of all actions taken by it. Such minutes shall be delivered to the Board of Directors and shall be maintained with the books and records of the Company.

IV. RESPONSIBILITIES:

The Company's management is responsible for preparing the Company's financial statements, and the independent auditor is responsible for auditing the Company's financial statements. The Audit Committee's role is one of oversight and does not provide any expert assurance or certification as to the Company's financial statements or the work of the independent auditor.

The following functions are the common recurring activities of the Audit Committee in carrying out its oversight function. The processes are set forth as a guide with the understanding that the Audit Committee may supplement them as appropriate and consistent with applicable Laws and that the Audit Committee's policies and procedures should remain flexible in order to best react to changing conditions and circumstances. Without limiting the general authority, duties and responsibilities set forth in Rule 10A-3 under the Exchange Act, the Audit Committee shall have the following authority, duties and responsibilities:

A. Document and Report Review

1. Review and assess the adequacy of this Charter periodically or as conditions dictate (no less often than annually) and recommend any changes to this Charter to the Board of Directors.
2. Review and discuss with management and the independent auditor the Company's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be included in the Company's Annual Report on Form 10-K or otherwise submitted to the Commission or to the public, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements and MD&A. Also, the Audit Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Audit Committee by the independent auditor under generally accepted auditing standards or applicable Laws.
3. The Audit Committee will review the annual financial information included in the Form 10-K on behalf of the Board.

4. Review and discuss with management and the independent auditor the Company's financial statements and MD&A to be included in the Company's Quarterly Reports on Form 10-Q or otherwise submitted to the Commission or to the public, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements and MD&A. Also, the Audit Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Audit Committee by the independent auditor under generally accepted auditing standards or applicable Laws.
5. Review and discuss with management the financial data contained in earnings press releases and approve prior to release or dissemination. Also, review and discuss with management financial information and earnings policy provided to analysts and rating agencies.

B. Independent Auditor

1. Be directly responsible and have sole authority to select and appoint, determine the compensation of and funding for, evaluate, oversee and, if necessary, remove the Company's independent auditor. The independent auditor shall report and be accountable directly to the Audit Committee, and the Audit Committee shall oversee the resolution of any disagreements between management and the independent auditor regarding financial reporting. As used herein, the term "independent auditor" means any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
2. Discuss with the independent auditor the overall scope and plans for its audit, including the budget, adequacy of staffing and compensation. The Audit Committee shall review any identified audit problems or difficulties and discuss management's responses thereto. The Audit Committee shall also meet separately with management and the independent auditor to discuss the results of the Audit Committee's examinations.
3. On an annual basis, review and discuss with the independent auditor all significant relationships the auditor has with the Company to determine the auditor's objectivity and independence, undertaking or recommending appropriate action to continue that independence.
4. Have the sole authority to implement and administer the Company's Policy Regarding the Approval of Audit and Permissible Non-audit Services Provided by the Independent Auditor .

5. Review the independent auditor's attestation and report on management's internal control report and hold timely discussions with the independent auditor regarding the content of that attestation and report.
6. At least annually, obtain and review a report by the independent auditor, consistent with applicable Laws and standards set by applicable regulatory authorities, regarding the firm's independence and such other matters as may be required by such Laws and standards.
7. Annually review the performance of the independent auditor and report the Audit Committee's conclusions to the Board of Directors.
8. May establish or approve Company hiring policies for employees or former employees of the independent auditor, consistent with applicable Law.
9. Periodically consider obtaining competitive quotes for audit and tax services from other accounting firms qualified to perform SEC-compliant audits.

C. Financial Reporting Processes

1. Review the integrity of the Company's financial reporting process, both internal and external, giving consideration to consultation with management and the independent auditor.
2. Review the Company's critical accounting policies and practices as well as consider and approve, as appropriate, major changes to the Company's accounting policies and practices as suggested by the independent auditor and management, as well as any questions relating thereto.
3. Periodically review and assess the adequacy of the Company's policies and practices related to related-party transactions, conduct an appropriate review of all related-party transactions for potential conflicts of interest situations on an ongoing basis, and review the Company's list of related-party transactions to determine that all required disclosures are in the Company's financial statements. All such transactions must be evaluated and approved by the Audit Committee.
4. Establish and maintain 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.

D. Internal Audit

1. The Company shall maintain an Internal Audit function, which function's responsibilities shall be set forth in an Internal Audit charter.
2. The Audit Committee shall review the Internal Audit charter on an annual basis.
3. The Audit Committee shall oversee plans, activities, budget, staffing, organizational structure and objectivity of the Internal Audit function at least annually.
4. The Audit Committee shall meet with the Director of Internal Audit at least annually to discuss and review the testing of internal controls and such other audit activities as may be undertaken.

E. Ethical and Legal Compliance

1. Review the Company's policies and practices related to codes of business conduct, ethical conduct, and compliance with key regulatory issues to determine that management has maintained a system to comply with expected ethical and legal requirements.
2. Review with the Company's counsel reports on the status of legal, compliance or regulatory matters, such as threatened or pending litigation, that may result in a material financial impact to the Company.
3. Discuss the Company's risk assessment and risk management, any steps taken by management to control or mitigate risk exposure, and any audit problems or difficulties and management's response thereto.

F. Other

1. Prepare the Audit Committee report to be included in the Company's annual proxy statement to shareholders, as well as any other reports required of the Audit Committee.
2. Obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate to perform the Audit Committee's duties and responsibilities. The Audit Committee has the sole authority to retain and determine the funding for such advisors.
3. Investigate, when deemed necessary, potential improprieties or known improprieties in Company operations, including, if necessary, retaining outside experts with respect to any alleged illegality that may be brought to the Audit Committee's attention. The Audit Committee shall have the ability to investigate any matter within the scope of its responsibility and

engage legal counsel, independent experts and other resources to assist in any such investigation.

4. Perform any other activities consistent with this Charter, the Company's Bylaws and applicable Laws, as the Audit Committee or the Board deems necessary or appropriate.
5. Review the Company's risk assessment and risk management practices annually.
6. Review the Corporate Investment Policy annually.
7. Annually review the Board financial approval limits.

V. COMMITTEE RESOURCES:

The Company must provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board of Directors, for payment of compensation to the independent auditor, compensation to any advisers employed by the Audit Committee in accordance with this Charter and ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

VI. LIMITATIONS:

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 if the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.