

# **INVESTORS REAL ESTATE TRUST**

## **Charter of the Audit Committee of the Board of Trustees (adopted by the Board of Trustees on December 5, 2012, June 22, 2016, and December 14, 2018)**

### **Purpose**

The purpose of the Audit Committee is to assist the Board of Trustees (“Board”) of Investors Real Estate Trust (the “Company”) in its oversight of (1) the integrity of the Company’s financial statements, (2) the Company’s compliance with legal and regulatory requirements, (3) the independent auditor’s qualifications and independence, and (4) the performance of the Company’s internal audit function and independent auditors; and to prepare the Audit Committee report to shareholders that Securities and Exchange Commission (“SEC”) rules require be included in the Company’s annual proxy statement. In so doing, it is the responsibility of the Audit Committee to facilitate open communications among the trustees, the independent auditors, the Company’s internal audit department and the financial management of the Company. It is the expectation of the Audit Committee that the financial management will fulfill its responsibility of bringing any significant items to the attention of the Audit Committee.

### **Members**

The Audit Committee shall be comprised of at least three members of the Board who satisfy the independence and experience requirements of the New York Stock Exchange (“NYSE”) and applicable federal law, and each member of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or shall become financially literate within a reasonable time after appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise, as such qualification is interpreted by the Board in its business judgment; any person determined by the Board to satisfy the definition of “audit committee financial expert” as defined by applicable legislation and regulation shall be presumed to have such accounting or related financial management expertise.

No member of the Audit Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board has affirmatively determined that such simultaneous service would not impair the ability of such member to serve effectively on the Audit Committee.

The members of the Audit Committee shall be appointed by the Board at its annual organizational meeting and shall serve until their successors are duly appointed and qualified. The Board shall designate one member as Chair, or delegate authority to designate a Chair to the Audit Committee. The members of the Committee may be removed by the Board in its complete discretion.

## **Meetings**

The Audit Committee shall meet at least four times per year, with authority to convene additional meetings as circumstances dictate, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee may take action by the affirmative vote of a majority of the Committee members present at a meeting. The Audit Committee may also take action by unanimous written consent.

The Audit Committee shall meet periodically with management, the independent auditor and the director of the internal audit department in separate executive sessions, and shall meet periodically in executive session. The Audit Committee shall report its activities to the Board regularly, and in particular shall review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.

## **Duties and Responsibilities**

On behalf of the Board, the Audit Committee shall, among its duties and responsibilities:

### **A. Oversight of Independent Auditors**

1. Select and retain the independent auditor for the annual audit of the Company, and, if deemed appropriate, terminate and replace the independent auditor. The Committee shall have the sole authority to establish and approve the terms of the audit engagement, including the audit fees. The selection and retention of the independent auditor is solely the responsibility of the Committee and shall be subject to advisory ratification by stockholders at the annual meeting. The independent auditor shall report directly to the Committee. The Committee shall be directly responsible for oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
2. Obtain, review and discuss a report from the independent auditor, at least annually, regarding: (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or review of the independent auditor by the Public Company Accounting Oversight Board, 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) any steps taken to deal with any such issues, (d) all relationships between the independent auditor and the Company and (e) other matters required to be discussed with the independent auditor by applicable laws and regulations.
3. Evaluate the qualifications, performance and independence of the independent auditor, taking into account the opinions of management and the Company's internal auditors. In evaluating the performance of the

independent auditor, the Audit Committee shall evaluate the performance of the independent auditor's lead partner, shall ensure the rotation of audit partners as required by law, and shall consider whether (in order to assure continuing auditor independence) there should be regular rotation of the audit firm itself. The Audit Committee shall present its conclusions with respect to the independent auditor to the full Board.

