

RISK MANAGEMENT POLICY

The Company aims to identify, measure, analyze, monitor, and control all forms of risks that would affect the Company:

- i. PIZZA's financial performance may be materially and adversely affected by fluctuations in prices or disruption in the supply of key raw materials. Aside from actively monitoring raw materials availability and prices, maintains appropriate levels of inventory to manage supply disruption risk.
- ii. PIZZA relies on key third-party suppliers to supply key raw material requirements. A failure by these third-party suppliers to adhere to contractual obligations or a significant disruption in the supply chain and logistics can significantly affect its business operations. As a policy, PIZZA maintains multiple accredited suppliers for major raw materials to allow for sourcing flexibility. The Company also maintains appropriate levels of inventory to manage supply disruption risk.
- iii. PIZZA's growth is highly dependent on its ability to open new stores, maintain existing stores, and operate these stores in a profitable manner. Failure to successfully locate and secure suitable store locations in its target markets may delay PIZZA store openings and significantly affect its business and results of operations. The Company has recently established a Business Development Team mainly focused on international and domestic store expansion and project management. PIZZA also undertakes upgrades and renovations at each store at least once every five years. The Company believes that periodic updates and renovations help maintain consistency in design across store formats and contribute to providing our guests with a distinctively Shakey's dining experience.
- iv. Any infringement or failure to protect PIZZA's trademarks and proprietary rights could materially and adversely affect its business. It is the Company's policy to protect and vigorously defend its rights to intellectual property by regular monitoring and enforcement of its rights in markets in which its restaurants currently exist or markets which it intends to enter in the future. The Company also licenses the use of its registered trademarks to franchisees through franchise agreements which restrict franchisees with respect to the use of our trademarks and impose quality control standards with the goods and services offered in connection with the trademarks.
- v. PIZZA may be subject to labor unrest, slowdowns and increased wage costs. PIZZA manages these risks by entering into Collective Bargaining Agreements ("CBAs") and adopting policies to ensure a healthy working environment for its employees that are at minimum in compliance with national and local laws and regulations.
- vi. PIZZA is reliant on its franchisees for the successful management and operations of its franchise stores. In addition, a portion of the company's revenue is derived

from royalty and franchise payments. A failure by the franchisees to deliver what is expected of them may significantly harm the brand image and goodwill of the Shakey's brand, as well as adversely affect the business operations and results of operations of PIZZA. The Company enters into franchise agreements with each franchisee to operate in accordance with our defined operating procedures, adhere to systemwide menu, and meet applicable quality, service, health and cleanliness standards. In addition, PIZZA's franchised stores are monitored and supervised by Area Business Managers who assist franchisees with sales and marketing efforts and advise them on growth and expansion plans. Our ABMs also monitor compliance to QSCH (i.e., quality, service, cleanliness and hospitality) standards and compliance with financial obligations.

- vii. PIZZA is exposed to the credit risks of its customers, and delays or defaults in payment by its customers could have a material adverse effect on PIZZA's financial condition, results of operations and liquidity. PIZZA manages credit risk by trading only with recognized and creditworthy third parties. As a policy, all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company also monitors receivable balances on an ongoing basis.