



AUDIT COMMITTEE MANDATE

1. ESTABLISHMENT OF COMMITTEE

1.1 Establishment of the Audit Committee Confirmed – The establishment of the audit committee of the board of trustees of InnVest Real Estate Investment Trust ("InnVest") is hereby confirmed with the purpose, constitutions and responsibilities herein set forth.

1.2 Certain Definitions – In this mandate:

- (a) "Board" means the board of Trustees of InnVest;
- (b) "Chair" means the chair of the Committee;
- (c) "Committee" means the audit committee of the Board;
- (d) "Trustee" means a member of the Board;
- (e) "External Auditor" means the person occupying the office of auditor of InnVest in accordance with the *Business Corporations Act* (Ontario);
- (f) "Internal Auditor" means the person responsible for the internal audit function of the Manager; and
- (g) "Mandate" means this written mandate of the Committee and any such mandate for the Committee which the Board resolves from time to time shall be the mandate of the Committee;
- (h) "Manager" means Westmont Hospitality Canada Limited.

2. PURPOSE

2.1 The Committee's purpose is to:

- (a) assist Board oversight of:
 - (i) the integrity of InnVest's financial statements;
 - (ii) InnVest's compliance with legal and regulatory requirements;
 - (iii) the External Auditor's qualifications and independence; and

- (iv) InnVest's systems of internal controls; and
- (b) prepare any report required to be included in InnVest's annual proxy statement relating to the Committee.

3. COMMITTEE MEMBERSHIP

3.1 Number of Members – The Committee shall consist of not fewer than three Trustees.

3.2 Independence of Members – Each member of the Committee shall be:

- (a) a Trustee who is not an officer or employee of InnVest or any of its affiliates; and
- (b) independent for the purposes of the Ontario Securities Commission Multilateral Instrument 52-110 – *Audit Committees* ("Schedules B and C").

3.3 Financial Literacy –

- (a) Requirement – Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) Definition – "Financially literate" shall mean that the Trustee is able 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 those that can reasonably be expected to be raised by InnVest's financial statements.

3.4 Accounting or Related Financial Experience – One member of the Committee shall at all times have accounting or related financial experience, meaning that such Trustee has, through education and experience:

- (a) an understanding of financial statements and the accounting principles used by InnVest to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by InnVest's financial statements, or experience actively supervising one or more persons engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

3.5 Annual Appointment of Members – The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the members at which Trustees are elected, provided that if the appointment of members of the Committee is not so made, the Trustees who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

3.6 Vacancy –The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Trustees.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair – The Board shall appoint the Chair from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

4.2 Chair to be Appointed Annually – The designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Trustees are elected, provided that if the designation of Chair is not so made, the Trustee who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum - A quorum of the Committee shall be a majority of its members and no business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present.

5.2 Secretary - The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings - The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 Right to Vote - Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.5 Invitees - The Committee may invite Trustees, officers and employees of InnVest or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

5.6 In Camera Meetings - As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial

statements or at which the Committee reviews the quarterly financial statements, the Committee shall meet separately with each of:

- (a) management;
- (b) the external auditors; and
- (c) the internal auditor.

6. OUTSIDE ADVISORS

6.1 Retaining and Compensating Advisors – The Committee may retain such outside legal, accounting or other advisors as it may consider appropriate and shall not be required to obtain the approval of the Chair of the Board in order to retain or compensate such advisors.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Trustee Fees Only - No member of the Committee may earn fees from InnVest or any of its subsidiaries other than Trustee's fees (which fees may include cash and/or units or other in-kind consideration ordinarily available to Trustees, as well as all of the regular benefits that other Trustees receive). For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from InnVest.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Financial and Related Information -

- (a) Annual Financial Statements - The Committee shall review and discuss with management and the External Auditor, InnVest's annual financial statements and related MD&A and report thereon to the Board before the Board approves those statements.
- (b) Interim Financial Statements – The Committee shall review and discuss with management and the External Auditor, InnVest's interim financial statements and related MD&A and report thereon to the Board before they are released.
- (c) Accounting Principles - The Committee shall review and discuss with management and the External Auditor:
 - (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in InnVest's selection or application of accounting principles;
 - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments

made in connection with the preparation of the financial statements, including analysis of the effects of alternatives in applying Canadian generally accepted accounting principles to the financial statements;

