

SUSTAINABILITY REPORT 2018

BEYOND RESTAURANTS



S P H E R A

KFC



**TACO
BELL**

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Reporting framework

Excellence and transparency in everything we do

Along with Sphera Franchise Group sustainability strategy development, we are also committed to providing a transparent overview of the Group's and its subsidiaries' activities, while outlining our strategic objectives that fall into four pillars, which are in line with a vast majority of sustainable development goals set out by Agenda 2030. We have thereby assumed our position as sustainability promoters within the markets where we have business operations, and we aim to set a positive example for all interested parties and bring our active contribution to a prosperous community, by closely taking into considering social and environmental responsibility.

Report scope

This is the first Sustainability Report of Sphera Franchise Group regarding the operations of its subsidiaries that do business under Sphera's umbrella as different brands: KFC, Pizza Hut, Pizza Delivery and Taco Bell. The Report provides an overview of the Group's strategy and the economic, social and environmental performances of its operations throughout the three geographical areas: Romania, Moldova and Italy.

Reporting period

This Report describes 2018 (January – December), the key business aspects, actions, challenges, results and performances of Sphera subsidiaries and marks the beginning of a regular reporting cycle. In order to communicate performance, where possible, we have also provided data from the previous year, 2017, to highlight our efforts since the establishment of Sphera Group.

Report applicability

The applicability of this Report covers the business operations of the following companies: Sphera Franchise Group, USFN Romania (KFC Romania*), USFN Moldova (KFC Moldova*), USFN Italy (KFC

Italy*), American Restaurant System (Pizza Hut Romania, Pizza Hut Delivery Romania*), California Fresh Flavours (Taco Bell Romania*), as part of an integrated approach.¹

Reporting references and guidelines

The Report was prepared by the representatives of Sphera Franchise Group headquartered in Bucharest, 239 Calea Dorobanților, in line with the sustainability reporting guidelines according to GRI Standards 2016. The GRI Index summarises the way we approached all requirements regarding indicators and information communication.

External assurance

This Report has not been checked by an independent external audit company.

Acknowledgements

The Report was prepared under the coordination of Sphera Franchise Group, Public Relations Division, with the support of the external advisor qualified in Sustainability consultancy field, denkstatt Romania. We wish to extend our thanks to everyone who contributed to this Report, including all stakeholders both within, and outside the organisation. Their suggestions and active engagement mean new development elements for us, which will lead to the sustainable growth of our business.

Contact

For information on the Report please write at: contact@spheragroup.com

¹ Please note that the abbreviated company names shall be indicated in this Report (*)

BEYOND RESTAURANTS

Message from the CEO

For Sphera Franchise Group, 2018, was memorable with the one-year anniversary since the listing on the Bucharest Stock Exchange and top line growth by 25%. Pizza Hut Dine-in and Taco Bell have made substantial business progress, while KFC has remained the engine of the Group with a high brand regard in Romania and growth in all the markets in which we operate.

As well as continuing to grow this business we have an increasing responsibility to act as good and responsible corporate citizens and I'm delighted that we are launching our first 'Sustainability Report' to both indicate the journey we have taken and outline some of the key commitments we are undertaking.

A key statement in this regard was our commitment in the last quarter of 2018 to remove plastic straws starting with April 2019 from all our stores in Romania and Moldova. It's important with such industry leading brands that Sphera is at the forefront of initiatives like this in Romania and Central Europe in driving strategies that will positively impact our environment.

Our responsibilities lie not only with better environmental practices, but also our need to develop and support initiatives that have a positive impact on our food, our people and our communities.

Our core asset is our people. Business growth clearly can offer employment and development opportunities to those who work within the Group. We need to ensure that Sphera fits into their lives so that we appeal to as wide and diverse a group or prospective employees as possible, and to offer them a stable work place, flexibility, career growth opportunities, motivation, in a safe and pleasant environment.

We continue to work in our communities with several partners supporting initiatives focused on education, health and increasingly on minimizing our environmental impact. As a growing restaurant



Mark Hilton,
CEO, Sphera Franchise Group

group, we need to ensure we manage as effectively as we can food ingredients and packaging and focus on developing food donation programs to create a positive social impact to prevent waste.

Aside from our people, one of our cores differentiating factors is our food and we will continue to work to enhance our products in a balanced way.

Several initiatives outlined in this report illustrate the progress we are striving to make across all these areas and our core targets as we look to increase our focus on them in the years ahead.

We are fortunate to operate such iconic brands like KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell. This comes also with huge responsibility and we constantly strive to enhance the lives of our teams and customers, improve the communities and the planet. The strength of our business and our brands has been earned through the trust of our people, our shareholders and our consumers and we will continue to work every day to validate it by not only delivering the experience in stores with our great tasting food produced served by our wonderful teams, but by ensuring that we play our role as responsible corporate citizens with the same passion and commitment.

Thank you for your support and commitment to Sphera!



Our company

1.1

Company profile

Sphera Franchise Group SA was established in 2017 as a joint stock company, with headquarters in Romania, Bucharest, 239 Calea Dorobanților, being the largest foodservice group in Romania.

Sphera Franchise Group SA owns the franchise rights to operate restaurants under the brands Kentucky Fried Chicken (KFC), Pizza Hut, Pizza Hut Delivery, and Taco Bell, and provides services, such as: management, marketing and development support, as well as, sales and human resources support. The Group runs its franchise operations across three segments: quick service restaurants (QSR through KFC and Taco Bell), full-service restaurants (via Pizza Hut Dine-In), and home delivery (through Pizza Hut Delivery and KFC Delivery).

MARKET POSITION AND PRESENCE

Sphera Franchise Group SA is the parent-company of the following companies:

- **US Food Network SA**, which owns franchise rights to operate restaurants in Romania under the **KFC** brand;
 - **Headquarters:** 28 – 30 Blvd Gheorghe Magheru, sector 1, Bucharest
- **American Restaurant System S.A.**, which owns franchise rights to operate restaurants in Romania under the **Pizza Hut** and **Pizza Hut Delivery** brands;
 - **Headquarters:** 5 – 7 Calea Dorobantilor, ground floor C, D and terrace, room 79, sector 1, Bucharest;

- **California Fresh Flavors S.R.L.**, which owns franchise rights to operate restaurants in Romania under the **Taco Bell** brand;

- **Headquarters:** 239 Calea Dorobanților, 2nd floor, room 11, sector 1, Bucharest;

- **U.S. Food Network S.R.L.**, which owns franchise rights to operate restaurants in certain regions of Northern Italy under the **KFC** brand;

- **Headquarters:** Via Pietro Paleocapa 6, CAP 20121, Milano

- **U.S. Food Network SRL**, which owns franchise rights to operate restaurants in the Republic of Moldova under the **KFC** brand;

- **Headquarters:** 45 Mitropolit Bănulescu-Bodoni, Chisinau MD-2005

Sphera Group shareholding structure at 31/12/2018 is the following:

Equity holders	Voting rights percentage, %
Tatika Investments Ltd.	27.33%
Computerland Romania SRL	20.00%
Wellkept Group S.A	16.34%
Anasa Properties S.R.L.	10.99%
Free float	25.34%
Total	100.00%

The entities under which the Group companies operate are registered and operate according to the legal provisions in force within the geographical regions they serve.

The fast growth of the market has led to the rapid development of the Group, reaching now **138 restaurants** in Romania, Italy and Republic of Moldova.



Romania

- **KFC** - 76 restaurants
- **Pizza Hut** - 23 restaurants
- **Pizza Hut Delivery** - 22 units
- **Taco Bell** - 5 restaurants

Italy

- **KFC** - 10 restaurants

Republic of Moldova

- **KFC** - 2 restaurants

In 2018, Sphera Group owned the following assets:

ASSETS, thousands of lei	2018
Noncurrent assets:	229,173
Current assets:	122,979
Total assets:	352,152
Total shareholders' equity:	128,826



1.2

Corporate governance

We believe that attaining success is closely linked to efficient corporate governance. The assurance of clear management responsibility is a core method to fulfil this objective. Our company has, therefore, adhered to the Corporate Governance Code issued by Bucharest Stock Exchange and is currently applying the corporate governance principles established by this Code.

The company has taken and shall continue to take the necessary professional, legal, and administrative actions to ensure compliance with Code provisions.

INTERNAL COMPANY POLICIES

The organisation is governed according to a set of internal policies and procedures developed for the purpose of providing operational and reporting transparency.

- Continuous Reports Guidelines – Ad hoc Reports;
- Conflict of interest Policy;
- Dividend Policy;
- Forecast Policy;
- General Shareholders’ Meeting Policy;
- Remuneration Policy;
- Financial Reporting Policy;
- Efficient Operations Policy (supply chain, restaurant operations).

COMPLIANCE AND RISK MANAGEMENT

We observe many laws and regulations that concern the running operation of our business, the legislation of the European Union, national and local laws and regulations on food safety and hygiene, occupational security and wellbeing, employment, environmental and consumer protection, as well as engagement requirements and rules enforced by regulatory and law enforcement authorities.

BUSINESS RISK

Risk of legal non-compliance

The Group assures the compliance with the applicable legislation on food and public health, employee health and safety, the environment, the employment law, financial law, law on operating the owned entities, adequately controlling risks across all its operations and trading units.

Sphera Franchise Group and its subsidiaries have established strict compliance rules for all relevant internal and external regulations, exercising due diligence at all times to mitigate the risk of non-compliance. We are aware of these risks, which is why we keep internally a constant information flow on the applicable legal requirements, monitoring strict compliance across different operational business aspects, and we rely on the intensive training of our staff and the regular assessment.

In addition, the increasingly restrictive potentially new European Directives can impact our business, by increasing certain taxes and levies, or by mandating

the change of certain secondary operational materials, which can lead to quite significant cost increases. Therefore, we stay informed on the potential changes that could affect our business and we start working early on finding feasible solutions to mitigate the possible impact.

Market risk

The global fast-food service industry is dependent on external factors such as general economic background, consumer behaviour, and trade policy decisions. These factors lead to a cyclic business development that can have an impact on equity holders' expectancies, as well as on the employment status. Sphera Group is consistently striving to stabilise certain external factors and reduce market-related risks.

Branding risk

Sphera Franchise Group and its subsidiaries constantly submit due diligence to protect the brands in the portfolio, respectively to minimise any of the risks associated with intellectual property rights.

OPERATIONAL RISK

Occupational health and safety risk

There is a risk for employees and contractors being injured at work within the Group companies. Our internal risk assessment program is supervised by an advisory company, and, jointly, we succeed in taking extensive precaution and training action to avoid such risks.

Food safety risk

As we run our business in a very strict regulatory environment, we seek to maintain high standards for services, hygiene, and consistency across all our operations. There are risks, and we are aware of them, but, according to industrial standards, the Group units operate in line with the Hazard Analysis Critical Control Point (HACCP) documents and procedures that are regionally applicable. Audits are carried out across the entire Group to make sure that the Group complies with brand and operational standards. The results are recorded by the relevant audit team and used to drive units' performance.

The Group has set up its own audit processes to assure compliance with these legal requirements, and undergoes regular audits carried out by the Group's franchise partners. The Group's activity is also inspected by various national and local regulatory bodies during its usual operations, in order to ensure compliance with the applicable regulations.

Environmental risks

From the point of view of operational activities, there are no major environment risks, as our activities do not fall under the significant environmental impact category. We are aware of the environmental implications of our operations and we are consistent in observing the law in force while holding the reins on all the issues that might generate potential environmental risk, such as waste generation or energy consumption.

CULTURE, PRINCIPLES, VALUE AND OPERATING STANDARDS

Sphera has developed an internal culture which promotes fair conduct for all Group's employees and board members and values their collective endeavours in order to achieve performance. We are committed to taking action that is in line with the principles of responsible, honest and ethical business, but also with all the applicable laws and regulations.

We rely on a sustainable business vision, upheld through relevance and trust.

The **PRINCIPLES** we follow showcase **our core values**, respectively:

- Deliver excellence in everything we do: products, services and a noteworthy experience;
- Confidence in our employees, who distinguish us as a brand: by supporting, growing, guiding, developing, rendering responsible, rewarding and acknowledging performance;
- Our business operates in the HoReCa field, our portfolio comprising some of the most renowned brands worldwide, a privilege that honours us. Believing in what we do and working with passion and pleasure.

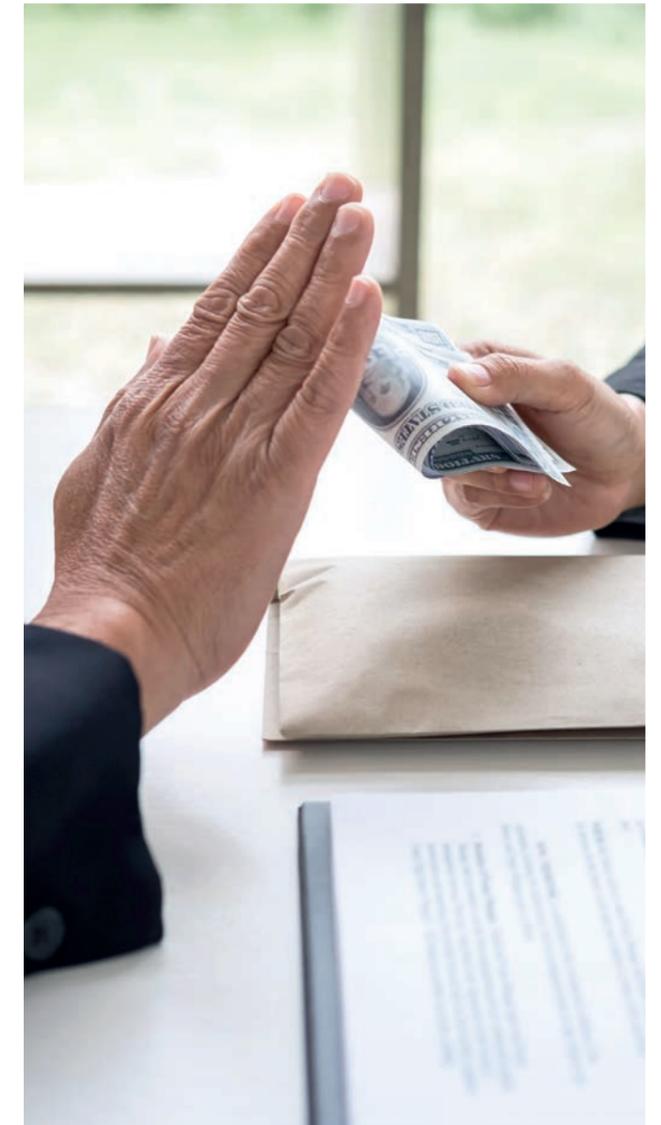
CONFLICT OF INTEREST

The Group has in place a Conflict of Interest Policy setting forth the duties of the members of the Board of Directors and of the Executive Directors. Thus, the members of the Board of Directors and the Executive Directors have a loyalty duty towards the Group, and should strive to avoid conflict of interest, defined as situations in which their personal or professional interest, whether direct or indirect, renders difficult the unbiased and independent action for the higher interest of the company and all its equity holders.

