

# **Charter of the Risk Committee of the Board of Directors of Franchise Group, Inc.**

(Revised and effective as of September 3, 2020)

## **I. STATUS**

The Risk Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Franchise Group, Inc. (the “Company”). For purposes of this Charter, the “Company” means Franchise Group, Inc. and all of its operating subsidiaries.

## **II. PURPOSE**

The purpose of the Committee is to have oversight responsibility of the Company’s (i) risk governance structure and (ii) risk management and risk assessment guidelines and policies, including those related to operational, reputational, and franchise risks. The Company’s executive team is responsible for ensuring operational activities are aligned with the risk management practices expressed by the Committee. In performing this general responsibility, the Committee shall, in such manner and at such times as it deems appropriate in its discretion:

1. Oversee that the executive team has identified and assessed operational risks that the Company faces and has established a risk management infrastructure capable of addressing those risks;
2. Assist the Board in its oversight and review of information regarding the Company’s risk management approach as it relates to the operation of the Company, including the significant policies, procedures and processes to manage and mitigate risks that pose a material threat to the viability of the Company, including but not limited to, operational and franchise risks;
3. Have direct access to the heads of the Company’s risk management departments and any other committee of senior
4. management members that make decisions about operational risk management relating to the Company; and

5. Seek any information it requires from external parties or employees, all of whom are directed to cooperate with the Committee's request.

### **III. COMMITTEE MEMBERSHIP**

The Committee shall consist of no fewer than three members of the Board, a majority of whom must satisfy the independence requirements under the listing standards of The NASDAQ Stock Market as in effect from time to time and as interpreted by the Board in its business judgment.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating Committee and shall serve for such term or terms as the Board may determine and until their successors shall be duly qualified and appointed. Any vacancy on the Committee shall be filled by a majority vote of the Board based on the recommendation of the Nominating Committee.

The Chairperson shall be responsible for presiding over meetings, preparing meeting agendas and reporting to the Board. In the event the Chairperson is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.

### **IV. OPERATION**

The Committee shall meet in person or telephonically at least four times each year at a time and place determined by the Chairperson, with further meetings to occur as the Committee deems necessary to fulfill its responsibilities. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment shall constitute a quorum. The Committee shall maintain minutes of its meetings and other records relating to those meetings. The Committee may meet separately, in executive session, with the Chief Executive Officer (the "CEO"), heads of the risk management departments and any independent counsel or consultant the Committee may retain to assist in carrying out its duties.

The Committee shall generally report to the Board at the next regularly scheduled Board meeting following a Committee meeting with respect to

its activities and make recommendations to the Board, as appropriate. To the extent not expressly reserved to the Committee by the Board or by applicable law, rule or regulation, the Committee may form and delegate authority to subcommittees when appropriate.

## **V. DUTIES AND RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities, subject to compliance with any applicable NASDAQ requirements and federal securities rules and regulations:

1. Develop a culture for assessing Company risks by promoting open discussion regarding risk, integrating risk management into the Company's goals and creating a corporate culture such that people at all levels manage risks in their day to day duties Monitor the Company's risk management departments and evaluate, as necessary, any compliance initiatives.
2. Review with Company's risk management departments the adequacy of this Charter, staffing and organizational structure of the compliance function on an annual basis and recommend any changes or improvements to this Charter to the Board that the Committee considers necessary or valuable.
3. With the CEO, review and approve the appointment, replacement, reassignment or dismissal of the heads of the Company's risk management departments and at least once per year, review the performance of the heads of the Company's risk management departments and concur with the annual compensation and salary adjustment.
4. Inquire of management and the Company's risk management departments regarding significant operational exposures faced by the Company, and assess the steps the executive team has taken to manage those risks.
5. Discuss with the Company's CEO and the Company's executive team, major risk exposures and review the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
6. Monitor the Company's risk profile, including but not limited to, ongoing and potential exposure to operational, reputational and franchise risks.

7. Annually review the Company's risk management structure and risk management approach, including the adequacy of resources (including personnel and systems in the Company's risk management departments) devoted to operational risk management.
8. Report such matters with significant risk (including operational risks and/or negative reputational risks) implications to the Board.
9. Read and provide input to the Board and the Audit Committee regarding risk disclosures as related to the Committee's oversight, in reports filed with the U.S. Securities and Exchange Commission, including the Company's annual reports on Form 10-K, annual proxy statements, and quarterly reports on Form 10-Q.
10. Perform other duties or responsibilities delegated to the Committee by the Board relating to the Company's material operational risks and exposures.
11. Review the effectiveness of the system for monitoring compliance with laws and regulations that relate to the businesses of FGI and the results of management's investigation and follow-up (including disciplinary action) of any instances of potential noncompliance.
12. Monitor the performance of internal Compliance Departments which serve to monitor compliance at each of the FGI businesses.
13. Review the findings of any examinations by regulatory agencies as it relates to compliance matters.
14. Establish procedures for the receipt, retention and treatment of complaints received by the Company and the confidential, anonymous submission by employees of concerns regarding same.
15. Consider the effectiveness of the Company's information security oversight and control protocols, including but not limited to, information security assessments and procedures the Company has in place for a potential security or data breach, the Company's process for monitoring internal and external technology assets at Company and franchisee locations, the Company's process improvement plan for operational areas prone to security risks, and employee education on information security awareness.
16. Perform other activities related to this Charter as requested by the Board of Directors.

## **VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISORS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities. In its sole discretion, the Committee may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary.