

STRACON Group Holding Inc. Audit and Risk Committee Policy



Audit and Risk Committee Policy

Purpose

1. The purpose of the Audit & Risk Committee (**the “Committee”**) of the Board of Directors of the Company (**the “Board”**) is to assist the Board in reviewing, overseeing and evaluating the Company’s financial controls and reporting.
2. The function of the Committee is oversight. The Company’s management is responsible for the preparation of the Company’s financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Company’s external auditor is responsible for the audit or review, as applicable, of the Company’s financial statements in accordance with applicable auditing standards and laws and regulations.

Committee Responsibilities

3. The Committee’s responsibilities include:

Financial Reporting

- reviewing the integrity of the Company’s accounting and financial reporting systems, including those used in connection with the preparation of its financial statements, budgets and forecasts;
- reviewing, discussing and recommending to the Board for approval the annual audited financial statements and any related report containing management’s discussion and analysis of the financial and operating results prior to delivery to shareholders;
- reviewing and discussing with the external auditor the results of its reviews and audits, any issues arising and management’s response, including any restrictions on the scope of the external auditor’s activities or requested information and any significant disagreements with management, and collaborate in the resolution of any disputes;
- reviewing, discussing and recommending to the Board for approval, the quarterly financial statements and any report containing management’s quarterly discussion and analysis of financial and operating results prior to delivery to shareholders;
- reviewing and discussing with management and the external auditor the Company’s critical accounting policies and practices, material alternative accounting treatments, significant accounting and reporting judgments, material written communications between the external auditor and management (including management representation letters and any schedule of unadjusted differences) and significant adjustments resulting from the audit or review;

- reviewing and discussing with management any external disclosures of any financial information;

Internal Controls Over Financial Reporting

- reviewing and discussing with management, the external auditor and the head of internal audit the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures, including reviewing and discussing any significant deficiencies in the design or operation of internal controls and disclosure controls and procedures, and any fraud that involves management or other employees who have a significant role in the Company's internal controls and disclosure controls and procedures over financial reporting;
- discussing the Company's process with respect to risk assessment (including fraud risk), risk management and the Company's major financial risks and financial reporting exposures, all as they relate to internal controls over financial reporting and disclosure controls and procedures, and the steps management has taken to monitor and control such risks;
- reviewing and discussing with management the Company's anti fraud program and the actions taken to monitor and enforce compliance;

Establishing procedures for:

- the receipt, retention and treatment of complaints regarding accounting, internal controls, disclosure controls or procedures or auditing matters; and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls, disclosure controls or procedures or auditing matters;

Internal Audit

- reviewing and discussing with management, the external auditor and the head of internal audit the responsibilities and effectiveness of the Company's internal audit function, including reviewing the internal audit mandate, independence, organizational structure, internal audit plans and adequacy of resources, receiving periodic internal audit reports and meeting privately with the head of internal audit on a periodic basis;
- approving in advance the retention and dismissal of the head of internal audit;

External Auditor

- making recommendations to the Board and the shareholders with respect to the retention or termination of an external auditing firm to conduct review engagements on a quarterly basis and an annual audit of the Company's financial statements;
- communicating to the external auditor that it is ultimately accountable to the Board and the Committee;
- obtaining and reviewing the qualifications of the external auditor;
- obtaining and reviewing an annual report to be prepared by the external auditor describing: the external auditor's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, 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 firm, and any steps taken to deal with such issues;
- evaluating the independence of the external auditor and any potential conflicts of interest and (to assess the auditor's independence) all relationships between the external auditor and the Company, including obtaining and reviewing an annual report prepared by the external auditor describing all relationships between the external auditor and the Company;
- recommending to the Board for approval or rejection, all audit engagement fees and terms, as well as all non audit engagements of the external auditor prior to the commencement of the engagement;
- reviewing with the external auditor the plan and scope of the quarterly review and annual audit engagements;
- reviewing and approving the Company's hiring policies with respect to the employment of current or former employees of the external auditor;

Other Financial Matters

- reviewing the Company's compliance with legal and regulatory requirements;
- approving and monitoring the Company's insider trading policy;

- reviewing the policies underlying the financial plan of the Company to ensure its adequacy and soundness in providing for the Company's operational and capital plans;
- reviewing the Company's debt and equity structure;
- reviewing proposed major financing activities;
- reviewing the prepayment, redemption, acquisition or defeasance of any material issue of debt or equity;
- authorizing policies or procedures for entering into investments and reviewing investment strategies for the Company's cash balances; and
- reviewing the Company's financial risk management program, including any significant commodity, currency or interest rate hedging programs;

Other

- maintaining free and open means of communication between the Committee, the external auditor, the head of internal audit and management;
- reviewing the Company's strategy and initiatives relating to environmental, social and corporate governance matters that are significant to the Company;
- monitoring and reporting to the Board on emerging trends, risks or issues relating to relevant environmental, social and corporate governance matters;
- reviewing the Company's public disclosure with respect to environmental, social and corporate governance matters;
- meeting separately, periodically, with members of management, the head of internal audit and the external auditor;
- reporting regularly to the Board and, where appropriate, making recommendations to management of the Company and/or to the Board;
- evaluating the functioning of the Committee on an annual basis, including with reference to the discharge of its mandate; and
- performing any other activities consistent with this policy or assigned to the Committee by the Board.

Responsibilities of the Committee Chair

4. The fundamental responsibility of the Committee Chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's responsibilities include:

- ▼ working with management to establish the frequency of Committee meetings and the agendas for meetings;
- ▼ providing leadership to the Committee and presiding over Committee meetings;
- ▼ facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;
- ▼ reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
- ▼ liaising with the chairs of other committees of the Board, as appropriate, on matters relevant to the Company's management of enterprise risks;
- ▼ leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
- ▼ taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

Powers

4. The Committee shall have the authority, including approval of fees and other retention terms, to obtain advice and assistance from outside legal, accounting or other advisors in its sole discretion, at the expense of the Company, which shall provide adequate funding for such purposes. The Company shall also provide the Committee with adequate funding for the ordinary administrative expenses of the Committee. The Committee shall have unrestricted access to information, management, the internal auditors and the external auditors, including private meetings, as it considers necessary or appropriate to discharge its duties and responsibilities. The Committee may, in its discretion, carry out special investigations in respect of any matters within its various responsibilities.

Composition

6. The Committee and its Chair shall be appointed by the Board annually and the Committee shall be comprised of a minimum of three directors. If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.

Meetings

7. The Committee shall have a minimum of four meetings per year, to coincide with the Company's financial reporting cycle. Additional meetings will be scheduled as considered necessary or appropriate, including to consider specific matters at the request of the external auditor or the head of internal audit.

8. The time and place of the meetings of the Committee, the calling of meetings and the procedure at such meetings shall be determined by the Chair of the Committee, provided that all matters put forward for approval by the Committee shall be determined by majority vote.

Adoption

9. This policy was approved by the Board on November 19, 2025.



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