COMBATING CORRUPTION AND BRIBERY

The responsible company governance is the cornerstone of our organisational culture. Thus, Sphera is going to approve and implement, in 2019, a Compliance Manual and an Antibribery Policy. Even if these principles and commitments were not previously documented, the requirements for the compliance with the applicable anticorruption and antibribery legislation has been closely and diligently observed, in order to uphold the Group's values and protect its reputation.

No corruption cases were recorded in our organisation and we take extreme care to prevent such occurrences.



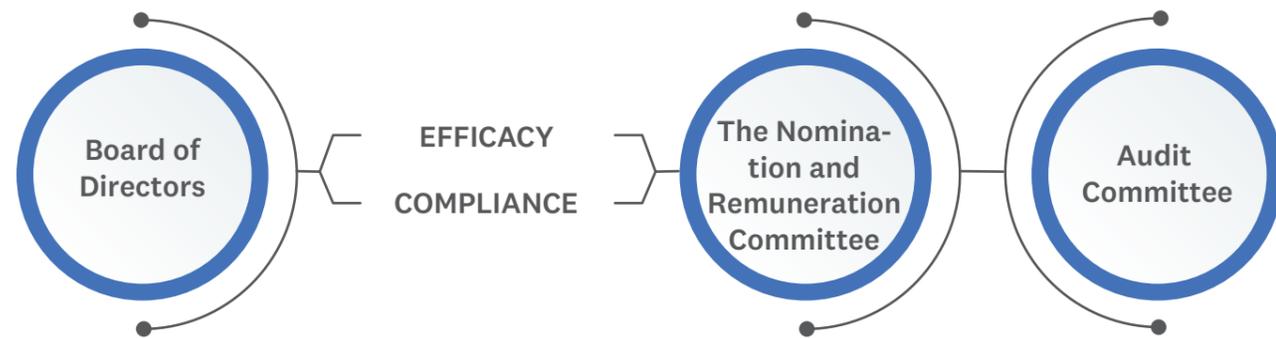
1.2.1

Board of Directors

Sphera is managed by the Board of Directors. Its members are appointed by the General Shareholders' Assembly for a period of 4 years, except for the first members, who were appointed for a period of 2 years. The Board of Directors appointed the management to the Executive Directors, who fulfil their roles on a mandatory contractual basis.

The Board fulfils its duties competently and cautiously, according to the applicable laws and regulations, the Articles of Association, the provisions of the agreements concluded with each Director and company bylaws.

For the purpose of increasing the efficacy of its business, according to the legal provisions in force, the Board has established the following advisory Committees:



Committees are permanent advisory bodies, directly subordinated to the company Board of Directors, with specialised duties, that assist the members of the Board with matters that are regulated by bylaws, assess and submit recommendations regarding the assigned duties to the Board, and facilitate the development and implementation of a solid internal governance framework.

The activity of the Committees is regulated by By-laws (the Audit Committee Regulation and the Nomination and Remuneration Committee Regulation) and it is established based on and in accordance with company-applicable Romanian legislation, in general (Law 31/1990), the provisions of the Articles of Association, as well as in observance of the Bucharest Stock Exchange Corporate Governance Code and capital market regulations.

Both the Audit Committee and the Nomination and Remuneration Committee are composed of **3 members** that are elected by the Board from its own members, one of the Committee members being appointed Chairman.

GROUP'S MANAGEMENT AND AUTHORITY DELEGATION

The Group's Management is carried out as a unitary system, via the Board of Directors, current management being delegated to the Executive Directors, one of which was appointed Chief Executive Officer. The Board of Directors comprises 7 members, among which 2 are executive and 5 are non-executive.

The members of the Board of Directors

- Cristian Osiac, BOD Chairman**
- Mark Nicholas Hilton, BOD Vice-Chairman**
- Silviu-Gabriel Cârmaciu**
- Ion Marius Nasta**
- Stere-Constantin Farmache**
- Lucian Hoancă**
- Răzvan Ştefan Lefter**

The setting out of duties between the Board of Directors and the Chief Executive Officer, and the company Directors, respectively, including the competency value thresholds for the legal documents Sphera concludes, are all included in the Board of Directors Structure and Operating Regulation, the agreements governing its activities, and/or can be established by decisions of the Board of Directors.

According to the law, the members of the Board of Directors have Group diligence and loyalty duties, provided for in the Group Articles of Association and other Group bylaws.

The Board of Directors is responsible for completing all useful and required actions for the fulfilment of the company's scope of activity, except for the duties that are legally assigned to Shareholder's General Meetings.

The **Board of Directors** has the following duties which cannot be delegated to the Chief Executive Officer and/or other Directors:

- Setting out the Group's main activity and development directions;
- Establishing the accounting policies and the financial control systems and approving the financial planning;
- Nominating and revoking the Chief Executive Officer and the company Directors, setting out sets of competences, skills and responsibilities, supervising their activity and ruling on the amounts for their remuneration;
- Preparing the Annual Report, approving the annual and intermediary individual/consolidated financial statements of the Group, preparing the business plan and the income and expenditure budget for the following year, organising General Shareholders' Meetings and fulfilling the decisions adopted by the latter;
- Filing the petition for bankruptcy against the Group;
- Fulfilling the duties delegated to the Board of Directors by the General Shareholders' Meeting;
- Deciding on the establishment or dissolution of secondary Group's sites within Romania or outside Romania that lack legal personality and nominating or revoking the Directors thereof;
- Approving the Board of Directors Structure and Operating Regulation;
- Representing the Group in its relationships with the Chief Executive Officer and the its Directors.

The **Chairman of the Board** makes sure that the works of the Board are carried out efficiently and that the Board complies with its responsibilities.

The **Chairman of the Board of Directors** has the following duties:

- Coordinating the activity of the Board of Directors and reporting thereon to the General Shareholders' Meeting;
- Supervising the operation of the Group's corporate bodies;
- Assembling the meetings of the Board of Directors, setting the agenda thereof, overseeing the appropriate forwarding of information to the members of the Board of Directors regarding the items of the Agenda of the meetings and presiding over the meetings;
- Any additional duties and responsibilities set forth in the Board of Directors Structure and Operating Regulation.

PERFORMANCE ASSESSMENT

The Board's assessment is carried out according to the regulations provided for in the Board of Directors Regulation, under the coordination of the Chairman of the Board and in compliance with the best practices. The Board conducts an annual self-assessment of its performance and its Committees and submits a summary of the results of this assessment to the General Shareholders' Meeting (GSM), which approves the Group's annual financial results. The Nomination and Remuneration Committee is responsible for overseeing the Board's annual assessment and can be assisted by external advisors, if required.

The operational management assessment is carried out on a yearly basis by the Executive Management in order to check the fulfilment of individual objectives and targets.

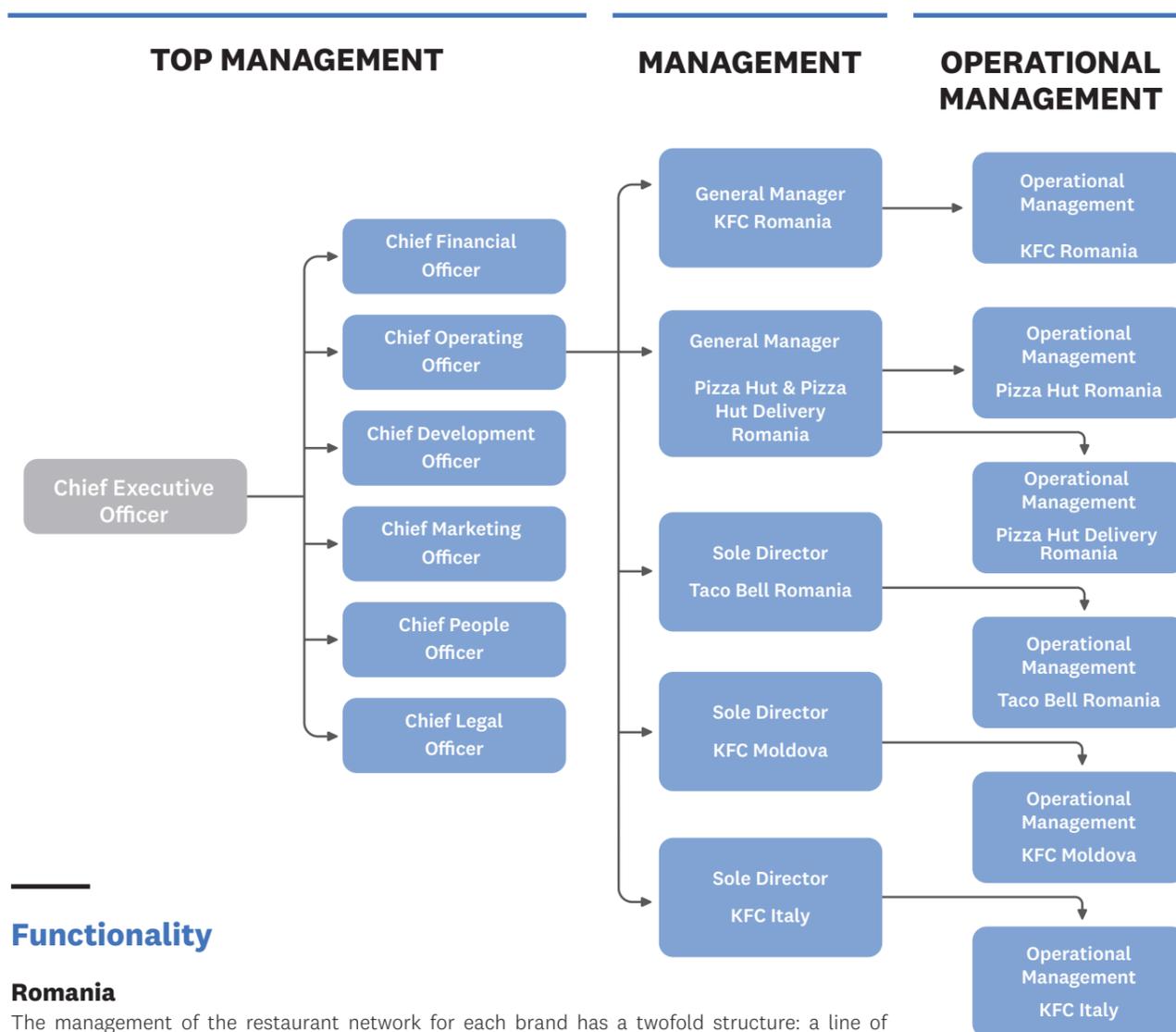
In addition, each employee is annually assessed on their personal performance over the previous year, the process being of a constructive type, creating insights for employee development and support for continuous personal development.



1.2.2

Sphera Management

Sphera Group Management is structured as follows:



Functionality

Romania

The management of the restaurant network for each brand has a twofold structure: a line of Regional Managers (usually, one for Bucharest and one for our restaurants outside Bucharest) that lead the Area Coordinators.

Moldova

The management of the two KFC restaurants in Moldova is integrated into the management of the KFC restaurants in Romania.

Italy

The responsibility for the management of our restaurants in Italy currently lies with the Chief Operating Officer, who leads a dedicated management team seated in Milan, including an Operations Manager coordinating the network's activity and expansion in this country.

Roles and responsibilities of the TOP MANAGEMENT OF SPHERA FRANCHISE GROUP

Chief Executive Officer

- ✓ Coordinates the team and activity of Sphera Franchise Group as well as its subsidiaries
- ✓ Formulates the management plan for the activity of Sphera Franchise Group and its subsidiaries and regularly checks that the business organisation and operating objectives are fulfilled
- ✓ Devises and applies managerial strategies and policies for developing and streamlining the activity of Sphera Franchise Group and its subsidiaries
- ✓ Legally represents Sphera Franchise Group before its employees, customers, partners, state authorities, legal bodies, the franchisor, public or private institutions, the media, and other third parties
- ✓ Supervises and decides on bank transactions, the development of the business plans of Sphera Franchise Group and its subsidiaries, the management of capital requirements and budget processes
- ✓ Makes decisions regarding the investment plans of Sphera Franchise Group and its subsidiaries
- ✓ Makes sure there is an adequate organisational structure in place for the fulfilment of business objectives
- ✓ Assures the efficient operation of control and risk management systems.
- ✓ Analyses the external environment, decides on and implements the financial and accounting strategy, the supply and purchase strategy, while also being responsible for strategic planning and investor relations
- ✓ Oversees and coordinates the financial reporting function within the company and monitors the issuance of financial statements and auditors' reports
- ✓ Manages the bank and financial institution portfolio and assures the unfolding of investor relations under the best of terms
- ✓ Identifies and mitigates the key elements of the company's risk profile, develops and monitors the enforcement of reliable control systems
- ✓ Manages cash flow and company accounts.

