

# CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF

FS KKR CAPITAL CORP.  
ADOPTED AS OF FEBRUARY 2020

The board of directors (the “**Board**”) of FS KKR Capital Corp. (the “**Company**”) has determined that the Audit Committee of the Board (the “**Committee**”) shall assist the Board in fulfilling certain of the Board’s oversight responsibilities. This Audit Committee Charter (this “**Charter**”) establishes the governing principles of the Committee.

## I. Purpose

The purpose of the Committee is to serve as an independent and objective party to assist the Board in fulfilling its oversight responsibilities for the Company’s accounting and financial reporting processes and the audits of its financial statements by overseeing and monitoring:

- 1) The quality and integrity of financial reports and other financial information provided by the Company to governmental bodies or the public and the independent audit thereof;
- 2) The preparation of the disclosure required by Item 407(d)(3)(i) of Regulation S-K (“**Regulation S-K**”), promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”), and the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”);
- 3) The Company’s system of internal controls regarding finance, accounting and regulatory compliance;
- 4) The material aspects of the Company’s accounting and financial reporting process generally;
- 5) The independence, qualifications and performance of the Company’s independent registered public accounting firm (the “**Independent Accountants**”), including the lead audit partner;
- 6) The compliance by the Company with applicable legal and regulatory requirements; and
- 7) The performance of the Company’s internal audit function and the Independent Accountants.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section V of this Charter.

## II. Scope

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or prepared in accordance with U.S. generally accepted accounting principles (“**GAAP**”). The responsibility to plan and conduct audits is that of the Independent Accountants. In fulfilling their responsibility, the Independent Accountants are ultimately accountable to the Board and the Committee. The Company’s management has the responsibility to determine that the Company’s financial statements are complete and accurate and prepared in accordance with GAAP. It is also not the duty of the Committee to provide assurance of the Company’s compliance with laws and regulations or compliance with the Company’s Code of Business Conduct and Ethics. The primary responsibility for these matters also rests with the Company’s management.

In order to fulfill its oversight responsibility, the Committee must be capable of conducting free and open discussions with management, the Independent Accountants, internal auditors, employees and others regarding the quality of the Company's financial statements and system of internal controls.

### **III. Membership Requirements**

The Committee shall be comprised of three (3) or more directors as determined by the Board, each of whom must:

- 1) be an independent director in accordance with the requirements of Rule 10A-3 of the Exchange Act and the independence requirements of the New York Stock Exchange, LLC (the "**NYSE**") applicable to business development companies, and free from any material relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee;
- 2) be "financially literate," as such qualification is interpreted by the Board; and
- 3) have a basic understanding of finance and accounting practices and shall be able to read and understand financial statements. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Committee shall meet the requirements of all applicable laws, rules and regulations, in each case, when, as and to the extent applicable to the Company, including the rules of the NYSE. In addition, at least one (1) member of the Committee shall have accounting or related financial management experience, as determined by the Board. Any member of the Committee who satisfies the definition of an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K will be presumed to have accounting or related financial management expertise.

No member of the Committee may serve simultaneously on the audit committees of more than three (3) public companies, unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee effectively. If such a determination is made by the Board, the Company must disclose such determination on its website, in its annual proxy statement (if any) or in the Company's annual report on Form 10-K filed with the U.S. Securities and Exchange Commission ("**SEC**").

The members of the Committee shall be elected by the Board annually or until their successors shall be duly elected and qualified. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by majority vote of the full Committee.

### **IV. Meetings and Procedures**

The Committee shall meet at least four (4) times each year, or more frequently as circumstances require. The Chairman of the Committee may call a Committee meeting whenever deemed necessary and shall be responsible for meeting with the Independent Accountants at their request to discuss the Company's financial results. The Committee may request any officer or employee of the Company, the Company's outside counsel or the Independent Accountants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall meet separately, and periodically, with management, personnel responsible for the Company's internal audit function and the representatives of the Independent Accountants, and shall invite such members to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such persons present.

