



**CORPORATE GOVERNANCE &  
COMPENSATION COMMITTEE CHARTER**  
CAPSTONE INFRASTRUCTURE CORPORATION  
AUGUST 2019

## **CAPSTONE INFRASTRUCTURE CORPORATION**

### **CORPORATE GOVERNANCE & COMPENSATION COMMITTEE CHARTER**

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 subsidiary entity of the Corporation (a “Subsidiary”). The term “Management” herein shall refer to senior management of the Corporation and all Subsidiaries.

#### **PURPOSE**

The Corporate Governance & Compensation Committee (the “Committee”) is a standing committee appointed by the Board. The Committee is responsible for the implementation and assessment of effective corporate governance principles and guidelines, and overseeing and assessing the functioning of the Board and the committees of the Board. The Committee’s responsibilities include (as set out in further detail in this Charter below):

1. Identifying and recommending qualified director nominees for election to the Board;
2. Overseeing management systems for meeting insider reporting requirements;
3. Overseeing systems for monitoring compliance with the Code of Business Conduct and Ethics;
4. Overseeing director orientation and continuing education opportunities for directors;
5. Reviewing board mandates, position descriptions, charters and other policies;
6. Conducting board and director self-assessments and evaluations;
7. Recommending the allocation of directors to board committees;
8. Ensuring procedures to permit the independent directors to meet on a regular basis without Management or non-independent directors present;
9. Reviewing corporate governance and compensation disclosures in the Corporation’s annual information form;
10.
  - (a) Approving all forms of compensation to be paid or granted to senior management of the Corporation (excluding the Chief Executive Officer of the Corporation (the “CEO”)),
  - (b) Making recommendations to the Board in respect of all forms of compensation to be paid or granted to the CEO and Directors,
  - (c) Approving all grants of share appreciation rights units (“SAR Units) to participants in the Corporation’s share appreciation rights plan (“SAR Plan”), and
  - (d) Reviewing CEO proposals for compensation of non-Management employees.

## PROCEDURES, POWERS AND DUTIES

The Committee shall have the following procedures, powers and duties:

### General

1.

- (a) *Composition* – The Committee shall be composed of a minimum of three members, and the Board will determine the composition of the Committee with a view to ensuring that there is an objective process for determining compensation<sup>1</sup>. No individual whose compensation is determined by the Committee, or his or her family member, can be a member of the Committee.
- (b) *Appointment and Replacement of Committee Members* – 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. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the 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 his or her election (or the execution of a written shareholder resolution in lieu of such a meeting) or until his or her successor shall be duly elected and qualified.
- (c) *Committee Chair* – The Chair of the Committee shall be designated by the Board. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board. The designation of the Chair of the Committee shall take place 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 of the Committee is not so made, the Director who is then serving as the Chair of the Committee shall continue as the Chair of the Committee until his or her successor is appointed.
- (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 Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may

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<sup>1</sup> National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires disclosure in an issuer's proxy circular or its Annual Information Form of whether or not the board has a compensation committee composed entirely of independent directors, and if the compensation committee is not composed entirely of independent directors, disclosure of what steps the board takes to encourage an objective process for determining compensation.

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) *Compensation of Committee Members* – The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine. No member of the Committee shall receive from the Corporation any compensation other than the fees to which he or she is entitled as a director, a member of a committee of the Board or a member of the Board of Directors of a Subsidiary or a committee thereof.
- (f) *Separate Executive Meetings* – The Committee shall meet periodically with the Chief Executive Officer and the Corporate Secretary of the Corporation to discuss any matters that the Committee or either of these individuals believes should be discussed privately. However, the Committee shall also meet periodically without management present.
- (g) *Meetings of the Committee*
  - (i) *Procedures for Meetings* – Subject to any applicable statutory or regulatory requirements, the time at which and place where the meetings of the Committee shall be held and the calling of Committee meetings and the procedure in all things at such meetings shall be determined by the Committee.
  - (ii) *Calling of Meetings* – The Committee shall meet as often as it deems appropriate to discharge its responsibilities, but no less than two times a year. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of the Committee at least 48 hours prior to the time fixed for such meeting. However, 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. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members before each Committee meeting in sufficient time to provide adequate opportunity for their review.
  - (iii) *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.
  - (iv) *Chair of Meetings* – If the Chair of the Committee 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 as chair at the meeting.