Chief Development Officer

- ✓ Coordinates the activities regarding the purchase, maintenance and development of the restaurant network and the places of business of Sphera Franchise Group and/or its subsidiaries, the operational production equipment, as well as the teams involved
- ✓ Analyses the external environment and devises and implements the strategy regarding the purchase, maintenance and development of the restaurant network and the places of business of Sphera Franchise Group and/or its subsidiaries, as well as the one regarding the operational production equipment
- ✓ Checks compliance with the standards provided for in the franchise agreements concluded by the Sphera Franchise Group and its subsidiaries

- ✓ Authorises the sale and purchase transactions for the goods involved in the business development processes
- ✓ Identifies business development avenues and makes proposals for new operational sites
- ✓ Manages the portfolio of suppliers of the products and services within his/her scope of responsibility.
- ✓ Oversees the implementation of Sphera Franchise Group operational management
- ✓ Checks compliance with the standards provided for in the franchise agreements concluded by Sphera Franchise Group and its subsidiaries
- ✓ Authorises the collection and payment transactions of Sphera Franchise Group and its subsidiaries, as well as the transactions regarding the sale and purchase of goods

Chief Marketing Officer

- ✓ Coordinates marketing and public relations activities of Sphera Franchise Group and/or its subsidiaries, as well as the relevant teams
- ✓ Analyses the external environment and devises and implements marketing strategies and policies for the development and streamlining of marketing activities specific to Sphera Franchise Group and/or its subsidiaries
- ✓ Checks compliance with the standards provided for in the franchise agreements concluded by Sphera and its subsidiaries
- ✓ Identifies business development avenues and makes proposals for the promotion of new products / solutions
- ✓ Organises integrated marketing campaigns
- ✓ Manages the portfolio of suppliers of the products and services specific to marketing and public relations activities
- ✓ Implements the most optimal solutions that contribute to the continued sales growth.

Chief Operating Officer

- ✓ Coordinates the operational activities that are specific of Sphera Franchise Group and/or its subsidiaries, as well as the relevant teams
- ✓ Devises and applies operational strategies and policies for developing and streamlining the activity of Sphera Franchise Group and / or its subsidiaries

- ✓ Assures daily executive and operational management of Sphera Franchise Group and/or its subsidiaries.

Chief People Officer

- ✓ Coordinates the specific human resources activities of Sphera Franchise Group and/or its subsidiaries, as well as the relevant team
- ✓ Formulates and implements the human resources strategy of Sphera Franchise Group and/or its subsidiaries
- ✓ Manages the workforce attraction programs, recruiting processes, new employee selection and integration processes, training processes, talent and skill development processes, suitably tailored to the business needs of Sphera Franchise Group and/or its subsidiaries
- ✓ Establishes the strategy and specific programs regarding employees' compensation and benefits
- ✓ Monitors employee's retention and satisfaction level
- ✓ Implements programs and projects in support of Sphera Franchise Group culture and/or that of its subsidiaries
- ✓ Manages the service supplier portfolio within his/her scope of responsibility.

Chief Legal Officer

- ✓ Coordinates typical legal function activities and the relevant team
- ✓ Holds responsibility for the legal business of Sphera Franchise Group and/or its subsidiaries
- ✓ Provides legal advice to the Board of Directors, the President of the Board of Directors, the Chief Executive Officer and the Top management of Sphera Franchise Group and/or its subsidiaries
- ✓ Formulates and drives the legal strategy of Sphera Franchise Group and/or its subsidiaries for the purpose of promoting and protecting the company's objectives
- ✓ Formulates and carries out the internal corporate compliance programs
- ✓ Provides legal services and resources for the purpose of fulfilling the objectives, strategies and priorities of Sphera Franchise Group and/or its subsidiaries
- ✓ Maintains appropriate interaction with relevant local and state authorities, legislators, and the community, overall, with the franchisors of any brand or operating brand.

- ✓ Formulate the business plan for the purpose of business development and activity streamlining, as well as implement it
- ✓ Check compliance with the standards provided for in the franchise agreements concluded by the Group's subsidiaries
- ✓ Manage the strategic partnership portfolio
- ✓ Constantly develop services and products based on market trends, jointly with the relevant support functions
- ✓ Provide daily operational management of Sphera Franchise Group subsidiaries.

As a listed company on the stock market, Sphera also has an Investor Relations department. The responsibilities of the **Manager of Strategic Planning and Investor Relations** are:

- ✓ Coordinates the specific strategic planning activities and the Investor Relations function, as well as the relevant teams of Sphera Franchise Group and/or its subsidiaries
- ✓ Promotes, on behalf of the company, an investment message continuously conveyed to the investors' community
- ✓ Manages the investor relations within the company, aiming to enlarge the investor portfolio
- ✓ Monitors the constant share price evolution and makes action plan proposals for the purpose of business advancement
- ✓ Analyses the external environment, monitors the contents of the shareholder portfolio and establishes the suitable strategy for managing the investor portfolio and attracting new investors
- ✓ Manages the budget process, supervises budget evolution and takes action to align the budget with the business needs
- ✓ Manages the strategic planning process and makes specific action plan proposals for the fulfilment of established business objectives.

Management roles and responsibilities

General Managers / Sole Directors of

US Food Network SA d/b/a (KFC Romania), American Restaurant System SA d/b/a (Pizza Hut Romania and Pizza Hut Delivery Romania), California Fresh Flavours SA d/b/a (Taco Bell Romania), U.S. Food Network S.r.l. (KFC Italy), U.S. Food Network SRL (KFC Moldova)

- ✓ Coordinate typical business development activities and the teams involved
- ✓ Analyse the external environment, set out the business strategy suitable for each franchise and apply it

1.3

Direct economic impact

We contribute directly to the development of local communities, both by collaborating with several local product and service suppliers, and by creating restaurants that lead to increased job numbers. The direct economic impact is also generated by our Group's stability and financial performances.

FINANCIAL INDICATORS*, thousands of lei	2018					
	01.01.2018-31.12.2018					
Organisation	Sphera Franchise Group SA	US Food Network SA (KFC Romania)	American Restaurant System SA (Pizza Hut Romania)	California Fresh Flavours SRL (Taco Bell Romania)	US Food Network SRL (KFC Italy)	US Food Network SRL (KFC Moldova)
Net Revenue	88,312	586,460	122,820	12,033	38,613	9,764
Taxes and related charges (excluding social presented below)	474	5,634	2,636	194	(1,773)	217
Employee salary and benefits expenses (including social costs)	20,681	108,857	36,302	3,208	12,043	1,464
Profit /(Loss), net	39,538	50,489	(7,241)	(3,327)	(5,916)	1,025

*the financial data are presented on an individual basis including transactions between the Groups' companies.

RECOGNITION AND AWARDS

KFC Romania, Franchisee of the Year at the Yum! Brands International Franchisee Convention in Orlando, USA

2018 meant the recognition of the achievements of KFC Romania within Yum! Brands International Franchisee Convention, on its 10th edition. The Convention reunited more than 1,100 participants from across the globe, respectively, Europe, Asia, Latin America, Central America, North America, Australia and New Zealand. The event is held once every two years and it is organised in different cities and countries around the world, such as Las Vegas, Beijing, Prague or Hawaii. The 10th edition aimed to bring together KFC and Pizza Hut representatives for one week, in workshops and brand presentations. The worldwide participants met as a united team to discuss future strategies and plans for both brands. KFC Romania was nominated in four categories: **Franchisee of the Year**, **Human Resources**, **Operations** and **Marketing**. During the

Gala, KFC Romania was awarded the **Franchisee of the Year**, category in which hundreds of participants from around in the world competed. This award is granted to the franchisee that demonstrates consistent excellence across all business operations and proves to be an authentic KFC brand ambassador.



1.4

Value chain

The value chain is a key aspect of our business. Starting with selecting the farms that supply our raw materials and ending with the recycling of our post-consumer waste, we strive to maintain a close collaboration across all value chain stages, with numerous groups of interested parties.

Our business model is based on close collaborations across all value chain stages.

The value chain analysis and assessment highlighted the risks and opportunities for our organisation, with economic, environmental and social insights. The analysis led to the identification of the material items carrying community impact potential, which we decided to address from the point of view of their need and relevance for the organisation's interested parties.



STEPS ALONG THE VALUE CHAIN

Farms and primary processing

A vast majority of our raw products and materials are foodstuffs coming from various farms. Our suppliers need to be preapproved by Yum! Brands Inc., their respective operations being audited on a yearly basis. For KFC, our main chicken meat suppliers are Agrisol International S.A. (Romania), Agricola International S.A. (Romania), Safir S.R.L (Romania) and Pilco Ltd (Bulgaria). Soft drinks are provided for by Coca-Cola HBC Romania directly to our restaurants.

For Pizza Hut, we collaborate with Ceres (Belgia) for the supply of flour, with Indlacto Mures S.R.L (Romania) and International Food Link Ltd (Great Britain) for different types of cheese and with Coca-Cola HBC Romania for non-alcoholic beverages.

Transport, distribution, delivery

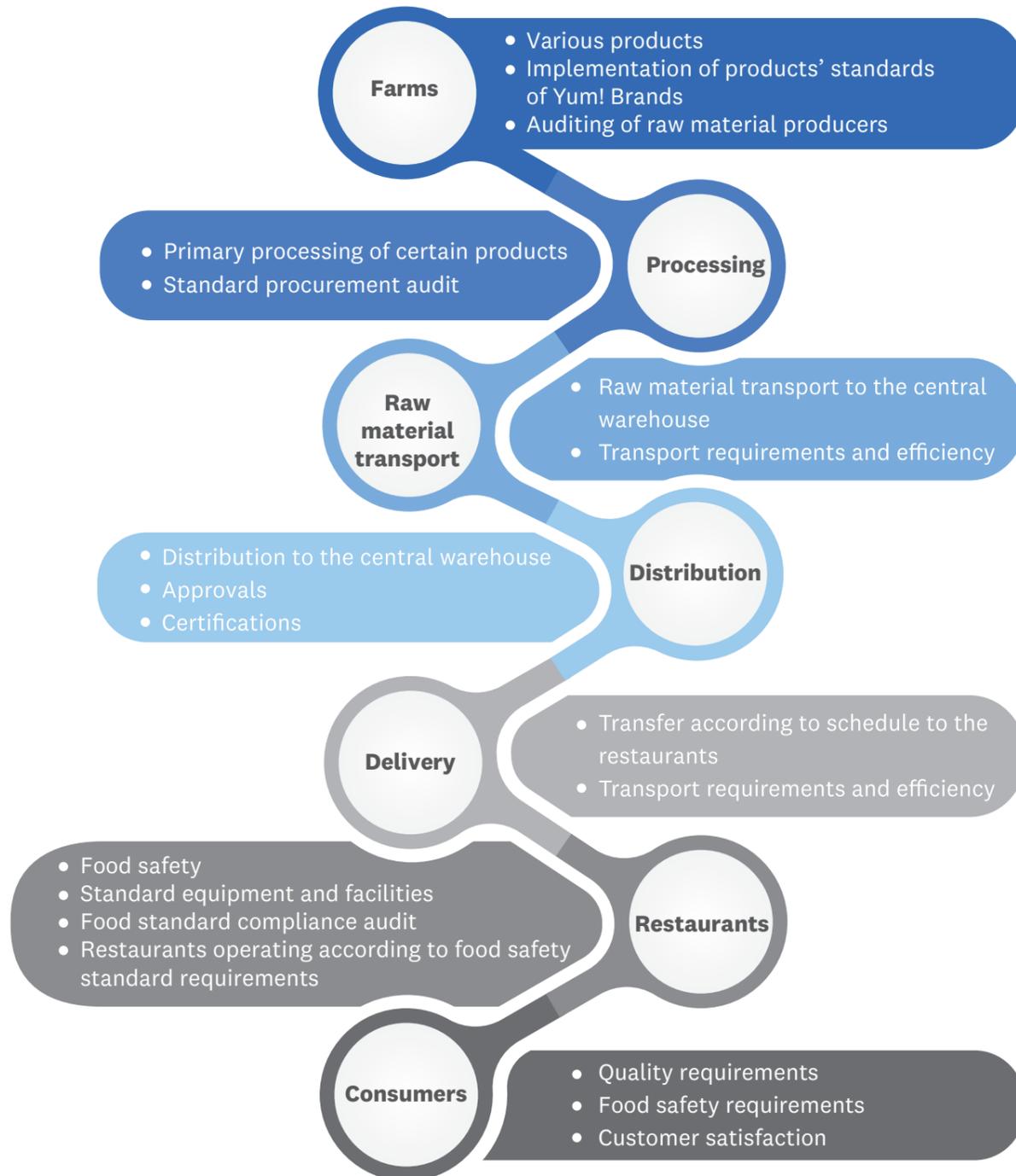
Since November 2016, storage and transport operations have been outsourced to Havi Logistics, which is the Romanian branch of the logistic service provider HAVI Group from the United States, with a consistent presence across Europe.

Transport, distribution and delivery to Romania and Moldova are carried out by Havi and relies on preset delivery schedules for all restaurants.

The distribution and delivery of products in Italy are carried out by using the services of Quick Service Logistics Italia S.r.l.

Restaurants and consumers

We make sure that everything that is placed on our customers' plates meets high quality standards, focusing more and more on their satisfaction. Along our value chain, we do not stop at the consumers, but also direct our endeavours to the segment of waste management. Therefore, we have taken a number of important actions in order to mitigate the potentially negative impact thereof.



