



Audit and Finance Committee Charter

February 16, 2017

Statement of Purpose and Responsibilities

The Board of Directors (the "Board") of Orion Energy Systems, Inc. (the "Company") shall have an Audit and Finance Committee (the "Committee"). The purpose of the Committee is to represent and assist the Board in fulfilling its oversight responsibility to the shareholders and others relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, the Company's compliance with legal and regulatory requirements, and its ethics programs as established by management and the Board. The Committee shall also oversee the independent auditors' qualifications and independence. The Committee will evaluate the performance of the Company's internal audit function and the Company's independent auditors. In so doing, it is the responsibility of the Committee to act independently while maintaining free and open communication between the Committee, the independent auditors, the internal auditors and management of the Company. In addition, the Committee shall oversee the capital structure of the Company and assist the Board in assuring that appropriate capital is available for operations and strategic initiatives.

The following shall be the responsibilities and functions of the Committee in carrying out its oversight responsibilities. The Committee may perform such other duties and responsibilities as are consistent with its purpose and as the Board or the Committee deems appropriate. In addition, in discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

A. Accounting and Financial Reporting Responsibilities and Functions

The Committee shall oversee the reliability of financial reporting, the effectiveness of internal control over financial reporting and controls and the independence of the internal and external auditors and audit functions. While the Committee has the responsibilities and functions set forth in this Charter, it is not the duty of the 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 Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to assure compliance with laws and regulations.

The Committee's principal accounting and financial reporting oversight responsibilities and functions shall be to:

1. Evaluate the performance of the independent auditor and be directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who is ultimately accountable to the Committee and the Board.
2. Review the experience and qualifications of the independent auditor team and the quality control procedures of the independent auditor.
3. Review and discuss with the independent auditor the scope of its audit.
4. Discuss with the independent auditor and management the Company's accounting principles, policies and practices and its reporting policies and practices, including any such principles, policies and practices that may be viewed as critical, and review and discuss any significant changes in the Company's accounting principles, policies and practices and its reporting policies and practices.
5. Review and discuss with the independent auditor and management any regulatory accounting initiatives and their impact on the Company's financial statements and the material financial arrangements of the Company that do not appear on the financial statements.

6. Review and discuss with the independent auditor and Company management the Company's audited annual financial statements and the results of the annual audit, including any difficulties encountered in the course of the audit work and any disagreements with management, and the Company's interim financial statements and Management's Discussion and Analysis included in the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.
7. Discuss with the independent auditor the items required to be disclosed by the auditor pursuant to the requirements of the Public Company Accounting Oversight Board (the "PCAOB") and consider the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting and alternative GAAP provisions that have been discussed with management.
8. Discuss with the independent auditor and the Company's internal auditor the adequacy of the Company's or any of its subsidiaries' accounting, financial and operational controls and the effectiveness of the Company's internal control over financial reporting, and management's report and independent auditor's attestation relating thereto, required by Sarbanes-Oxley Act Section 404 and the related rules of the SEC and PCAOB.
9. Discuss with the Company's internal auditor the audit plan and results of internal audits and initiate such accounting principles, policies and practices, and reporting policies and practices as it may deem necessary or proper.
10. Establish policies concerning and approve the provision of audit and non-audit services by the independent auditor. Consider whether the independent auditor's provision of non-audit services is compatible with maintaining the independent auditor's independence.
11. Review any reports to shareholders containing financial information, quarterly earnings press releases and financial information and earnings guidance provided to external parties.
12. Ensure that the independent auditor submits periodic reports to the Committee delineating all relationships between the independent auditor and the Company, and recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
13. Review and approve or ratify (if appropriate) any transactions in which the Company is a participant and in which a director, nominee for director, executive officer, 5% shareholder or "family member" (as defined under applicable SEC rules) thereof that involve an aggregate value or amount in excess of \$120,000.
14. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The status of all outstanding complaints or concerns addressed to the Committee shall be reported to the Board on a quarterly basis.
15. Prepare the annual Audit Committee Report, including receiving any written disclosures from the independent auditor describing relationships the auditor has with the Company, discussing with the independent auditor the independent auditor's independence and recommending to the Board whether the audited annual financial statements should be included in the Company's Annual Report on Form 10 K.

B. Finance Responsibilities and Functions

The Committee shall oversee the capital structure of the Company and assist the Board in assuring that appropriate capital is available for operations and strategic initiatives. The Committee's principal finance oversight responsibilities and functions shall be to review and provide guidance to the Board and the Company's management about:

1. Internal financial policies, procedures and controls relating to such matters as the Company's reporting, cash flow, cash management and working capital, shareholder dividends and distributions, share repurchases and short-term investments.
2. Long-term financial plans and strategies.
3. Significant financial exposures and contingent liabilities of the Company.
4. Capital structure of the Company, including debt and equity securities, credit agreements and adjustments thereto.
5. Issuance of debt or equity securities by the Company or its subsidiaries.
6. Customer financing programs and activities.
7. The Company's risk management program and activities.

8. The Company's investor relations programs.
9. Strategic plans and transactions, including mergers, acquisitions, divestitures, joint ventures and other strategic investments.

Membership

The Committee shall be comprised of three or more directors as determined by the Board. The members of the Committee shall possess the independence and other qualifications required by the Nasdaq Capital Market and applicable laws and regulations, including the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

The members of the Committee shall be elected annually by a majority vote of the Board and any vacancies on the Committee shall be filled by a majority vote of the Board. The Board may remove any or all members of the Committee at any time in its discretion. All members of the Committee shall be financially literate and at least one member of the Committee shall have accounting or related financial management expertise, qualifying such person as an "audit committee financial expert" under SEC rules.

Unless a Chair is appointed by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The affirmative vote of a majority of the full Committee membership shall be the act of the Committee, unless the Wisconsin Business Corporation Law, the Articles of Incorporation of the Company or its by-laws require the vote of a greater number of directors or the entire Board. The Committee shall not have the authority to delegate any of its responsibilities or duties as enumerated in this Charter to any subcommittees.

Meetings

The Committee shall meet at least four (4) times annually or more frequently as circumstances dictate, or if requested by the Chief Executive Officer, President, Chief Financial Officer or any Committee member. The Committee shall meet at least once each calendar year in executive session, without Company management present. The Committee may retain outside advisors as it deems necessary or appropriate to assist it in carrying out its duties, may request such advisors to attend any meeting and to provide such pertinent information as the Committee may request, and may conduct or authorize investigations into any matters within the scope of its responsibilities. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of or consultants to the Committee. Subsequent to each Committee meeting, a report shall be made to the Board of Directors, including a description of actions taken by the Committee.

Outside Advisors, Funding and Other Matters

1. **Outside Advisors.** The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist the Committee in the performance of its functions.
2. **Funding.** The Company shall provide appropriate funding, as determined by the Committee, to compensate the Company's independent auditor and any outside counsel, accountants, experts and other advisors engaged by the Committee and to pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
3. **Charter and Self-Assessment.** The Committee shall review its charter at least annually and update it as necessary, and perform an annual self-assessment relating to the Committee's purpose, duties and responsibilities.
4. **Legal and Business Risks.** The Committee shall review with the Company's counsel legal matters that could have a material impact on the Company's financial statements, and shall discuss the Company's process for identifying and managing significant business and financial risk exposures and steps taken by management to control or mitigate those exposures.