**V. Responsibility and Duties**

***1) General Responsibilities***

To carry out its purposes, the responsibilities of the Committee shall be as follows:

- i. Maintain open communications with the Independent Accountants, internal auditors, executive management and the Board;
- ii. Meet separately, from time to time, with management and the Independent Accountants to discuss matters warranting attention by the Committee;
- iii. Regularly report Committee actions to the Board and make recommendations as the Committee deems appropriate;
- iv. Review the financial results presented in all reports filed with the SEC;
- v. Review examination reports issued by regulatory authorities and consider the results of those reviews to determine if any findings could have a material effect on the Company's financial statements;
- vi. Discuss the Company's disclosure, oversight of and conformity with the Company's Code of Business Conduct and Ethics, and matters that may have a material effect on the Company's financial statements, operations, compliance policies and programs;
- vii. Institute, conduct or oversee special investigations related to financial and accounting matters, as needed;
- viii. Review with senior management the Company's overall antifraud programs and controls;
- ix. Review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board;
- x. Review with the Company's legal counsel any significant legal matter that could have a material impact on the Company's financial position; and
- xi. Take other actions required of the Committee by law, applicable regulations, or as requested by the Board.

In discharging its duties hereunder, the Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide

for appropriate funding, as determined by the Committee, for payment of compensation to the Independent Accountants for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have the authority to select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

## 2) **Responsibilities Regarding the Engagement of the Independent Accountants**

The Committee will:

- i. Be directly responsible for the appointment or replacement of the Independent Accountants (subject to approval by the Board and by a separate in-person<sup>1</sup> vote of a majority of the members of the Board who are not “interested persons” of the Company (as defined in the Investment Company Act of 1940, as amended) and, if applicable, to shareholder ratification). The Committee shall be directly responsible for the compensation and oversight of the Independent Accountants (including resolution of disagreements between management and the Independent Accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Independent Accountants shall report directly to the Committee.
- ii. Evaluate the independence of the Independent Accountants by:
  - (a) Having the Independent Accountants deliver to the Committee at least annually a formal written statement delineating all relationships between the Independent Accountants and the Company and addressing at least the matters set forth in the Public Company Accounting Oversight Board’s (“**PCAOB**”) Rule No. 3526; actively engaging in dialogue with the Independent Accountants about any relationships or services disclosed in such statement that may impact the objectivity and independence of the Independent Accountants.
  - (b) Pre-approving all audit services and permitted non-audit services (including fees and terms thereof) to be performed for the Company by the Independent Accountants or other registered public accounting firms. See the Policy on Pre-Approval of Audit and Non-Audit Services set

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<sup>1</sup> On February 28, 2019, the Division of Investment Management (“Staff”) of the Securities and Exchange Commission (“SEC”) issued a no-action letter (“IDC Letter”) relaxing its views on “in person” voting requirements for investment company boards of directors. In the IDC Letter, the Staff states that it would not recommend action to the SEC for violations of Sections 12(b), 15(c) or 32(a) of the Investment Company Act of 1940 (1940 Act), or Rules 12b-1 or 15a-4(b)(2) thereunder, if investment company directors, in certain circumstances (listed below), approve the company’s investment management agreement or certain other matters (including selection of the fund’s independent public accountant pursuant to Section 32(a) of the 1940 Act, noting that with respect to emergency situations, such accountant must be the same accountant as selected in the immediately preceding fiscal year) telephonically, by video conference or by other means by which all participating directors may participate and communicate with each other simultaneously during a meeting, instead of at a meeting where the required directors are physically present.

