

BOSTON PIZZA ROYALTIES INCOME FUND

ENTERPRISE RISK MANAGEMENT POLICY

1. PURPOSE

This enterprise risk management (“**ERM**”) policy (this “**Policy**”) establishes a formal framework for managing risks at the Boston Pizza Royalties Income Fund (the “**Fund**”) level. Its purpose is to ensure the Fund has a proactive and consistent approach to understand and manage risks (or seize opportunities) that could impact the Fund’s strategic objectives. It defines the Fund’s risk management objectives, governance structure, and processes to ensure that material risks are identified, assessed, managed, and monitored in a manner consistent with the Fund’s business model and its obligation to unitholders. The implementation of this Policy will help the Fund’s board or trustees (the “**Board**”) make better decisions to enhance unitholder value and cultivate risk management practices to improve Fund performance and safeguard its primary asset (the Boston Pizza brand).

2. OBJECTIVES OF THIS POLICY

This Policy is guided by the following key objectives:

- (a) **Protect and Enhance Unitholder Value:** Understand and manage risks (and seize opportunities) that could impact the Fund’s future prospects, royalty income, distribution stability, or long-term asset value. Through proactive risk management, the Fund seeks to sustainably grow distributions, minimize volatility and protect unitholder interests.
- (b) **Integrate Risk Management into Governance:** Embed risk considerations into the Fund’s governance, planning, and decision-making processes. Provide timely risk insights to the Board and its committees to strengthen decision making and enable balanced choices aligned with risk appetite and unitholder priorities.
- (c) **Clarify Roles:** Clearly define the Board’s oversight role and Boston Pizza International Inc.’s (“**BPI**”) execution role under the Administration Agreement and its obligations under the License and Royalty Agreement. Articulate and distinguish the Board’s limited collaboration role in oversight of BPI strategic and operational risks that could have an impact on the Fund. “**Administration Agreement**” means the amended and restated administration agreement dated September 22, 2008 among the Fund, Boston Pizza Holdings Trust (“**Holdings Trust**”), Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), Boston Pizza Holdings GP Inc. (“**Holdings GP**”) and Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), pursuant to which Royalties LP has agreed to provide or arrange for the provision of services required for the administration of the Fund, Holdings Trust, Holdings LP and Holdings GP. “**License and Royalty Agreement**” means the license and royalty agreement dated July 17, 2002, as amended as of May 9, 2005, between Royalties LP and BPI pursuant to which Royalties LP has granted the License to BPI and BPI has agreed to pay royalty income.
- (d) **Apply a Proportionate Framework:** Use a practical approach to identify, assess, and monitor risks, largely modeled on established frameworks, but tailored to the Fund’s income trust structure.
- (e) **Ensure Compliance:** Ensure compliance with all relevant laws, securities regulations, and contractual obligations. Enhance the Fund’s capacity to meet continuous disclosure obligations and effectively address unitholder expectations.

3. POLICY SCOPE

This Policy applies to the Fund and all of its directly or indirectly controlled entities, including Holdings Trust, Holdings LP, Holdings GP, Royalties LP, and Boston Pizza GP Inc.

- (a) **Inclusions:** This Policy covers Fund-level risks (as distinct from BPI-level risks) that could materially impact the Fund's strategy, financial condition, distributions, governance, or reputation, including:
- (i) **Strategic:** Risks related to the long-term structure of the Fund, its size/scale, investor appetite, and unitholder composition.
 - (ii) **Financial:** Risks arising from the Fund's financial policies, capital structure, leverage, interest rate exposure, and the sustainability of distributions.
 - (iii) **Operational:** Indirect risk exposure through reliance on BPI staff, systems, processes, and technology, such as royalty reporting, financial and disclosure controls, and administrative execution.
 - (iv) **Compliance & Legal:** Risks associated with the Fund's obligations under securities/taxation law, regulations, and contractual agreements.
 - (v) **Reputational:** Risks to public image or brand trust that could affect the Fund's long-term assets or royalty base.
- (b) **Exclusions:** Day-to-day business and restaurant-level risks of BPI and franchisees are outside the scope of this Policy. These are managed by BPI under its own ERM policy. As BPI has obligations of commercial diligence to the Fund pursuant to the License and Royalty Agreement and as many of these risks have the potential to adversely impact the Fund, BPI regularly reports to the Board on risks managed by BPI under BPI's ERM policy. The Board receives those reports and provides feedback to BPI; however, it is BPI's responsibility to manage day-to-day business and restaurant-level risks within its own risk framework and ERM policy. The Fund's primary focus is on BPI managed risks that could materially impact its sole source of income (royalty income), its most valuable asset (BP brand) or its compliance and reputation. The Board seeks to understand and engage on these risks and incorporate them into the Fund's decision making and continuous disclosure. However, the Board does not have oversight or approval authority for these risks.

