



ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

(Adopted May 13, 2021)
(last updated November 21, 2023)

Introduction and ESG Policy Statement

Diversified Royalty Corp. (the “**Company**” or “**DIV**”) is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV’s objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors (“**Royalty Partners**”). DIV believes that its royalty structure provides a strong incentive for a Royalty Partner to continue growing its business while retaining control of its business.

DIV’s Royalty Partners independently own and operate their respective businesses and DIV does not exercise control or influence over the day-to-day activities of such businesses. However, DIV is committed to furthering the environmentally and socially responsible and sustainable development and operation of the businesses of its Royalty Partners through DIV’s financial investments therein, including with respect to environmental factors (e.g., waste and recycling, carbon impact and emissions, land use, and overall environmental footprint), social considerations (e.g., community involvement and impact, labour management, corporate citizenship and stakeholder engagement) and governance issues (e.g., corporate governance, conduct); collectively (“**ESG**”).

The Company operates solely within an office environment with a small workforce located at its office in Vancouver, British Columbia. As such, DIV’s direct impact on the environment is very small. Nonetheless, the Company shall aim to address broader environmental concerns by reducing its own environmental footprint and by managing the environmental and social impacts of its investing activities and monitoring those of its Royalty Partners.

DIV has developed an ESG governance structure, which divides responsibility for ESG matters as set forth below under “Responsibility”, and intends to set ESG goals, and consider the adoption of appropriate policies, procedures or practices to assist DIV in achieving those goals.

DIV will primarily seek to address ESG issues initially through the due diligence process when considering new royalty acquisitions. DIV will also monitor the ongoing ESG risks and performance of its Royalty Partners as part of its overall investment monitoring process and through its relationships with its Royalty Partners and DIV shareholders.

As part of DIV’s overall ESG strategy, the board of directors of the Company (the “**Board**”) also: (i) ensures the implementation of the Board Diversity Policy through the Governance, Nominating and Compensation Committee (“**GNC Committee**”), (ii) monitors, through the GNC Committee, the Company’s Code of Business Conduct and Ethics, which reflects the Company’s commitment to a corporate culture that fosters honesty, mutual respect, integrity and professionalism, (iii) provides, through the Investment Committee, oversight of management’s implementation of this Policy in respect of potential acquisitions and dispositions; and (iv) facilitates reporting of potential violations or concerns relating to accounting standards and disclosures, internal accounting controls and matters relating to the audit of the Company’s financial statements through its Audit Committee – Whistleblower policy.

DIV intends to continue to broaden and improve upon its disclosure of material ESG issues and welcomes any feedback from its securityholders.

Implementation and Monitoring

As noted above, DIV does not directly own or operate the businesses that pay royalties to DIV and has indirect exposure to ESG issues that can arise during the life cycle of the businesses of its Royalty Partners. DIV's indirect exposure to ESG risk factors is mitigated in part by the Company's diversified portfolio of royalties, which generate cash flow to the Company.

While DIV does not control or influence the day-to-day operations of any of the businesses of its Royalty Partners, the Company recognizes that its financial investments may contribute to ESG factors. The Company's strategy to mitigate ESG risks involves a thorough investigation and evaluation of the risk factors related to a potential royalty partner's business prior to acquiring a royalty. Once a royalty is acquired, the Company has very limited, to no control over the Royalty Partner's business or the various ESG risks that can be associated with such business. Accordingly, DIV strives as part of its due diligence processes to successfully identify businesses and potential royalty partners that will act and operate in a responsible and sustainable manner. DIV will determine if an investment should be made based on overall criteria, including ESG factors. The overall criteria is reviewed regularly by management and/or the Board, where applicable. DIV also routinely engages third-party experts to assist in its evaluation of potential royalty acquisitions, which include external legal counsel, technical consultants, and financial consultants for the purpose of assessing environmental, social, legal, technical and regulatory issues in applicable jurisdictions including assessments of the potential royalty partner's then current and historical management of such issues.

After acquiring a royalty, DIV will monitor the ESG performance and risks of its Royalty Partners on an ongoing basis, including through its board observer rights and monitoring of public disclosures of its Royalty Partners. Management is expected to report on ESG risks on a regular basis to the Audit Committee, and to report to the Investment Committee on ESG risks in connection with due diligence completed for potential acquisitions and dispositions.

Responsibility

The Board, which has the overall responsibility to provide leadership to the Company in support of its commitment to ESG, has delegated to the GNC Committee the responsibility of overseeing and ensuring the implementation of this Policy and the Company's overall approach to ESG. The GNC will review this Policy on an annual basis and make recommendations to the Board with respect to any amendments. In addition, the Investment Committee will provide oversight of management's implementation of this Policy in respect of potential acquisitions and dispositions. Further, the Audit Committee is responsible for (i) reviewing and discussing with management the Company's implementation of procedures for identifying, assessing, monitoring and managing ESG risks related to the business and affairs of the Company and its royalty partners; (ii) reviewing and discussing with management the Company's and its royalty partners' ESG reporting, and (iii) overseeing management's preparation of any ESG report or other ESG disclosure and to recommend to the Board whether or not any such ESG report should be approved by the Board.

No provision contained herein is intended to give rise to civil liability to security holders of the Company or other liability whatsoever.