



**TERMS OF REFERENCE**  
**GOVERNANCE COMMITTEE**  
**A&W TRADE MARKS INC.**  
(the "Corporation")

The Terms of Reference for the Governance Committee was created on February 15, 2002, being the inception of A&W Revenue Royalties Income Fund (revised February 20, 2007).

**I. PURPOSES**

- A. The purpose of the Governance Committee (the "Committee") is to provide a focus on the governance of the board of directors of the Corporation (the "Board") that will enhance corporate performance, to assess and make recommendations regarding Board effectiveness, and to establish a process for identifying, recruiting and recommending candidates for membership on the Board.
- B. The purpose of the Committee is also to oversee all matters relating to the relationship between the Corporation and A&W Food Services of Canada Inc. ("Food Services") and the direct and indirect shareholders of Food Services including those arising out of agreements entered into between the Corporation and Food Services.

**II. COMPOSITION AND TERMS OF OFFICE**

- A. Following each annual meeting of shareholders of the Corporation, the Board shall appoint members of the Board to the Committee. At all times the Committee shall consist of the members of the Board who are not directors, officers or employees of, or owners, directly or indirectly, of shares of Food Services.
- B. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced, whichever first occurs.
- C. The Committee shall meet at least twice per year. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee.
- D. If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as 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.

- E. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the chair of the Committee shall have a second casting vote.
- F. The Committee may invite such directors, officers and employees of the Corporation as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.
- G. The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.
- H. The Committee shall choose as its secretary such person as it deems appropriate.

### III. **THE CHAIR OF THE COMMITTEE**

The members of the Committee shall appoint a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (i) not be a director or officer of Food Services;
- (ii) call and conduct the meetings of the Committee;
- (iii) be entitled to vote to resolve any ties;
- (iv) prepare and forward to members of the Committee the agenda for each meeting of the Committee and include any items proposed for inclusion in the agenda by any member of the Committee;
- (v) facilitate the Committee's interaction with management of Food Services, the Board of the Corporation and other committees of the Board;
- (vi) appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and
- (vii) act in a manner ensuring that the Committee meetings are conducted in an efficient, effective and focused manner.

### IV. **DUTIES AND RESPONSIBILITIES**

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

#### **Governance of the Corporation**

The Committee shall:

- A. Annually develop and update a long term plan for the composition of the Board that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of the Corporation.

- B. In consultation with the chair of the Board and the chief executive officer of the Corporation (the "CEO") recommend to the Board nominees for election and re-election as members of the Board, considering the following:
- (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess;
  - (iii) the competencies and skills each new nominee will bring to the Board;
  - (iv) the time and energy of the proposed nominee to devote to the tasks; and
  - (v) the understanding by the proposed nominee of the nature of the business and operations of the Corporation and Food Services.
- C. Review, monitor and make recommendations regarding new director orientation and the ongoing development of existing Board members.
- D. Develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, implement and administer the system.
- E. Advise the Board or any of the committees of the Board of any corporate governance issues which the Committee determines ought to be considered by the Board or any such committees.
- F. Review with the Board, on a regular basis, but not less than annually, the role of the Board, the terms of reference for each of the committees of the Board, the chair of the Board and the CEO.
- G. Review with the Board, on a regular basis, the methods and processes by which the Board fulfils its duties and responsibilities, including without limitation:
- (i) the size of the Board;
  - (ii) the number and content of meetings;
  - (iii) the annual schedule of issues to be presented to the Board at its meetings or those of its committees;
  - (iv) material which is to be provided to the directors generally and with respect to meetings of the Board or its committees;
  - (v) resources available to the directors; and
  - (vi) the communication process between the Board and management.
- H. Be responsible for the management and administration of a system which enables a committee or an individual director to engage separate independent counsel and/or advisors at the expense of the Corporation in appropriate circumstances.
- I. Make recommendations to the Board regarding changes or revisions to the manual for members of the Board, if any.

- J. Establish and administer a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole and committees of the Board.
- K. Recommend to the Board an appropriate evaluation process for the Board as a whole and, at the appropriate time, directors individually.
- L. Review the compensation plan for members of the Board and make recommendations to the Board regarding the compensation plan.
- M. When/if the chair of the Board and the CEO are combined, function as a forum for concerns of individual directors about matters that are not readily or easily discussed at full Board meetings.
- N. Prepare recommendations for the Board regarding any reports required or recommended on corporate governance.
- O. Have such other powers and duties as delegated to it by the Board.

**Governance Agreement Obligations**

- A. Consider any conflict of interest arising between the Corporation and Food Services and recommend to the Board how such conflict shall be resolved prior to such matter being addressed by the Board.
- B. Annually review the operations of Food Services, including its business plans and prospects for the ensuing year.
- C. Annually review the performance of the management of Food Services.
- D. Annually review adjustments to be made pursuant to the licence and royalty agreement between Food Services and the Corporation.

**V. ACCOUNTABILITY**

- A. The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- B. The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external advisors, senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of the Corporation.

**VI. COMMITTEE TIMETABLE**

- A. The timetable on the following page outlines the Committee's schedule of activities during the year.

**A&W Revenue Royalties Income Fund (the “Fund”)  
and  
A&W Trade Marks Inc. (the “Corporation”)**

**Governance Committee Timetable**

**A. Governance Committee**

<b>Agenda Item</b>	<b>February</b>	<b>May</b>	<b>July</b>	<b>October</b>
Review Board composition	<b>X</b>			
Recommend nominees for election and re-election as Board member	<b>X</b>			
Review governance of Fund and Corporation	<b>X</b>			<b>X</b>
Review budget for A&W Food Services of Canada Inc. (“Food Services”) and the Corporation				<b>X</b>
Review strategic plan for Food Services	<b>X</b>			
Review results of operations compared to Budget and strategic plan				<b>X</b>
Discuss succession plan of Food Services	<b>X</b>			
Review internal controls	<b>X</b>			
Meet with auditors separate from management	<b>X</b>			

**Note:** A separate meeting may be required to approve required disclosure regarding governance.

**B. Governance Agreement Matters**

<b>Agenda Item</b>	<b>February</b>	<b>May</b>	<b>July</b>	<b>October</b>
Consider conflicts between the Corporation and Food Services	<b>X</b>			<b>X</b>
Review operations of Food Services	<b>X</b>			<b>X</b>
Review performance of Food Services Management				<b>X</b>
Review adjustments to the Licence and Royalty Agreement	(Special meeting in December)			