4. GOVERNANCE AND RESPONSIBILITIES

Effective ERM requires a clear governance structure. The Board is responsible for supervising the activities and investments of the Fund, and to conduct the affairs of the Fund. The Fund has delegated the day-to-day management and administration of the business of the Fund to Royalties LP through the Administration Agreement. BPI, on behalf of Royalties LP, carries out these functions, subject to the supervisory role of the Board. The key roles and responsibilities are outlined below:

- (a) **Board:** The Board has ultimate accountability for risk oversight of the Fund and for ensuring that an appropriate ERM framework is in place. The Board sets the "tone at the top" regarding the importance of risk management and integrates risk considerations into their strategic guidance and oversight of the Fund's affairs. Specific responsibilities of the Board include:
- (i) **Approving this Policy:** The Board formally approves this Policy and any updates to it. The Board ensures that this Policy's scope and objectives align with the Fund's overall mandate, strategy, and risk appetite.
 - (ii) **Setting Risk Appetite:** The Board defines the Fund's risk appetite and tolerance levels. This includes determining the acceptable level of variability in distributions, leverage limits, cash balances and other key risk preferences that guide the Board's decisions. (See Section 5 on Risk Appetite.)
 - (iii) **Oversight of Major Risks:** The Board monitors the Fund's principal risks and the effectiveness of mitigation strategies. At regular intervals, the Board discusses key risk exposures and evaluates whether additional action is required.

- (iv) **Delegation to Committees:** The Board may delegate detailed risk oversight duties to its committees. However, such delegation is done with the understanding that the Board as a whole retains responsibility for ensuring that all material risks are adequately overseen.
 - (v) **Strategy and Risk Alignment:** As part of its planning and decision making process, the Board ensures that risks have been thoroughly considered. The Board will only endorse strategies that are aligned with the Fund's risk appetite and have appropriate risk mitigation plans.
- (b) **Management / Administrator:** "Management" refers to the officers and employees of BPI who perform Royalties LP's obligations under the Administration Agreement. Management is responsible for actively executing risk management, with key responsibilities including:
 - (i) **Risk Identification:** Continuously identifying and assessing risks while performing its duties under the Administrative Agreement, monitoring industry, financial, and regulatory conditions that could affect the Fund.
 - (ii) **Mitigation:** Developing and implementing effective response plans for significant risks.
 - (iii) **Controls:** Maintaining effective internal controls, systems, and processes to ensure accurate and timely royalty/financial/compliance reporting, and appropriate safeguards around banking, payments and distributions. Management is expected to uphold high standards of operational risk management, given the Fund itself has no separate systems.
 - (iv) **Reporting:** Providing candid, timely updates to the Board on major risks, emerging threats, and mitigation effectiveness, and escalating urgent issues between meetings.
 - (v) **Integration:** Embedding risk considerations into all significant proposals and Board submissions.

Further details on processes and controls are outlined in BPI's ERM policy, which complements this Fund-level framework.

- (c) **Other Key Stakeholders:**
 - (i) **Internal Audit:** While the Fund has no internal audit department, it may engage independent internal audit services or assign duties to BPI internal audit staff. Internal audit provides assurance on controls (ICFR) and certain BPI risks that impact the fund (franchisee sales audits), with results reported to the Audit Committee.
 - (ii) **External Audit:** The external auditor reviews risk-related matters during the annual audit and reports significant findings to BPI and the Fund's Audit Committee for follow-up.
 - (iii) **Unitholders:** Though not involved in daily risk management, unitholder interests shape tolerance for risk. Public disclosures provide transparency, and the Board communicates the Fund's approach through its continuous disclosure reporting, meetings and investor updates.

5. RISK APPETITE AND TOLERANCE

The Fund's risk appetite is a reflection of its mandate as a stable, limited purpose income-oriented royalty trust. In general, the Fund has a low to moderate risk appetite – it seeks to deliver and grow consistent, predictable cash distributions to unitholders and avoid high-risk ventures that could jeopardize this objective. The following principles outline the Fund's risk appetite across key areas:

- (a) **Strategic Growth vs. Stability:** The Fund's primary strategy is to derive royalties from Boston Pizza

restaurants; it does not actively expand into unrelated businesses (beyond the restaurant industry) or take on high-risk entrepreneurial operating risks. Any strategic changes are permitted but will be approached prudently and only pursued if they align with the Fund's expertise and offer a favorable risk-reward profile. The Fund is willing to take on productive risk to grow/diversify its distributions if the risk is well understood, stress-tested and can be managed. The Fund is not willing to compromise the stability of its existing royalty income for highly speculative growth.

- (b) **Royalty Income and Distribution Volatility:** The Fund has a low appetite for volatility in its royalty income and distributions. While restaurant sales will fluctuate with economic conditions and other factors, the Fund aims to buffer short-term fluctuations through prudent financial management (e.g. maintaining a prudent cash reserve or adjusting payout ratios gradually). The Board may reduce distributions in the event of a prolonged decline in sales, to protect the Fund's financial stability; however, such actions are regarded as a last resort. Generally, maintaining a sustainable payout ratio is a core guiding principle.
- (c) **Financial Leverage:** The Fund employs manageable leverage in line with its low-risk appetite. Any use of debt is kept at moderate levels. The Fund's tolerance for interest rate risk is limited; if debt is used, the preference is for fixed-rate debt or hedging instruments to mitigate interest exposure. The Fund will avoid highly leveraged strategies or complex financing that could strain its cash flows or put it at risk in adverse scenarios.
- (d) **Operational Risk Tolerance:** Because the Fund's operations are outsourced to BPI through the Administration Agreement and the limited partnership agreement governing Royalties LP, the Fund expects Management to maintain high standards of operational performance and rigorous risk management. The Fund expects the administrative operations to be performed by highly qualified staff in an ethical manner, with appropriate systems and processes, along with effective controls and data security to prevent fraud, error, and security breaches.
- (e) **Compliance and Reputational Risk:** The Fund does not tolerate any wilful or negligent violations of securities or taxation laws, regulations, corporate policies, or fiduciary duties. The Board and Management must demonstrate ethical conduct and full adherence to the Fund's Code of Conduct at all times. Similarly, the Fund's appetite for reputational risk is low – preserving unitholder trust and safeguarding the Boston Pizza brand is paramount.

In summary, the Fund's risk appetite is prudent and focused on long-term stability. The Fund will avoid high-impact risks that it cannot clearly understand or control, and it will always favor risk mitigation strategies that protect the consistency of its income. The Board will formally review and reaffirm the Fund's risk appetite periodically (at least annually, or more often if needed due to changing conditions), and communicate any changes to management so that day-to-day decisions remain aligned with these principles.

6. ERM FRAMEWORK AND PROCESS

The Fund manages risk through a structured process adapted to its limited size/scale:

- (a) **Identification:** Risks are reviewed at least semi-annually by the Board, supported by Management in its role under the Administration Agreement. Identification occurs through multiple channels, including planning cycles, operational and financial analysis, environmental and regulatory scans, industry and analyst reports, and stakeholder input. Stakeholders involved in identifying and reviewing risks include Management (through its ERM framework, register, and heatmap), the Audit Committee, the full Board, and where appropriate, external auditors, advisors, and unitholders. Because the Fund is a non-operating entity, it does not maintain a separate risk register. Instead, oversight relies on BPI's consolidated register and heatmap, quarterly management updates, internal audit reviews (where relevant), and continuous public disclosures such as the management's discussion and analysis ("MD&A") and the annual information form ("AIF").
- (b) **Assessment:** Risks are assessed based on their likelihood, potential impact, and overall materiality,

using a risk matrix. The Board's focus is on significant exposures that could materially affect distributions, financial stability, governance, or reputation, recognizing that certain risks cannot be eliminated and must instead be monitored or tolerated. Management supports the Board by applying judgment to evaluate BPI's register and heatmap, highlighting which risks are most relevant to the Fund's interests.

- (c) **Response and Mitigation:** In response, the Board applies the "Four T's" (Tolerate, Treat, Transfer, or Terminate). Mitigation plans include clear actions and assigned accountabilities, with progress reviewed as needed, especially for high risks.
- (d) **Monitoring:** Risk management oversight is a continuous process. Management reviews BPI's risk register and heatmap quarterly, tracks key indicators, and incorporates findings from internal and external audits as well as BPI functional departmental reports. The Board receives quarterly updates, conducts periodic reviews into specific risk areas, and follows up on mitigation progress for significant or emerging exposures. This monitoring ensures alignment between internal oversight and public disclosures such as the MD&A and AIF, reinforces accountability for risk owners, and allows timely escalation if conditions change.
- (e) **Reporting and Communication:** Transparency is central to the Fund's approach. BPI provides quarterly ERM updates to the Audit Committee, summarizing changes in the risk profile, mitigation activities, and any escalated risks requiring Board attention. Material changes or newly emerging risks are reported promptly to the Audit Committee and Board outside of the normal reporting cycle. Public disclosures such as the MD&A and AIF provide unitholders and analysts with consistent insight into risks and mitigation actions, reinforcing accountability and confidence in the Fund's governance.

7. CONTINUOUS IMPROVEMENT

The Fund is committed to continuously improving its ERM practices through:

- (a) **Regular Reviews:** Periodic checks to confirm risks are captured, assessments accurate, and mitigations effective, with lessons used to refine the framework.
- (b) **Training & Awareness:** Briefings for BPI staff on Fund priorities and reporting, plus Board education on emerging risk topics.
- (c) **Benchmarking:** Staying informed on practices of comparable organizations.
- (d) **Strategic Integration:** Linking ERM with annual planning so risk thinking becomes routine.
- (e) **Feedback:** Encouraging early, open dialogue between BPI and the Board to address blind spots and improve oversight.

This approach ensures the ERM system evolves with the business and supports the Fund's long-term stability and unitholder value.

8. REVIEW AND APPROVAL

This Policy is reviewed annually by the Board and updated as needed. Any amendments must be approved by the Board. It is effective as of the date of approval, with the approval date recorded in the Fund's corporate records.

Issue Date: Approved by Board of Trustees of the Fund effective December 8, 2025.