

H&R REAL ESTATE INVESTMENT TRUST

Audit Committee Charter

PURPOSE

The trustees (the “**Trustees**”) of H&R Real Estate Investment Trust (the “**Trust**”) have established an audit committee (the “**Audit Committee**”) to assist them in fulfilling their responsibility for overseeing the Trust’s financial reporting process in accordance with section 8.03 of the Trust’s Amended and Restated Declaration of Trust (the “**Declaration of Trust**”) dated as of May 15, 2009. This Charter sets out the mandate and responsibilities of the Audit Committee as required by the Declaration of Trust and National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

COMPOSITION

The Audit Committee shall be comprised of not fewer than three Trustees, each of whom is an independent Trustee, and a majority of whom must be resident Canadians. For purposes of this Charter, an “**independent**” Trustee is one who has no direct or indirect material relationship with the Trust and is an Independent Trustee (as such term is defined in the Declaration of Trust), provided, however, that if at any time a member of the Audit Committee ceases to be an independent Trustee for reasons outside the member’s reasonable control or there is a vacancy on the Audit Committee because of the death, disability or resignation of such Trustee, this requirement shall not be applicable for a period ending on the later of (i) the next annual meeting of unitholders or (ii) six months from the date that the vacancy is created or the event which caused the Trustee not to be independent, as the case may be, only if the remaining Trustees have determined that not complying with this requirement will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the requirements of NI 52-110. A “**material relationship**” is a relationship which could, in the view of the Trustees, reasonably interfere with the exercise of a Trustee’s independent judgement. Examples of individuals with a material relationship to the Trust may include:

- (a) an individual who is, or who has been within the last three years, an employee or executive officer of the Trust;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Trust;
- (c) an individual who (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Trust’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual (i) is a partner of a firm that is the Trust’s internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, (iii) or was

within the last three years a partner or employee of that firm and personally worked on the Trust's audit within that time;

- (e) an individual who, or whose immediate family member, is or has been within the last three years an executive officer of an entity if any of the Trust's current executive officers serves or served at that same time on the entity's compensation committee;
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Trust received, more than \$75,000 in direct compensation during any 12 month period within the last three years, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Trustees;
- (g) an individual who accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Trust or any of its subsidiary entities, other than as remuneration for acting in his capacity as a Trustee or as a member of any committee of the Trustees, or as a part-time chair or vice-chair of the board of Trustees or any committee of the Trustees; and
- (h) an individual who is an affiliated entity of the Trust or any of the Trust's subsidiary entities.

This list is not meant to be exhaustive. For further guidance on the issue of independence, Trustees should consult sections 1.4 and 1.5 of NI 52-110.

All members of the Audit Committee shall be financially literate. "**Financial literacy**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

AUTHORITY

In recognition of the fact that the external auditors are ultimately accountable to the Trustees and the Audit Committee as representatives of the unitholders, the Audit Committee shall have the primary responsibility to select, evaluate and recommend to the Trustees the appointment or re-appointment and where appropriate, replacement of, the external auditors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust. The Audit Committee shall also review and recommend to the Trustees all audit engagement fees and terms and pre-approve all non-audit engagements with and services to be provided by the external auditors to the Trust or its subsidiary entities. The Audit Committee will also discuss the rotation of the engagement of the audit partners when required. The Audit Committee shall consult with management but shall not delegate its responsibilities. The Audit Committee will also have the authority to communicate directly with the Trust's external auditors and any internal auditors. The external auditors will report directly to the Audit Committee.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

- (a) Review the accounting principles, policies and practices followed by the Trust and its subsidiaries and controlled entities in accounting for and reporting its financial results of operations and satisfy themselves as to the appropriateness thereof.
- (b) Review the Trust's audited annual consolidated financial statements and the unaudited quarterly financial statements and report thereon to the Trustees before the Trust publicly discloses this information.
- (c) Review and recommend to the Trustees for approval any Management's Discussion and Analysis and annual and interim earnings press releases before the Trust publicly discloses this information.
- (d) Make recommendations to the Trustees with respect to the selection of the external auditors to be put forward to the unitholders at the annual meeting.
- (e) Obtain annually a formal written statement from the external auditors delineating all relationships between the audit firm and the Trust, and review and discuss with the external auditors such relationships to determine the "independence" of the auditors.
- (f) Review any management letter prepared by the external auditors concerning the Trust's internal financial controls, record keeping and other matters and management's response thereto.
- (g) Discuss with the external auditors their views about the quality of the implementation of Canadian generally accepted accounting principles, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles and meet in private with appropriate members of management and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
- (h) Approve the scope of the annual audit, the audit plan, the access granted to the Trust's records and the co-operation of management in any audit and review function and pre-approves the scope and cost of any non-audit services to be undertaken by the Trust's external auditors.
- (i) Directly oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust, including the resolution of disagreements between management and the external auditors regarding financial reporting.

- (j) Review the effectiveness of the independent audit effort, including approval of the fees charged in connection with the annual audit, any quarterly reviews and any non-audit services being provided.
- (k) Assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and external auditors regarding financial reporting.
- (l) Review annually this Charter for adequacy and recommend any changes to this Charter to the Trustees.
- (m) Report to the Trustees on the major items covered at each Audit Committee meeting and make recommendations to the Trustees and management concerning these matters.
- (n) Require officers of the Trust to review the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements.
- (o) Ensure that the appropriate internal controls over financial reporting are in place, so as to permit the Chief Executive Officer and the Chief Financial Officer to provide the required certification of the Trust's annual and interim filings.
- (p) Review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Trust.
- (q) Ensure that the financial information required by the various committees of the Trustees is available to them so as to permit them to fulfil their mandates.
- (r) Establish procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.
- (s) Perform any other activities consistent with this Charter, the Declaration of Trust and governing law as the Audit Committee or the Trustees deem necessary or appropriate.

RELATIONSHIP TO INTERNAL AUDIT

The Audit Committee will:

- (a) Review and approve management's decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, approve the supplier of such service.
- (b) Ensure that an effective system of internal control over financial reporting has been designed and is being implemented.

- (c) Approve the mandate for the internal audit function, if any.
- (d) Review annually the internal audit department's objectives, goals, staffing and financial budget, if any.
- (e) Ensure that the Chief Financial Officer has direct and open communication with the Audit Committee with respect to planned audits, findings, recommendations and management response thereto, and that he or she meets with the Audit Committee without other management personnel present.
- (f) Ensure that, taken together, the work of the external auditors and any internal auditors provide an appropriate level of audit coverage and are effectively coordinated.

AUDIT COMMITTEE MEETINGS

The Audit Committee will meet on a regular basis, at least quarterly, and will hold special meetings as circumstances require. The auditors of the Trust are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the auditors. The auditors of the Trust or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice. The procedure at meetings shall be determined by the Chairman of the Audit Committee. At least two-fifths of the members of the Audit Committee present in person or participating by conference telephone shall constitute a quorum of the Audit Committee (provided that a majority of the members comprising such quorum shall not be nonresidents of Canada).

The acts of the Audit Committee at a duly constituted meeting shall require no more than the vote of a majority of the members present. A resolution or other instrument in writing signed by all members of the Audit Committee shall constitute an act of the Audit Committee.

RESOURCES

The Audit Committee shall have the authority to (i) retain independent legal, accounting and other consultants to advise it as it deems necessary to carry out its duties and (ii) to set and pay the compensation for any such consultants. The Audit Committee may request that any member of management or outside consultant attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee.