

H&R REAL ESTATE INVESTMENT TRUST

Compensation and Governance Committee Charter

PURPOSE

The trustees (the "**Trustees**") of H&R Real Estate Investment Trust (the "**Trust**") have established a compensation and governance committee (the "**Compensation and Governance Committee**") to assist them in fulfilling their responsibilities relating to (i) compensation of the directors and officers of the Trust's subsidiaries and controlled entities and of the Trustees and officers of the Trust and (ii) overseeing the corporate governance practices applicable to the Trust. For the purpose of this Charter, "**compensation**" shall include:

- annual base salary;
- annual incentive opportunity;
- option or other equity participation plans;
- long-term incentive opportunity;
- the terms of employment agreements, severance arrangements, and change in control agreements, in each case as, when and if appropriate;
- any special or supplemental benefits; and
- any other payments that are deemed compensation under applicable laws and regulations.

COMPOSITION

The Compensation and Governance 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. An "**independent**" Trustee is a Trustee who is not a member of management and who does not have an interest or relationship with the Trust that could be seen to interfere with the Trustee's ability to act in the best interests of the Trust, other than interests or relationships that result from holding units of the Trust and is an Independent Trustee (as such term is defined in the Trust's Declaration of Trust), provided, however, that if at any time a member of the Compensation and Governance Committee is not an Independent Trustee because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of such Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which the remaining Trustees shall appoint an Independent Trustee to comply with the requirement.

RESPONSIBILITIES AND DUTIES

The duties of the Compensation and Governance Committee are to review management's compensation and governance of the Trust.

1. Compensation

To fulfill its responsibilities and duties relating to compensation, the Compensation and Governance Committee shall:

- (a) Review and approve annually corporate goals and objectives relevant to Chief Executive Officer ("**CEO**") compensation, evaluate the CEO's performance in light of those goals and objectives and set the CEO's compensation level based on this evaluation.

- (b) Review and make recommendations to the Trustees annually with respect to the hiring, compensation, benefits and termination of the senior executive officers and all other key employees of the Trust and its subsidiaries and controlled entities.
- (c) Review and make recommendations to the Trustees annually with respect to the appointment of officers of the Trust and its subsidiaries and controlled entities.
- (d) Review and make recommendations to the Trustees annually with respect to the compensation of the Trustees.
- (e) Review, administer and make recommendations to the Trustees with respect to the Trust's incentive compensation plans and equity-based plans, including without limitation, granting options upon the terms and subject to the conditions set forth in any unit option plan for the Trustees, officers and/or employees of the Trust upon receiving authority from the Trustees.
- (f) Prepare annually the report on executive compensation required by securities laws to be included in the Trust's management information circular.

2. Governance

To fulfill its responsibilities and duties relating to governance, the Compensation and Governance Committee shall:

- (a) Review corporate governance practices of the Trust in general, including reviewing and updating the disclosure policy and the trading policy of the Trust.
- (b) Examine the adequacy and effectiveness of the corporate governance practices of the Trust in light of changing requirements and take necessary steps for improvement.
- (c) Oversee the number and composition of the Trustees and the size and composition of their committees.
- (d) Review annually the effectiveness of the Trustees including time commitments, conflicts of interest, continuing qualification, contribution by individual Trustees and the composition and effectiveness of committees of the Trustees.
- (e) Develop criteria for the selection of Trustees and identify individuals for election and/or appointment including in the event of any vacancy among the Trustees.
- (f) Oversee orientation and education programs for new Trustees.
- (g) Make recommendations to the committees of the Trustees with respect to the mandates of such committees.
- (h) Review succession planning for executive officers.
- (i) Assess the quality and effectiveness of the Trustees' relationship with management.

- (j) Prepare annually the report on corporate governance required by securities laws to be included in the Trust's continuous disclosure documentation.
- (k) Approve the engagement by an individual Trustee of an outside legal or other advisor at the expense of the Trust.
- (l) Consult with the directors, officers and employees of the Trust's subsidiaries and controlled entities, as appropriate, in fulfilling their responsibilities and duties hereunder.

3. General

In addition to the foregoing, the Compensation and Governance Committee shall:

- (a) Review annually this Charter for adequacy and recommend any changes to the Charter to the Trustees.
- (b) Report to the Trustees on the major items covered at each Compensation and Governance Committee meeting and make recommendations to the Trustees and management concerning these matters.
- (c) Perform any other activities consistent with this Charter, the Trust's Declaration of Trust and governing law as the Compensation and Governance Committee or the Trustees deem necessary or appropriate.

Notwithstanding the foregoing responsibilities and duties of the Compensation and Governance Committee, the Trustees may consider and approve any matter which the Compensation and Governance Committee has the authority to consider or approve.

COMPENSATION AND GOVERNANCE COMMITTEE MEETINGS

The Compensation and Governance Committee will meet on a regular basis and will hold special meetings as circumstances require. Any member of the Compensation and Governance Committee may call a meeting of the Compensation and Governance Committee upon not less than 48 hours' notice. The procedure at meetings shall be determined by the Chairman of the Compensation and Governance Committee, provided that at all Compensation and Governance Committee meetings at least two-fifths of the members present in person or participating by conference telephone shall constitute a quorum (provided that a majority of the members comprising such quorum shall not be non-residents of Canada), one of whom shall not be an Independent Trustee; provided that if a Trustee who is not an Independent Trustee is not present, the meeting may be adjourned to a business day which is not (a) a religious holiday (as may be defined from time to time in the Trustees' regulations) or the day prior to any such day; or (b) a Friday, on notice to all of the members of the Compensation and Governance Committee and, at the reconvened meeting, the presence of two-fifths of the members of the Compensation and Governance Committee is required in order to constitute a quorum.

The acts of the Compensation and Governance Committee at a duly constituted meeting shall require no more than the vote of a majority of the members present and that, in any circumstances, a resolution or other instrument in writing signed by all members of the Compensation and Governance Committee shall avail as the act of the Compensation and Governance Committee. Where for any reason a member of the Compensation and Governance Committee is disqualified from voting on or participating in a decision,

any other independent and disinterested Trustee not already a member of the Compensation and Governance Committee may be designated by the Trustees to act as a alternate.

RESOURCES

The Compensation and Governance Committee shall have the authority to retain independent legal, accounting and other consultants to advise it. The Compensation and Governance Committee may request that any trustee, director, officer or employee of the Trust or any of its subsidiaries or controlled entities or outside consultants attend a meeting of the Compensation and Governance Committee or meet with any members of, or consultants to, the Compensation and Governance Committee.

The Compensation and Governance Committee shall advise the Trustees on the extent of funding, if any, that may be necessary for payment of compensation to any consultants retained to advise the Compensation and Governance Committee.

Approved by the Trustees, as amended on May 14, 2010.