



## **DIVERSIFIED ROYALTY CORP.**

### **BOARD OF DIRECTORS' MANDATE**

(adopted November 13, 2014)

(Last modified March 11, 2019)

#### **1. Introduction**

The Board of Directors (the “**Board**”) of Diversified Royalty Corp. (the “**Company**”) seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should be selected based upon the contributions they can make. Directors should plan to make a significant time commitment to the Company. The Board’s composition should reflect business experience compatible with the Company’s business objectives.

#### **2. Chair of the Board**

The chair of the Board will be appointed by the Board, after considering the recommendation of the Governance, Nominating and Compensation Committee, for such term as the Board may determine.

#### **3. Meetings of Independent Directors**

The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

#### **4. Composition and Independence of the Board**

The Board is to be comprised of at least three members, a majority of whom are independent. Pursuant to the *Canada Business Corporations Act*, at least 25% of the directors of the Company must be resident Canadians. The Chair of the Board should be an independent director. Where the Chair is not independent, the independent directors of the Board may select one of their numbers to be appointed lead director of the Board for such term as the independent directors may determine. The lead director is responsible for chairing regular meetings of the independent directors and seeking to ensure that the Board is able to carry out its role.

The Governance, Nominating and Compensation Committee should 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).

#### **5. Position Descriptions**

Pursuant to the by-laws of the Corporation, certain of the principal duties of the Chair of the Board are presiding over meetings of Directors and meetings of shareholders, and to provide leadership to enhance the effectiveness and focus of the Board. Similarly, the Chairs of other Committees are charged with similar duties for their respective committees. The Chair’s role includes acting as liaison between the Board and the Chief Executive Officer and establishing, in consultation with the Chief Executive Officer and the Board, procedures to govern the Board’s performance. Further, the Chair seeks to ensure that the Board operates independently of management and that directors have an independent leadership contact. As part of his role, the Chair may seek to obtain peer reviews of the operation of the Board to obtain insight as to areas where the Board and its committees could be operating more effectively. The Chair, if present, chairs all Board meetings, including (unless he or she is not independent, in which case the lead director should chair) meetings at which only independent directors are present.

In addition to other functions that the independent directors as a whole designate from time to time, the lead director's role will include: representing the independent directors in discussions with senior management on corporate governance issues and other matters; and generally assisting in seeking to ensure that the Board functions (unless the Chair is independent, in which case the Chair should chair) independently of management, including through: chairmanship of meetings of independent directors without members of management present; participation in Board and Committee agenda-setting; selection and retention of independent advisors; and chairmanship of certain committees of the Board.

## **6. Role of the Board**

The Board seeks to create shareholder value. The Board, in connection with the stewardship of the Company, has the duties set forth in the *Canada Business Corporations Act*, namely to supervise the management of the business and affairs of the Company. In furtherance thereof, the following is the mandate of the Board:

- Advocate and support what are in its view the best interests of the Company.
- Review and approve operating plans and budgets, strategic, business and capital plans for the Company, and monitor management's execution of such plans.
- Review whether specific and relevant corporate measurements are developed and adequate controls and information systems are in place with regard to business performance.
- Review the principal risks of the Company's business and pursue the implementation by management of appropriate systems to manage such risks.
- Monitor progress and efficiency of strategic, business, and capital plans and require appropriate action to be taken when performance falls short of goals.
- Review measures implemented and maintained by the Company to seek to ensure compliance with statutory and regulatory requirements.
- Monitor the practices of management against the Company's disclosure policy to seek to ensure appropriate and timely communication to shareholders of material information concerning the Company (in accordance with and subject to applicable law).
- Monitor the development and implementation of programs for management succession and development.
- Provide new directors with an orientation in order that new directors understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). New directors should also understand the nature and operation of the issuer's business.
- Provide all directors with continuing education opportunities so that individuals may maintain or enhance their skills and abilities as directors, as well as to seek to ensure that their knowledge and understanding of the issuer's business remains current.
- Periodically conduct assessments of the effectiveness of the Board, as well as the effectiveness and contribution of each Board committee and each individual director.
- Provide advice to the CEO.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers and seek to ensure that the CEO and other executive officers create a culture of integrity throughout the organization.
- Directly or via the Governance, Nominating and Compensation Committee, monitor the Company's approach to corporate governance, including if appropriate developing a set of corporate governance principles and guidelines that are specifically applicable to the Company in addition to those contained in the Governance, Nominating and Compensation Committee Charter and other instruments.