The circumstances to which the SEC’s position applies are:

- **Emergency Situations:** The directors needed for the required approval physically cannot be present due to unforeseen or emergency circumstances, provided that (i) no material changes to the relevant contract, plan and/or arrangement are proposed to be approved, or are approved, at the meeting, and (ii) such directors ratify the applicable approval at the next board meeting at which the directors needed for the required approval are physically present; and
- **Prior Discussion Situations:** The directors needed for the required approval previously fully discussed and considered all material aspects of the proposed matter at a meeting where the required directors were physically present, but did not vote on the matter at that time, provided that no director requests another meeting where all required directors are physically present.

forth in **Annex A** attached hereto. The Committee may form and delegate authority to subcommittees consisting of one (1) or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services; *provided* that any decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

- (c) Ensuring the regular rotation of the lead (or coordinating) audit partner (or, if required by the rules and regulations of the SEC or the rules of the NYSE, other employees of the Independent Accountants) having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, and to consider the regular rotation of the Independent Accountants.
  - (d) Overseeing compliance with the guidelines set forth in **Annex B** attached hereto relating to the Company's hiring of employees or former employees of the Independent Accountants who participated in any capacity in the audit of the Company.
- iii. At least annually, obtain and review a report by the Independent Accountants describing: the firm's internal control procedures; any material issues raised by the most recent internal quality control review, peer review or PCAOB review or inspection of the firm, or by any other inquiry or investigation by governmental or professional authorities, within the preceding five (5) years with respect to one (1) or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and all relationships between the Independent Accountants and the Company to assess the independence and objectivity of the Independent Accountants.
  - iv. The Committee shall review and present its conclusions regarding the Independent Accountants' qualifications, performance (including an evaluation of the lead audit partner) and, if applicable, its conclusions regarding the rotation of the Independent Accountants to the Board at least annually.
  - v. The Committee shall review and discuss with the Independent Accountants (1) the Independent Accountants' responsibilities under GAAP and the responsibilities of management in the audit process, (2) the overall audit strategy, (3) the scope and timing of the annual audit, (4) any significant risks identified during the Independent Accountants' risk assessment procedures and (5) when completed, the results, including significant findings, of the annual audit.

3) ***Responsibilities for Reviewing the Annual External Audit and the Financial Statements***

The Committee will:

- i. Request the Independent Accountants to confirm that they are accountable to the Committee and that they will provide the Committee with timely analyses of significant financial reporting and internal control issues;
- ii. Review with management significant risks and exposures identified by management and management's steps to minimize them;
- iii. Review the scope of the external audit with the Independent Accountants;
- iv. Review with management and the Independent Accountants, as appropriate:
  - (a) The adequacy and effectiveness of the Company's system of internal controls, including computerized information system controls and security, any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal controls and any special audit steps adopted in light of any material control deficiencies, and any fraud, whether or not material, involving management or other employees with a significant role in such internal controls;
  - (b) The Company's critical accounting policies and practices to be used in the audit;
  - (c) The Company's annual audited financial statements (including related notes) and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the form of audit opinion to be issued, before they are made public;
  - (d) All alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Accountants;
  - (e) Material written communications between the Independent Accountants and management, such as any management letter or schedule of unadjusted differences;
  - (f) Any audit problems or difficulties, including difficulties encountered by the Independent Accountants during their audit work (such as restrictions on the scope of their activities or their access to information); any significant disagreements between management and the Independent Accountants; management's response to these problems, difficulties or disagreements; and the Committee's proposed resolution to any disagreements between the Independent Accountants and management;
  - (g) Any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's

selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements; and

- (h) The Company's earnings press releases, including the type of information to be included and its presentation and the use of any pro forma or non-GAAP information, before their release to the public, and any financial information and earnings guidance provided to analysts and ratings agencies, including the type of information to be disclosed and the type of presentation to be made;
- v. After the completion of the annual audit examination, or as needed throughout the year, discuss such examination with management and the Independent Accountants;
- vi. Review the Company's annual financial statements and related notes, including any adjustments to such statements recommended by the Independent Accountants;
- vii. Review any significant findings and recommendations made by the Independent Accountants with respect to the Company's financial policies, procedures and internal accounting controls together with management's responses thereto;
- viii. Review the qualitative judgments about the appropriateness and acceptability of accounting principles, financial disclosures and underlying estimates;
- ix. Review any significant difficulties or problems with management encountered during the course of the audit;
- x. Review any other matters about the audit procedures or findings that GAAP requires the auditors to discuss with the Committee;
- xi. Review the form of opinion the Independent Accountants propose to render to the Board and the Committee and stockholders;
- xii. Review the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual report on Form 10-K or quarterly report on Form 10-Q before the Form 10-K or Form 10-Q is filed;
- xiii. Review the Independent Accountants' disclosure relating to the Company's internal controls, and disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls over financial reporting or material