4. Review and preapprove, to the extent required by applicable laws and regulations, all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, and establish policies and procedures for the engagement of the independent auditor to provide auditing and permitted non-audit services. The Committee may form and delegate authority to subcommittees consisting of one or more members to grant pre-approvals, provided that decisions of such subcommittee shall be presented to the full Committee at its next scheduled meeting.
5. Approve Company guidelines to ensure that independence of the independent auditor from the Company is maintained.
6. Regularly review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114 (formerly SAS No. 61) relating to the conduct of the audit, including (a) any audit problems or difficulties, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and management's response and (b) any significant disagreements with management.
7. Meet separately with the independent auditor with and without management present, to discuss the scope of the audit and results of their audits and examinations and to review with the independent auditor the matters required to be discussed under generally accepted auditing standards relating to the conduct of the audit.
8. Set clear policies for the Company's hiring of employees or former employees of the independent auditor.

**B. Oversight of Internal Auditors**

9. Review with management, the independent auditor and the internal auditor the scope of the internal audit program, including responsibilities, budget and staffing, and review the appointment and replacement of the senior internal audit director.
10. Review significant reports to management made by the internal audit division, and management's responses, if any.
11. Review with management, the independent auditor and the internal auditor major issues as to the adequacy and effectiveness of the Company's internal

controls, any significant changes in such controls, and any special audit steps adopted in light of material control deficiencies.

### **C. Financial Statements and Disclosure Matters**

12. Review the annual audited financial statements with management and the independent auditor, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, and recommend to the Board whether the audited financial statements should be included in the Form 10-K to be filed with the SEC.
13. Review the Company's quarterly financial statements with management and the independent auditor, including the Company's disclosures under Management's Discussion and Analysis of Financial Conditions and Results of Operations, prior to the filing of the Company's Form 10-Q with the SEC.
14. Review with management and the independent auditor (a) significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods on the financial statements; (b) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of critical accounting principles, (c) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Company's financial statements and (d) other material written communications between the independent auditor and management, including but not limited to, the management letter and schedule of unadjusted differences.
15. Review the Company's earnings press releases and corporate policies with respect to earnings releases and financial information, including the use of "pro forma" or "adjusted" non-U.S. GAAP information, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
16. Review disclosures made by the Company's CEO and CFO during their certification process for the Company's periodic reports.
17. Prepare the Audit Committee report to shareholders for inclusion in the Company's annual proxy statement.

### **D. Corporate and Committee Oversight**

18. Meet periodically with management to review and discuss the Company's major financial risk exposures or deficiencies, and the steps management has taken to monitor and control or mitigate such exposures and deficiencies. Discuss the Company's guidelines and policies with respect to risk assessment and risk management.

19. Review and approve all related-party transactions (as defined in applicable SEC rules), conflicts of interest and corporate opportunity transactions (as defined under the Company's Corporate Opportunity and Conflict of Interest Policy) and waivers under the Company's Code of Ethics for Senior Financial Officers.
20. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, auditing and ethics and compliance matters.
21. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations, the Company's Code of Conduct, and any other ethics and compliance policies. Review the results of investigations and disciplinary actions relating to violations. The person with operational authority over the ethics and compliance program shall communicate (a) promptly and directly with the Committee upon discovery of actual or potential criminal conduct and (b) no less than annually, on the implementation and effectiveness of the program.
22. Review with the Company's General Counsel and others, as appropriate and at least annually legal matters that may have a material impact on the financial statements.
23. Approve the Company's interest rate risk management policies for the purpose of using derivatives consistent with the Company's underlying strategy, commercial objectives, level of risk tolerance, and financial capacity and flexibility.
24. Review this Charter annually and recommend any changes to the Board for approval. The Audit Committee's Charter shall be published on the Company's website.
25. Annually review the Audit Committee's own performance and report the results to the Board.

### **Outside Advisors**

The Audit Committee shall have the authority to retain such outside legal, accounting or other consultants or advisors as it determines appropriate to assist it in the performance of its functions, or to advise or inform the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Company shall provide for appropriate funding, as determined by the Audit Committee in its capacity as a committee of the Board, for payment of compensation to the independent auditor and to any advisors

retained by the Audit Committee, and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.