

Premier Island Power REIT Corporation (PREIT)
Internal Audit Charter

Purpose and Mission

The purpose of this Internal Audit Charter (“IAC” or “Charter”) is to provide an independent, objective assurance and consulting services designed to add value and improve operations to be performed by the Internal Audit Department (“IA Department”) as established by Premiere Island Power REIT Corporation’s (the “Corporation”), its Management and Board of Directors. The mission of IA Department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IA Department helps the Corporation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The IA Department shall adhere to the mandatory elements of the Institute of Internal Auditors' (“IIA”) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (the “Standards”), and the Definition of Internal Auditing. The Audit Head will report periodically to the Audit Committee regarding the IA Department’s conformance to the Code of Ethics and the Standards.

Authority

The IA Department, through the Audit Head or the Chief Audit Executive shall report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Chief Finance Officer (CFO) and Controller. To establish, maintain, and assure that the Corporation’s IA Department has sufficient authority to fulfill its duties, the Corporation’s Audit Committee shall:

- Approve the IA Department’s charter;
- Approve the risk-based internal audit plan;
- Approve the IA Department’s budget and resource plan;
- Receive communications from the Audit Head on the IA Department’s performance relative to its plan and other matters;
- Approve decisions regarding the appointment and removal of the Audit Head;
- Approve the remuneration of the Audit Head; and
- Make appropriate inquiries of Management and the Audit Head to determine whether there is inappropriate scope or resource limitations.

The Audit Head shall have unrestricted access to, and communicate and interact directly with the Audit Committee, including in private meetings without Management present.

In accordance with its authority under the Audit Charter, the Audit Committee authorizes the IA Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and

- safeguarding of records and information;
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Obtain assistance from the necessary personnel of the Corporation, as well as other specialized services from within or outside the Corporation, in order to complete the engagement.

Independence and Objectivity

The Audit Head shall ensure that the IA Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Audit Head determines that independence or objectivity may be impaired in fact or appearance, the details of impairment shall be disclosed to appropriate parties.

Internal auditors shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for the Corporation or any of its affiliates;
- Initiating or approving transactions external to the IA Department;
- Directing the activities of any of the Corporation's employees not employed under the IA audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Audit Head (or Internal Auditors) has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards shall be established to limit impairments to independence or objectivity.

For this purpose, the Audit Head and/or Internal auditors shall:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Audit Head shall report to the Audit Committee, at least annually, the organizational independence of the IA Department, including any such situation which would impair or possibly impair the independence of the IA Department.

The Audit Head shall disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, the Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Corporation. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Corporation's strategic objectives are appropriately identified and managed;
- The actions of the Corporation's officers, directors, employees, and contractors are in compliance with the Corporation's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations or programs are consistent with established goals and objectives;
- Operations or programs are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Corporation;
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity; and
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Audit Head will report periodically to the Audit Committee regarding:

- The IA Department's purpose, authority, and responsibility;
- The IA Department's plan and performance relative to its plan;
- The IA Department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Audit Committee;
- Results of audit engagements or other activities;
- Resource requirements; and
- Any response to risk that Management has accepted which, in the Audit Head's judgment, may be unacceptable to the Corporation.

The Audit Head shall also coordinate activities, where possible, and may rely on the work of other internal and external assurance and consulting service providers as needed. The IA Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the IA Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

Responsibility

The Audit Head shall be responsible for:

- Submitting, at least annually, to the Audit Committee a risk-based internal audit plan for review and approval;
- Communicating to the Audit Committee the impact of resource limitations on the internal audit plan;
- Reviewing and adjusting the internal audit plan, as necessary, in response to changes in the Corporation's business, risks, operations, programs, systems, and controls;
- Communicating to the Audit Committee any significant interim changes to the internal audit plan;
- Ensuring each engagement under the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Following up on engagement findings and corrective actions taken relative to such findings, and reporting periodically to the Audit Committee any corrective actions not effectively implemented;
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- Ensuring the IA Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IAC;
- Ensuring trends and emerging issues that could impact the Corporation are considered and communicated to the Audit Committee, as appropriate;
- Ensuring emerging trends and successful practices in internal auditing are considered, and adopted, as appropriate;
- Establishing and ensuring adherence to policies and procedures designed to guide the IA Department.
- Ensuring adherence to the Corporation's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee.
- Ensure conformance of the IA Department with the Standards, with the following qualifications:
 - If the IA Department is prohibited by law or regulation from conformance with certain parts of the Standards, the Audit Head shall ensure to make appropriate disclosures and ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Audit Head shall ensure that the IA Department conforms to the Standards, even if the IA Department also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program

The IA Department shall maintain a Quality Assurance and Improvement Program that covers all aspects of the IA Department. The program will include an evaluation of the IA Department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IA Department and identify opportunities for improvement.

The Audit Head shall periodically report to the Audit Committee on the IA Department's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Corporation.

