Risk Management Policy

Updated August 2024

CAPSTONE INFRASTRUCTURE

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1. PURPOSE AND SCOPE

This policy governs Capstone Infrastructure Corporation's ("Capstone") Enterprise Risk Management ("ERM") activities. The emphasis of this policy is on Capstone's corporate risk management oversight and activities, which requires that risk management practices also be in place at each of Capstone's business units.

Capstone uses an enterprise-wide approach for the management of key business risks and promotes the same approach for business units. ERM provides a consistent process to identify, measure, treat and report on key risks. It supports the Board's corporate governance needs and the due diligence responsibilities of Management. It also strengthens Management's practices in a transparent manner to shareholders, employees and other external stakeholders.

ERM will continue to evolve to reflect industry best practices and Capstone's needs. This policy requires annual review by the Audit Committee and approval by the Board of Directors. The Chief Financial Officer is responsible for the implementation and monitoring of the policy.

2. DEFINITIONS

For the purposes of the policy, 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"). The term "Management" herein shall refer to senior management of the Corporation and all Subsidiaries.

Additional definitions are included in Appendix A.

3. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Corporation recognizes the importance and benefits of prudent identification, assessment and management of risks that may impact the Corporation's ability to achieve its strategy and objectives. The Corporation's risk management objectives are established through the ERM Framework ("Framework"), which is the basis for integrating risk into the Corporation's strategic and operational planning and decision-making processes across all levels of the Corporation.

The key elements of the Corporation's ERM Framework are:

a. Philosophy and Principles: guide the Corporation's ERM Framework choices;
b. Structure and Accountabilities: describe ownership and hierarchy of responsibilities for the management of risk; and
c. Risk Management Process: describes actions required to manage risk.

4. PHILOSOPHY AND PRINCIPLES

The Corporation's risk management approach is based on the following key risk management principles:

a. **Risk Management is Everyone's Responsibility:** From the Board of Directors and Management to individual employees the responsibility for risk management is part of our corporate and individual accountabilities. Each person is expected to understand the risks that fall within the limits of their accountabilities and is expected to manage these risks to reduce the impact of threats to and enhance opportunities to achieving business objectives.

b. **Risk Management Is About Decision Making**: The Corporation's approach focuses on risk analysis and management as a decision making tool – i.e. risk management is not fundamentally about risk and control compliance but rather it is fundamentally about how the organization makes strategic, operational, financial, regulatory and reputational decisions in pursuit of its strategy and objectives and ensuring that the organization considers the potential impacts, both good and bad, of those decisions.

c. **Risk Management Is Embedded Within Existing Management Routines**: The Corporation's approach is based on risk analysis and management as part of regular routines and an ongoing responsibility of all organizational management and decision makers. Risk management is not, nor should it be seen to be, a separate function or process outside of normal organizational planning, decision-making and reporting and day-to-day management routines. Consequently, ERM will be integrated with major business processes such as strategic planning, business planning, operational management, and investment decisions to ensure consistent consideration of risks in all major decision-making.

d. **Risk Management Is About People & Culture**: The Corporation's approach is based on the idea that, ultimately, risk management is about the decisions made and activities taken by its people and the organizational environment within which its people must operate. While formal processes and systems can provide critical support to an effective ERM program, they cannot substitute for staff that understand and embrace the idea of investigating and communicating the risks associated with all organizational activities and decisions and an organizational culture that supports active engagement in the open, honest and critical discussion of potential risks.

e. **Risk Management Is Business Unit Specific**: The Corporation has established a uniform approach to identifying and assessing risk and recognizes that each business unit may have unique characteristics. Consequently, although generic risk management tools and processes are necessary, they may not be sufficient to ensure effective risk analysis and management at each business unit. While business unit risk management policies and processes may have unique aspects, they will be consistent with the corporate policy, to facilitate an upward consolidation and review of all significant business risks.

