

AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE OF HIGHLANDS REIT, INC.

Purpose

The purpose of the Audit Committee (the “Committee”) of the board of directors (the “Board”) of Highlands REIT, Inc. (the “Company”) shall be to assist the Board with the oversight of: (a) the integrity of the financial statements of the Company; (b) the Company’s compliance with legal and regulatory requirements; (c) the qualifications and independence of the Company’s independent auditors; and (d) the performance of the Company’s internal audit function, if and when it has been established, and independent auditors. In doing so, the Committee will contribute to maintaining open communication among the directors, the independent auditors, the internal auditors, and the senior financial management of the company.

The Committee’s responsibilities are limited to oversight. The Company’s management is responsible for establishing and maintaining accounting policies and procedures in accordance with generally accepted accounting principles (“GAAP”) and other applicable reporting and disclosure standards and for preparing the Company’s financial statements. The Company’s independent auditors are responsible for auditing and reviewing those financial statements.

The Committee shall also prepare a report to stockholders as required by the rules and regulations of the Securities and Exchange Commission (“SEC”) to be included in the Company’s annual proxy statement.

The Committee shall have all of the powers of the Board that are necessary or appropriate for the Committee to fulfill its purposes and carry out its duties and responsibilities as set forth in this Charter. In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee shall have the authority to exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval (except as required by law), and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

Membership

The Committee shall be composed of at least one director. At least one member of the Committee must be a “financial expert” as defined in the Exchange Act.

No director may serve as a member of the Committee if he or she serves on the audit committee of more than two other public companies, unless the Board determines that

simultaneous service would not impair the ability of the individual to effectively serve on the Committee.

The members of the Committee, including the chair of the Committee (the “Chair”), shall be appointed by the Board, or if the Board does not designate a Chair, the Chair shall be designated by a majority of the members of the Committee, or if there is only a single member of the Committee, then such sole member shall be the Chair. Committee members may be removed from the Committee, with or without cause, by the Board. Any action duly taken by the Committee shall be valid and effective, whether or not the members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership provided herein.

Meetings and Procedures

The Committee shall meet as often as it determines is necessary or appropriate, but not less than quarterly. The Committee shall meet periodically with management, the internal auditors (or other personnel responsible for the internal audit function, if and when established) and the independent auditors in separate executive sessions. The Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Directors who are not members of the Committee may attend and participate in any Committee meeting unless excluded by the Committee.

The Chair (or in his or her absence, a member designated by the Chair or the Committee) shall preside at each meeting of the Committee and set the agenda for each Committee meeting. The Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Committee.

Authority and Responsibilities

The Committee shall have the sole authority to appoint or replace the independent auditors. The Committee shall be directly responsible for retaining, compensating, evaluating and overseeing the work of the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting) and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditors and each such other registered public accounting firm shall report directly to the Committee.

The Committee, or the Chair, must pre-approve any audit and non-audit service provided to the Company by the independent auditor, unless the engagement is entered into pursuant to appropriate preapproval policies established by the Committee or if such service falls within available exceptions under SEC rules. If approved by the Chair, such approval will be presented to the Committee at the next meeting of the Committee. The Committee may form and delegate authority to subcommittees of the Committee consisting of one or more members when appropriate, including the authority to approve audit and permitted non-audit services, provided

that the decision of the subcommittee to approve any service shall be presented to the full Committee at its next scheduled meeting.

The Committee shall have authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors to advise the Committee as it deems necessary or appropriate to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, to pay for the professional services of any advisors employed by the Committee and to pay the independent auditors for rendering or issuing an audit report or performing other audit, review or attest services for the Company, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Committee.

The Committee shall make regular reports to the Board regarding the activities of the Committee.

The Committee shall have the following duties and responsibilities:

ARTICLE I

Financial Statement and Disclosure Matters

Section 1.1 Review and discuss with management and the independent auditors the annual audited financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), and make a recommendation to the Board regarding including the audited financial statements in the Company's Form 10-K.

Section 1.2 Review and discuss with management and the independent auditors the quarterly financial statements, including disclosures made in MD&A, prior to the filing of the Company's quarterly report on Form 10-Q.

Section 1.3 Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with preparing the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

Section 1.4 Review disclosures, if any, made to the Committee by the Company's principal executive officer or principal financial officer during the certification process for the Form 10-K and Form 10-Q about significant deficiencies in the design and operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Section 1.5 Review and discuss quarterly reports from the independent auditors on:

- (a) all of the Company's critical accounting policies and practices to be used;

- (b) alternative treatments of financial information within GAAP; and
- (c) other material written communications between the independent auditors and management.