weaknesses therein and any fraud, whether or not material, involving management or other employees with a significant role in such internal controls;

- xiv. Recommend to the Board whether to include the audited financial statements in the Company's Form 10-K; and
- xv. Issue for public disclosure by the Committee the report required by the SEC to be included in the Company's annual proxy statement.

#### **4) Responsibilities for Reviewing Internal Audit Function**

The Committee will:

- i. Review and approve the functions of the Company's internal audit function, including its purpose, charter, organization, responsibilities, budget, staffing and performance; and review the scope, performance and results of such department's internal audit plans, including any reports to management and management's response to those reports; and
- ii. Review and discuss with management and the personnel responsible for the Company's internal audit function policies and guidelines to govern the process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

#### **5) Compliance Oversight Responsibilities**

The Committee will:

- i. Review with the Board any issues that arise with respect to the Company's compliance with applicable laws and regulations;
- ii. Obtain from the Independent Accountants assurance that Section 10A(b) of the Exchange Act has not been implicated;
- iii. Review and discuss with the Independent Accountants any other matters required to be discussed by PCAOB Auditing Standards;
- iv. Administer the procedures set forth in **Annex C** attached hereto relating to the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company or of FS/KKR Advisor, LLC, the Company's investment adviser, of concerns regarding questionable accounting or auditing matters; and
- v. Review all potential conflict-of-interest situations arising in respect of the Company's affairs and involving the Company's affiliates or employees not otherwise delegated to the Board as a whole, including review and approval of



all transactions with related persons (as defined in Item 404 of Regulation S-K promulgated under the Exchange Act).

## **VI. Additional Resources**

Subject to the approval of the Board, the Committee shall have the right to use reasonable amounts of time of the Independent Accountants, outside lawyers and other internal staff and also shall have the right to hire independent experts, lawyers and other consultants to assist and advise the Committee in connection with its responsibilities. The Committee shall keep the Company's Chief Executive Officer advised as to the general range of anticipated expenses for outside consultants, and shall obtain the concurrence of the Board in advance for any such expenditures.

## **VII. Disclosure of Charter**

This Charter will be made available on the "Corporate Governance" page within the "Investor Relations" section of the Company's website at [www.fsinvestments.com](http://www.fsinvestments.com).

## **VIII. Evaluation**

The Committee shall conduct an annual review of the Committee's and individual members' performance under this Charter and shall present the results of the evaluation to the Board and recommend changes to the Board as needed.

## Policy on Pre-Approval of Audit and Non-Audit Services

### **I. Statement of Principles**

The Committee is required to pre-approve the audit and non-audit services performed by the Independent Accountants in order to ensure that the provision of such services to the Company does not impair the independence of the Independent Accountants. Unless a type of service to be provided by the Independent Accountants has received general pre-approval, it will require specific pre-approval by the Committee. Any proposed services exceeding pre-approved fee levels will require specific pre-approval by the Committee.

### **II. Audit Services**

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Committee. The Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual audit services engagement approved by the Committee, the Committee may grant pre-approval for other audit services, which are those services that only the Independent Accountants reasonably can provide, such as limited quarterly reviews, comfort letters, statutory audits, attest services, reports on internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002, consents and assistance with and review of documents filed with the SEC.