- (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of InnVest.
- (d) Management Certification – The Committee shall review and discuss with management and the External Auditor any certification filed with securities regulators in connection with the interim and annual filings as required by applicable securities laws in Canada or otherwise.
- (e) Disclosure of Other Financial Information – The Committee shall discuss with management and the External Auditor, if applicable:
 - (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;
 - (ii) the type of financial information and earnings guidance (if any) provided to analysts and rating agencies; and
 - (iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP, information) and shall review all earnings press releases before such information is publicly disclosed.
- (f) Related Party Transactions – The Committee shall review all related party transactions disclosed in the financial statements of InnVest.
- (g) Procedures for Review – The Committee shall be satisfied that adequate procedures are in place for the review of InnVest's disclosure of financial information extracted or derived from InnVest's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Mandate) and shall periodically assess the adequacy of those procedures.

8.2 External Auditor -

- (a) The Committee shall require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of unitholders. The External Auditor shall report directly to the Committee and the Committee shall have direct communication channels with the External Auditor to discuss and review specific issues as appropriate.
- (b) Authority with Respect to External Auditor - As representative of InnVest's unitholders, the Committee shall be directly responsible for the

appointment, compensation and oversight of the work of the External Auditor (including resolution of disagreements between management and the External Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for InnVest. In this capacity, the Committee shall have sole responsibility for recommending to the Board the person to be proposed to InnVest's unitholders for appointment as external auditor, the compensation of the external auditor and whether at any time the incumbent external auditor should be removed from office.

- (c) Competency of External Auditor - Once each year (and otherwise as the Chair may consider appropriate) the Committee shall review a report by the external auditor indicating:
 - (i) that they are a member in good standing with the Canadian Public Accounting Board ("CPAB"); and
 - (ii) any sanctions or restrictions imposed by the CPAB.
- (d) Review of Audit Problems - The Committee shall review with the External Auditor any problems or difficulties encountered during the audit, and management's response.
- (e) Independence - The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process:
 - (i) The Committee shall require the External Auditor to submit on a periodic basis to the audit committee, a formal written statement delineating all relationships between the External Auditor and InnVest. The Committee is responsible for reviewing any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditor's statement to satisfy itself of the External Auditor's independence.
 - (ii) The Committee shall approve any non-audit services to be provided by the External Auditor to InnVest or any subsidiary entity prior to the commencement of any work.
 - (iii) The Committee shall approve any proposal by InnVest to hire employees and former employees of InnVest's External Auditor or former external auditor.

8.3 Internal Controls -

- (a) Regular Reporting - The Internal Auditor of the Manager shall report regularly to the Committee and the Committee shall have direct

communication channels with the Internal Auditor to discuss and review specific issues as appropriate.

- (b) Management Letter – The Committee shall review and discuss with management and the External Auditor the management letter prepared by the External Auditors in conjunction with the annual audit of InnVest.
- (c) Control Deficiencies – The Committee shall review and discuss with management and the External Auditor major issues as to the adequacy of InnVest's internal controls and any special audit steps adopted in light of material control deficiencies.
- (d) Oversight of Internal Controls - The Committee shall oversee management reporting on InnVest's internal controls over financial reporting.

8.4 Risk Assessment and Risk Management - The Committee shall discuss InnVest's major financial risk exposures and the steps management has taken to monitor and control such exposures.

9. WHISTLE BLOWING

9.1 Procedure – The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by InnVest regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of InnVest of concerns regarding questionable accounting or auditing matters.

10. REPORTING TO THE BOARD

10.1 Regular Reporting - The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

11. EVALUATION OF COMMITTEE PERFORMANCE

11.1 Establish Process - The Committee shall follow the process established by the Board's corporate governance committee for assessing the performance of the Committee.

11.2 Amendments to Mandate

- (a) Review by Audit Committee - The Committee shall recommend to the Board on an annual basis, any amendments it considers desirable to the Mandate.
- (b) Review by Board – The Board will review and reassess the adequacy of the Mandate on an annual basis and at such other times as it considers appropriate.

12. LEGISLATIVE AND REGULATORY CHANGES

12.1 Compliance – It is the Board's intention that the Mandate shall reflect at all times all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom InnVest has a reporting relationship. Accordingly, this Mandate shall be deemed to have been updated to reflect any amendments to such legislative and regulatory requirements and such best practice guidelines and shall be formally amended at least annually to reflect such amendments.