In addressing its mandate, the Board should approve the following documents:

**Financial Approvals:**

- Strategic plan (as applicable)
- Annual business and capital plans (as applicable)
- Annual financial statements and auditors' report
- Quarterly earnings and press releases
- Budgeted capital expenditures (as applicable)
- Material acquisitions/divestitures
- Significant financing transactions
- Dividend policy (if any)
- Share re-purchase programs (if any)

**Meetings**

The Board intends to hold a minimum of four meetings per year. Directors are expected to make reasonable efforts to attend all meetings and to have reviewed written meeting materials distributed to them prior to the meeting. The Board believes that attendance of key executive officers augments the meeting process. Directors are encouraged to be physically present at all meetings. However, conference telephone, videoconference, or similar communication equipment attendance at a meeting will generally be permitted, if necessary.

The Chair should establish the agenda for Board meetings after consultation with other board members. The Company should distribute, wherever practicable sufficiently in advance of meetings to permit meaningful review, written materials for use at Board meetings. Such written materials should generally be prepared with an emphasis on brevity and should generally include recommendations for action as appropriate in the circumstances.

The independent Directors of the Board will meet in executive session at least once each year without any non-independent Directors, management Directors or any other members of the Company's management who may otherwise be present. The independent Directors will designate a Director who will preside at the executive sessions.

**7. Strategic Planning and Risk Management**

The Board intends to adopt a strategic planning process to establish objectives and goals for the Company's business and to review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board intends to review and approve, at least on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Company's business and affairs.

The Board, in conjunction with management, should seek to identify the principal risks of the Company's business and oversee management's implementation of appropriate systems to seek to effectively monitor, manage and mitigate the impact of such risks. Some of the more pertinent risk factors include: the cyclical nature of the business; cost control; and mergers and acquisitions opportunities.

**8. Corporate Social Responsibility, Ethics and Integrity**

The Board should provide leadership to the Company in support of its commitment to Corporate Social Responsibility, set the ethical tone for the Company and its management and foster ethical and responsible decision making by management. The Board should take all reasonable steps to satisfy itself of the integrity of the Chief Executive Officer and management and satisfy itself that the Chief Executive Officer and management create a culture of integrity in the organization.

## **9. Succession Planning, Appointment and Supervision of Management**

Each director elected will hold office until the next annual meeting or until his or her successor is appointed, unless his office is earlier vacated in accordance with the *Canada Business Corporations Act* and the by-laws of the Company.

The Board should periodically receive reports regarding the training and monitoring of senior management of the Corporation and its subsidiaries. Input may be received at meetings of the Audit Committee, the Governance, Nominating and Compensation Committee and the Board regarding the performance of senior management. Both the Governance, Nominating and Compensation Committee and the Board should review the performance of senior management.

## **10. Delegations and Approval Authorities**

The President and Chief Executive Officer of the Company is responsible for the day-to-day operation of the Company and, in fulfilling such responsibilities, is required to act honestly and in good faith with a view to the best interests of the Company. The Board should approve material delegations of authority.

## **11. Monitoring of Financial Reporting and Management**

The Board should approve all regulatory filings, including the annual audited financial statements, interim financial statements, the notes and management discussion and analysis accompanying such financial statements, annual reports, management proxy circulars, annual information forms, prospectuses, and material capital investments, equity financings, borrowings and annual operating plans and budgets.

The Board should: seek to ensure the integrity of internal controls and management information systems; seek to ensure compliance with all applicable laws, rules and regulations in all material respects and seek to prevent violations of applicable laws, rules and regulations relating to financial reporting and disclosure, violation of the Company's Code of Business Conduct and Ethics and fraud against shareholders.