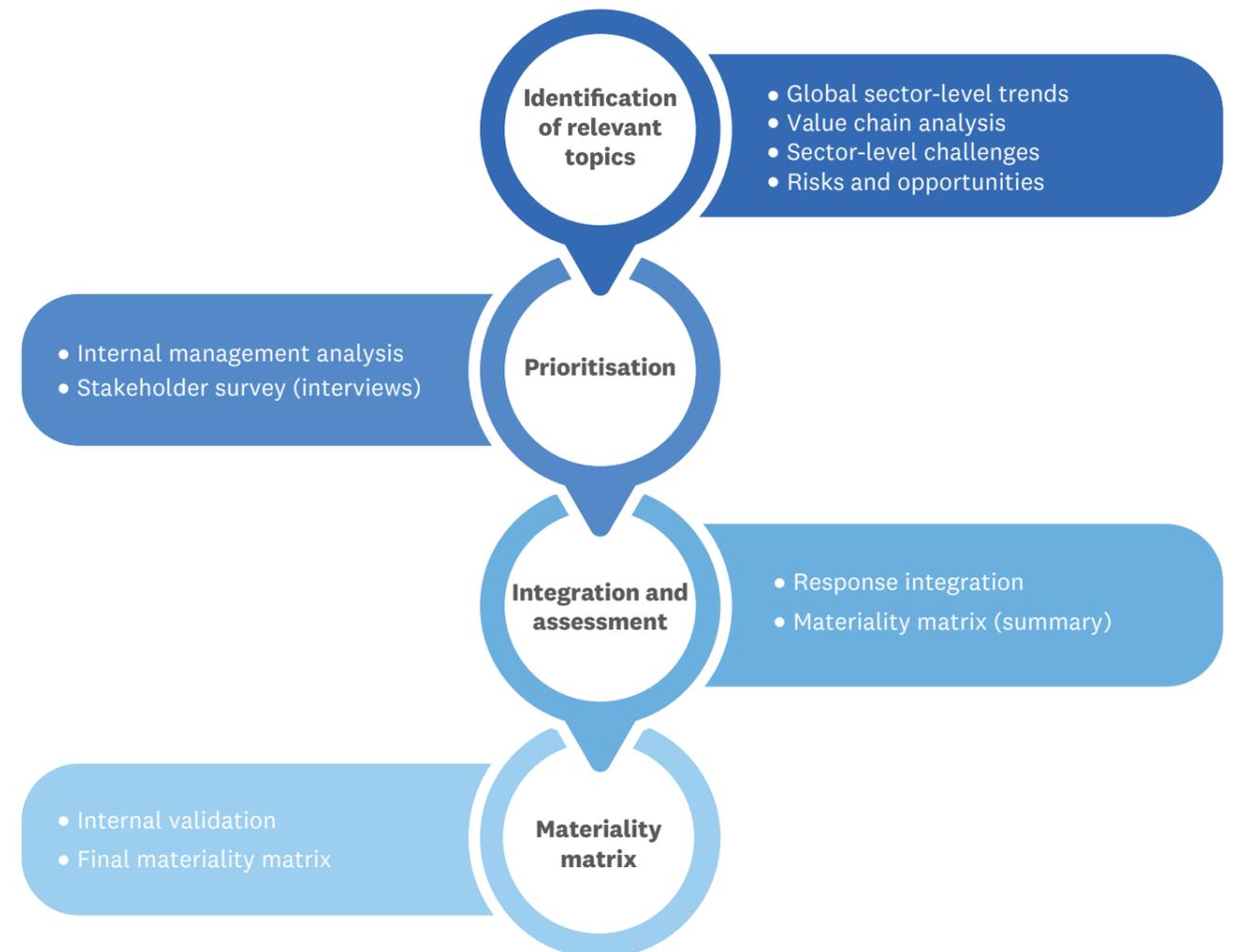
1.5

Materiality analysis

The analysis of material topics, the assessment and development of the materiality matrix covered four essential stages, which were carried out internally, as well as in close collaboration with the stakeholders.

In the first stage, several relevant topics were identified for the activity sector, as research and compilation of global quick service food sector trends and challenges. At the same time, a value chain analysis was performed for the Group and several of its subsidiaries. The information collected during these

activities helped define a list of relevant topics, which underwent initial management-level prioritisation, followed by a questionnaire-based survey applied to a rather vast sample of respondents across 10 groups of interested parties. **1,683** responses were assessed and integrated, following validation by Sphera Group management board, thus obtaining the final version of the materiality matrix.



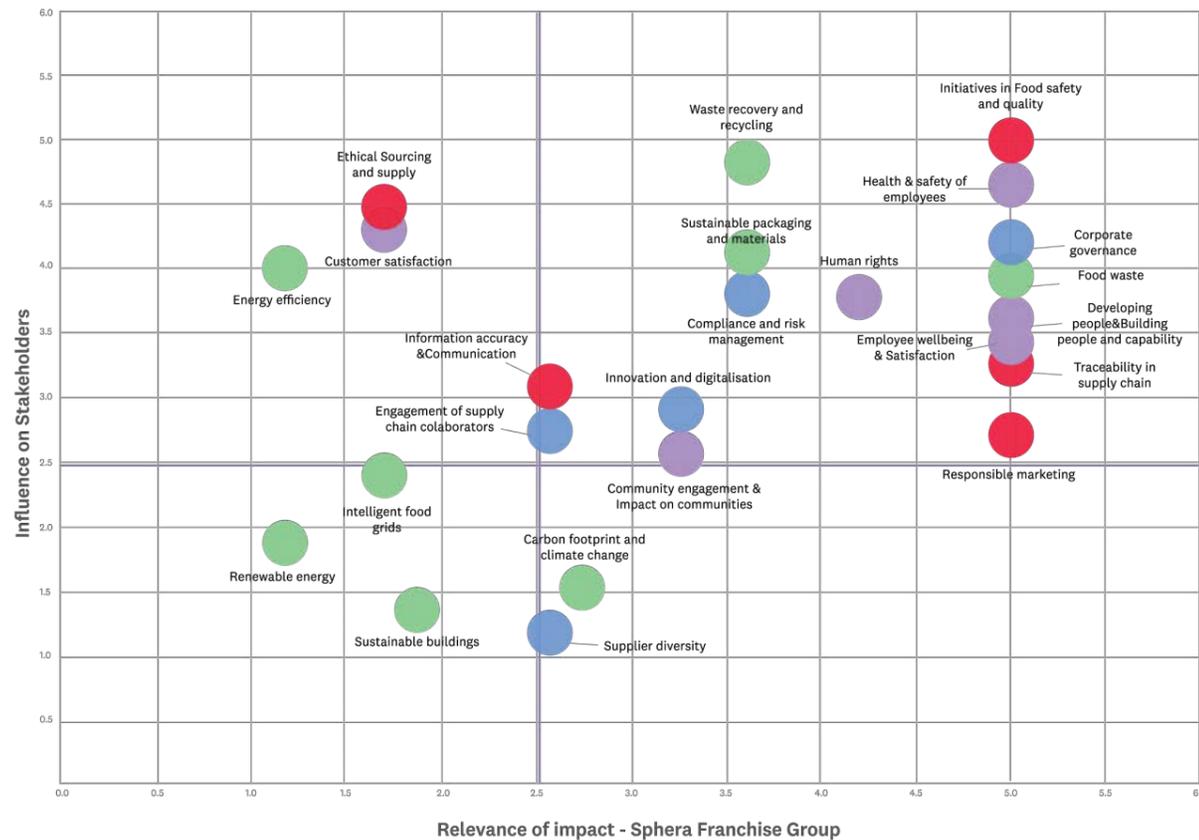
No.	Strategic direction (B=business P=Products E=Environment H=People)	Material topic
1	E	Energy efficiency
2	E	Renewable energy
3	E	Sustainable buildings
4	E	Carbon footprint and climate change
5	E	Waste recovery and recycling
6	E	Sustainable packaging and materials
7	E	Food waste
8	P	Traceability in supply chain
9	B	Corporate governance
10	B	Compliance and risk management
11	B	Innovation and digitalisation
12	B	Engagement of supply chain collaborators
13	B	Supplier diversity
14	E	Intelligent food grids
15	P	Information accuracy & Communication
16	H	Developing people & Building people and capability
17	H	Employee wellbeing & Satisfaction
18	P	Responsible marketing
19	H	Community engagement & Impact on communities
20	H	Human rights
21	P	Initiatives in Food safety and quality
22	P	Ethical Sourcing and supply
23	H	Health and safety of employees
24	H	Customer satisfaction

According to the analyses carried out, the internal and external applicability of the material topics is diverse, given that the needs and interests of some stakeholders met certain limitations. The content of this Report was outlined in consideration of these limitations and interests.

Material topics and interests of the internal and external stakeholders

No.	Material topic	Relevance and importance (assessment score)		Area of applicability / Limitations			
		for the company	for the stakeholders	INTERNAL	Limitations	EXTERNAL	Limitations
1	Energy efficiency	1.17	4.00	SFG	✓	YUM, F, AP, AUTP, U, ONG, C, M	
2	Renewable energy	1.17	1.87	SFG	✓	YUM, F, AP, AUTP, U, ONG, C, M	
3	Sustainable buildings	1.87	1.35	SFG	✓	YUM, F, AP, AUTP, U, ONG, C, M	
4	Carbon footprint and climate change	2.74	1.52	SFG	✓	YUM, F, AP, AUTP, U, ONG, C, M	✓
5	Waste recovery and recycling	3.61	4.83	SFG		YUM, F, AUTP, C, M	
6	Sustainable packaging and materials	3.61	4.13	SFG		YUM, F, AP, AUTP, U, ONG, C, M	
7	Food waste	5.00	3.96	SFG		YUM, F, AUTP, C, M, ONG	
8	Traceability in supply chain	5.00	3.26	SFG		YUM, F, AP, AUTP	✓
9	Corporate governance	5.00	4.20	SFG		YUM, F, AP, AUTP, M, I	
10	Compliance and risk management	3.61	3.80	SFG		YUM, F, AP, AUTP, C, M, ONG, I	
11	Innovation and digitalisation	3.26	3.91	SFG		YUM, F, AP, C, M, I	
12	Engagement of supply chain collaborators	2.57	2.74	SFG		YUM, F, AP, ONG, I, M	
13	Supplier diversity	2.57	1.17	SFG	✓	YUM, F, AP, C	✓
14	Intelligent food grids	1.70	2.39	SFG	✓	YUM, F, C	
15	Information accuracy & Communication	2.57	3.09	SFG		YUM, F, AUTP, C, M, ONG, AP	
16	Developing & building people and capability	5.00	3.61	SFG		YUM, U, AP, C, AUTP	
17	Employee wellbeing & Satisfaction	5.00	3.43	SFG		YUM, AUTP, AP, C	✓
18	Responsible marketing	5.00	2.70	SFG		YUM, C, F, M, I, ONG, AUTP, AP	
19	Community engagement & Impact on communities	3.26	2.57	SFG		YUM, C, F, U, AP, ONG, AUTP, M, I	
20	Human rights	4.20	3.78	SFG		YUM, C, F, AP, ONG, AUTP, M, I	✓
21	Initiatives in Food safety and quality	5.00	5.00	SFG		YUM, C, F, AUTP, AP	✓
22	Ethical Sourcing and supply	1.70	4.48	SFG	✓	YUM, F, AUTP, AP, I, ONG, M, C	
23	Health and safety of employees	5.00	4.65	SFG		YUM, F, AUTP, AP	✓
24	Customer satisfaction	1.70	4.30	SFG	✓	YUM, C, F, AUTP, AP	

Materiality matrix



Key: Stakeholder Groups and response partition (%) of the 1,683 total registered and validated responses

1.	Sphera Franchise Group: SFG	17.77 %
2.	Yum! Brands: YUM	0.18 %
3.	Suppliers: F	2.85 %
4.	Professional Associations: AP	0.01 %
5.	Universities/Schools: U	8.79 %
6.	NGOs: NGO	0.53 %
7.	Public authorities: PAUT	0.30 %
8.	Consumers: C	68.39 %
9.	Media: M	0.83 %
10.	Investors: I	0.35 %

SFG - Sphera Franchise Group includes employees and management of the following companies: US Food Network SA (Romania), American Restaurant System SA (Romania), California Fresh Flavours SRL (Romania), U.S. Food Network SRL (Moldova), US Food Network S.r.l. (Italy) and equity holders

F - Suppliers include: Raw material supplier (food), Raw material / materials supplier (non-food), Service supplier, Outsourced service supplier

Note: Considering that this is our first report, there are no changes in material topics approached and their limits.

