

## BOSTON PIZZA ROYALTIES INCOME FUND

### MANDATE OF THE AUDIT COMMITTEE

#### A. PURPOSE OF THE COMMITTEE

The Board of Trustees (the “**Board**”) of Boston Pizza Royalties Income Fund has established the Audit Committee (the “**Audit Committee**”) to assist the Board with its oversight responsibilities of certain matters. The “**Fund**” means, individually and collectively, Boston Pizza Royalties Income Fund and all its direct and indirect subsidiaries.

The Fund has delegated the day-to-day management and administration of the business of the Fund to Boston Pizza Royalties Limited Partnership (the “**Manager**”) through an Amended and Restated Administration Agreement dated effective September 22, 2008 (the “**Administration Agreement**”). Any powers or authority not so delegated remain with the Board. The Manager’s general partner, Boston Pizza International Inc. is responsible for performing the obligations of the Manager to the Fund, subject to the supervisory role of the Board.

The Fund also has contractual rights to receive reports, and to inspect and monitor aspects of the business of Boston Pizza International Inc. and its direct and indirect subsidiaries (individually and collectively, “**BPI**”). The purpose of these contractual rights includes but is not limited to a) the protection of the Fund’s sources of revenue; b) the protection of the Fund’s intellectual property assets licensed to BPI; and c) BPI’s ability to pay the royalties and distributions owed to the Fund. The Board and the Fund do not have authority over, or the responsibility for the stewardship of BPI, and for overseeing the management and the business of BPI.

The Fund also has legal obligations to file BPI’s public disclosure requirements, such as its consolidated financial statements and MD&A (the “**BPI Disclosures**”), pursuant to an undertaking dated July 9, 2002, provided by BPI to the Canadian Securities Commissions. BPI senior management prepares the BPI disclosures and provides them to the Fund for filing for public disclosure. The auditors of BPI report to the sole shareholder of BPI, and not the Trustees or unitholders of the Fund. The Board does not oversee BPI’s internal control over financial reporting processes, its disclosure controls and procedures, or its preparation of BPI Disclosures. The Fund provides no assurances as to the accuracy or completeness of the BPI Disclosures.

However, the Trustees receive reports and make appropriate inquiries regarding the BPI systems and processes BPI uses to carry out its duties under the Administration Agreement to prepare the Fund’s financial reporting and related public disclosures upon which the Fund relies.

More specifically, the purpose of the Audit Committee is to assist the Board in its oversight of:

1. The quality and integrity of the Fund’s financial reporting and related public disclosures.
2. The qualifications, performance, and independence of the Fund’s external auditors.
3. The system of internal controls over disclosure, financial reporting, and the safeguarding of assets, data, and information systems.
4. The performance and independence of BPI’s internal audit function for the Fund.
5. Compliance with legal, regulatory and other requirements relating to the Fund’s financial reporting and disclosures.
6. The implementation of appropriate systems and processes to identify and manage the Fund’s principal risks.

7. The annual royalty pool adjustments with BPI.
8. The Fund's distributions to its unitholders pursuant to the Fund's distribution policy.
9. The Fund's whistleblower and complaint handling process.

#### **B. COMMITTEE COMPOSITION**

1. The Audit Committee shall consist of at least three Trustees, each of whom shall be an independent Trustee, as defined under *National Instrument 52-110 – Audit Committees*. No member of the Committee shall be a director, officer or employee of BPI.
2. The Audit Committee members shall be appointed by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board.
3. All members of the Audit Committee shall be financially literate. "Financial literacy" shall be determined by the Board in the exercise of its business judgment and shall include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's financial statements.
4. The Chairperson of the Committee shall be appointed by the Board. The Chairperson shall have a recognized accounting designation or relevant financial management expertise.