5. STRUCTURE AND ACCOUNTABILITIES

The Framework sets out an organizational structure for the management of risk that provides for the clear delineation of roles and responsibilities and appropriate reporting processes. Accountabilities for the Corporation's hierarchy of risk management responsibilities are defined as follows:

a. **Board of Directors** – responsible for the overall governance of the Corporation and its controlled entities. The Board delegates to the Audit Committee oversight of Management's ERM activities and reporting to the Board of the results of risk management issues.

b. **Audit Committee** – responsible for overseeing compliance with and at least annually reviewing and recommending approval of changes to this policy to the Board of Directors. The Committee will review quarterly any Management reports required by this policy and meet with management to assess the Corporation's risk profile, risk tolerance, risk retention philosophy, accountabilities within the Corporation and report the results of any risk management issues to the Board of Directors. The Committee will identify any risk training needs for the Board of Directors.

c. **Chief Executive Officer ("CEO")** – responsible to the Board of Directors for all of the Company's risk management programs including influencing and communicating the desired risk culture and the implementing the overall risk strategy for the Corporation within the strategic plan approved by the Board of Directors.

d. **Chief Financial Officer ("CFO")** – responsible for the monitoring of compliance with and recommending changes to and timely reporting as required by this policy to the Audit Committee. The CFO is responsible for:
    i. monitoring and reporting on the implementation of the Framework to all applicable activities including the business planning process, financial management, business acquisitions/divestitures, regulatory/compliance requirements, legal matters, operational performance, continuity of operations; health, safety and environment, information management and special initiatives or major projects;
    ii. timely review and updating of the risk register to ensure that major risks are identified and that the necessary controls, mitigation strategies and contingency plans are in place;
    iii. analysing and responding to incidents reported; and
    iv. informing the Chief Executive Officer ("CEO") and Audit Committee of significant matters.

e. **Chief Operating Officer ("COO")** – responsible and accountable for the overall management of risks relating to the business units overseen and for ensuring that the ongoing asset management tasks required under this policy are performed, including:
    i. promoting the implementation of ERM principles, practices and tools;
    ii. identifying, monitoring and reporting on the major risks and the level of exposure and level of compliance at the business unit level;
    iii. ensuring the business units anticipate and report on emerging risk matters as they arise and before they have a significant impact on the business unit;
    iv. ensuring business units have an adequate Framework in place and influencing business unit Boards and management if that Framework is considered to be inadequate; and
    v. reporting deficiencies and incidents in business unit risk management processes and any breaches in the management of risk to the CFO.

f. **Risk Owners** – functional leaders with responsibility for the day-to-day management and oversight of risks in their area of responsibility.

g. **Communications Manager** – is responsible for advising on and coordinating the Corporation's approach to:

i. managing reputation implications arising from significant risk management-related issues arising at a business unit, if and when they occur, while ensuring compliance with the Corporation's External Communications and Disclosure Policy and continuous disclosure requirements. (In the absence of a Communications Manager, the CEO and CFO manage this responsibility.)
ii. responding to early warning systems at each business unit (as appropriate) in real time to any significant event that may trigger interest from a range of external stakeholders. (In the absence of a Communications Manager, the COO manages this response.)

6. RISK MANAGEMENT PROCESSES

The Framework identifies six key ERM processes to be implemented across the Corporation to integrate risk management activities with strategic and operational planning, decision-making and day-to-day operational and Management oversight of business activities.

a. **Risk Identification**: process of identifying and categorizing risks that could impact objectives of the Corporation. All significant risks are tracked using a risk register and mapped to the corporation's strategic objectives. Risk identification is a continuous process which includes a formal quarterly review.

b. **Risk Assessment**: process of determining the risk exposure for each risk based on the likelihood and impact criteria, which are included in appendix C. Assessment includes identification of mitigation activities. Risk assessment is a continuous process which includes record keeping to ensure integrity of the process. The complete risk register will be reviewed on a formal basis at least quarterly.

c. **Risk Prioritization**: process of ranking risks as high, medium or low based on both the gross and residual risk determination. Risk ranking categories are based on the Corporation's risk appetite. Risk exposures are then reported on a risk matrix.

d. **Risk Management Response**: where risk exposures are above the Corporation's risk appetite, measures must be taken to respond. Risk response options include:
   i. eliminate the risk by exiting the business or activity;
   ii. avoid the risk by not undertaking the activity;
   iii. reduce the risk by strengthening existing controls or mitigants;
   iv. transfer the risk sharing it through outsourcing or insurance;
   v. accept the risk.