1.6 Stakeholders engagement

We identified an important number of stakeholder groups, their needs and interests and we entered into several interactions with them for communication and their consistent engagement, as we are aware of the importance of building a long-term collaboration. Over time we have interacted in numerous ways and

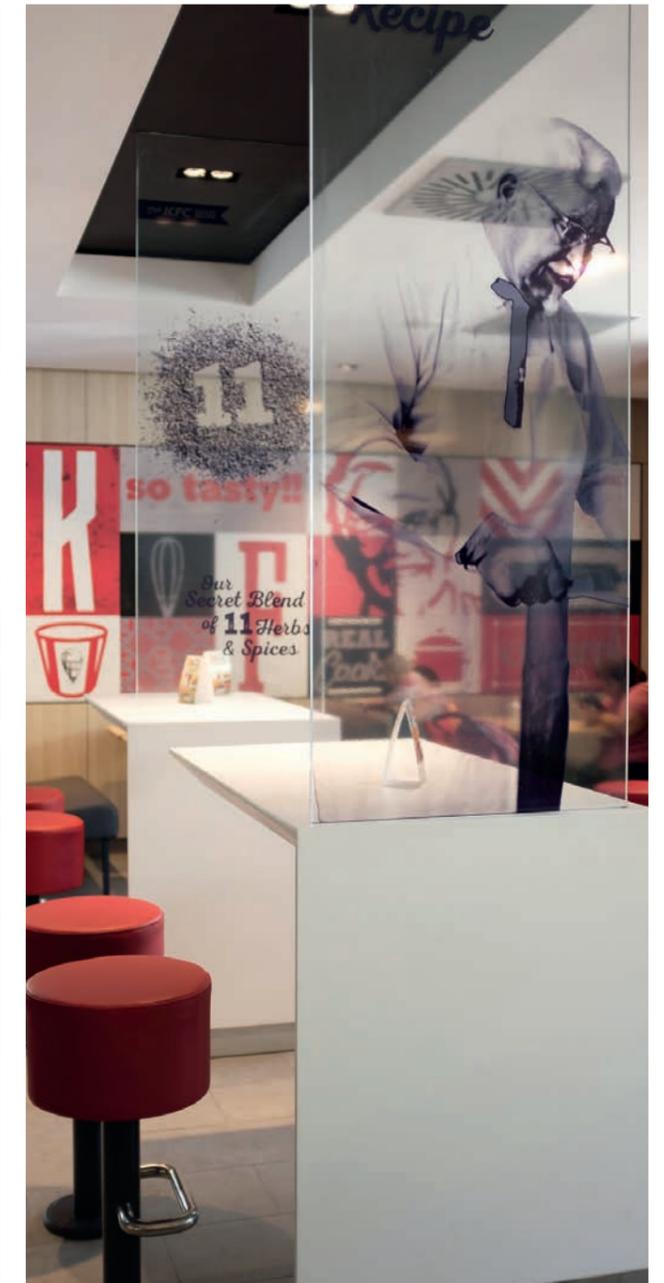
we intend to remain productive in our internal, as well as our external approaches, as they may lead to identifying a continued improvement of our business in the spirit of sustainability.

Stakeholders	Needs and interests	Their engagement and management		
		Mode of interaction	Action taken	
INTERNAL	Employees	<ul style="list-style-type: none"> Offering attractive salary benefits, employee financial stability Creating an adequate work environment, flexibility, workload, work-life balance Team work, appreciation, respect Covering training needs through trainings and development programs 	<ul style="list-style-type: none"> Meetings Trainings Internal communication platforms Employee satisfaction assessment surveys Performance assessment Internal initiatives Internal events 	<ul style="list-style-type: none"> Onboarding program Trainings, personal development workshops for restaurant-specific functions The program <i>Inspire the Future Leader in You</i> The program <i>Leading With Heart</i>
	Management (Sphera)	<ul style="list-style-type: none"> Sphera Group profit Product portfolio development Increased brand reputation Sphera Group growth and expansion Investors' attraction Commercial advantage Compliance with Sphera Group & Yum! Brands Compliance with the legal requirements in force 	<ul style="list-style-type: none"> Meetings Phone or video conferences Audits Work sessions Internal / networking events Performance assessment 	<ul style="list-style-type: none"> Trainings, personal development workshops for management-specific functions
	Shareholders	<ul style="list-style-type: none"> Increased brand reputation Positive share price evolution Business continuity High profit Competitiveness 	<ul style="list-style-type: none"> Meetings Phone or video conferences Audits Work sessions Events Reports 	
EXTERNAL	Yum! Brands	<ul style="list-style-type: none"> Compliance with Yum! Brands requirements Increased brand reputation Positive market evolution Business continuity 	<ul style="list-style-type: none"> Studies (e.g. market studies) Phone or video conferences Audits Events Reports 	<ul style="list-style-type: none"> Market studies

Suppliers	<ul style="list-style-type: none"> Partnerships between Sphera Group and its suppliers Continued supply agreements Business ethics Compliance with Sphera Group & Yum! Brands requirements and with the legal requirements in force 	<ul style="list-style-type: none"> Meetings Audits Events Working in partnership approaching relevant issues 	<ul style="list-style-type: none"> Siding with HAVI Logistics company, we conducted an internal study for the continued optimisation of transport activities within the supply chain Investments to identify PEFC and PSC certified packaging manufacturers 2 Yum! Brands audits at two chicken produce suppliers
Professional Associations	<ul style="list-style-type: none"> Affiliations to different professional associations in the field 	<ul style="list-style-type: none"> Working in partnership approaching relevant issues Support for certain legislative initiatives 	<ul style="list-style-type: none"> H.O.R.A Association – quarterly and annual meetings
Universities/Schools	<ul style="list-style-type: none"> Supporting certain initiatives through financial assistance: sponsorships, fellowships Public-private partnerships 	<ul style="list-style-type: none"> Studies Events 	<ul style="list-style-type: none"> Community investments and collaboration with various organisations for the funding of programs to support certain students with low incomes
NGOs	<ul style="list-style-type: none"> Increased reputation by associating the brands with the name of certain non-governmental organisations Support for financial aid initiatives or through volunteering programs involving employees 	<ul style="list-style-type: none"> Partnerships for various actions Meetings Events Social media 	<ul style="list-style-type: none"> Community investments and collaborations with various organisations to support different annual forecasted programs Food donation – Harvest program
Public authorities	<ul style="list-style-type: none"> Legal compliance Payment of taxes and related charges Public-private partnerships 	<ul style="list-style-type: none"> Meetings Events Annual reports 	<ul style="list-style-type: none"> Formal events
Consumers	<ul style="list-style-type: none"> Quality products, meeting standard requirements, with a good quality/price ratio Product innovations Permanent traditional product array Compliance with marketing and commercial communication regulations Proactive communication on the responsible consumption of fast food products 	<ul style="list-style-type: none"> Product labels Restaurant posters Video commercials Social media Information materials and reports Events Social, economic and environmental responsibility activities 	<ul style="list-style-type: none"> Technological development initiatives implemented in the KFC restaurants (kiosk systems and digital menus) Biannual restaurant audits on the compliance with food safety standards and local regulations requirements Informing and raising customer awareness regarding selective waste collection and adequate labelling of restaurant waste bins Replacement of plastic bags with biodegradable bags
Media	<ul style="list-style-type: none"> Communication transparency Compliance with marketing and commercial communication regulations 	<ul style="list-style-type: none"> Interviews Editorial content Articles Meetings Marketing actions Events Social media 	<p>Three pillar editorial plan: Corporate, brands and CSR (Corporate Social Responsibility)</p> <ul style="list-style-type: none"> Editorial opportunities Corporate, CSR and brand press release Corporate, CSR and brand events
Investors	<ul style="list-style-type: none"> Earnings after investments Business growth trend Sphera Group share price evolution 	<ul style="list-style-type: none"> Meetings Phone or video conferences Analysis sessions Events Reports 	<ul style="list-style-type: none"> Quarterly conference calls Attending internal and international conferences Meetings / calls with investors Company roadshow

Throughout the material topic analysis and the survey on the needs and interests of the stakeholders, we received the appreciation of many of our collaborators and consumers. In our turn, we also value the importance shown by the stakeholders for topics equally relevant for us and we hereby wish to take note of several aspects that we have already been taken into consideration, following their suggestions.

Suggestions taken into consideration in our approaches and strategy	✓ Transparency in communication
	✓ Benefits for the employees and customers ✓ Quality foods, selected raw materials, safe recipes
	✓ Use of recyclable packaging
	✓ Fewer plastic materials, use of biodegradable materials
	✓ Food donation
	✓ Ethical trading of products, collaborating with local suppliers, driving local economy
	✓ Raising public awareness regarding environmental protection



Sustainability Strategy Sphera Franchise Group - 2025

Together with this Report we are also launching Sphera Group's sustainability strategy. Key objectives setting was prefaced by a detailed material topics analysis, carried out for the very first time in our Group. The collection of the data and information needed for the Report enabled us to establish very reliable baseline while defining our strategy, carefully directed and oriented by the management board of the organization.

Our strategy relies on four strategic pillars and on the relevant material topics established jointly with the company's stakeholders. We have set out our general and specific medium and long-term goals, targeting achievements until 2025. For continuous progress monitoring, we shall assess our achievements over the following years.

We subscribe to the **United Nations Sustainable Development Goals** through **Agenda 2030** and we aim to actively contribute to reducing global impact.

OUR MISSION:

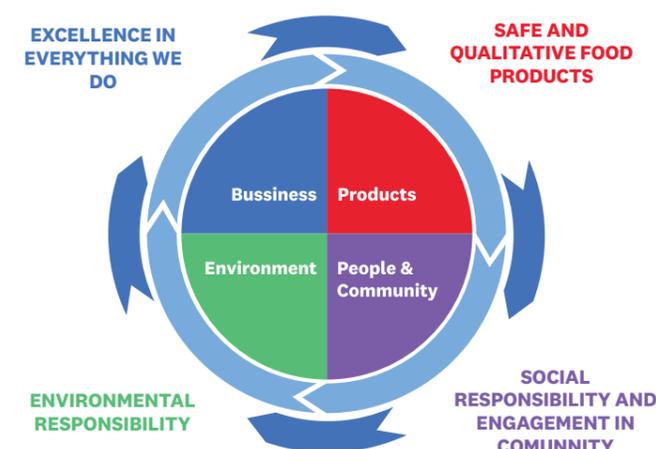
„Excellence in everything we do!”

Ensuring business excellence considering sustainable growth together with environmental and social corporate responsibilities.

OUR VISION:

„Development through relevance and trust”

Gradually creating more positive impact and benefits in the community through which we will grow our business. We balance the growth of the business with the needs of society and the environment and we would like to act as a sustainability promoter in the food service industry. We will actively contribute improving environmental performance of our operations and we promote social wellbeing through our social responsibility actions.



Goal 1:
No poverty



Goal 2:
Zero hunger



Goal 4:
Quality education



Goal 5:
Gender equality



Goal 7:
Affordable and clean energy



Goal 8:
Decent work and economic growth



Goal 10:
Reduced inequalities



Goal 12:
Responsible consumption and production



Goal 13:
Climate action



Sustainability
strategy

OUR GENERAL OBJECTIVES ARE:

BUSINESS

• **Corporate Governance & Compliance and Risk Management**

Assuring the highest corporate governance business standards

• **Innovation and Digitalization**

Providing high-level industry experience for customers, as well as team members

• **Incentive for / Engagement of supply chain collaborators**

Promoting sustainability in the supply chain and establishing certain minimal partnership standards

PRODUCTS

• **Supply chain traceability**

Product traceability and sustainability

• **Food quality and safety initiatives**

Providing the highest food quality and safety standards in the food service industry

• **Information accuracy & Communication**

Transparency in communication

• **Ethical procurement across the supply chain**

The core products are sourced from responsible, sustainable, and ethical methods

• **Responsible marketing**

Supporting customers by offering product diversity, standing as transparency promoters, through informative campaigns

ENVIRONMENT

• **Energy efficiency**

Reduced energy consumption and company carbon footprint

• **Sustainable materials and packaging**

Increased purchase of sustainable materials and packaging

• **Food waste**

Alignment to the principles on food waste avoidance and implementation of internal programs for the prevention thereof

PEOPLE AND COMMUNITY

• **Human rights**

“The Employer of Choice” by providing a non-discriminatory workplace, diversity and inclusion

• **Employee skill development and enhancement**

Continuous learning and development opportunities

• **Employee health and safety**

Providing a safe workplace for employees

• **Employee satisfaction and wellbeing**

Assurance of a pleasant, stable and safe working environment

• **Customer health and safety**

Maintaining a safe and sound environment for our customers

• **Engagement and impact on communities**

Support education in under-privileged communities

KEY TARGETS AND SPECIFIC GOALS

BUSINESS

- ✓ Shareholder transparency and equal access to information. Strengthening Internal policies and procedures. Increase level of Corporate Guideline and policies by 2025 to ensure that Sphera Franchise Group and its subsidiaries remain transparent and operate to the highest standards of corporate governance.
- ✓ Self-ordering kiosks in all stores (where footprint & design allow it)
- ✓ Digital menu boards in all stores (KFC & Taco Bell)
- ✓ Enhance team members experience through offering digital online trainings
- ✓ Kitchen operations (Kitchen Display System – KDS – system for optimizing order preparation and delivery, kitchen equipment technology)
- ✓ Customer loyalty program development, to provide a tailored experience
- ✓ Development of supply chain principles guideline of engagement and operation
- ✓ Assuring that all core suppliers are using ethical policies and sustainable methods
 - Using ethical methods in relationships with customers, employees and suppliers
 - Implementation of internal policies and checking suppliers for developing sustainability program / Conduct of supplier audits using sustainability criteria and assurance that they implement sustainable management programs
- ✓ Continued observance of the code of ethics across marketing communications
 - No children included in advertisements
 - No antisocial messages in advertisements
 - No excessive use of products in advertisements
- ✓ Ensure responsible consumption
 - More online / digital advertising in order to reduce paper waste
 - Promotion of sustainable packaging and decreased use of plastic straws
 - Display of products and ingredients nutritional information, sustainable products typically labelled

PRODUCTS

- ✓ Transparent and reliable information about the products
 - Implementation of a platform enabling traceability of the ingredients of our products
- ✓ Sustainable product / packaging implementation
 - Sustainable packaging, replacement of plastic straws
- ✓ Expansion of the Group CSR programs

ENVIRONMENT

- ✓ Efficient lighting (LED) in all new stores and when remodeling the existing ones
- ✓ Increasing use of bikes and electric vehicles for Pizza Hut Delivery & KFC Delivery
- ✓ Use of recyclable packaging for food products
- ✓ Use of reduced carbon footprint refrigerators
- ✓ More frequent use of the QMP (Quality Product Management) system, to optimize production in high-traffic restaurants