#### **C. COMMITTEE ORGANIZATION AND MEETINGS**

1. The Audit Committee will meet at least five (5) times per year. The Chairperson of the Audit Committee shall set the agenda, date and time for such meetings. Additional meetings may be held as deemed necessary by the Chairperson of the Audit Committee.
2. If the Chairperson of the Audit Committee consents, members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities as to permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
3. A quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of the members of the Audit Committee. Questions arising at any meeting shall be determined by a majority of votes of the Audit Committee members present. In the case of an equality of votes the Chairperson of the Audit Committee shall not have a second casting vote, and the matter shall be deferred to a future meeting.
4. The Audit Committee shall have the right to determine who shall and shall not be present at any time during a committee meeting. The President, the Chief Financial Officer and the General Counsel of BPI are expected to be available to attend Audit Committee meetings.
5. Minutes of Audit Committee meetings shall be recorded and maintained by a recording secretary delegated by BPI and subsequently presented to the Audit Committee for approval.
6. The Audit Committee will report to the Board on any material discussions or on any committee decisions or recommendations at the next regularly scheduled Board meeting.
7. At every regularly scheduled meeting, the Audit Committee shall hold separate in-camera sessions with the external auditor and with the internal auditor, without representatives of BPI

or BPI present. The Committee shall also hold an in-camera session with just committee members at every regularly scheduled meeting.

8. The Fund's external and internal auditors shall be given notice of and have the right to appear before and to be heard at every Audit Committee meeting and shall appear before the Audit Committee when requested to do so by the Audit Committee.

#### **D. RESPONSIBILITIES OF THE AUDIT COMMITTEE**

Subject to the powers and duties of the Board, the Board hereby delegates to the Audit Committee the following powers and duties to be performed by the Audit Committee on behalf of and for the Board:

##### **1. Financial Reporting and Public Disclosure**

Prior to any public disclosure, the Audit Committee shall review, discuss, and recommend to the Board:

- a) the annual audited consolidated financial statements of the Fund, together with the related management discussion and analysis ("MD&A");
- b) the annual unconsolidated financial statements of the Fund and its subsidiaries;
- c) the interim unaudited consolidated financial statements of the Fund, together with the related MD&A;
- d) the Fund's earnings press releases and distribution announcements;
- e) all press releases containing material financial or forward-looking financial information.
- f) the Fund's annual report and annual information form; and
- g) all other material financial information of the Fund contained in any public disclosure documents, including i) prospectuses and other offering memoranda, ii) investor presentations, iii) or other documents containing financial or forward-looking financial information and statements required by regulatory authorities (including disclosures related to climate and sustainability related risks).

##### **2. Accounting and Financial Management**

- a) The Audit Committee shall review with BPI and the external auditor:
  - i) all critical accounting policies and practices used as well as significant management estimates, assumptions and judgments, and any emerging accounting issues, changes in accounting policies, or financial reporting requirements that may affect the Fund's financial reporting;
  - ii) any material off-balance sheet financing mechanisms, transactions or obligations of the Fund;
  - iii) any related party transactions with the Fund as defined under International Financial Reporting Standards;

- iv) any current or proposed changes in legislation, guidelines or regulations impacting the Fund's financial reporting;
  - v) any significant transactions and other potentially difficult matters whose treatment in the Fund's annual consolidated financial statements merits advance consideration; and
  - vi) any correspondence with securities regulators which raise material issues regarding the Fund's consolidated financial statements or accounting policies, and review in advance and approve any communications regarding material financial matters between the Fund and applicable securities regulators.
- b) The Audit Committee shall:
- i) review reports provided by BPI of the status of any existing, pending, or threatened litigation, claims and assessments against the Fund, and the adequacy of any financial provisions; and
  - ii) review reports provided by BPI's CFO regarding compliance of the Fund with all financial covenants included in its lending agreements with its lenders.

