

**SIR ROYALTY INCOME FUND  
AUDIT COMMITTEE  
CHARTER**

**Section 1      PURPOSE**

The Audit Committee (the “**Committee**”) is a committee of the Board of Trustees (the “**Board**”) of SIR Royalty Income Fund (the “**Fund**”). The primary function of the Audit Committee is to assist the trustees of the Fund in fulfilling their applicable roles by:

- (a) recommending to the Board the appointment and compensation of the Fund’s external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Fund, SIR Corp. (“**SIR**”) or its subsidiary entities (“**subsidiaries**”) by the Fund’s external auditor;
- (d) satisfying themselves that adequate procedures are in place for the review of the Fund’s public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;
- (e) establishing procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Fund or its subsidiaries, or SIR Corp. or its subsidiaries, of concerns regarding questionable accounting or auditing matters;
- (f) reviewing risk management matters, including a review of the Fund’s and SIR Corp’s major risks and methods of risk analysis, as well as the strategies, policies and practices in place for risk management, cyber risks and data security, and of applicable insurance;
- (g) reviewing and approving any proposed hiring of any current or former partner or employee of the current and former external auditor of the Fund, SIR or their respective subsidiaries; and
- (h) reviewing and approving the annual and interim financial statements, related management discussion and analysis (“**MD&A**”) and other financial information provided by the Fund to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws

and regulations or the Fund's internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

## **Section 2      LIMITATIONS ON COMMITTEE'S DUTIES**

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any members of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the trustees are subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Fund by the external auditor, (iv) financial statements of the Fund represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Fund in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

## **Section 3      COMPOSITION AND MEETINGS**

The Audit Committee should be comprised of not less than three trustees as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Committee should have (or must gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of National Instrument 52-110 - *Audit Committees*. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Fund, SIR or an outside consultant.

The members of the Committee shall be elected by the Board on an annual basis or until they are removed or their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

In addition, Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Fund's securities are listed or traded.

The Committee should meet at least four times annually, or more frequently as circumstances require. The Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results

for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Committee may ask members of SIR management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Fund with senior employees, officers and the external auditor of the Fund, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with SIR management quarterly in connection with the Fund's interim financial statements.

A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours notice to each of its members. Notice will be given to each member of the Committee orally, by telephone, by facsimile or email. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board, the external auditor, the Chief Executive Officer of SIR, the Chief Financial Officer of SIR or the Secretary shall be entitled to request that any member of the Committee call a meeting.

This is subject in all respects to the Fund's declaration of trust from time to time.

#### **Section 4      ROLE**

As part of its function in assisting the Board in fulfilling their oversight role (and without limiting the generality of the Committee's role), the Committee should:

- (1) Determine any desired agenda items.
- (2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time.
- (3) Review the public disclosure regarding the Audit Committee required by National Instrument 52-110 - *Audit Committees*.

- (4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional.
- (5) Summarize in the Fund's annual report the Committee's composition and activities, as required.
- (6) Take minutes of its meetings and submit the minutes of all meetings of the Audit Committee to the Board promptly upon request.

#### **Documents/Reports Review**

- (7) Review and recommend to the Board for approval the Fund's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Fund prior to disclosure thereof to the public or any governmental body as the Committee or the Board require.
- (8) Review other financial information provided to any governmental body or the public, where appropriate, prior to disclosure of such information.
- (9) Review, recommend and approve any of the Fund's press releases that contain financial information.
- (10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements and related MD&A, periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.

#### **External Auditor**

- (11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.
- (12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Fund's financial condition, financial performance and cash flow.
- (13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Committee, and not management.
- (14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and resolving disagreements between management and the external auditor.
- (15) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Fund or SIR to determine their independence.

- (16) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
- (17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the full Board as needed.
- (20) Review and approve any proposed hiring by the Fund of current or former partners or employees of the current (and any former) external auditor of the Fund.

#### **Audit Process**

- (21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (25) Review with the external auditor and management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (26) Review the system in place to seek to ensure that the financial statements, MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.

### **Financial Reporting Processes**

- (27) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.
- (28) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Fund's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (29) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (30) Review with management and the external auditor the Fund's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
- (31) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (32) Periodically consider the need for an internal audit function, if not present.

### **Risk Management**

- (33) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

### **General**

- (34) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Fund) the compensation for any such advisors.
- (35) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.
- (36) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (37) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
  - (i) the Charter of the Committee;

- (ii) the composition of the Committee;
  - (iii) the relevant education and experience of each member of the Committee;
  - (iv) the external auditor services and fees; and
  - (v) such other matters as the Fund is required to disclose concerning the Committee.
- (38) Review in advance, and approve, the hiring and appointment of the Fund's senior financial executives by the Fund, if any.
- (39) Perform any other activities as the Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under National Instrument 52-110 - *Audit Committees*.
- (40) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible to prepare financial statements, to plan or conduct internal or external audits or to determine that the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, as these are the responsibility of management and in certain cases the external auditor. Nothing contained in this Charter is intended to require the Committee to ensure the Fund's compliance with applicable laws or regulations.
- (41) The Committee is a committee of the Board of Trustees and is not and shall not be deemed to be an agent of the Fund's unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to unitholders of the Fund or other liability whatsoever.
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