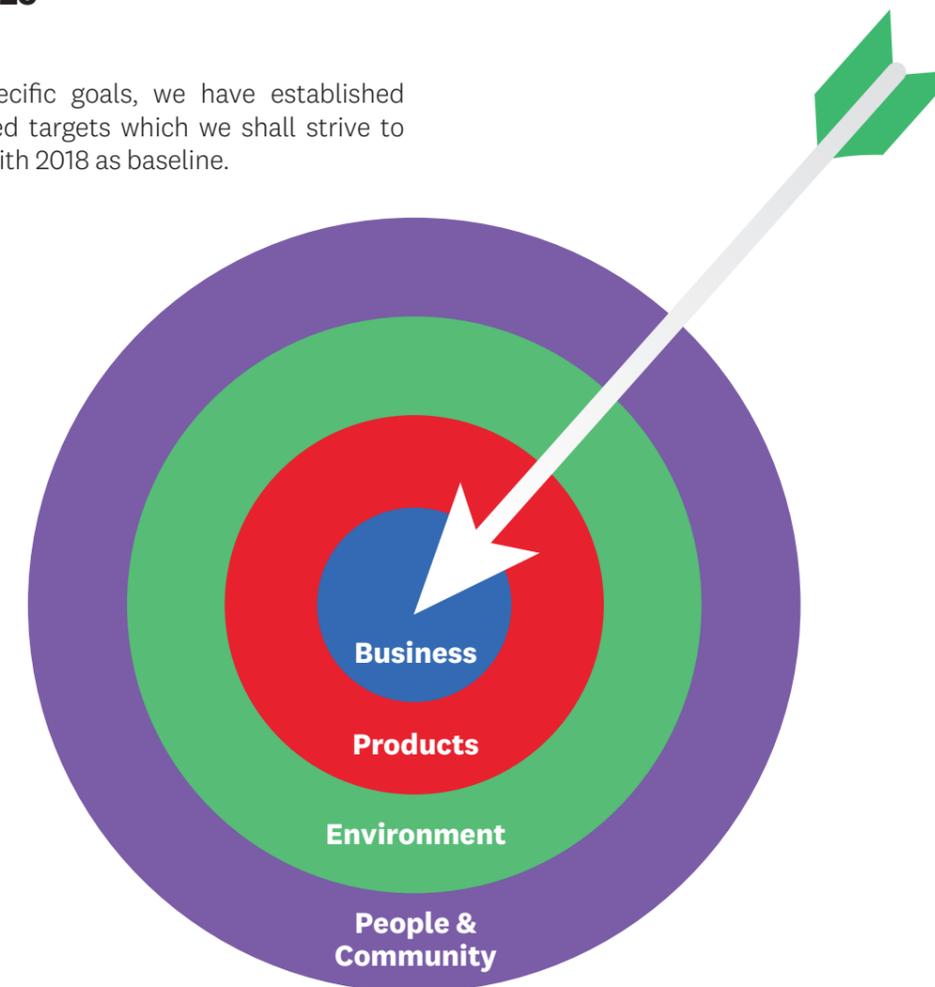
PEOPLE AND COMMUNITY

- ✓ Zero tolerance for gender, religion or politic opinion discrimination
- ✓ Leadership trainings for managerial roles
- ✓ Implementation of the Employee Recognition Program
- ✓ Deployment of new programs to support continued employee training on occupational health and safety
- ✓ More efficient audits on occupational health and safety
- ✓ Leisure facilities for new restaurants opened from 2020
- ✓ Community campaign engagement
- ✓ Continued partnerships with education institutions, to support different generations as regards access to the labor market, career and professional development



GOALS for 2025

Based on our specific goals, we have established several well-defined targets which we shall strive to achieve by 2025, with 2018 as baseline.



Target 1

Core products suppliers audited in Ethical Code of Conduct and Sustainability Approach by 2025

Target 2

100% of stores equipped with **Self ordering Kiosks** (where the store foot print and layout allow), by 2021

Target 3

100% of restaurants fitted with digital menu boards in all KFC and Taco Bell restaurants, by 2022

Target 4

100% of our plastic-based consumer packaging should be recoverable or reusable, by 2025

Target 5

100% efficient energy lighting (LED systems), by 2024

Target 6

2% of staff coming from vulnerable communities or persons with disabilities, as well as various nationalities, by 2023

Target 7

50% of operation training portfolio available as digital applications / in digital format or gamification content, by 2022

Target 8

80% internal promotion rate for managerial roles within restaurants, by 2025

We stay on top of the market through the excellence of our products and services

Our products are in line with both our consumer preferences and quality requirements, as food safety is our main priority. Our product adverts are geared towards communicating transparency and accurate information.

We are innovative and deliver excellence to our consumers in everything we do: from products and services, to extraordinary experiences.



Products



3.1

Our products and brands

OUR BRANDS

SPHERA Franchise Group is the largest group in the food service industry in Romania, holding the companies that operate under franchise rights KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell brands.



KFC

KFC is the largest chain of quick service restaurants (QSR) specialized in chicken products in the world in terms of number of restaurants, managing over 22,000 units in more than 135 countries and territories under the name "Kentucky Fried Chicken" and/or "KFC", being one of the best-known brands in the world.

KFC is also the largest chain of restaurants serving chicken products in Romania, both in terms of total sales, and the number of restaurants. The first KFC restaurant in Romania was opened in Bucharest, in April 1997, and by the end of 2018, the network grew to 76 restaurants nationwide. KFC is present in Romania in cities with a population of less than 100,000 inhabitants, the most dominant presence being in Bucharest.

The first KFC restaurant in the Republic of Moldova was opened in 2008 and the Group currently operates two restaurants in Chisinau. The Group opened its first two restaurants in Italy in 2017, in Verona and Mestre, and by the end of 2018, the Italian KFC network had already grown to 10 units.

Number of KFC restaurants

2017 TOTAL 72

KFC Romania	68
KFC Moldova	2
KFC Italy	2



2018 TOTAL 88

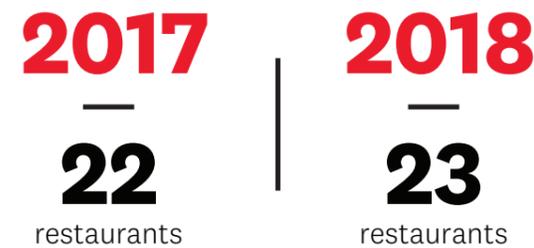
KFC Romania	76
KFC Moldova	2
KFC Italy	10



Pizza Hut is an American restaurant chain and international franchise, founded in 1958 by brothers Dan and Frank Carney. The menu comprises typical Italian and American dishes, among which pizza, pasta, side dishes and desserts.

In Romania, Pizza Hut is the largest casual dine-in restaurant chain in terms of total sales and number of restaurants. The first Pizza Hut restaurant was opened in 1994 in Bucharest, and, by the end of 2018, the franchise included 23 restaurants located in major cities across the country.

Number of Pizza Hut (Dine-in) restaurants in Romania



Romania's first Pizza Hut Delivery restaurant opened in 2007, in Bucharest, followed by another one outside the city, reaching at the end of 2018, a network of 22 units. Pizza Hut Delivery uses the delivery system for the products in the portfolio of its own restaurants. By meeting customer needs and pursuing the delivery development plans, we doubled the number of units over the last 2 years.

Number of Pizza Hut Delivery restaurants in Romania



The first Taco Bell restaurant opened in Bucharest on October 12th, 2017. The launch also marked the entry of the Southern Californian brand in Central and Eastern Europe, being the first location within a 1,208 km radius in the area. The Taco Bell menu is made up of Mexican-inspired products, and the "Live Mas" slogan stands for the brand's philosophy to enjoy life and have fun. Currently, there are over 360 Taco Bell restaurants in more than 27 countries outside the United States, and the company and its franchisees operate more than 7,000 restaurants, among which, 5 are in Romania as part of Sphera Group.

Number of Taco Bell restaurants in Romania



OUR PRODUCTS

Our products comply with the Codes of Practice internally established, each supplier being regularly inspected, both internally and externally, as part of independent annual audits.

Each product is available for sale with a specific shelf life, which is in line with Yum! Brands, Inc. global standards and best practices, to ensure that only the freshest products are sold to our customers.



All our restaurant staff is trained in food safety and hygiene. The restaurants are regularly inspected and audited by our internal auditors as well as external auditors approved by Yum! Brands, Inc.

Our sustainability principles are applied in selecting the raw materials used for our products, in food preparation and in the waste management process, whenever possible.

MATERIALS AND RAW MATERIALS USED

We only develop partnerships with producers or suppliers who can demonstrate high food safety standards, an appropriate product quality level and availability. Regarding the suppliers of certain foods and raw materials that can either present a safety risk, may be at risk of supply or whose production process is complex (such as meat, cheese, certain pizza ingredients, tomato paste, flour and several spices), they must be pre-approved by Yum! Brands, Inc., and their respective operations are audited on a yearly basis. These audits are performed by independent specialised companies approved by Yum! Brands, Inc.

More than 70 % of the Group's food supplies and raw materials come from the Romanian market, including important categories such as meat, cheese and vegetables. Other products, which are vital to the brands' product identity (such as spices, tomato paste, pizza flour) are acquired through Yum! Brands, Inc. supply contracts.



Oil



Our products are not prepared with palm oil, as it was removed from the food preparation process since 2016 to meet major sustainability benchmarks. We use sunflower and rapeseed oil, and the used oil is afterwards recycled in collaboration with companies specialised in biofuel production technologies.

The oil used for the preparation of our products does not contain artificial trans fats.

Chicken meat



80% of our fresh chicken meat is supplied by Romanian companies, which deliver the chicken most of the time directly to our restaurants.

Meat is cooked in the KFC restaurants by our specially trained cooks, and for freshness each piece of chicken is roasted within 5 to 10 minutes after coating with flour.

Coffee



The coffee we sell to our customers has Fairtrade certification and comes from 100% Arabica beans.

PRODUCT PACKAGING

At KFC and Taco Bell, all paper and cardboard packaging (such as bags, cartons, boxes, cups) come from responsibly managed forests and/or from recycled sources.

The cardboard used for the pizza boxes and paper bags for Pizza Hut and Pizza Hut Delivery are also sourced from responsibly managed forests and/or from recycled sources. In addition, both brands use biodegradable and compostable bags.

The packaging for our products comes from suppliers that are certified by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or the Sustainable Forestry Initiative (SFI).

Less plastic

In November 2018, Sphera Franchise Group announced the decision to stop using plastic straws in all KFC, Pizza Hut and Taco Bell restaurants in Romania, starting April 1, 2019.

OUR CUSTOMERS COME FIRST

Within the Group, all complaints and reviews received from customers are a priority for the organization and addressed, depending on the situation.

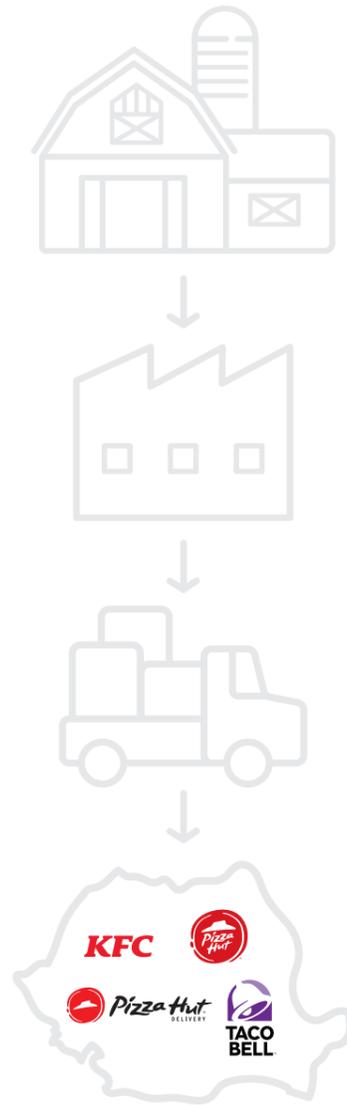
We enforce a domestic claim settlement policy and we undertake the assessment and identification of causes thereof. In addition, the complaints and reviews received lead to qualitative improvements of our services and restaurants, and we approach them with the utmost seriousness.



3.2

Traceability in supply chain

Traceability is a key concept in our supply chain management, involving the tracking of goods from the acquisition from the supplier, up to their sale to the end-customer. Sphera wants to promote a sustainable range of products and we work closely with our suppliers to make sure that the quality requirements for our raw materials and products, as well as environmental and social requirements, are complied with throughout the entire supply chain.



Supply chain traceability is particularly important to ensure the necessary products to end-customers while meeting their expectations and it is an important constituent of food safety, as well as the prevention and avoidance of food market crises.

Moreover, traceability is of topmost importance within the supply chain, as it enables the identification of goods history, as well as the tracking of a raw material sample, in order to establish the preventive intervention measures to maintain quality standards, such as blocking a batch on delivery.

We work with the logistics company HAVI Logistics for the continuous optimisation of transport activities within the supply chain. Between May and June 2018, HAVI conducted an internal study using the specialised analysis software **Paragon** to

optimise and implement the delivery plan, leading to the reduction of the total number of deliveries and mileage, and, implicitly, of fuel consumption.

The cargo volume and number of deliveries were analysed, measuring the number of pallets per delivery, the average weight per pallet, and the number of kilometres travelled.

Sphera's internal policy regarding the supply chain is to undertake all concerns that may arise with the utmost responsibility, by integrating each product (raw material) into quality management and the food safety systems. Each material/item undergoes a verification and approval process, and every raw material or product received is accompanied by traceability supporting documents.

3.3

Engagement of supply chain collaborators

Sphera promotes supply chain transparency and long-term relationships with its suppliers and other collaborators, as well as training and guidance towards sustainable business approaches to continuously improve their performance in the relation to the Group and, implicitly, as concerns the end-consumer.



