



POLICY STATEMENT

Subject: Related Persons Transaction Policy	Date Issued: November 6, 2009 Date Amended: August 16, 2011; August 26, 2015; June 19, 2018
Approved by: STR Board of Directors Date: June 19, 2018	Distribution: All Employees; Investor Relations

This Related Person Transaction Policy (“Policy”) has been adopted by the Board of Directors (“Board”) of STR Holdings, Inc. (“Company”) and addresses the reporting, review and approval or ratification of transactions with related persons. The Company recognizes that related person transactions (as referred to below) can involve potential or actual conflicts of interest and pose the risk that they may be, or be perceived to have been, based on considerations other than the Company’s best interests. Accordingly, as a general matter, the Company seeks to avoid such transactions. However, the Company recognizes that related persons transaction may occur in the normal course of business. This Policy therefore is not designed to prohibit related person transactions; rather, it is to provide for timely internal review, approval or ratification of transactions or prospective transactions and appropriate oversight and public disclosure of transactions.

This Policy supplements the provisions of the Company’s Code of Business Conduct and Ethics and its Code of Ethics for the CEO, CFO and Other Senior Officers adopted under rules of the U.S. Securities and Exchange Commission (“SEC”) concerning potential conflict of interest situations. With respect to persons and transactions subject to this Policy, the procedures for reporting, review, oversight and public disclosure of this Policy shall apply. With respect to all other potential conflict of interest situations, the provisions of the Company’s Code of Business Conduct and Ethics shall continue to apply.

I. Persons Covered by This Policy

This Policy applies to the following persons (each a “Related Person” and, collectively, “Related Persons”):

- each director or executive officer of the Company;
- any nominee for election as a director of the Company;
- any security holder who is known to the Company to own of record or beneficially more than five percent of any class of the Company’s voting securities; and
- any immediate family member of any of the foregoing persons.

A person who at any time since the beginning of the last fiscal year of the company served as a director, an executive, a nominee for election as a director or a more than five percent beneficial owner of any class of the Company’s voting securities, or who was an immediate family member of such a person shall, be considered subject to this Policy, even if the person ceased to have such status during such period, including not having such status at the time such person entered into a transaction with the Company (see instruction 1 to rule 404(a)).

Under SEC rules and this Policy, an “executive officer” means the principal executive and financial officers of the Company, the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the Company. Executive officers of subsidiaries may be deemed executive officers of the Company if they perform such policy making functions for the Company.

An “immediate family member” includes the spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and any person (other than a tenant or employee) sharing the household of a director, executive officer, director nominee or greater than five percent beneficial owner of voting securities.

A transaction participated in by the Company with a company or other entity that employs a Related Person or is controlled by a Related Person, or in which a Related Person has an ownership or financial interest material to such Related Person, shall be considered a transaction with a Related Person for purposes of this Policy.

II. Transactions and Arrangements Covered by This Policy

A. Definition of a “Related Person Transaction”. For purposes of this Policy, a “related person transaction” means a transaction or arrangement or series of transactions or arrangements in which the Company participates (whether or not the Company is a party) and a Related Person has a direct or indirect material interest in such related person transaction. A transaction in which any subsidiary of the Company or any other company controlled by the Company participates shall be considered a transaction in which the Company participates.

A Related Person’s interest in a transaction or arrangement should be presumed to be material to such person unless it is clearly incidental in nature or has been determined in accordance with this Policy to be immaterial in nature such that further review is not warranted. A charitable contribution or pledge by the Company to an organization that is considered a Related Person (for example, because a director is an employee of the organization) shall be considered a related person transaction, other than one made pursuant to an established policy for the Company to match contributions made by directors or executive officers. An amendment to an arrangement that is considered a related person transaction (even though such arrangement has been reviewed under this Policy) shall, unless clearly incidental in nature, be considered a separate related person transaction.

B. Examples. Examples of related person transactions generally include sales, purchases or other transfers of real or personal property, use of property and equipment by lease or otherwise, services received or furnished and the borrowing and lending of funds, as well as guarantees of loans or other undertakings and the employment by the Company of an immediate family member of a Related Person or a change in the terms or conditions of employment of such an individual that is material to such individual.