e. **Risk Management Performance Monitoring & Reporting**: process of assessing the effectiveness of risk management responses through periodic reporting.

f. **Risk Management Training and Support**: personnel with risk management related responsibilities will be offered training on risk management principles and organizational risk management processes. Personnel will receive ongoing support from both the unit-level risk champions and the executive level sponsors. The ongoing maturity effort will involve a variety of activities including ongoing communications at the corporate and business unit levels, targeted risk management training and the adoption of a phased approach to the implementation that will provide opportunities for appropriate feedback and revision based on lessons learned in earlier phases.

Capstone's risk management process is depicted in Appendix B.

7. BUSINESS UNIT RISK MANAGEMENT

Each business unit is ultimately responsible for identifying, assessing, monitoring and reporting on significant risks which may represent threats or opportunities to its business objectives. Each business unit is required to establish and maintain a risk management process that fulfils the objectives of the corporate Framework. It is the Corporation's policy to confirm that each business unit has an appropriate Framework in place to assist the business unit with the effective management of risks.

The Corporation's ability to control or influence the Framework and supporting infrastructure may differ based on the Corporation's level of ownership/control.

To ensure that business unit risks are effectively managed, the Corporation will undertake the following during acquisition due diligence and ongoing asset management.

Business Acquisition

During the due diligence process, the acquisition team is responsible for:

a. Identifying and considering major operational risks associated with the business being acquired or its industry/sector which should be clearly documented and how they will be addressed post-acquisition.

b. Reviewing risk and its management by the business being acquired to assess practices and comparing them with the practices of the Corporation. At a minimum, the Framework of the business being acquired should include:
    i. clear delegation of responsibility for risk management
    ii. documented understanding of contractual and regulatory requirements
    iii. documented policies and procedures available to staff, including a risk management policy
    iv. appropriate insurance in place to cover insurable risks
    v. periodic risk and control self-assessment
    vi. documented Business Continuity Plan ("BCP")
    vii. appropriate procedures in place to monitor significant outsourcing arrangements

    In general, regulatory obligations under applicable laws are viewed as the minimum standards.

c. Discussing results of the review and any significant risks or issues with the appropriate officers of the Corporation.

Ongoing Asset Management

For each business unit, regular reporting by the COO enables risk management-related items to be identified and addressed. For this reason, the COO should report to the CFO significant risk management issues arising at a business unit and actions to manage those issues as soon as they are known.

On a quarterly basis, the COO should advise the CFO of the status of the business unit's compliance with its obligations.

Annually, a report on risk management at each business unit should be provided to the CFO. The report should include a risk register and a description of material changes since the last report was provided. In addition, the COO should confirm annually that adequate insurance coverage exists for each risk where insurance is a mitigating element of risk management.

In the event of a risk management-related incident, any Corporation responses will be managed by the CEO and Communications Manager in consultation with the appropriate officers of the Corporation, including the CFO and the General Counsel. The Corporation's existing External Communications Policy must be followed in all instances as detailed in the Communications Plan.

8. MONITORING AND REPORTING

As part of the monitoring process the CFO will provide the Audit Committee with the following information at scheduled meetings:

a. Any proposed changes to the Framework, key policies or reporting arrangements for approval;
b. Any significant risk incidents relating to the Corporation;
c. Reports on exposures, non-compliance with key policies and general effectiveness of risk management system, when necessary;
d. Any significant changes to the risk profile and level of exposure that the Corporation is managing; and
e. Results of any independent reviews of the control environment.

At least on an annual basis, the CFO will provide the Audit Committee with:

a. Updates on the status of major risks (both existing and emerging) facing the Corporation and the overall effectiveness of the mitigation strategies in place or being considered;
b. Results of the risk assessment process via the risk matrix, including summary of improvement actions completed and actions to be completed;
c. A summary of policies and procedures established during the period; and
d. Results of due diligence carried out on any new external service providers.

Upon request, the CFO will provide the Audit Committee with:
a. A review of the current Business Continuity Plans for the Corporation.

