



**DIVERSIFIED ROYALTY CORP.**

**Human Resources, Compensation, Corporate Governance and Nominating Committee Charter**

(adopted and amalgamated with the Corporate Governance and Nominating Committee Charter November 13, 2014)

(modified March 29, 2016)

## **Purpose**

The Human Resources, Compensation, Corporate Governance and Nominating Committee (“Committee”) is appointed by the Board of Directors (the “Board”) of Diversified Royalty Corp. (“DIV” or the “Corporation”) for the following purposes:

1. to establish, administer and evaluate the compensation philosophy, policies and plans for non-employee directors and executive officers, to make recommendations to the Board regarding director and executive compensation and to review the performance and determine the compensation of the Chairman and Chief Executive Officer, based on criteria including the Corporation’s performance and accomplishment of long-term strategic objectives;
2. to establish criteria for the election and re-election of a director in regards to independence, competencies and skills; to identify individuals qualified to become Board members; to recommend to the Board proposed nominees for Board membership; to recommend to the Board directors to serve on each standing committee; to develop and recommend to the Board corporate governance principles applicable to the Company; to oversee the evaluation of the Board and management; and
3. to take such other actions within the scope of this charter as the Committee deems necessary or appropriate.

## **Composition and Procedure**

The Committee shall consist of no fewer than three members. Each member of the Committee shall meet the independence requirements of Canadian securities laws and the Toronto Stock Exchange and any other applicable regulatory authority. The members and chair of the Committee shall be appointed and removed by the Board.

## **Committee Meetings**

The Committee shall meet at least once each year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee is governed by the rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with: (a) any provision of this Charter; (b) any provision of the Articles and By-laws of the Corporation; (c) the Canada Business Corporations Act; or (d) other applicable laws.

The Committee shall keep adequate minutes of all its proceedings, and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent.

## **Committee Authority and Responsibilities**

### Human Resources and Compensation Responsibilities

1. **Compensation Objectives.** Review and approve corporate goals and objectives relevant to the compensation of the chief executive officer and other executive officers to ensure that such compensation goals and objectives are aligned with the Corporation’s objectives and shareholder interests.
2. **CEO Compensation.** Based upon an annual evaluation of the Chief Executive Officer’s performance, the Compensation Committee will review, determine and recommend to the board the Chief Executive Officer’s compensation. In making its determination, the Compensation Committee may consider the Corporation’s performance and relative shareholder return, the compensation of chief executive officers at comparable companies, the awards given to the Chief Executive Officer in past years, and such other factors as the Compensation Committee deems relevant. The Chief Executive Officer shall not be present during voting or deliberations about the Chief Executive Officer’s compensation.

3. **Compensation of Other Executives.** The Committee will review with the CEO his/her recommendation with respect to compensation and other benefits with respect to the other corporate officers of the corporation. The Compensation Committee will take account of each individual corporate officer's performance, the Corporation's overall performance and comparable compensation paid to similarly-situated officers in comparable companies. The Compensation Committee will make recommendations to the board of directors.
4. **Directors Fees.** The Compensation Committee will review and make recommendations to the board of directors with respect to non-employee directors' annual fees and compensation for participating in board and committee meetings.
5. **Executive Agreements.** The Compensation Committee will review, and if appropriate, approve employment agreements, severance arrangements, retirement arrangements, change in control agreements and provisions, and any special or supplemental benefits for each officer of the Corporation.
6. **Incentive Compensation Plans.** The Compensation Committee will administer the Corporation's Stock Option Incentive Plan and other incentive compensation, variable pay and stock programs as may be adopted by the shareholders or the Board of Directors from time to time within the authority delegated by the Board.
7. **Annual Report.** The Compensation Committee will prepare an annual report on executive compensation for inclusion in the Corporation's proxy statement.

#### Identification and Evaluation of Director Candidates

1. The Committee shall establish and recommend to the Board criteria for the selection of new candidates to serve on the Board (including the range of skills and expertise that should be represented by the Board and independence from management).
2. The Committee shall seek individuals qualified to become board members, including evaluating persons suggested by share owners or others. The Committee shall determine each proposed nominee's qualifications for service on the Board and conduct appropriate inquiries into the backgrounds and qualifications of possible nominees. Each nominee should be a person of integrity and be committed to devoting the time and attention necessary to fulfill his or her duties to the Company. The Committee will evaluate the independence of directors and potential directors, as well as his or her business experience, or specialized skills or experience. Diversity of background and experience are also important factors in evaluating candidates for Board membership. The Committee shall consider issues involving possible conflicts of interest of directors or potential directors.
3. The Committee shall recommend to the Board the director nominees for the next annual meeting of shareholders. The Committee shall evaluate the performance of each director before recommending to the Board his or her nomination for an additional term as director.
4. The Committee shall evaluate and recommend to the Board when new members should be added to the Board. When a vacancy occurs on the Board by reason of disqualification, resignation, retirement, death or an increase in the size of the Board, the Committee shall recommend a replacement member to the Board.
5. The Committee shall annually review the composition of each Board committee and present recommendations for committee memberships to the Board as needed.

#### Corporate Governance Matters

1. The Committee shall have responsibility for developing and monitoring the Company's approach to corporate governance and its corporate governance principles, and shall make such recommendations to the Board as it may consider appropriate from time to time concerning the corporate governance of the Company, including:

- (a) the adequacy of the Company's corporate governance principles, including developing and recommending to the Board for adoption additional or revised principles as appropriate;
- (b) the effectiveness of the Company's system of corporate governance, including methods for assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors;
- (c) oversight of the evaluation of the Board and management;
- (d) the size and composition of the Board and the criteria for eligibility for election, re-election or appointment of any individual to the Board (i) at any meeting of the shareholders; and (ii) at any meeting of the Board during the year to fill a vacancy which occurs on the Board during the year;
- (e) communication processes between the Board and management, including monitoring the quality of the relationship between management and the Board, assessing the adequacy and quality of the information provided to the Board prior to and during its meetings and recommending improvements as deemed necessary or advisable; including where appropriate (i) the frequency and content of meetings of the Board; and (ii) developing agendas of issues to be presented to the Board at its meetings;
- (f) appropriate committee structure and the mandates, composition and membership of each committee of the Board;
- (g) an appropriate orientation and education program for new members of the Board;
- (h) a retirement tenure policy for members of the Board; and
- (i) procedures to enable directors or committees of directors to engage special advisors at the expense of the Company in appropriate circumstances.

#### General

1. The Committee may form and delegate authority to subcommittees when appropriate.
2. The Committee will perform such other duties and responsibilities as may be assigned by the Board from time to time.
3. The Committee shall periodically review and reassess the adequacy of this Charter, and recommend any proposed changes to the Board for approval.
4. The Committee shall review its own performance.
5. Reliance; Experts; Cooperation
  - (a) The Committee has the power, in its discretion to retain at the Corporation's expense such independent counsel and other advisors and experts as it deems necessary or appropriate to carry out its duties and to determine the funding necessary for compensation to such advisors.
  - (b) In carrying out its duties, the Committee will act in reliance on management, the independent public accountants, internal auditors and outside advisors and experts, as it deems necessary or appropriate.
  - (c) The Committee has the power, in its discretion, to conduct any investigation it deems necessary or appropriate to enable it to carry out its duties.
  - (d) The Committee will have unrestricted access to the independent public accountants, the internal auditors, internal and outside counsel, and anyone else in the Corporation, and may require any

officer or employee of the Corporation or the Corporation's outside counsel or independent public accountants to attend any meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.

- (e) The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates including sole authority to approve the search firm's fees and other retention terms.