



**TERMS OF REFERENCE  
BOARD OF DIRECTORS**

**A&W TRADE MARKS INC.  
(the "Corporation")**

**A. PURPOSE**

The Board of Directors ("Board") of the Corporation acknowledges that the Corporation owns an interest in A&W Trade Marks Limited Partnership ("Partnership"), which owns the Canadian A&W trademarks licensed to A&W Food Services of Canada Inc. ("Food Services") in exchange for a royalty based upon gross sales reported to Food Services by A&W restaurants. The Corporation does not carry on any active business, and all of the revenue of the Corporation is derived from distributions on general partnership units of the Partnership held by the Corporation, which are distributed to the Corporation's shareholders, A&W Revenue Royalties Income Fund (the "Fund") and Food Services. The Fund is a limited purpose trust that holds securities of the Corporation. The results of operations of the Fund and the Corporation are entirely dependent on the activities of Food Services and the A&W restaurants franchised and operated by Food Services. Consequently, the role of the Board is primarily to ensure the Corporation is satisfying its legal, regulatory and contractual obligations. The Corporation does not have active management or operations over which the Board has a supervisory function.

**B. ORGANIZATION AND PROCEDURES**

1. The Board is composed of five directors, three of whom are independent<sup>1</sup> nominees of the Fund and two of whom are nominees of Food Services. The directors are elected annually.
2. The Board operates by delegating certain of its authorities, including spending authorizations, to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation, and to certain employees of Food Services, the provider of administrative services to the Corporation (all such persons collectively, "Management"), and by reserving certain powers to itself.
3. The Board is responsible for:
  - (a) selecting its Chair;
  - (b) if the Chair is not independent, developing a procedure to provide leadership for its independent directors;
  - (c) constituting committees of the Board and delegating powers, duties and responsibilities of the Board to such committees;
  - (d) determining director compensation; and
  - (e) holding meetings as necessary which include "in camera" sessions where Management is not present.

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<sup>1</sup> The meaning of independence is contained in National Instrument 52-110 – *Audit Committees*.

## **C. DUTIES AND RESPONSIBILITIES**

1. The Board has the responsibility to appoint and replace its CEO and CFO, and to monitor such executives' performance.
2. The Board will ensure that all new directors receive a comprehensive orientation and continuing education to ensure all directors fully understand the role of the Board and its committees, if any.
3. The Board has the responsibility:
  - (a) to monitor the performance of Food Services as the provider of administrative and support services to the Corporation and the Fund under the Amended and Restated Services Agreement ("Services Agreement") dated October 26, 2022 between the Corporation and Food Services;
  - (b) to ensure that there are systems in place which effectively monitor and manage the risks faced by the Corporation with a view to the long-term viability of the Corporation;
  - (c) for approving dividends by the Corporation to its shareholders;
  - (d) for approving financing and the use of financial instruments by the Corporation;
  - (e) for reviewing the compensation plan for directors and approving any changes to such plan; and
  - (f) to monitor the progress of the Corporation towards its goals, consistent with its fiduciary responsibilities.

### **4. Compliance Reporting and Corporate Communications**

The Board has the responsibility:

- (a) to ensure that the financial performance of the Corporation is adequately reported to its shareholders and regulators on a timely and regular basis;
- (b) to ensure that the financial results are reported fairly and in accordance with International Financial Reporting Standards ("IFRS");
- (c) to ensure that the Corporation has appropriate disclosure controls and procedures in place to provide reasonable assurance that all relevant information is gathered and reported to Management on a timely basis so that appropriate decisions can be made regarding public disclosures and that enable such information to be recorded, processed, summarized and reported within the time periods required by law; and
- (d) to ensure that Management regularly evaluates the design of the Corporation's internal controls over financial reporting and that those controls provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

### **5. General Legal Obligations of the Board**

The Board is responsible for directing Management to ensure that the highest ethical standards are maintained, all legal requirements applicable to the Board and the Corporation have been met, and that documents and records have been properly prepared, approved and maintained.

## **D. TERMS OF REFERENCE FOR A DIRECTOR**

### **1. Goals and Objectives**

As a member of the Board of the Corporation, each director will:

- (a) fulfil the legal requirements and obligations of a director which includes a comprehensive understanding of the fiduciary role; and
- (b) act in the best interests of the Corporation with consideration of the interests of the Corporation's stakeholders.

### **2. Duties and Responsibilities**

#### (a) Board Activity

As a member of the Board, each director will:

- (i) exercise good judgment and act with integrity;
- (ii) use their abilities, experience and influence constructively;
- (iii) respect confidentiality;
- (iv) identify potential conflict areas - real or perceived - and ensure they are appropriately identified and reviewed; and
- (v) assist in determining the appropriate distribution of available cash to shareholders while maintaining shareholder value.