## **12. Corporate Disclosure and Communication Policy**

The Board should seek to ensure that all corporate disclosure complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which the Company's securities are listed in all material respects. In addition, the Board should seek feedback from security holders on material issues.

Shareholders wishing to send communications to the Board should send such communications in writing to the Chair of the Board of Directors.

## **13. Committees**

The Board has established the following committees, and has the ability to establish other committees as it sees fit from time to time.

### **(a) Governance, Nominating and Compensation Committee**

The Board has established the Governance, Nominating and Compensation Committee to monitor and advise, *inter alia*, with respect to: (i) Human Resources and compensation related matters; and (ii) establishing criteria for the nomination of directors, identification of qualified individuals to become Board members, and recommending Board nominees for Board membership and service on committees.

The Governance, Nominating and Compensation Committee shall have the role set forth in its Charter and should wherever practicable consist entirely of independent directors. This includes reviewing and determining the Chief Executive Officer's and other executives' compensation. The Governance, Nominating and Compensation

Committee may also administer the Corporation's Stock Option Incentive Plan, Long-Term Incentive Plan and other incentive compensation.

The Governance, Nominating and Compensation Committee is appointed by the Board 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 Chair and Chief Executive Officer, based on criteria including the Corporation's performance and accomplishment of long-term strategic objectives.

**(b) Audit Committee**

The Audit Committee has the role set forth in its Charter and should except as permitted by law consist entirely of independent directors. The role of the Audit Committee is oversight. The members of the Audit Committee must be Directors who satisfy the independence and the financial literacy and experience requirements of the Toronto Stock Exchange, the American Stock Exchange and any other regulatory requirements. However, it is not the duty of the Audit Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the Company's independent auditors.

**(c) Investment Committee**

The Investment Committee has the role set forth in its Charter and should be comprised of at least a majority of independent directors. The role of the Investment Committee is to, among other things, review and provide recommendations to the Board with respect to proposed acquisitions or dispositions, financing arrangements related to proposed acquisitions or dispositions, the impact of proposed acquisitions or dispositions on the Corporation's dividend policy, any proposed non-binding letter of intent, and engagement proposal(s) for consultants and advisors.

**(d) Special Committees**

The Board may from time to time establish one or more special committees to deal with any special matters that the Board deems advisable. The appointment of any special committee and the mandate of any special committee should be approved by the Board.

**14. Administration and Compliance Approvals**

Committee assignments and the designation of Committee Chairs should be based on the Director's knowledge, interests and areas of expertise. The Board does not favor mandatory rotation of Committee assignments or Chairs. The Board believes experience and continuity are more important than rotation. Board members and Chairs should be rotated only if rotation is likely to increase Committee performance.

**15. Corporate Policies**

The Board should adopt and periodically review policies and procedures designed to seek to ensure that the Company, its directors, officers and employees comply with all applicable laws, rules and regulations in all material respects and conduct the Company's business ethically and with honesty and integrity. Principal policies consist of:

- Code of Business Conduct and Ethics;
- Corporate Disclosure Policy;
- Whistleblower Policy; and
- Majority Voting Policy.

**16. Amendments to the Mandate; Purpose**

The Board 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 security holders of the Company or other liability whatsoever.

**17. Review of Mandate**

The Governance, Nominating and Compensation Committee should periodically review and assess the adequacy of this mandate and recommend any proposed changes to the Board for its consideration.

**18. Board Assessments**

The Board should ensure that the Board itself and its committees and each individual director are regularly assessed regarding their, his or her effectiveness and contribution. An assessment should consider i) in the case of the Board or a committee, its mandate or charter, and ii) in the case of an individual director, the position description(s), if any, as well as the competencies and skills that each director is expected to bring to the board.

**19. Purpose**

The Board may in its sole discretion from time to time amend and/or permit departures from the terms of this Mandate, either prospectively or retrospectively, and no provision of this Mandate is intended to give rise to civil liability to security holders of the Company or other liability whatsoever.