



**AUDIT COMMITTEE CHARTER**

CAPSTONE INFRASTRUCTURE CORPORATION

August 2023

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The term “Corporation” herein shall refer to Capstone Infrastructure Corporation and the term “Board” shall refer to the Board of Directors of the Corporation. “Capstone Infrastructure Group” means, collectively, the Corporation and each controlled subsidiary entity of the Corporation (a “Subsidiary”).

#### **PURPOSE**

The Audit Committee (the “Committee”) is a standing committee appointed by the Board to assist with the following responsibilities:

- (i) oversee the work of the Corporation’s external auditors engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attestation services for the Corporation, including overseeing assessments of their qualifications and independence;
- (ii) oversee the integrity of the Corporation’s financial statements and financial reporting process, including the audit process and the Corporation’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- (iii) oversee the work of the Corporation’s financial management and external auditors in these areas;
- (iv) oversee the Enterprise Risk Management (“ERM”) process and the work of the internal auditor; and
- (v) provide an open avenue of communication between the external auditors, the Board and management of the Corporation.

The Committee will also review and/or approve any other matter specifically delegated to the Committee by the Board.

Management is responsible for the preparation and integrity of the Corporation’s financial statements, the effectiveness of its internal controls over financial reporting and the effectiveness of the design and operation of its disclosure controls and procedures. Management is also responsible for maintaining appropriate accounting, financial reporting and internal control principles and policies to assure the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for auditing the Corporation’s annual financial statements.

#### **GENERAL**

- (a) *Composition* - The Committee shall be composed of a minimum of three members. Each member of the Committee shall be an “independent” director (as that term is defined under National Instrument 52-110 – *Audit Committees*) or unless a director is exempt from such independence requirement and otherwise fulfills the requirements set out under National Instrument 52-110 – *Audit Committees*).

All members of the Committee must be “financially literate” (as that term is defined under National Instrument 52-110 – *Audit Committees*) or must become financially literate within a reasonable period of time after their appointment to the Committee.

- (b) *Appointment and Replacement* - Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee

by appointing another director to the Committee. Whenever there is a vacancy on a Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after their appointment or until their successor shall be duly appointed and qualified.

- (c) *Committee Chair* - The Chair of the Committee (the "Chair") shall be designated by the Board annually at the first meeting of the Board after a meeting of shareholders at which Directors are elected, (or the execution of a written shareholder resolution in lieu of such a meeting), provided that if the designation of the Chair is not so made, the Director who is then serving as the Chair shall continue as the Chair until their successor is appointed. The Chair shall be responsible for leadership of the Committee, including overseeing agenda preparation, presiding over the meetings, making committee assignments and reporting to the Board.
- (d) *Conflicts of Interest* – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, that member shall be responsible for alerting the Chair. If the Chair faces a potential or actual conflict of interest, the Chair shall advise the Chair of the Board. If the Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.
- (e) *Separate Executive Meetings* - The Committee shall meet periodically with the Chief Financial Officer, the head of the internal audit function and the external auditors in separate executive sessions to discuss any matters that should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without management present.
- (f) *Meetings of the Committee*

*Procedures for Meetings* - Subject to any applicable statutory or regulatory requirements and the Articles of the Corporation, the time and place of the meetings shall be held and the calling of Committee meetings and the procedure in all things at such meetings shall be determined by the Committee.

*Calling of Meetings* - The Committee shall meet as often as it deems appropriate to discharge its responsibilities. Notice of the time and place of every meeting shall be given in writing to each member of the Committee at least 48 hours prior to the time fixed for such meeting. A member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

*Quorum* - No business may be transacted by the Committee unless a quorum of the Committee is present. A majority of members constitute quorum for the transaction of Committee business.

*Chair of Meetings* - If the Chair is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.

*Secretary of Meeting* - The Chair shall designate a person, who need not be a member of the Committee, to act as secretary or, if the Chair fails to designate such a person, the

Corporate Secretary of the Corporation shall act as secretary. The agenda of each Committee meeting will be prepared by the secretary and, whenever reasonably practicable, circulated to each member prior to each meeting.

*Minutes* - The secretary of the Committee shall prepare and maintain minutes of the proceedings of the Committee.