#### (b) Preparation and Attendance

To enhance the effectiveness of the Board and committee meetings, each director will:

- (i) prepare for Board and committee meetings by reading reports and background materials prepared for each meeting;
- (ii) maintain an excellent Board and committee meeting attendance record;<sup>2</sup> and
- (iii) have acquired adequate information necessary for decision making.

#### (c) Communication.

Communication is fundamental to Board effectiveness and therefore each Board member will:

- (i) participate fully and frankly in the deliberations and discussions of the Board;
- (ii) encourage free and open discussion of the affairs of the Corporation by the Board and its members; and
- (iii) ask probing questions, in an appropriate manner and at proper times.

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<sup>2</sup> The target is 100% attendance. Anything less than 75%, without extenuating circumstances, would create considerable concern for the Board.

(d) Independence

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director will:

- (i) be a positive force with a demonstrated interest in the long-term success of the Corporation; and
- (ii) speak and act independently.

(e) Committee Work

In order to assist the Board committees in being effective and productive, each director will:

- (i) participate on committees and become knowledgeable with the purpose and goals of the committee; and
- (ii) understand the process of committee work, and the role of Management in supporting the committee.

(f) Business, Corporation and Industry Knowledge

Recognizing that decisions can only be made by well-informed Board members, each director will:

- (i) become generally knowledgeable of the Corporation's structure, purpose and industry;
- (ii) maintain an understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates; and
- (iii) be an effective ambassador and representative of the Corporation.

**E. ADMINISTRATIVE GUIDELINES FOR THE BOARD OF DIRECTORS**

1. The Board assumes the responsibility for the stewardship of the Corporation. While, in law, the Board is called upon to manage the business, this is done by proxy through Management, who are charged with the day-to-day leadership and management of the Corporation.
2. The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation. Directors are elected by the shareholders to bring special expertise or a point of view to the Board's deliberations.
3. The Board has adopted a written Code of Business Conduct and Ethics (the "Code") that applies to all trustees, directors, officers and employees, if any, of the Fund and the Corporation, as applicable. The Board will receive reports from the CEO regarding breaches of the Code and will review investigations and any resolutions of complaints received under the Code.
4. Terms of reference for the Board, committees and the CEO are reviewed by the Board as needed.
5. The Board currently supports the concept of the separation of the role of Chair from that of the Management. The Board is able to function independently of Management when necessary and the Chair's role is to effectively manage and provide leadership to the Board and to interface with the CEO.
6. The Board will evaluate the performance of the CEO at such intervals as determined to be appropriate by the Board.

7. The CEO has the special responsibility to manage and oversee the required interfaces between the Corporation and the public and to act as the principal spokesperson for the Corporation. This includes the responsibility for managing the equity and other financial market interfaces on behalf of the Corporation.
8. The Chair, with the assistance of the CEO, will establish the agenda for each Board Meeting. Each Board member is free to suggest the inclusion of items on the agenda.
9. The Board will meet at least four times per year and schedule meetings one year in advance. In addition, the Board will consider monthly resolutions in order to enable the Corporation to pay monthly dividends to its shareholders.
10. Materials will be delivered at least three days in advance of meetings for items to be acted upon. Presentations on specific subjects at the Board meetings will only briefly summarize the material sent to directors so that discussion can be focused on issues relevant to the material.
11. The Board encourages the CEO to bring Food Services' employees into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas.
12. The Board will assess its effectiveness and the effectiveness of its committees at such intervals as determined to be appropriate by the Board.
13. Committees may be established by the Board for purposes detailed in each committees' terms of reference. They examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
14. Committee members and committee Chairs are appointed by the Board.
15. The Board and committees may engage separate independent counsel and/or advisors at the expense of the Corporation. An individual director may engage separate independent counsel and/or advisors at the expense of the Corporation in appropriate circumstances with the approval of the Chair.
16. Attached to these Terms of Reference is the Forward Agenda for the Board, which may be adjusted by the directors from time to time as the directors determine is necessary.

## Board Forward Agenda

Meeting Timing <i>Agenda Items:</i>	February	May	July	October
<b>A. Governance</b>				
Director Nominations and Remuneration	X			
Appoint Board Committees (if any)		X		
Review internal controls over financial reporting			X	
<b>B. Financial</b>				
Quarterly Results	X	X	X	X
Year End Results	X			
<b>D. Operations</b>				
CEO Report	X	X	X	X
Review performance of Food Services under Services Agreement				X