

STRACON Group Holding Inc. Related Party Transactions Policy



1. Purpose

STRACON Group Holding Inc. (together with its subsidiaries, “Stracon” or the “Company”), recognizes that related party transactions (as defined herein) can present potential or actual conflicts of interest and a heightened risk of improper valuation (or the perception thereof), and may raise questions about whether such transactions are in the best interest of the Company and its shareholders.

Accordingly, the Board of Directors (the “**Board**”) has adopted this Related Party Transactions Policy (the “**Policy**”) in order to set forth the guidelines under which certain transactions must be reviewed and approved or ratified by the Audit and Risk Committee of the Board (the “**Audit and Risk Committee**”).

It is the policy of the Board that all related party transactions must be approved or ratified in accordance with the following procedures.

2. Definitions

“**affiliated entity**” of a person means if one is the subsidiary entity of the other or if both are subsidiary entities of the same person.

“**immediate family member**” means, in respect of a person, any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person, or any other person sharing the household of such person, other than a tenant or employee.

“**control person**” has the meaning ascribed thereto in the Ontario Securities Act, R.S.O. 1990

“**MI 61-101**” means the CSA’s Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

“**related party**” means:

(a) a related party as such term is defined under MI 61-101, consisting of:

- I. a control person of the Company,
- II. a person of which a person referred to in paragraph (i) is a control person,
- III. a person of which the Company is a control person,
- IV. a person that has (i) beneficial ownership of, or control or direction over, directly or indirectly, or (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of the Company carrying more than 10% of the voting rights attached to all of the Company’s outstanding voting securities,

- V. a director or senior officer of (i) the Company, or (ii) a person described in any other paragraph of this part (a) of this definition
- VI. a person that manages or directs, to any substantial degree, the affairs or operations of the Company under an agreement, arrangement or understanding between the person and the Company, excluding a person acting under bankruptcy or insolvency law, or
- VII. a person of which persons described in any paragraph of this part (a) of this definition beneficially own, in the aggregate, more than 50% of the securities of any outstanding class of equity securities, or
- VIII. an affiliated entity of any person described in any other paragraph of this part (a) of this definition; or

(b) any immediate family member of any of the persons described in part (a) of this definition; or

(c) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

“related party transaction” means a transaction between the Company and a person that is a related party of the Company at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with connected transactions, the Company directly or indirectly:

- (a) purchases or acquires an asset from the related party for valuable consideration,
- (b) purchases or acquires, as a joint actor with the related party, an asset from a third party if the proportion of the asset acquired by the Company is less than the proportion of the consideration paid by the Company,
- (c) sells, transfers or disposes of an asset to the related party,
- (d) sells, transfers or disposes of, as a joint actor with the related party, an asset to a third party if the proportion of the consideration received by the Company is less than the proportion of the asset sold, transferred or disposed of by the Company,
- (e) leases property to or from the related party,
- (f) acquires the related party, or combines with the related party, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,
- (g) issues a security to the related party or subscribes for a security of the related party,

- (h) amends the terms of a security of the Company if the security is beneficially owned, or is one over which control or direction is exercised, by the related party, or agrees to the amendment of the terms of a security of the related party if the security is beneficially owned by the Company or is one over which the Company exercises control or direction,
- (i) assumes or otherwise becomes subject to a liability of the related party,
- (j) borrows money from or lends money to the related party, or enters into a credit facility with the related party,
- (k) releases, cancels or forgives a debt or liability owed by the related party,
- (l) materially amends the terms of an outstanding debt or liability owed by or to the related party, or the terms of an outstanding credit facility with the related party, or
- (m) provides a guarantee or collateral security for a debt or liability of the related party, or materially amends the terms of the guarantee or security.

3. Identification of Potential Related Person or Related Party Transactions

Any related party transaction must be brought to the attention of the Corporate Secretary of the Company. Each of the Company's directors and executive officers shall be instructed and periodically reminded to inform the Corporate Secretary of the Company of any potential related party transactions of which they become aware.