- (g) *Professional Assistance* - The Committee may retain such independent legal, accounting, financial or other consultants as the Committee may reasonably determine to be necessary to carry out the Committee's duties at the Corporation's expense in accordance with the procedures for retaining professional advisors as set out in the Corporation's Corporate Governance Guidelines.
- (h) *Reliance* - Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and Capstone Infrastructure Group.
- (i) *Reporting to the Board* - The Committee will report to the Board through the Chair following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.
- (j) *Powers of the Committee*

*Access* - The Committee is entitled to full access to all books, records, facilities, and personnel of the Corporation and Capstone Infrastructure Group, as related to the investment activities and affairs of the Corporation.

*Delegation* - The Committee may delegate to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

*Adoption of Policies and Procedures* - The Committee may adopt policies and procedures for carrying out its responsibilities.

## **AUDIT RESPONSIBILITIES OF THE COMMITTEE**

### **1. Selection and Oversight of the External Auditors and Independence Requirements**

The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and shall report directly to the Committee. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation to be proposed for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board. The Board is responsible for selecting the external auditor to be proposed for shareholder approval and appointment.

The Committee shall approve in advance the terms of engagement and the compensation to be paid by the Corporation to the external auditors with respect to the conduct of the annual audit.

The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems

necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

- (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;
- (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Corporation and Capstone Infrastructure Group, on the one hand, and the external auditors and their affiliates on the other hand, and that it has remained independent for the full-year;
- (c) require external auditor compliance with the applicable regulation in the Business Corporations Act Section 206 and NI 52-110 definition of independence. Amongst other things, these include: (i) partner rotation and cooling off periods; (ii) certain prohibitions of employment or directorship; (iii) certain prohibitions of business relationships and financial interests in the Corporation;
- (d) consider whether there should be a regular rotation of the external audit firm itself; and
- (e) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies, including the Canadian Public Accountability Board (“CPAB”), Chartered Professional Accountants Canada (“CPA Canada”) and Institute of Corporate Directors (“ICD”).

In addition, in accordance with the recommendations of the CPAB, CPA Canada and ICD, the Committee shall:

- (a) perform an annual assessment of the auditor’s performance which focuses on the independence, objectivity and quality of audit work performed by the audit team and the engagement partner and quality of interactions between the external auditor and the Committee; and
- (b) perform a comprehensive review of the auditor’s performance no less than every five years which is deeper and broader than the annual assessment and focuses on the audit firm, its independence, objectivity and professional skepticism and identify significant trends and the impact of tenure on the audit firm’s performance.

The Committee shall prohibit the external auditor and its subsidiaries from providing certain non-audit services to the Corporation. This is to ensure the auditor does not assume the role of management, become an advocate for their own client, or audit their own professional expertise. All non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates shall be subject to pre-approval by the Chair (including, among others, provision of taxation planning and consulting services). The Committee may approve policies and procedures for the pre-approval of non-audit services to be rendered by the external auditors, which policies and procedures (i) shall include reasonable detail with respect to the services covered, (ii) shall require that the Committee be informed of each non-audit service and (iii) shall not include delegation of the Committee’s responsibilities to management.

The auditor will not normally provide the following services: (i) bookkeeping or other services relating to the accounting records or financial statements of the Capstone Infrastructure Group; (ii) appraisal or valuation and fairness opinions; (iii) financial information or information technology systems design and implementation; (iv) internal audit outsourcing services; (v) management functions, including temporary staff assignments or human resource services, including recruitment of senior management; (vi) legal or litigation support services; (vii) broker or dealer, investment adviser or investment banking; (viii) actuarial services; or (ix) accounting and tax work

on behalf of members of the senior management team of Capstone or the senior executives of Capstone's subsidiaries.

Under this policy, any fee arrangement between the Capstone Infrastructure Group and the auditor must not contain any contingent or success fees element.

Committee approval is required prior to the hiring by Capstone Infrastructure Group of partners, employees and former partners and employees of the external auditors.

The Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require.

The Committee is responsible for resolving disagreements between management and the external auditors regarding financial reporting.

## 2. Oversight of Internal Audit Function

The Committee shall determine the appropriate internal audit function for the Corporation and oversee its processes, reports and the terms of compensation for any individuals engaged in such function, if any. Management will provide the results of internal audit reviews and a rolling annual internal audit plan to the Committee for its review and approval.

## 3. Oversight and Monitoring of Audits

The Committee shall review with the external auditors and management the audit function generally, any internal audit and general audit approach and scope of proposed audits of the financial statements of the Corporation, including the responsibilities of management and the external auditors, and the timing and estimated budgets of the audits.

The Committee shall meet periodically with the internal audit staff to discuss the progress of their activities and any significant findings stemming from any internal audits.