C. Exclusions. The Committee (as defined below) shall have the authority to (i) determine transactions that are not related person transactions for the purposes of this Policy given their nature, size and/or degree of significance to the Company and not required to be individually reported to, reviewed by, and/or approved or ratified by the Committee and (ii) approve in advance categories of related person transactions that (unless the Committee determines otherwise in a particular instance) need not be individually reported to, reviewed by, and/or approved or ratified by the Committee but may instead be

reported to and reviewed by the Committee collectively on a periodic basis, which shall be at least annually, and shall not require ratification by the Committee.

The following transactions or arrangements are not considered related person transactions for purposes of this Policy given their nature, size and/or degree of significance to the Company and are not required to be reported, reviewed, approved or ratified (but may still be subject to disclosure requirements imposed by the rules and regulations of the SEC):

- use of property, equipment or other assets owned or provided by the Company, including aircraft, vehicles, housing and computer or telephonic equipment, by a Related Person primarily for Company business purposes; such use shall not be considered “primarily for Company business purposes” where the value of any personal use during the course of a year may exceed \$10,000;
- reimbursement or payment of business expenses incurred by a director or executive officer of the Company in the performance of his or her duties and approved for reimbursement or payment by the Company in accordance with the Company’s customary policies and practices;
- compensation arrangements for non-employee directors for their services as such that have been approved by the Board or a committee thereof;
- compensation arrangements, including base pay and bonuses (whether in the form of cash or equity awards), for employees or consultants (other than a director or nominee for election as a director) for their services as such that have been approved by the Company’s Compensation Committee and employee benefits regularly provided under plans and programs generally available to employees; however, personal benefits from the use of Company-owned or -provided assets (“perquisites”), including but not limited to personal use of Company-owned or -provided aircraft and housing, not used primarily for Company business purposes (determined by applying the \$10,000 threshold described above) are considered related person transactions;
- a transaction where the rates or charges involved are determined by competitive bids or involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
- a transaction involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services; and
- any other transaction or arrangement authorized on behalf of the Company in accordance with customary Company procedures and practices from which no Related Person obtains a benefit with a value to such Related Person in excess of \$25,000, provided that all related transactions or arrangements involving such Related Person during a fiscal year of the Company shall be aggregated for such purpose.

Subject to the provisions below for ongoing review of recurrent or continuing transactions or arrangements, a transaction or arrangement that has been approved in accordance with this Policy will not thereafter be subject to the internal reporting and approval requirements of this Policy.

III. Transactions to be Reported to the Committee

A. Reporting; Disclosures. Except as otherwise provided in this Policy (including any delegation of review and approval authority), (i) any director, nominee for election as a director or executive officer who intends to enter into a related person transaction shall disclose that intention and all material facts with respect to such transaction to the Audit Committee of the Board (the “Committee”) and (ii) any other officer or other employee of the Company who intends to cause the Company to enter into any related person transaction shall disclose that intention and all material facts with respect to the transaction to his or her superior, who shall be responsible for seeing that such information is reported to the Committee. If a member of the Committee has an interest in a related person transaction and, after such Committee member excuses himself or herself from consideration of the transaction, there would be fewer than two members of the Committee available to review the transaction and who do so, the transaction shall instead be reviewed by an ad hoc committee of at least two independent directors designated by the Board (which shall be considered “the Committee” for purposes of this Policy). Notwithstanding anything to the contrary in the foregoing, so long as Zhen Fa New Energy (U.S.) Co., Ltd. (“Zhenfa”) remains a related person, and the Company shall maintain a Special Committee of Continuing Directors, the term Committee, as used herein, shall mean the Special Committee of Continuing Directors, it being understood that the Special Committee of Continuing Directors, so long as it is maintained, shall have the power and authority to review and approve any transaction, arrangement or contract between the Company and Zhenfa and their respective affiliates and related parties.

B. Maintenance of Lists. To assist the Company’s officers and employees in identifying related person transactions, the Company’s Chief Compliance Officer shall maintain a listing of persons who are known to be five percent or greater beneficial owners of any class of voting security of the Company and, based on information available to it, a listing of companies or other entities that employ a Related Person or are controlled by a Related Person, or in which a Related Person has an ownership or financial interest material to such Related Person, and of the members of the immediate family of a Related Person who might reasonably be expected to enter into a related person transaction with the Company.

