



AUDIT COMMITTEE CHARTER

**ADOPTED BY THE BOARD OF TRUSTEES ON
MARCH 23, 2015**



PARTNERS REAL ESTATE INVESTMENT TRUST

AUDIT COMMITTEE CHARTER

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The Audit Committee (the “**Committee**”) of the Board of Trustees (the “**Board**”) of Partners Real Estate Investment Trust (the “**Trust**”) shall, in accordance with the responsibilities and duties set out in this Charter, assist the Board in discharging the Board’s responsibilities relating to oversight of the financial reporting process for the Trust. This Charter is subject to and shall be interpreted in a manner consistent with the Trust’s Declaration of Trust and with any applicable law.

PART I COMPOSITION OF AUDIT COMMITTEE AND APPOINTMENT OF CHAIR

1. Composition and Term

The Committee shall be composed of members of the Board in such number as is determined by the Board with regard to the Declaration of Trust, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three members. The members of the Committee shall be appointed annually by the Board, having considered the recommendation of the Governance, Compensation and Nominating Committee, and shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

2. Independence of Members

The members of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended from time to time (“**NI 52-110**”).

3. Qualification and Financial Literacy of Members

In addition to the qualities set out in the Declaration of Trust and in the Policy of Practices for Trustees appended to the Mandate of the Board of Trustees of the Trust, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge within a reasonable period of time following appointment. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand 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.

Committee members will enhance their familiarity with the Trust's business as well as with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development provided by the Board.

4. **Appointment of Committee Chair**

A chair of the Committee (the "**Chair**") will be appointed by the Board upon recommendation of the Governance, Compensation and Nominating Committee from among the independent Trustees failing which the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Committee may from time to time delegate to its Chair certain powers or responsibilities that the Committee itself may have hereunder. The Chair will have the responsibilities described in Part 4 hereto.

PART 2 AUDIT COMMITTEE PROCEDURE AND AUTHORITY

5. **Frequency of Meetings**

The Committee shall meet at least once per quarter, or more frequently as necessary to carry out its duties and responsibilities.

6. **Quorum**

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. Unless otherwise set by the Board, a majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

7. **Calling of Meetings**

The Chair, any member of the Committee, the chair of the Board, the Chief Executive Officer, the Chief Financial Officer, or the external auditor may call a meeting of the Committee by notifying the Chair of the Committee who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

8. **Procedure**

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be in compliance with the Declaration of Trust.

9. **Attendance of Non-Members**

The Committee may invite any trustee, officer or employee of the Trust, the Trust's counsel, the external auditor or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee but who shall not vote. The Committee may also exclude from its meetings any persons it

deems appropriate in order to carry out its responsibilities. The Committee will meet at the end of each meeting with only members of the Committee present.

10. Access to Management

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Trust appropriate to fulfilling its responsibilities, including the external auditor.

11. Outside Advisors

The Committee may at any time retain any external legal, accounting or other advisor, at the expense of the Trust, to assist it in fulfilling its responsibilities and in that regard, may set the compensation of such advisor. The Committee shall inform the Chairman of the Board of the retention of an advisor.

12. Minutes

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. The Chair shall also report to the Board on all material matters considered by the Committee at the first Board meeting after the Committee's meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

13. Committee Decisions

Decisions at the meetings of the Committee shall be determined by a vote of the majority of those present and eligible to vote. The Chair of the meeting shall not have a second or casting vote. Any decision or recommendation of the Committee shall not become effective as a decision of the Board until such decision or recommendation is either confirmed or otherwise extended or amended by the Board, unless the Board has expressly delegated a particular matter to be finalized by the Committee without requiring the subsequent confirmation by the Board. The Committee shall submit all its decisions for approval to the next meeting of the Board.

PART 3 MANDATE OF AUDIT COMMITTEE

14. Duties and Responsibilities

The Committee shall have the duties and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and the Trust's Declaration of Trust. In addition to these functions and responsibilities, the Committee shall perform the duties required of it by any exchange upon which securities of the Trust are traded, or any governmental or regulatory body exercising authority over the Trust, as are in effect from time to time.

(a) **Financial Reporting and Disclosure**

- (i) Audited Annual Financial Statements: Review the audited annual financial statements, all related MD&A, and profit or loss press releases for submission to the Board for approval.
- (ii) Quarterly Review: Following their review by the external auditor, review the quarterly financial statements, the related management discussion and analysis (“MD&A”), and profit or loss press releases for submission to the Board for approval.
- (iii) Significant Accounting Principles and Disclosure Issues: Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Trust’s financial position and the results of its operations in accordance with Canadian GAAP.
- (iv) Compliance: Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.
- (v) Legal Events: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Trust’s financial statements, and the manner in which these have been disclosed in the financial statements.
- (vi) Off-Balance-Sheet Transactions: Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Trust’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
- (vii) Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the Trust’s public disclosure of financial information, other than the public disclosure of the information referred to in subsections (i) and (ii) above, and periodically assess the adequacy of those procedures.