- (v) *Secretary of Meeting* – The Chair of the Committee shall designate a person, who need not be a member of the Committee, to act as secretary or, if the Chair of the Committee fails to designate such a person, the Corporate Secretary of the Corporation shall be secretary of the Committee. The agenda of the Committee meeting will be prepared by the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.
- (vi) *Minutes* – The secretary of the Committee shall prepare and maintain minutes of the proceedings of the Committee. Minutes shall be kept in minute books provided for that purpose. The minutes of Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.
- (h) *Professional Assistance* – The Committee may retain special legal, accounting, financial or other consultants to advise the Committee with respect to the Committee’s responsibilities at the Corporation’s expense including sole authority to retain and terminate any search firm to be used to identify director candidates and to approve any such firm’s fees and other retention terms. In accordance with the procedures for retaining professional advisors as set out in the Corporation’s Corporate Governance Guidelines, any individual committee member may retain independent professional advice where that committee member considers it necessary to carry out his or her duties and responsibilities, subject to the retainer and estimated costs being approved by the Chair in advance as being reasonable.
- (i) *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 within and outside Capstone Infrastructure Group from which it receives information and (ii) the accuracy of the information provided to the Committee by such persons or organizations.
- (j) *Reporting to the Board* – The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.
- (k) *Powers of the Committee*
  - (i) *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 investments and activities of the Corporation. The Committee may require such officers, directors and employees of the Corporation and Capstone Infrastructure Group and others as it may see fit from time to time to provide any information about the Corporation it may deem appropriate and to attend and assist at meetings of the Committee.
  - (ii) *Delegation* – The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.

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

### **Board Composition and Director Nominations**

2. The Committee shall, subject to any applicable statutory or regulatory requirements and in consultation with Management and the sole voting shareholder, identify and recommend to the Board qualified director nominees for election to the Board.
3. The Committee shall:
  - (a) review from time to time the appropriate size of the Board, with a view to facilitating effective decision making;
  - (b) review biennially the competencies, skills and personal qualities required of directors in order to add value to the Corporation, in light of:
    - (i) the opportunities and risks facing the Corporation and the Corporation's proposed strategy;
    - (ii) the need to ensure that at least three members of the Board are "independent" directors (as defined in National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators) unless a director is exempt from such independence requirement and otherwise fulfills the requirements set out under National Instrument 52-110 *Audit Committees*; and
    - (iii) the Corporation's corporate governance guidelines, Board policies and any applicable statutory or regulatory requirements with respect to director tenure, retirement and succession.
  - (c) review biennially the competencies, skills and personal qualities of each existing director, and the contributions made by each individual director to the effective operation of the Board as a group and review any significant change in the primary occupation of each director;
  - (d) in light of the above, make recommendations for changes to the composition of the Board; and
  - (e) create an "ever-green" list of independent directors (as defined in National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators) candidates to ensure outstanding candidates with needed talents can be identified to fill planned and unplanned vacancies and to ensure plans are in place for the orderly succession of directors to keep the Board appropriately balanced in terms of skills and experience.
4. The Committee shall recruit and consider candidates for director, including any candidates recommended by voting shareholders, having regard for the background, employment and qualifications of possible candidates. The Committee shall:

- (a) consider whether the candidate's competencies, skills and personal qualities are aligned with the Corporation's needs and any criteria for selecting new directors established by the Board; and
- (b) ensure the candidate understands the role of the Board and its committees as well as the demands and expectations of a director of the Corporation.

## **Corporate Governance**

### **Oversight of Management**

- 5. The Committee shall receive reports from the CEO on any anticipated or forthcoming changes in the personnel occupying senior positions in Capstone Infrastructure Group.

### **Insider Trading**

- 6. The Committee shall prepare and revise as necessary a policy on insider trading respecting the Corporation's securities. Such policy shall impose trading blackouts, which shall be the periods during which directors, senior management and employees of Capstone Infrastructure Group are prohibited from trading, subject to the conditions contained therein, in securities of the Corporation.
- 7. The Committee shall periodically review management's systems and practices for ensuring that all directors, officers and other reporting insiders of the Corporation who are required to do so file insider reports in connection with any trade of securities of the Corporation or any derivative transaction which results in the effective disposition of the individual's economic interest in a security of the Corporation within the shortest period of time in which such reports are required to be filed.

### **Business and Ethical Conduct**

- 8. The Committee shall:
  - (a) approve, periodically review and approve all amendments to a Code of Business Conduct and Ethics, applicable to the directors, officers and employees of Capstone Infrastructure Group;
  - (b) be responsible for granting any waivers from the application of the Code of Business Conduct and Ethics, and shall review and approve all news releases issued in respect of such waivers prior to their distribution; and
  - (c) oversee systems for monitoring compliance with the Code of Business Conduct and Ethics.