IV. Review, Approval and Ratification by the Committee

A. Committee Reviews. The Committee will review all related person transactions and approve such transactions in advance of such transaction being given effect (subject to a delegation of review and approval authority, as provided below). If a member of the Committee has any interest in or is involved in the transaction, such person shall excuse himself or herself from the consideration of the transaction by the Committee and the vote of such individual shall not be counted in determining whether the related person transaction is approved or ratified by the Committee; however, such person may be counted in determining the presence of a quorum at a meeting of the Committee acting on the transaction. Subject to the foregoing provision for the appointment of an ad hoc committee of the Board to act as the Committee, in the event the vote of the remaining members of the Committee is insufficient to constitute an act of the Committee, approval or ratification shall be by unanimous vote of the independent directors excluding any independent director who is involved in the transaction. At the discretion of the Committee, consideration of a related person transaction may be submitted to the Board.

B. Errors; Prompt Consideration. In the event the Company in error enters into a related person transaction that requires pre-approval by the Committee, such transaction shall promptly upon discovery of such error be presented to the Committee (or its delegate) for its review and the Committee shall consider, if appropriate, whether to (i) ratify such related person transaction or (ii) direct management to rescind or modify such transaction as appropriate and whether any disciplinary action or changes in the Company’s controls and procedures should be undertaken in connection with such error.

C. Recurring Transactions. Annually, the Committee shall review any previously approved or ratified related person transaction that is continuing and determine based on the then existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction. The Committee will review and discuss related person transactions with the Company's independent auditor on a quarterly basis.

V. Delegation

The Committee may delegate its authority to review, approve or ratify specified related person transactions or categories of related person transactions, other than a transaction involving a member of the Committee, to one or more members of the Committee where the Committee determines that such action is warranted between scheduled Committee meetings. The Committee may delegate its authority to review, approve or ratify specified related person transactions or categories of related person transactions to the Company's Chief Executive Officer and Chief Financial Officer, acting collectively, other than transactions involving any such delegated officer or a director. Any determinations made by such Committee member or members or officers pursuant to such delegated authority shall be presented to the full Committee for review not later than the next subsequent regular meeting of the Committee.

VI. Standards

In connection with approving or ratifying a related person transaction, the Committee (or its delegate) shall, in its judgment, consider in light of the relevant facts and circumstances whether or not the transaction is in, or not inconsistent with, the best interests of the Company, including consideration of the following factors to the extent pertinent:

- the position within or relationship of the Related Person with the Company;
- the materiality of the transaction to the Related Person and the Company, including the dollar value of the transaction, without regard to profit or loss;
- the business purpose for and reasonableness of the transaction (including the anticipated profit or loss from the transaction), taken in the context of the alternatives available to the Company for attaining the purposes of the transaction;
- whether the transaction is comparable to a transaction that could be available on an arms-length basis or is on terms that the Company offers generally to persons who are not Related Persons;
- whether the transaction is in the ordinary course of the Company's business and was proposed and considered in the ordinary course of business; and
- the effect of the transaction on the Company's business and operations, including on the Company's internal control over financial reporting and system of disclosure controls or procedures, and any additional conditions or controls (including reporting and review requirements) that should be applied to such transaction.

VII. Approvals to be Reported to the Board

The Committee shall notify the Board on a quarterly basis of all related person transactions approved or ratified by the Committee.

VIII. Disclosure

It is the Company's policy that all related person transactions shall be publicly disclosed to the extent and in the manner required by applicable legal requirements and listing standards. The Committee may determine that public disclosure of a related person transaction considered by the Committee shall be made even where not so required, where the Committee considers such disclosure to be in the best interests of the Company and its stockholders.

IX. Changes in Policy; General Effect

This Policy may be changed at any time by action of the Board. This Policy is intended as a component of the flexible framework within which the Board, assisted by its committees, directs the affairs of the Company and management conducts the business and affairs of the Company. While it should be interpreted in the context of applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations on the Company.

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Adopted by the Board of Directors of STR Holdings, Inc. on June 19, 2018.