Section 1.6 Discuss any problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, any significant disagreements with management (including management's response) and communications between the audit team and the audit firm's national office with respect to auditing or accounting issues presented by the engagement.

Section 1.7 Review and discuss with the independent auditors the matters required by the Public Company Accounting Oversight Board ("PCAOB") relating to the conduct of the audit and the quality of the accounting principles adopted by the Company.

Section 1.8 Periodically review and discuss with the independent auditors:

- (a) developments and issues with respect to reserves;
- (b) regulatory and accounting initiatives; and
- (c) accounting policies used to prepare the Company's financial statements.

Section 1.9 Discuss with management and the independent auditors, the effect of regulatory and accounting initiatives as well as any unconsolidated investments of the Company.

Section 1.10 Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control the exposures, including the Company's policies and guidelines governing risk assessment and management.

ARTICLE II

Oversight of the Company's Relationship with the Independent Auditors

Section 2.1 Review and discuss with the independent auditors the scope of the proposed audit for the current year, the audit procedures to be utilized and, at the conclusion thereof, review the audit, including any comments or recommendations of the independent auditors (and any reports of the independent auditors with respect to interim periods), and the actual fees and expenses to be paid to the independent auditors for both audit and non-audit services.

Section 2.2 Ensure that the independent auditors submit to the Committee, on a periodic basis, written statements regarding their independence and delineating all relationships between the independent auditors and the Company, including the written disclosures required by the PCAOB, and discuss the relationships or services that may impact the objectivity and independence of the independent auditors with the independent auditors and, if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditors.

Section 2.3 Obtain and review a report from the independent auditors at least annually regarding:

- (a) the independent auditors' internal quality-control procedures;
- (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
- (c) steps taken to address any such issues; and
- (d) all relationships and services between the independent auditors and the Company in order to assess the independent auditor's independence.

Section 2.4 Evaluate the qualifications, performance and independence of the independent auditors, including considering whether the auditors' quality controls are adequate and whether the non-audit services provided by the internal auditors is compatible with maintaining the auditors' independence, taking into account the opinion of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.

Section 2.5 Review and evaluate the lead partner of the independent auditor team.

Section 2.6 Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least as frequently as required by law.

Section 2.7 Set clear policies consistent with applicable law regarding the hiring by the Company of any persons employed or formerly employed by the independent auditors.

Section 2.8 Confirm that the independent auditors do not provide personal financial services or tax advice to the Company's executive officers.

ARTICLE III

Oversight of the Company's Internal Audit Function

When and if the Internal Audit Function is established:

Section 3.1 Review the appointment and replacement of the third party internal auditor or senior internal auditing executive.

Section 3.2 Ensure that the third party internal auditor or senior internal auditing executive has a direct reporting line to and free access for communications with the Chair.

Section 3.3 Review and discuss with management, the independent auditors and the head of the internal audit team the adequacy of the Company's internal audit function (including the internal audit team's responsibilities, independence, budget and staffing), the proposed audit plans, and coordination of internal audit's work with that of the independent auditors. The internal audit team's responsibilities shall include providing management and the Committee with ongoing assessments of the Company's risk management processes and system of internal control.

Section 3.4 Review from time to time the results of internal audits and special issues brought to the Committee's attention by the internal auditors and management's responses thereto.

Section 3.5 Discuss annually with the senior management of the Company, the performance and compensation of the third party internal auditor or senior internal auditing executive.

ARTICLE IV Compliance Oversight Responsibilities

Section 4.1 The Committee shall review and approve related party transactions as required and in accordance with the Company's Related Party Transaction Policy and Procedures.

Section 4.2 At least annually, consider and discuss with management the Company's Code of Ethics and Business Conduct (the "Code of Ethics") and the procedures in place to enforce the Code of Ethics and consider and discuss and, as appropriate, grant requested waivers from the Code of Ethics brought to the attention of the Committee (though the Committee may defer any decision with respect to any waiver to the Board).

Section 4.3 Establish procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Section 4.4 Meet periodically (at least quarterly) with the chief financial officer and the independent auditors in separate executive sessions.

Section 4.5 Invite, and hear from time to time, a report from the Company's general counsel or outside counsel on legal issues and actions involving the Company and any material reports or inquiries received from regulators or governmental agencies that may have a material impact on the Company's financial statements, compliance policies and practices.

ARTICLE V
Risk Management

Section 5.1 The Committee shall discuss the Company's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the Company's major financial risk exposures and the steps management takes to monitor and control such exposures.

Disclosure

This Charter, as it may be amended from time to time, shall be posted on the Company's website.

Adopted by the Board of Directors of Highlands REIT, Inc. on April 28, 2016

Amended and Restated by the Board of Directors of Highlands REIT, Inc. on April 5, 2018