### 3. **External Auditor**

The external auditor is accountable to, and shall report directly to the Audit Committee, The Audit Committee shall:

- a) oversee the work of the external auditor and communicate directly with the external auditor as required;
- b) annually review the performance of the external auditor and assess the independence, qualifications, expertise, and resources of the audit team and lead partner;
- c) require the external auditor to deliver a report on their independence and quality control procedures;
- d) annually review and recommend to the Board, the appointment, retention, or replacement of the external auditor;
- e) if there is a plan to replace the external auditor, review all issues related to the change and the steps planned for an orderly transition;
- f) annually review and recommend to the Board, approval of the external auditor's terms of engagement, and the remuneration of the external auditor;
- g) review and approve the annual audit plan of the external auditor;
- h) pre-approve all non-audit services to be provided by the external auditors to obtain assurance that the performance of such services will not compromise the independence of the external auditor;
- i) review the management representation letter to the external auditor;
- j) review and discuss the external auditor's report on the results of their audit of the Fund, including any audit differences, any areas of significant audit focus, any internal control deficiencies identified, and any management letter recommendations;

- k) review issues and any concerns that may be brought forward by the external auditors;
- l) resolve any disagreements between the external auditors and BPI; and
- m) review and approve BPI's hiring policies regarding employees and former employees of the external auditor of the Fund and of BPI.

#### **4. Internal Controls**

The Committee shall require BPI to implement and maintain appropriate systems of internal controls, including disclosure controls and procedures (“**DC&P**”), controls over financial reporting (“**ICFR**”), and controls to prevent and detect fraud, error, or illegal activities to ensure the Fund meets its continuous disclosure obligations. In its oversight of internal controls, the Audit Committee shall:

- a) ensure that due diligence processes and an adequate system of internal controls in connection with the certification of the Fund's annual and interim filings are in place, monitoring their continued effectiveness, and ensure such filings are in a form that permits their certification;
- b) review the processes relating to the certifications made by BPI's CEO and CFO on the design and effectiveness of the Fund's DC&P and ICFR;
- c) obtain assurance from the external and internal auditors regarding the overall control environment and the adequacy of the Fund's system of internal controls;
- d) receive reports and discuss any weaknesses or deficiencies in the design or operation of internal controls made to the Audit Committee by BPI's Chief Financial Officer and Chief Executive Officer during their certification process for forms filed with applicable securities regulators (“CEO and CFO certifications”);
- e) make recommendations to the Board respecting the Fund's Disclosure Policy as necessary;
- f) review the independent audit firm's report on the specified procedures over ICFR and discuss any findings with BPI;
- g) discuss with BPI, the guidelines and policies with respect to the Fund's financial, fraud and disclosure risk assessments;
- h) review reports provided by BPI on any fraud or illegal activities against the Fund;
- i) review minutes from BPI's Disclosure Committee meetings; and
- j) review and discuss BPI's Disclosure Committee annual self-evaluation.

#### **5. Internal Audit**

Internal audit will report functionally to the Audit Committee and administratively to the Chief Financial Officer of BPI. Internal audit will report quarterly on the results of internal audit activities and will have direct access to the Chairperson of the Audit Committee as needed. The Audit Committee shall:

- a) review and approve the internal audit charter;

- b) review and approve the annual internal audit plan, including assessment of major risks and priority areas of focus, and monitor performance against such plan;
- c) consider the independence, expertise, and resources of the internal audit function, and determine whether external resources should be engaged for certain internal audit activities;
- d) review quarterly internal audit reports on their activities, findings, recommendations, and BPI's responses; and
- e) review and approve the annual external engagement for specified procedures over ICFR and review and discuss any findings with internal audit and BPI.