Sphera's main medium and long-term goal is the broadening of its cooperation with raw material suppliers that meet the Global Food Safety Initiative (GFSI) certification requirements, a global initiative that unites key food industry actors in order to contribute to the continuous improvement of food safety management systems across the world. These include the British Retail Consortium Global Standards, International Featured Standards (IFS) and A+ Standards. The British Retail Consortium (BRC) introduced, for the first time in 1998, the Global Standard for Food Safety, a Global Food Safety Initiative (GFSI) standard. The International Featured Standards (IFS) comprise eight different food and non-food standards, covering the processes along the supply chain.

During the reporting period, the goods traceability enquiry was carried out by integrating the assessment into our internal assessment programs ROCC (Restaurant Operations Compliance Check) and FSA (Food Safety Assessment). The results of the assessments carried out by third parties are recorded on Starnet electronic platform, where all Yum! Brands, Inc., accredited suppliers from all the countries where this corporation operates have access. The supplier traceability data is uploaded by the Quality Departments and we intend to maintain such practices at the highest level, by arranging structured audits and preparing corrective action plans.

3.4

Supply chain diversification

Sphera encourages supply chain diversity regarding the provision of goods and services contracting by assessing and listing several suppliers that meet company requirements, maintaining both active and backup suppliers in order to ensure business operation continuity under optimal conditions, and adopting sustainable solutions. The management approach focuses on the development of a database which comprises of approved producers or suppliers of products and services in order to ensure alternative solutions and avoid critical situations.



The purchase of products and services

Diversity in the supply chain is a guarantee of product continuity and availability for all the restaurants under the umbrella of Sphera Franchise Group.

As we hold multiple suppliers/producers registered for products or services, we can ensure that we conduct our operations under optimal conditions and, concurrently, benefit from competitive prices.

Our acquisition process approach has a major impact, both within the company and outside of it, throughout the entire supply chain. Within the competitive environment where we operate, we have business relationships with both local and international producers / suppliers.

Having diversity with our suppliers has two competitive advantages: small local businesses help

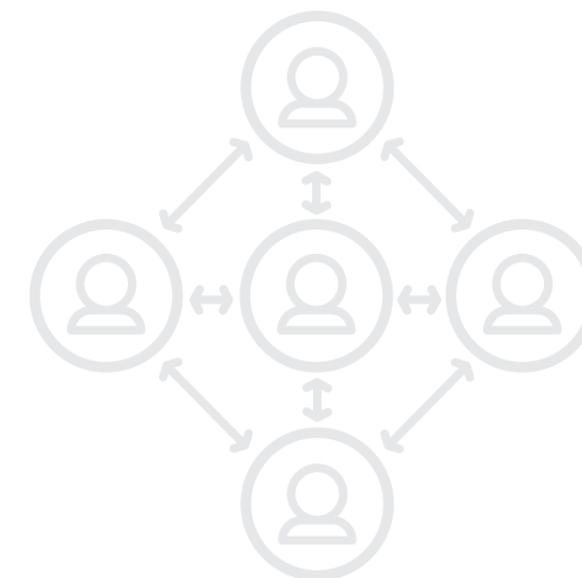
us in situations where adaptation to rapid market is needed, while medium and large-sized businesses provide the necessary support to ensure company continuity.

Producer/Supplier diversity is the foundation of our company's success and helps us to purchase products and services efficiently, while maintaining our profits, increasing our customer numbers, improving economy, and encouraging innovation. The Group's internal acquisitions policy is based on active negotiations with the producers/suppliers of products and services to make the business more efficient. Supply and its efficiency depend on the establishment and developing relationships with the producers/suppliers during the pre-contractual, contractual and post-contractual stages.

3.5

Information accuracy and communication

Sphera Group and its subsidiaries ensure responsible and efficient communication with all stakeholders involved in the business, and communicate in a transparent way, using communication platforms that are diverse and easy to use, with a wide range of stakeholders.



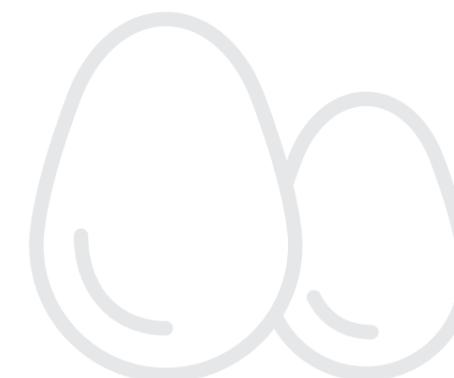
Important information regarding our Group's products and services can be found both online, on the websites of each brand, and in each restaurant, primarily on the menu and near the tills. These include information on ingredients, allergens, weights, and frozen food products, as well as the nutritional value for the products served. To be certain that such information is accurate and sufficient, we rely on specifications received from the suppliers of raw materials, as well as the analysis reports issued by approved laboratories.

The accuracy of the information we communicate is important both outside of our company, to our consumers (customers), our employees, our investors and to the authorities, and within the company. Our clients have at their disposal several communication channels through which they may express their opinions regarding our products and services: Social Media (Facebook, LinkedIn, Instagram), official websites and e-mail addresses of all our brands, as well as customer satisfaction surveys. We strive to maintain constructive interaction and communication with the communities where we operate.

In the future, we want to increase visibility of all products acquired from sustainable sources, and we have successfully undertaken a constructive

collaboration with our suppliers in order to meet this objective.

For instance, we collaborate with Toneli Holding SRL for the purchase of fresh eggs in all our KFC restaurants, to ensure they come **from free range hens that were fed cereal grains.**



3.6

Responsible marketing, innovation and digitalization

We help people make the right choice

Marketing

Sphera and its subsidiaries are committed to leading the marketing processes responsibly and in accordance with the internal policies and requirements in force. The integrity and reputation of our brands are extremely important, so we approach all marketing campaigns with honesty and transparency, while being open to the improvement suggestions from the main stakeholders.

Our marketing and advertising activities are essential in attracting new customers and maintaining the loyalty of the existing ones. The Group's marketing strategy aims to increase sales by strengthening brand awareness among our customers through dedicated actions and messages, promoting the quality of our products, highlighting the innovative approach and our desire to offer a unique experience.

In broad terms, the marketing activity comprises four major directions:

1. Supporting basic products

which refers to the promotion of products considered flagships for our brands, such as Hot Wings, Crispy Strips, Bucket from KFC, PAN dough pizza recipes from Pizza Hut or tacos from Taco Bell. These products are an important part of our sales mix, generating gross margins above average.

2. Accelerating innovation

by launching new products and offers, generally for a limited period, aiming to bring innovative items to our menus and increase the perception of variety among our customers. In recent years, we have been successful in launching new products such as Fillet Bites, Burritos, BoxMaster, Meltz and American Bites for KFC, and pizza Cheesy Bites Remix or Flatbread for Pizza Hut.

3. Developing new products

enables us to target new customer segments or different time of the day, by introducing product categories such as those for breakfast and coffee, sandwiches, snacks, new beverages and desserts, or delivery services.

4. Increasing value and relevance

are essential to our strategy to constantly maintain attractive offers in the menus and promotional campaigns.

Sustained marketing activities have enabled our brands to attract one of the highest levels of awareness among restaurant customers in Romania. According to the "Brand Image Tracker" report of 2018, developed by Kantar Millward Brown, KFC's spontaneous awareness (without indices) was 82%. During the same period, spontaneous Pizza Hut awareness reached 49%.

We are constantly reviewing consumers' perception patterns concerning Sphera brands, products and services, as well as their consumption behaviours and lifestyle preferences, to continuously improve our offer and maintain customer relevance.

The main types of consumer analysis that we carry out are shown below.

→ Brand image analysis reports

are developed on a quarterly basis and they are designed to identify consumption volume and current market shifts in quick service restaurants and Dine-in restaurants. We measure the progress of our brands relative to our major competitors, based on a set of critical image attributes, identifying our brand power, and discovering key communication features that will contribute to brand development.

→ Innovation campaigns

are used to test new concepts and products, in order to choose the most successful product, optimize the recipes in accordance with customer preferences and adjust prices. For existing products, we test the potential ways to improve ingredients, taste and perception in order to increase their attractiveness among our customers.

→ Consumer behaviour reports

are reviews and assessments of consumers' attitudes towards the concepts of quick service and Dine-in restaurants, consumption behaviours, key factors and barriers concerning these types of food services and help us identify the market segments with the most potential to be targeted by our brands, as well as our growth opportunities.

→ Opportunity studies

are carried out to assess the potential for launching a new brand on the market, by identifying the competitive set and the expected financial performance, evaluating whether there is room for another player on the market, as well as estimating customer appetite for the type of restaurant to be opened and by testing the products offered by the new brand.



Responsibility

Consumer preferences for food service segments, such as quick service restaurants, table service restaurants and pickup/delivery service restaurants are influenced by multiple factors, such as: **consumer tastes, national, regional and local economic conditions** and **geographical trends**.

Innovation

Sphera Group seeks to maintain product attractiveness through innovation, especially by frequently launching new recipes. We mix innovative products with financially and gastronomically attractive offers in order to increase customer visit frequency, as well as brand loyalty. According to the franchise contracts, Sphera is legally bound to spend, for each brand (KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell), at least 5% of in-restaurant sales on marketing and promotion activities.

Digitalization

Digital format menu communication and the use of new technologies to fulfil orders, aiming to improve the experience of our customers and employees, along with other innovative technologies for our products, constitute priority initiatives within Sphera's process for sustainable company development.



KIOSK system launch

We improve service quality through order placement rapidity

In 2018, Sphera decided to transform the KFC experience using technology aimed to facilitate the order placement process within restaurants, in order to increase the customer interaction level but also to become a leader for the local food service industry. Kiosk-type systems have been implemented in 6 of the KFC restaurants: Mihai Bravu Drive Thru and Oltenitei Drive Thru in Bucharest, Roman, Alba Iulia and Satu Mare (two locations).

KFC customers can place and customize their orders directly at these kiosks, to then pick up at the till area.

Results show that in restaurants where such kiosks have been installed, on average, 9 out of 10 orders placed are made and managed using those kiosks. Technology has given us the opportunity to interact with our customers in a novel way, improving the efficiency of our services, and, as they become more popular, the customers acknowledge the benefits too.

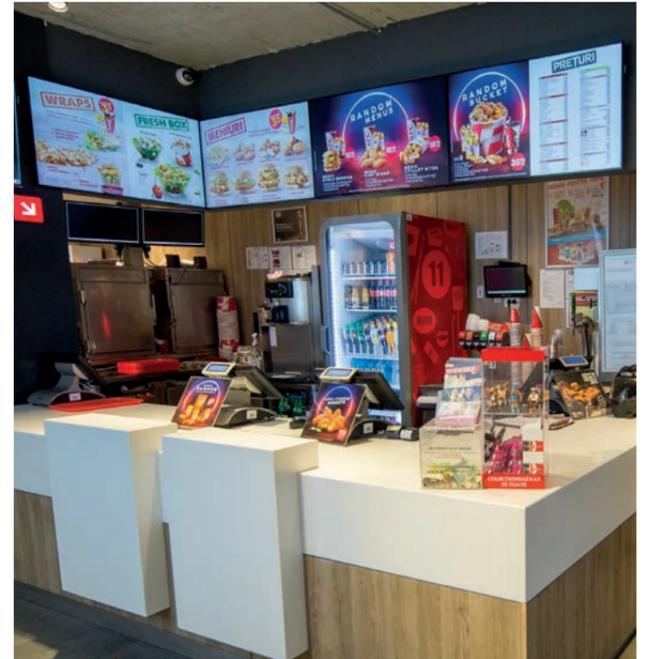
Sphera's goal is for 30% of the KFC restaurants to have the automated kiosk ordering system by the end of 2019, aiming to have 12 locations by the end of March.

Installing the Kiosk system does not mean that the till operators would be dismissed. Rather they would be relocated to other activities, by reconfiguring restaurant teams in reference to their roles and responsibilities, including guidance of the customers to use and benefit from this tool. Our efforts continue to focus on attracting and hiring employees, as well as building their loyalty. We also make constant investments in their professional development and opportunities that not only meet their financial and flexible work requirements but also provide the prospect of long-term careers in the food service industry.

Digital menu boards

We have also installed digital menu boards, currently being used in 24 of our locations, i.e. about 30% of KFC restaurants. This type of menu display enables the efficient communication management within restaurants and has a positive operational impact. Furthermore, digital menu boards are a very good way to promote product offers at different times of the day and to inform customers about their favourite products.

We plan to bring digital menu boards in about 70% of our restaurants in 2019.



Delivery services

We constantly focus on our customer needs and expectations, as they change along with their consumption behaviour. Consumers are increasingly eager to have the option to access our brands from the comfort of their homes, and Pizza Hut Delivery and KFC Delivery make this possible.

In Bucharest, we operate the delivery service with our own fleet and resources, which include 12 electrical bicycles, 41 cars and 266 scooters, for maximum reaction and efficiency, as well as 381 couriers. Our goal is to continue to invest in our delivery infrastructure.

Pizza Hut Delivery already has a mobile application and we will launch one for KFC in 2019. We make digitalization a priority in the Group to offer a more user-friendly experience to our customers.



3.7

Initiatives in food safety and quality

Sphera is committed to providing products and services of the highest quality, to meet customer needs and expectations, from all points of view. Our business depends on the quality and integrity of the products marketed and on consumer perception. Brand integrity also plays an important role.

Food safety is our top priority. Supplier, distributor and restaurant audits are carried out on a regular basis, in order to assist efficient implementation of the best practices regarding food safety and the prevention of food safety and quality incidents.

Food safety and quality

We are committed to ensure the highest quality and best food safety standards, in all our restaurants. We have a dedicated Quality Assurance team that ensures compliance with all relevant requirements, sets the key performance indicators for suppliers and monitors compliance, while staying in touch with the Quality Department within Yum! Brands, Inc. and providing training and technical assistance to restaurant staff. All our restaurants have implemented food safety procedures in accordance with HACCP principles, as provided for by EU and local legislation (EU Regulation No 852/2004, EU Regulation No 853/2004, Decisions No 924/2005 and No 925/2005 of the Romanian Government). Through these procedures we are constantly monitoring all parameters with possible impact on consumer health, such as product storage and cooking temperature, staff hygiene and restaurant

facilities. We guarantee the safety of our products by means of monthly self-testing programs for microbiological parameters of finished products, water, ice and work areas.