Any potential related party transactions that are brought to the Corporate Secretary's attention will be analyzed to determine whether the transaction or relationship does, in fact, constitute a related party transaction and whether an exception set out under Section 5 of this Policy applies. Upon a determination by the Corporate Secretary that a transaction is a related party transaction and that none of the exceptions available under Section 5 apply to the terms of the transaction, the material facts concerning the related party transaction and the related party's interest in the related party transaction shall be disclosed to the Audit and Risk Committee.

The Corporate Secretary shall periodically examine applicable resources as he or she may deem appropriate in order to identify all persons or entities that may be or have become a 10% shareholder of the Company.

If the Corporate Secretary determines that a proposed or previously completed transaction constitutes a related party transaction, the Corporate Secretary shall submit the transaction to the Audit and Risk Committee for review and approval or ratification, as applicable.

4. Review and Approval of Related Party Transactions

The Board has determined that the Audit and Risk Committee is best suited to review, approve or ratify related party transactions. Accordingly, on at least a quarterly basis, management shall review with the Audit and Risk Committee: (i) any related party transactions proposed to be entered into by the Company for that fiscal quarter, or (ii) any related party transactions of which they have become aware and which has not previously been approved by the Audit and Risk Committee, including, in each case, the terms, business purposes and proposed value of such transactions. After review, the Audit and Risk Committee shall approve, ratify, or disapprove such transactions. At each subsequent regularly scheduled meeting of the Audit and Risk Committee during the fiscal year, management shall update the Audit and Risk Committee as to any material change to previously discussed transactions. In the event Company management determines that it is undesirable to wait until a meeting of the Audit and Risk Committee to consummate a related party transaction, the Chair of the Audit and Risk Committee may approve such related party transaction in accordance with this Policy. Any such approval must be reported to the Audit and Risk Committee at its next regularly scheduled meeting.

In determining whether to approve or ratify a related party transaction, the Audit and Risk Committee will consider, among other factors, the following factors to the extent relevant to the related party transaction:

- (a) whether the related party transaction is fair to the Company and on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances;
- (b) the extent of the related party's interest in the transaction;
- (c) whether there are business reasons for the Company to enter into the related party transaction;
- (d) whether the related party transaction would impair the independence of an outside director;
- (e) whether the related party transaction would present an improper conflict of interest for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer, or related party, the direct or indirect nature of the director's, executive officer's, or related party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Audit and Risk Committee deems relevant; and
- (f) with the assistance of the Corporate Secretary, an analysis of the related party transaction under MI 61-101, and whether such related party transaction is exempt from or subject to Part 5, Part 6 and/or Part 8 of MI 61-101.

Upon completion of its review of the transaction, the disinterested members of the Audit and Risk Committee may determine to permit or to prohibit the related party transaction.

If a related party transaction is of the type that will be ongoing, the Audit and Risk Committee may establish guidelines for Stracon to follow in its ongoing dealings with the related party. Thereafter, the Audit and Risk Committee, from time to time as the Audit and Risk Committee deems appropriate, shall review and assess such ongoing relationships with the related party to confirm that such relationships remain in compliance with the Audit and Risk Committee's guidelines, if any, and that the related party transaction remains appropriate, in which case the Audit and Risk Committee will ratify any related party transactions that result from such ongoing relationships.

A related party transaction entered into without pre-approval of the Audit and Risk Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the related party transaction is brought to and ratified by the Audit and Risk Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

In the case of transactions between Stracon and a related party, some or all of the Company's directors may have an interest in the transaction and/or may have duties that create a conflict of interest. In the event that a conflict of interest does exist, the conflicted director shall recuse themselves from any discussion or vote of the Audit and Risk Committee on the transaction creating the conflict.

5. Exceptions

Unless there are special or unusual benefits to the related party, the following categories of related party transactions do not need to be presented to the Audit and Risk Committee for approval under this Policy:

- (a) employment of executive officers;
- (b) director compensation; and
- (c) ordinary course business travel and expenses, advances and reimbursements.

6. Disclosure

All related party transactions that are required to be disclosed under MI 61-101 and other applicable Canadian securities laws shall be so disclosed in accordance with such laws.

7. Board Notice

The Audit and Risk Committee shall update the Board with respect to any related party transactions as part of its regular updates to the Board regarding Audit and Risk Committee activities, as applicable.



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