### **III. Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are traditionally performed by the Independent Accountants. All audit-related services must be separately pre-approved by the Committee.

### **IV. Tax Services**

Tax services include tax compliance, tax planning and tax advice. All tax services must be separately pre-approved by the Committee.

### **V. All Other Services**

The Committee may grant pre-approval to those permissible non-audit services classified as "All Other Services" that it believes are routine and recurring services, and would not impair the independence

of the Independent Accountants. Permissible All Other Services must be separately pre-approved by the Committee.

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

#### **VI. Pre-Approval Fee Levels**

Pre-approval fee levels for all services to be provided by the Independent Accountants will be established periodically by the Committee. Any proposed services exceeding these levels will require specific pre-approval by the Committee.

#### **VII. Supporting Documentation**

With respect to each proposed pre-approved service, the Independent Accountants will provide an engagement letter to the Committee regarding the specific services to be provided.

#### **VIII. Procedures**

Requests or applications to provide services that require specific pre-approval by the Committee will be submitted to the Committee by the Chief Financial Officer, and must include a statement as to whether, in his view, the request or application is consistent with the SEC's rules on auditor independence.

#### **IX. Confirmation**

The Independent Accountants will provide a written confirmation of its independence with respect to the Company to the Committee on an annual basis.

# Exhibit 1

## Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements
- Financial reporting systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit
- Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible

# Annex B

## Hiring Guidelines for Employees of the Independent Accountants

The Committee has adopted the following practices regarding the hiring by the Company of any employee of the Independent Accountants who participated in any capacity in the audit of the Company.

1. No member of the audit team that is auditing the Company may be hired by the Company in a financial reporting oversight role (as defined in Regulation S-X, promulgated under the Securities Act and the Exchange Act) for a period of one (1) year following association with that audit; and
2. The Company's Chief Financial Officer shall report annually to the Committee the profile of the preceding year's hires from the Independent Accountants.

## WHISTLEBLOWER POLICY Submission of Comments to Audit Committee

FS KKR Capital Corp. (the “**Company**”) encourages its employees and employees of FS/KKR Advisor, LLC the Company’s investment adviser (the “**Adviser**”), to maintain open lines of communication and share comments and concerns they may have with members of management and, if necessary, with the Board of Directors of the Company. Feedback from employees of the Company and the Adviser on matters related to their employment or the Company’s operations including its financial statement disclosures, accounting, internal accounting controls or auditing matters is greatly appreciated and helps to build a stronger organization. An employee of the Company or the Adviser should report suspected violations of applicable laws, rules, regulations or the *Code of Business Conduct and Ethics* to his or her supervisor, a member of senior management, or to the Company’s Chief Compliance Officer.

Employees of the Company and the Adviser may submit, on a confidential, anonymous basis if the employee so desires, comments related to, among other things, financial statement disclosures, accounting, internal accounting controls or auditing matters. Such comments should be set forth in writing, sealed in an envelope or submitted via e-mail, and addressed to the Company’s Chief Compliance Officer if an employee would like management to review the comments, or to the Chairman of the Audit Committee, which should be labeled: “To be opened by the Audit Committee only.” Employees of the Company and the Adviser may also deliver such envelopes in the Company’s internal mail system or deliver it by hand to the Company’s Chief Compliance Officer, who will deliver it unopened to the Chairman of the Audit Committee. Alternatively, employees of the Company and the Adviser may call the Adviser’s Whistleblower Hotline (215-220-4750). If an employee of the Company or the Adviser would like to discuss matters with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she may be contacted if the Audit Committee deems it appropriate.

The Audit Committee reviews and considers such comments that it has received and may take action that it deems appropriate in order to respond thereto. The Audit Committee may request special treatment for a comment, including the retention of outside counsel or other advisors. The Audit Committee retains such comments for a period of no less than five years.

The Company’s *Code of Business Conduct and Ethics* prohibits the retaliation or taking of any adverse action against anyone for raising or helping to resolve business conduct or ethical concerns.