The Committee shall discuss with the external auditors any difficulties or disputes that arise with management or any internal auditors during the course of the audit and the adequacy of management's responses in correcting audit-related deficiencies.

The Committee shall review with management the results and scope of any internal and all external audits.

The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

## 4. Oversight and Review of Accounting Principles and Practices

The Committee shall, as it deems necessary, oversee, review and discuss with management, the external auditors and any internal auditors:

- (a) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, and any proposed changes thereto;
- (b) all significant financial reporting issues, treatment of significant transactions, and judgments made in connection with the preparation of the Corporation's financial statements, including the effects of alternative treatment within generally accepted accounting principles ("GAAP");
- (c) disagreements between management and the external auditors or any internal auditors regarding the application of any accounting principles or practices;

- (d) any material change to the Corporation's accounting principles and practices as recommended by management, the external auditors or any internal auditors or which may result from proposed changes to applicable GAAP;
- (e) the effect of regulatory changes on the Corporation's financial statements and other financial disclosures;
- (f) any reserves, accruals, provisions, estimates or Corporation programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Corporation;
- (g) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's financial statements;
- (h) the use of any "pro forma" or "adjusted" information not in accordance with GAAP; and
- (i) management's determination of goodwill impairment, if any, as required by applicable GAAP.

#### 5. Oversight and Monitoring of Internal Controls and Disclosure Controls

The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management, the external auditors and internal auditors:

- (a) the adequacy and effectiveness of the Corporation's internal accounting and financial controls based on recommendations of management and the external auditors for the improvement of accounting practices and internal controls;
- (b) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security;
- (c) any material weaknesses in the disclosure control environment; and
- (d) management's compliance with the Corporation's processes, procedures and internal controls.

#### 6. Communications with Others

The Committee shall establish and monitor procedures and policies, including the Whistleblower Policy, for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management of the Corporation and those responsible for the internal audit function, these procedures and any significant complaints received. The Whistleblower Policy's reporting and investigation procedures shall include the requirement that accounting allegations be directly reported to the Chair of the Audit Committee.

#### 7. Oversight and Monitoring of the Corporation's Financial Disclosures

Prior to the release of any summary of the financial results or filing of any such reports with applicable regulators, the Committee shall:

- (a) review with the external auditors and management and recommend to the Board for approval the audited annual or reviewed interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements; and

- (b) the financial information of the Corporation contained in any prospectus, information circular or other disclosure document or regulatory filing of the Corporation.

Prior to their distribution and filing, the Committee shall review and discuss earnings press releases.

The Committee shall meet with management to review and assess the process and systems in place for the review of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

The Committee will oversee and monitor the activities of a disclosure committee, consisting of management of the Corporation, responsible for overseeing the Corporation's adherence to the procedures and practices of confidentiality and timely disclosure, as set out in the Corporation's External Communications Policy.

The Committee shall require each of the Chief Executive Officer and the Chief Financial Officer of the Corporation (or those holding similar positions) to provide a certificate addressed to the Committee certifying in respect of each annual and quarterly report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws.

As required by applicable laws or regulations or stock exchange requirements, the Committee shall review and approve the information required to be reported to shareholders and others in the Corporation's Annual Information Form, and for such purposes, each member of the Committee shall provide information respecting that member's education and experience that relate to their responsibilities as a Committee member.

The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors.

#### 8. Oversight of Finance Matters

The Committee shall receive and review:

- (a) quarterly reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefore and management's plan and timetable to correct any deficiencies;
- (b) material policies and practices of Capstone Infrastructure Group respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives (documented in the Corporation's Treasury Policy); and
- (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

#### 9. Enterprise Risk Management Oversight

To assist the Committee in monitoring and reviewing the effectiveness of the operational risk management framework and compliance with key risk management policies, management will provide the following items to the Committee for its review:

- (a) Results of the annual ERM and any significant changes;
- (b) A summary of policies and procedures established during the period;
- (c) Results of due diligence carried out on external service providers, if any; and
- (d) Upon request of the Committee, the current Business Continuity Plan for the operations.



10. Additional Responsibilities

The Committee shall review on an annual basis, insurance programs and policies relating to the Corporation and its businesses.

The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

**THE CHARTER**

The Committee shall review and reassess the adequacy of this Charter periodically and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter biennially.

The Committee shall ensure that this Charter is disclosed in accordance with all applicable securities laws or regulatory requirements.