<u>Breaches of Risk Exposure or Mitigation Process</u>
Breaches are events where the Corporation or a business unit realizes a risk or the risk tolerance for a specific risk is exceeded, or a mitigation process fails. The following outlines actions required for breaches:

a. On day of detection:
   i. Risk owner must report breach to the CFO who will report to the CEO and the General Counsel if significant.
   ii. If material, the breach will be reported to the Chairs of the Audit Committee and Board of Directors to determine whether a board meeting is required.

b. Monthly:
   i. Operational Issues (including Credit, Investment and Liquidity issues) are reported to the CEO and CFO.

ii. Regulatory and internal compliance exceptions are reported to CEO and CFO.
iii. Material breaches are reported to the Board of Directors.

c. **At Scheduled Meetings of the Board of Directors** - report of any breaches which includes:
   i. date of breach
   ii. risk owner
   iii. risk mitigation compliance requirement
   iv. nature of the breach
   v. cause of the breach
   vi. action to be taken by whom and when

APPENDIX A

DEFINITIONS

A key success factor with respect to the management of risk on an enterprise wide basis is the development and use of a common risk language throughout the organization. The following defines key terms used within the Corporation's Framework.

Risks: are uncertain events (both positive and negative) that could influence the ability of the Corporation to achieve its strategic, financial or operational objectives. Risk is assessed based on the likelihood of the event occurring and the potential impact on the organization

Risk Assessment: systematic identification and measurement of both inherent and residual risk exposures based on pre-defined corporate risk impact and likelihood criteria.

Risk Exposure: refers to potential negative impact on the Corporation of a risk event measured as the product of the potential likelihood and impact of the risk event. Events that could result in impacts such as financial loss, legal or regulatory actions or loss of reputation or negatively impact the ability of the organization to achieve its objectives.

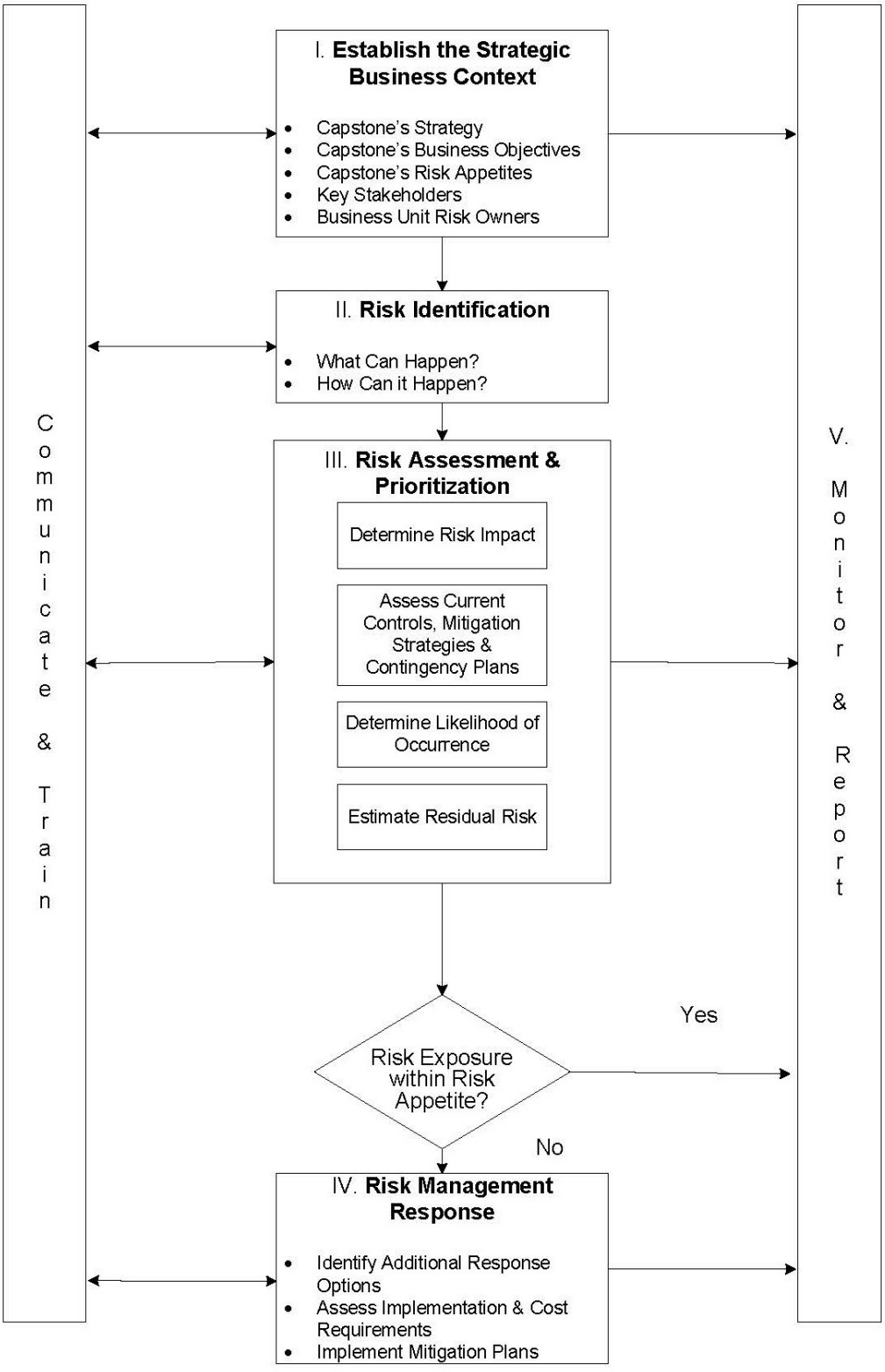
Risk Opportunity: refers to the relationship between risk and reward of an activity undertaken by the Corporation.

