

CHARTER OF THE COMPENSATION COMMITTEE OF HIGHLANDS REIT, INC.

I. Purpose

The purposes of the Compensation Committee (the “Committee”) of the board of directors (the “Board”) of Highlands REIT, Inc. (the “Company”) are (1) to discharge or assist the Board in discharging the Board’s responsibilities relating to compensation of the Company’s executives, including by designing (in consultation with management or the Board), evaluating, approving, or recommending to the Board for approval, implementing, administering and managing the compensation plans, policies and programs of the Company; and (2) to produce an annual Compensation Committee Report on executive compensation for inclusion in the Company’s proxy materials or annual report on Form 10-K in accordance with applicable rules and regulations.

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.

II. Membership

The Committee shall be composed of at least two directors, none of whom shall be an employee of the Company and each of whom shall: (1) satisfy the independence and eligibility requirements of all applicable laws, including the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), as modified or amended from time to time; and (2) be qualified to serve on the Committee pursuant to any additional requirements that the Board deems appropriate.

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. Committee members may be removed from the Committee, with or without cause, by a majority vote of the Board. Any vacancy on the Committee shall be filled by a majority vote of 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.

III. Meetings and Procedures

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 shall have 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. The Committee shall meet as frequently as it deems advisable to fulfill its responsibilities and duties.

The Committee may, at its discretion, include in its meetings from time to time members of the Company's management, or any other person whose presence the Committee believes to be desirable and appropriate.

The Chair shall regularly report to the Board regarding the activities of the Committee.

IV. Duties and Responsibilities

1. The Committee shall periodically review the compensation philosophy of the Company.

2. The Committee shall review and approve performance goals and objectives relating to the compensation of the Company's chief executive officer, evaluate the performance of the chief executive officer in light of those goals and objectives and determine and approve the compensation of the chief executive officer based on such evaluation. The Committee shall have the sole and exclusive power to determine the chief executive officer's compensation.

3. The Committee shall review and approve all compensation for all other "officers" (as such term is defined in Rule 16a-1 promulgated under the Exchange Act).

4. The Committee shall review and approve or make recommendations to the Board with respect to the implementation of incentive compensation plans and equity-based plans.

5. The Committee shall implement and manage all annual bonus, incentive compensation, equity compensation, deferred compensation, and transaction-based compensation plans, programs and arrangements (including without limitation any cash or equity incentive plan(s), long-term incentive plan, and other similar compensation arrangements), and with respect to each plan, program and arrangement, shall have responsibility for:

- (i) general administration and implementation;
- (ii) setting performance targets as appropriate and, with respect to any compensation that is intended by the Committee to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code, committing to writing

applicable performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m) of the Code;

(iii) with respect to any compensation that is intended by the Committee to constitute “qualified performance-based compensation” within the meaning of Section 162(m) of the Code, certifying in writing the extent to which the performance targets on which payment of such amounts is contingent have been met before payment of such compensation;

(iv) approving all awards (including amendments thereto) under any cash-based annual bonus or long-term incentive compensation plan or program to executive officers;

(v) approving all grants of awards (including amendments thereto) to employees under any equity or equity-linked compensation plan or program;

(vi) approving or recommending to the Board for approval any severance or termination arrangements to be made with any executive officer; and

(vii) imposing limitations, restrictions and conditions upon any grant or award as the Committee deems necessary or advisable.

Periodic plan, program and arrangement reviews shall consider such factors as the Committee may determine, which may include one or more of the following: reviewing the plan’s administrative costs, payouts and general incentive and retention effectiveness, reviewing current plan features relative to any proposed new features and assessing the performance of the plan’s internal and external administrators if any duties have been delegated.

6. The Committee shall have the authority to establish and periodically review policies concerning perquisite benefits.

7. The Committee shall periodically review the need for a Company policy regarding compensation paid to the Company’s executive officers in excess of limits deductible under Section 162(m) of the Code.

8. The Committee shall determine the Company’s policy with respect to change of control or “parachute” payments.

9. The Committee shall have the authority to establish, manage and review all other executive compensation policies and plans of the Company.

10. The Committee shall review, evaluate and, if appropriate, make recommendations to the Board regarding director compensation.

11. The Committee shall assist management in complying with the Company’s proxy statement and annual report disclosure requirements and shall prepare and approve the Compensation Committee Report to be included as part of the Company’s annual proxy statement and/or annual report on Form 10-K, as applicable, in accordance with applicable

rules and regulations promulgated by the SEC.

12. The Committee shall oversee and assist the Company in preparing the Compensation Discussion & Analysis (“CD&A”) and related compensation disclosures for inclusion in the Company’s annual proxy statement and/or annual report on Form 10-K, as applicable, as well as other Company reports (when and as necessary) filed with the SEC. The Committee shall review and discuss the CD&A with Company management and, based on the review and discussion, make a recommendation to the Board regarding whether to include the CD&A in the Company’s annual proxy statement and/or annual report on Form 10-K, as applicable.

13. The Committee (i) shall have the sole and exclusive authority, as it deems appropriate, to retain and/or replace, as needed, compensation advisors; (ii) shall have the direct responsibility to compensate and oversee any and all compensation advisors retained by the Committee; and (iii) shall undertake an analysis of the independence of each compensation advisor to the Committee, taking into consideration all factors relevant to that person’s independence from management of the Company (including the independence factors specified in the applicable requirements of the Exchange Act and applicable stock exchange listing standards), with such analysis to occur prior to selection of such compensation advisor and as appropriate thereafter. Any fees or other amounts payable to any such compensation advisors shall be paid by the Company.

14. The Committee shall review the Company’s incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and shall review and discuss the relationship between risk management policies and practices, business strategy and the officers’ compensation.

V. Delegation of Duties

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, except that it shall not delegate its responsibilities set forth in paragraphs 3 and 5 of Section IV above or for any matters that involve executive compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code by virtue of being approved by a committee of “outside directors” or is intended to be exempt from Section 16(b) under the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3 by virtue of being approved by a committee of “nonemployee directors.” In addition, the Committee shall have the authority to authorize one or more officers of the Company to grant equity-based awards or options to officers (other than executive officers) and employees, in a manner that is in accordance with applicable law.

VI. Role of Chief Executive

The chief executive officer of the Company may make, and the Committee may consider, recommendations to the Committee regarding the Company’s compensation and employee benefit plans and practices, including its executive compensation plans, its incentive-compensation and equity-based plans with respect to executive officers other than the

chief executive officer and the Company's director compensation arrangements.

VII. 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