## **6. Risk Management**

The Audit Committee shall require BPI to implement and maintain an effective risk management framework for the Fund to identify, assess, manage, and monitor material risks that could impact the Fund. In its oversight of risk management, the Audit Committee shall:

- a) oversee the Fund's enterprise risk management processes for identifying, assessing, managing, and where required, reporting on key and emerging risk exposures;
- b) review and recommend to the Board, approval of the Fund's Enterprise Risk Management Policy and Risk Appetite Statement;
- c) review semi-annual reports of current and emerging risks that could have a material financial impact on the Fund;
- d) consider the adequacy and effectiveness of risk mitigation plans and policies to ensure risks are maintained within acceptable risk tolerances;
- e) assess whether material risks have been appropriately reflected in the Fund's financial reporting and required public disclosure;
- f) monitor the Fund's financial risks, and approve any hedging strategies to manage interest rate exposures;
- g) review and discuss quarterly cybersecurity reports with BPI;
- h) consider reports on business continuity, disaster recovery planning, and external threat monitoring for the Fund, BPI, and franchisee restaurants, including climate-related physical and transition risks;
- i) review BPI's approach for safeguarding the Fund's assets and data, as well as the information systems on which the Fund relies; and
- j) review the adequacy of insurance coverages maintained by the Fund (excluding director and officer insurance), and approve new insurance coverage and renewals thereof, as applicable.

## **7. Other Key Responsibilities**

The Committee shall:

- a) review the Fund's financial outlook and cash flow projections under a plausible range of planning scenarios;

- b) review and consider BPI's recommendation regarding monthly distributions for the Fund pursuant to the Fund's distribution policy, and recommend monthly and special distribution amounts, and accompanying press releases to the Board for approval;
- c) review and recommend approval of the annual roll-in adjustments to the Board, and ensure that BPI's relative percentage interests in respect of the Class B Units and Class 2 GP Units are within two percent (2%) of each other before and after roll-in;
- d) review and recommend to the Board approval of true-up adjustments, and ensure that BPI's relative percentage interests in respect of the Class B Units and Class 2 units are within two percent (2%) of each other before and after true-up;
- e) review the audited statements of franchise revenues reported by Boston Pizza restaurants and the external auditor's report thereon;
- f) review the external auditor's report on specified audit procedures for Boston Pizza Canada Limited Partnership;
- g) establish procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission by employees of BPI, or BPI concerns regarding questionable accounting or auditing matters;
- h) review compliance reports from management regarding (a) regulatory matters, (b) CEO and CFO certification, (c) Canadian ownership of the Fund, and (d) related party transactions;
- i) review and approve authorization spending limits for the Fund's expenses;
- j) review the independent audit firm's report on the agreed upon procedures relating to BPI franchise sales audits;
- k) receive quarterly certifications from BPI's CEO and CFO addressed to the Fund and the Trustees on the design and effectiveness of BPI's DC&P and ICFR, and any weaknesses or deficiencies in the design or operation of internal controls, in relation to BPI's consolidated financial statements, and management's discussion and analysis;
- l) meet with BPI's management team and external auditors on a quarterly basis to discuss BPI's financial disclosures and the external auditor's report prior to the public filing of such disclosures;
- m) review and discuss the external auditor's report on the results of their audit of BPI's annual audited consolidated financial statements;
- n) obtain written consent from BPI's auditors regarding the public filing of their report with BPI's annual audited financial statements; and
- o) complete other duties the Board may assign.

#### **E. RIGHT TO ENGAGE INDEPENDENT ADVISORS**

The Audit Committee has the right to engage separate independent financial, legal, and/or other advisors whenever the Audit Committee determines prudent, advisable or necessary, with the expense of such services being paid by the Fund.

**F. EVALUATION OF THIS MANDATE**

At least every three years, the Audit Committee shall review and assess the appropriateness of this Mandate considering all applicable legislative and regulatory requirements as well as any best practice guidelines. If appropriate, the Audit Committee shall recommend changes to the Mandate to the Governance, Nominating and Compensation Committee for its further review, and recommendation of the Board for its approval.

**G. NO RIGHTS CREATED**

The responsibilities of the Audit Committee described in this Mandate are intended to be part of the Audit Committee's flexible governance framework. While this Mandate should comply with all applicable laws and the Fund's constating documents, this Mandate does not create any legally binding obligations on the Audit Committee or the Board, or any member of the Audit Committee.

Approved by the Board of Trustees effective February 13, 2025.