Risk Tolerance: the range of acceptable residual risk exposure for the Corporation.

Risk Appetite: the amount and type of risk that the Corporation is willing to take in pursuit of its strategic objectives.

APPENDIX B

Capstone's Risk Management Process



APPENDIX C

LIKELIHOOD CRITERIA

The number of times within a specified period which a risk may occur, either as a consequence of business operations or through failure of operating systems, policies or procedures.

Rating	Description	Occurrence	Probability
1. Rare	May only occur in exceptional circumstances	Once / > 20 years	5%
2. Unlikely	Could occur during a specified time period	Once / 2.5 - 20 years	5% - 40%
3. Somewhat Likely	Might occur within a 2.5 year time period	Once / 1.5 - 2.5 years	41% - 67%
4. Likely	Will probably occur in most circumstances	Once / 1 - 1.5 years	67% - 95%
5. Almost Certain	Expected to occur in most circumstances	Multiple / 1 year	> 95%

IMPACT CRITERIA

Capstone uses a risk impact matrix to assess risk based on four dimensions (Financial, Reputation, Operational, Incidents) and a five point severity scale. The impact matrix is detailed below.

	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
Financial	1) Treasury impact of event less than $500,000 2) Equity value impact of <3%	1) Treasury impact of event between $500,001 and $2,000,000 2) Equity value impact of 3%-5%	1) Treasury impact of event between $2,000,001 and $5,000,000 2) Equity value impact of 6%-15%	1) Treasury impact of event between $5,000,001 and $10,000,000 2) Equity value impact of 16%-40%	1) Treasury impact of event greater than $10,000,000 2) Equity value impact of >40%
Reputation	Concern expressed by one stakeholder	Significant concerns raised by one stakeholder, resulting in short-term negative media focus	Significant concerns raised by more than one stakeholder, resulting in negative media focus	Sustained concerns raised by more than one stakeholder, resulting in long-term negative media focus	Stakeholder lose confidence in the organization in the long-term, permanent withdrawal of support by several key stakeholders
Operational	Impact of event can be managed under standard operating activity	Impact of event required actions greater than routine activity	A significant event which can be managed under routine activity	A critical event with a long recovery period which stretches plans to the limit and requires significant management effort to endure	A disaster with potential to lead to the collapse of the organization
Health, Safety & Environment	Reportable incident	Reportable incident with serious but non-life-threatening injuries	Life threatening injuries	Single loss of life and/or some long-term health implications as a result of our actions	Multiple loss of life and/or serious long-term health implications as a result of our actions