### **Director and Director Orientation and Continuing Education**

- 9. The Committee shall oversee an orientation program to familiarize new directors of the Corporation with the Corporation's business and operations, including the Corporation's reporting structure, strategic plans, significant financial, accounting and risk issues and compliance programs and policies, management and the external auditors. The

Committee shall also oversee continuing educational opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Corporation's business remains current.

### **Board Evaluations**

10. The Committee shall review from time to time and if deemed necessary, make recommendations to the Board for changes to the Mandate of the Board, the position description for the Chair of the Board, position descriptions for each committee chair and the position description for the Chief Executive Officer.
11. The Committee shall conduct biennial surveys of directors with respect to their views on the effectiveness of the Board, the Chair of the Board, each committee of the Board and its chair, and the contribution of individual directors.
12. The Committee shall evaluate the performance of the Chair of the Board, the chair of each committee and the performance and contribution of individual directors, having regard for the position descriptions for the Chair of the Board and the chair of each committee, the charter for each committee, the results of biennial surveys of the directors, attendance at Board and Board and committee meetings and the overall contribution, competencies and skills each individual director is expected to bring to the Board.
13. The Committee shall also biennially assess the effectiveness of the Board as a whole and each committee of the Board, including this Committee, having regard for the Mandate of the Board and the charter of each committee and make recommendations to the Board.
14. The Committee shall report biennially to the Board, in such form as the Committee shall consider appropriate, on the results of its evaluations of Board and committee performance, the contributions of individual directors and the performances of the Chair of the Board and the chair of each committee of the Board.

### **Board Committees**

15. At the first meeting of the Board following each annual meeting of shareholders (or the execution of a written shareholder resolution in lieu of such a meeting), the Chair of the Committee shall recommend to the Board the allocation of directors to each of the committees of the Board. Thereafter, when a vacancy occurs at any time in the membership of any committee, the Committee shall recommend to the Board a particular director to fill such vacancy.
16. The Committee shall review from time to time the charters of the committees of the Board, and if deemed necessary, make recommendations regarding the charters to the Board and recommend timely changes in the role, size, composition and structure of committees.

### **Board Independence**

17. The Committee shall monitor and assess the relationship between the Board and Management, defining the limits to Management's responsibilities and making such recommendations as it may deem necessary with a view to ensuring that the Board is able to exercise independent judgment in carrying out its responsibilities, including procedures



to permit the independent directors to meet on a regular basis, and not less frequently than every Board meeting, without Management or non-independent directors present.

### **Reporting and Disclosure Requirements**

18. The Committee shall annually prepare, review and approve the corporate governance disclosure required to be made in the Corporation's annual information form.

### **General**

19. The Committee shall undertake, on behalf of the Board, such other corporate governance initiatives as may be necessary or desirable to enable the Board to provide effective corporate governance for the Corporation and contribute to the success of the Corporation and enhance shareholder value.

### **Compensation**

20. To fulfil its responsibilities and duties regarding compensation matters, the Committee shall:
  - (a) review corporate goals and objectives relevant to Management compensation;
  - (b) in light of those corporate goals and objectives, evaluate the performance of each individual member of Management (excluding the CEO) and approve such persons compensation, subject to any relevant employment agreement;
  - (c) in light of those corporate goals and objectives, evaluate the CEO's performance and make recommendations to the Board with respect to the CEO's compensation, with the approval of the CEO's compensation to be the responsibility of the Board, subject to any relevant employment agreement;
  - (d) approve all grants of SAR Units to participants in the Corporation's SAR Plan;
  - (e) review the CEO's proposal for compensation of non-Management employees of the Capstone Infrastructure Group, with the approval of such compensation to be the responsibility of the CEO (subject to the discretion of the Committee) except for the approval of SAR Units granted to non-Management employees pursuant to Section 23(d) above;
  - (f) recommend to the Board the terms upon which directors, members of committees and the Chair of the Board and each committee shall be compensated to adequately reflect the responsibilities of such offices; and
  - (g) review on a periodic basis the terms of and experience with the Corporation's executive compensation programs for the purpose of determining if they are properly co-ordinated and achieving the purpose for which they were designed and administered.

## **Reporting and Disclosure Requirements**

21. The Committee shall annually prepare, review and approve the executive compensation disclosure required to be made in the Corporations' annual information form.

### **This Charter**

The Committee shall review and reassess the adequacy of this Charter at least annually 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.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's Articles, it is not intended to establish any legally binding obligations.