(b) **Oversight of Internal Controls**

- (i) Review and Assessment: Review and assess with management:

- A. the Trust's guidelines and policies with respect to risk assessment;
- B. the adequacy and effectiveness of the Trust's system of internal control and management information systems, including through discussions with the external auditor;
- C. the Trust's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
- D. all related party transactions and the development of policies and procedures related to those transactions.

(ii) Oversight: Oversee system of internal control, by:

- A. monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information;
- B. consulting with the external auditor regarding the adequacy of the Trust's internal controls;
- C. reviewing with management its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response; and
- D. obtaining from management adequate assurances that all statutory payments and withholdings have been made.

(iii) Fraud: Oversee investigations of alleged fraud and illegality relating to the Trust's finances.

(iv) Complaints: Review the Trust's Policy for Receipt of Complaints and Whistleblower Protection Policy with management to ensure appropriate procedures exist for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

(c) **Oversight of External Auditor**

- (i) Appointment or Replacement: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
- (ii) Compensation: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In

making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Trust, and the extent of internal audit and other support provided by the Trust to the external auditor.

- (iii) Reporting Relationships: The external auditor will report directly to the Committee.
- (iv) Performance: Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the experience and qualifications of the senior members of the external auditor's team. Evaluate the performance of the external auditor.
- (v) Transition: Review management's plans for an orderly transition to a new external auditor, if required.
- (vi) Audit Plan: Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts.
- (vii) Audit Plan Changes: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- (viii) Review of Results: Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (ix) Disagreements with Management: Resolve any disagreements between management and the external auditor regarding financial reporting.
- (x) Material Written Communications: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (xi) Interim Financial Statements: Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A.

- (xii) Other audit matters: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
 - (xiii) Meeting with External Auditor: Meet with the external auditor in the absence of management at least quarterly to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
 - (xiv) Correspondence: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Trust's financial statements or accounting policies.
 - (xv) Independence: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Trust, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Trust, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.
 - (xvi) Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to the Trust or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence.
 - (xvii) Hiring Policies: Review and approve the policies of the Trust regarding the hiring of partners, employees and former partners and employees of the present and former external auditor.
- (d) **Board Relationship and Reporting**
- (i) Adequacy of Charter: Review and assess the adequacy of this Charter annually, taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship, and submit such amendments as the Committee proposes to the Governance, Compensation and Nominating Committee.
 - (ii) Disclosure: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Trust's Annual Information Form and all other applicable disclosure documents.

- (iii) Reporting: Report regularly to the Board on Committee activities, issues and related recommendations.

**PART 4
RESPONSIBILITIES OF COMMITTEE CHAIR**

15. Responsibilities of the Chair

16. The role and responsibilities of the Chair are set out below:

- (a) attend and preside over Committee meetings;
- (b) provide direction with respect to the dates, locations and frequencies of Committee meetings;
- (c) coordinate with the chair of the Board to enhance the overall functioning of the Board;
- (d) liaise with the Trust's officers, as appropriate, to information relevant to the Committees duties and responsibilities and to communicate decisions and conclusions of the Committee;
- (e) liaise with the external auditor, appointed actuaries, and representatives of the Trust's regulators, as appropriate;
- (f) set the agenda for Committee meetings with, where required, input from the chair of the Board, other members of the Committee, the Trust's officers or other persons whose input is necessary to discharge to duties and responsibilities of the committee;;
- (g) distribute an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.
- (h) set the tone for meetings, focus discussion on agenda topics and provide effective leadership to the Committee in the execution of its obligations and responsibilities with a goal of building consensus among Committee members;
- (i) lead the Committee in determining areas for focus from time to time and satisfy himself or herself that the Committee is provided with appropriate information and access to resources (in particular timely and relevant information) in order to effectively complete a review of any such topic;
- (j) report to the Board on material matters considered by the Committee (a member of the Committee may be designated as the liaison member to report on the deliberations of the Committee to the Board as a result of the inability of the Chair to perform such task);

- (k) lead the Committee in annually reviewing and assessing the adequacy of its charter, and evaluating its contribution and effectiveness in fulfilling its charter; as well as leading it in a constructive discussion of any resulting action plans;
- (l) work with the chair of the Board and any persons assigned by the Board to assist the Committee to lead the Committee in keeping up-to-date on governance and other matters relevant to it, and in determining education sessions to be held from time to time;
- (m) meet with any new trustee appointed to serve on the Committee as part of his or her overall orientation session;
- (n) work with the chair of the Board to provide input on succession planning in respect of the Committee Chair position and membership of the Committee generally;
- (o) co-ordinate with the other committee chairs to discuss issues in common including ongoing efforts to further enhance board and committee processes;
- (p) designate a secretary of the Committee (the “**Secretary**”) who will maintain the minutes of all Committee meetings and deliberations. In the event the Secretary is unable to attend a meeting, the Chair may designate a person (who need not be a committee member) to act as secretary of the meeting; and
- (q) monitor Committee activities to ensure the work is undertaken is consistent with this charter and does not interfere with management’s responsibilities.