

**Director****No. 1**

The board of directors (the "**Board**") of Freehold Royalties Ltd. ("**Freehold**"), have established the following position description for directors, which describes and communicates performance expectations of a director, and provides a benchmark for developing an approach to director assessment and evaluation. Directors are expected to devote the necessary time to Board matters. This includes participating on Board committees, spending adequate time to prepare for and attend Board and committee meetings, being an available resource to the Board and management, and taking part in director education sessions.

**DIRECTOR'S OBLIGATIONS**

Every director has the following responsibilities:

1. Understand and fulfill the legal requirements and fiduciary and other obligations of a director;
2. Act honestly, and in good faith with a view to the best interests of Freehold;
3. Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
4. Participate as necessary in the review and approval of policies and strategies, and in monitoring their implementation;
5. Exercise his or her director's powers for the purpose for which they were intended;
6. Comply with Freehold's Code of Business Conduct and Conflict of Interest Policy (the "**Code**"); and
7. Disclose to the Board when the director's personal interest and his or her duty to Freehold are brought into conflict.

**CONFLICTS OF INTEREST**

1. Under the general requirements of the Code, a director must disclose the nature and extent of his or her interest, in writing, or request to have that interest entered in the minutes of the meeting of directors at which the contract or transaction is first considered, if he or she is:
  - (a) a party to a material contract or transaction or proposed material contract or transaction with Freehold;
  - (b) a director or officer of any entity who is a party to a material contract or transaction or proposed material contract or transaction with Freehold; or
  - (c) a person who has a material interest in any entity which is a party to a material contract or transaction or proposed material contract or transaction with Freehold.
2. In addition, the director will retire from the meeting, if required by the Board, while the discussion on the material contract or transaction or proposed material contract or transaction is taking place, and will refrain from voting on the subject under consideration. This will not prevent the Board from calling him or her into the meeting to answer any questions regarding the matter under discussion, nor does it release the director from his or her obligation to inform the Board of what he or she knows of the situation and of any concerns.

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3. However, because it may be impracticable for a director who serves as a director or officer of another entity or who has a material interest in another entity to know that the entity is entering into a material contract or transaction with Freehold (and therefore to give notice of every such material contract or transaction), it is sufficient for the director to deliver a general notice to the Board, declaring that he or she is a director or officer, or has a material interest in an entity, and is to be regarded as interested in any material contract or transaction made with that entity.

**MEETING PREPARATION**

1. To enhance the effectiveness of meetings, directors are expected to be prepared for Board and committee meetings and have the following responsibilities:
  - (a) Read reports and background materials prepared for each meeting; and
  - (b) Note questions and matters for discussion, and where appropriate, consult with other directors or executives of Freehold before meetings.
2. Having acquired adequate information necessary for decision making, directors are expected to use meetings to resolve issues rather than to review information provided in Board information packages.

**COMMUNICATION**

1. Communication is fundamental to Board effectiveness. Each director has the following responsibilities:
  - (a) Establish an effective, independent and respected presence;
  - (b) Participate fully and frankly in the deliberations, discussions and questions of the Board;
  - (c) Encourage free and open discussion among directors on the affairs of Freehold;
  - (d) Focus inquiries on issues related to strategy, policy, implementation and results rather than issues relating to the day-to-day management of Freehold;
  - (e) Treat all Freehold information as confidential and maintain strict security over records kept by the director; and
  - (f) Be an effective ambassador and representative of Freehold.
2. The Board believes it is generally a function of management to speak for Freehold in its communications with the investment community, the media, customers, suppliers, employees, governments, and the general public. From time-to-time, the Chair or other individual directors may be requested by management to assist with such communications.

**INDEPENDENCE**

1. Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director is expected to be a positive force with a demonstrated interest in the long-term success of Freehold. Directors are expected to speak and act independently, respecting differing views held by other directors and Freehold executives.
2. The Board and each committee can access independent legal, accounting, financial and other advisors, as each deems necessary or appropriate to assist in the conduct of their respective duties at the expense of Freehold. In addition, any director who wishes to engage a non-management advisor to assist on matters involving his or her responsibilities as a director at the expense of Freehold should review the request with, and obtain the authorization of, the Governance, Nominating and Compensation Committee.

**BUSINESS, COMPANY AND INDUSTRY KNOWLEDGE**

Recognizing that effective decisions can be made only by well-informed directors, each director has the following responsibilities:

1. Become sufficiently knowledgeable about Freehold's business, services, principal regulators and industry;
2. Maintain an understanding of the legislative, business, social, and political environments within which Freehold operates;
3. Maintain an understanding of the strategic planning process and principal risks of Freehold; and
4. Keep abreast of governance developments and emerging best practices in corporate governance.

**DIRECTOR PERFORMANCE**

These terms of reference provide a benchmark for developing an approach to individual director assessment and evaluation. The objective of the assessments is to ensure the continued effectiveness of the Board as a whole, each committee, and each individual director, in the execution of their responsibilities, and to contribute to a process of continuing improvement.