If we receive food safety complaints, we address them with maximum priority, and we respond to the interested parties in due course to better understand the possible causes that led to the complaint.



TRACEABILITY MONITORING

We monitor the traceability of all our raw materials and ingredients from suppliers to restaurants, in accordance with local food safety regulations. We also perform annual recall simulations, in order to identify and remedy any traceability gaps.

A key objective of our Quality Assurance Department is to adequately and continuously train the food safety teams of each restaurant and rapidly inform them about the changes in legislation and food safety research (such as EFSA – the European Food Safety Authority, and GFSI – the Global Food Safety Initiative).

We have also established a restaurant-level procedure for food safety crisis management, which sets out the responsible persons and the steps to be taken in case of a possible crisis. Every year, we train our restaurant staff on this food safety crisis management procedure.

Over the past two years, we have had no major food safety events in our restaurants.

We strive to provide our customers with detailed information concerning the ingredients, nutritional values and allergens of our products.

Our Quality Assurance Department communicates with state authorities on food safety matters, such as DSP (Department for Public Health), ANSVSA (National Sanitary Veterinary and Food Safety Authority) or ANPC (National Authority for Consumer Protection) during all the checks initiated by the said authorities, providing all the feedback required.

TRAINING

Training on food safety matters is intended to:

- ensure the required competency of the staff, at all hierarchical levels;
- ensure that the staff responsible for monitoring, enforcing corrections and corrective actions within the food safety management system is appropriately trained;
- raise awareness among the staff regarding the relevance and importance of their individual activities as contributory to food safety;
- make known the importance of acknowledging and maintaining the effectiveness of the communication requirements for the staff involved in activities that have an impact on food safety;
- ensure that the entire staff is aware of the importance of maintaining a strict personal hygiene, strict work equipment hygiene and that of the protective equipment, the working areas and of the production equipment.

The Group ensures that anyone who carries out activities that have an impact on food safety, product quality and legal requirements are trained on food hygiene matters, according to the activities they perform, as described by Government Decision No 924, Appendix 2 to the General Rules, Chap. XII, Training, section a.

Food safety begins with our management team and is then reflected onto our partners and employees. We have a global approach, taking food safety into account throughout each step of the supply chain.

Total number of food safety trainings

	Hours of food safety training	2018
Sphera Franchise Group	KFC Romania	82,504
	KFC Moldova	1,616
	KFC Italy	10,940
	Pizza Hut Romania	13,004
	Pizza Hut Delivery Romania	10,172
	Taco Bell	4,568

We pride ourselves on being receptive to the suggestions of our customers and collaborators, and we consider that commitment is a key instrument in keeping up with the trends and concerns of the food industry and restaurants.

This helps us monitor the risks, in particular with regard to food safety, nutrition evolution in general, supply chain management, and the challenges for our franchise-based business model.

AUDITS

Our food safety audit program is designed to promote efficient control and risk reduction throughout our supply chain.

Supplier audits are carried out by authorized personnel that went through intensive training. They must be capable to perform food safety audits with accuracy and competence in order to minimize scoring variability and increase confidence in the audit process.

We select our suppliers based on audit performances, risk assessments, people skills and key performance indicators with regard to food safety preventive checks. These include good production practices (GMP), **Hazard Analysis and Critical Control Point** (HACCP), pest control, plan withdrawal and contamination protection.

For instance, during the reporting period, all class A raw material suppliers providing basic products were audited.

As a specific key objective, we intend that all raw material suppliers be audited twice a year, in order to check their compliance with our requirements and with the specific legal requirements of the food sector, environmental and social protection.

Moreover, we periodically perform checks of the physical parameters for chicken meat in accordance with the technical specifications.

Third party food safety specialists are auditing our restaurants twice a year, for compliance with food safety standards and local regulatory requirements. Additionally, our restaurants must also meet the equipment standards.

Yum! Brands and FRANCHISOR POLICIES

Sphera Group operates in accordance with Yum! Brands, Inc. policies and practices. This ensures the sustainable sourcing of our products, ingredients and packaging, committed to comply with the highest standards on food safety, quality and business ethics.

Our food safety standards lay down requirements for the safe production of food products. These standards guide employees training in collaboration with food safety and quality assurance experts throughout the entire organization.

Restaurant team members are also trained on the topics of employee health, product handling, ingredient and product management, as well as cross-contamination prevention.

Our food safety standards settle requirements for the safe preparation of products.

The audit plan and its visit frequency, for each supplier, is based on the risk assessment results provided by the supplier, the level of performance and the perceived risk factors, including those of food safety officers and their capabilities.

Suppliers also undergo quality system audits that check whether the systems and processes comply with Yum! Brands, Inc. standards or legal requirements concerning food safety and/or quality.

Our distributors are subject to the same food safety standards and expectations as our suppliers. They also undergo retail audits that cover transport and warehouses.

Moreover, all our employees complete every year the **"Food Safety Level Assessment Survey"**, in order to make sure that they comply with food safety culture parameters.

The food safety team

In order to set up, develop, maintain and analyse the efficiency of the food safety system, a multidisciplinary Food Safety Team (HACCP Team) has been established. This includes members who have knowledge of HACCP principles and their application, as well as experience in the food industry. The role of the Food Safety Team is to manage and apply the provisions of the food safety system documentation.

We apply our standards to all areas that include key risk factors, such as employee health and hygiene, product handling, product temperature management, cross-contamination and many others.



		% of audited suppliers*	Total number of audits**
		2018*	2018
Sphera Franchise Group	KFC Romania	94.59	25
	KFC Moldova	94.59	25
	KFC Italy	100	30
	Pizza Hut Romania & Pizza Hut Delivery Romania	86	22
	Taco Bell Romania	100	8

*% of food suppliers audited. Suppliers are audited based on the types of products delivered. Audits are carried out by a third-party company with qualified and trained auditors approved by Yum!. Based on the risk assessment, the products are divided into three classes considering the risk of food safety (1, 2, 3) and in three classes considering the importance of the quality of ingredients (A, B, C). Audits shall be carried out on products according to the class in which the product enters. Different types of audits (FSA-Food safety audit, QSA-Audit of the quality management system, DC-Audit on distribution Centre, TR-transport audit) are carried out.

**Number of audits carried out for suppliers delivering products falling within class 1A and 1B

RISK ASSESSMENT

We believe that proactive food safety and quality assurance require maintaining a constant cycle of reviewing and amending standards, introducing and implementing new systems, improving existing ones, coaching and compliance monitoring.

As part of our commitment to continuous improvement, we conduct regular risk analyses and benchmark against other companies from the restaurant industry, in order to improve our food safety standards in a controlled, data reliant, proactive and scientific way. We closely follow current and emerging food safety issues that affect our business and if changes occur in food safety regulations, science or technology, we assess the risks and adjust our strategy accordingly.

COMMUNICATION

The Group establishes, enforces and maintains effective actions for communicating with the stakeholders, on both matters of internal and external issues that may have an impact on quality and product safety management.

Two types of communication have been identified within the company:

- **internal communication**, governing the bi-directional information exchange between the staff involved in product quality and food safety and the top management level;
- **external communication**, carried out between the company and its suppliers and customers, as well as the authorities and certification bodies.



3.8

Ethical sourcing in Supply chain

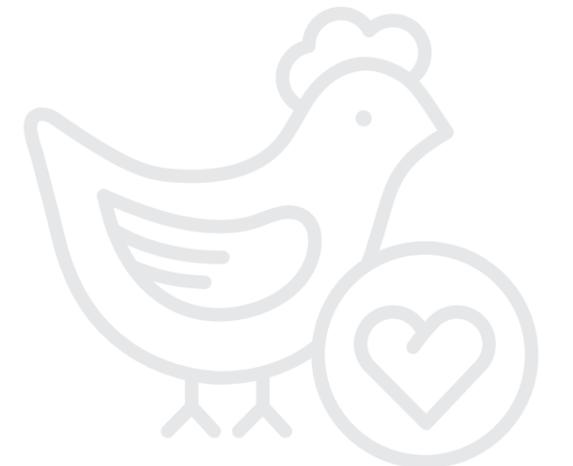
Sphera Group relies on ethical sourcing, ensuring that all the products purchased for restaurants are obtained through responsible and sustainable methods.



Animal welfare

Among our initiatives, animal welfare, in particular, has a direct impact on the competitiveness of poultry breeders and partner slaughterhouses along the meat supply chain. We also urge them to apply EU animal welfare standards - values which are fostered worldwide.

By complying with these rules, losses along the entire supply chain are minimised. Another important impact resides in boosting consumer trust in our products. In 2018, two audits were carried out by Yum! Brands, Inc. representatives on two chicken product suppliers in Romania: AGRISOL INTERNATIONAL SA and SAFIR SRL. Our medium-term goal, covering a period of 2 to 5 years, is for all chicken meat suppliers to undergo a **Welfare Audit** and obtain an **Animal Welfare** certificate.





ENVIRONMENTAL RESPONSIBILITY IS PART OF OUR EXISTENCE

We value our surroundings and we strongly believe that our care for the environment will be favourably reflected on the generations to come. We are aware of the importance of protecting the environment and of the long-term impact our immediate actions can have. It is our responsibility to leave this planet in better state for the future generations.



Environment

4.1

Carbon footprint and climate change

Protecting the environment is our duty as well!

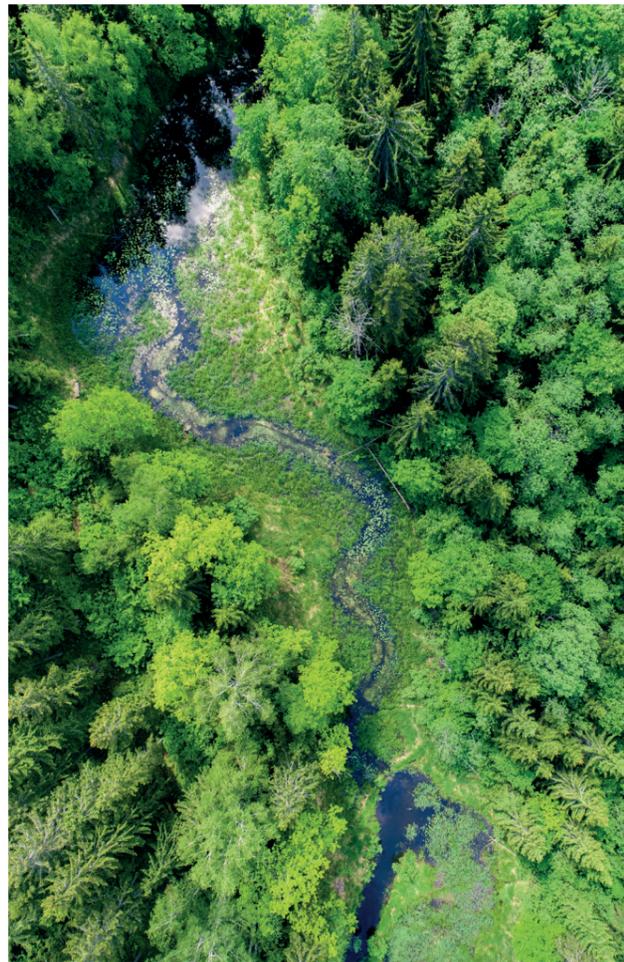
For us, environmental protection is a core topic, that we increasingly focus our concerns and efforts on. We are fully aware of climate change, which is why we have adopted a series of medium and long-term goals designed to reduce our environmental impact.

Within the operational management of Sphera Franchise Group subsidiaries, all units are inspected and monitored regularly by internal officers, in order to achieve the objectives, set out and to continually improve organisational performance.

As environmental protection and climate change are currently the world's leading challenges, we are committed **to the sustainable development throughout our entire organisation.** We aim to develop our organisation and pursue our activities showing respect for the principles of production and sustainable consumption. Also, we aim to save our resources and materials, efficiently use our energy and manage adequately our waste and water consumption.

We have agreed upon a **sustainability strategy** that sets out specific objectives to protect the environment, focusing primarily on energy efficiency and climate, waste recovery and recycling, efficient use of materials and sustainable packaging, and last, but not least the reduction of food waste.

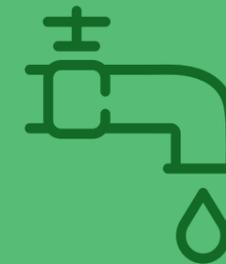
Our commitment is to minimize the environmental impact as much as possible and we want to reduce our organisation's carbon footprint. From food procurement, to the design and usage of the packaging materials, we are committed to conducting a sustainable activity. We avoid waste and advocate for the conservation of nature and natural resources. In addition to environmental issues, we also focus on safety and quality and on the well-being of our employees and of the communities where we operate.



We aim to:



Optimise transportation



Optimise water consumption



Optimise energy consumption



Intelligent food and distribution networks



Waste recovery and recycling



Help reduce our food waste

The food industry throughout the world has a significant contribution to greenhouse gas emissions, with a large impact across all the stages of the supply chain (from agricultural production to product processing, distribution, sale, food processing and waste disposal). We are aware that carbon footprint goes hand in hand with energy consumption, which is why we are working to minimize the environmental impact of our organisation, making sure that we use energy as efficiently as possible.

For efficient energy management, we believe that Sphera's continuous investments in energy efficiency and low-carbon technologies shall prove beneficial for the Group. We also consider the fact that climate change bears certain risks for Sphera and we consider the possibility of increased energy costs, CO2 taxes, sustainable sourcing of agricultural raw materials and water, and disruptions of activities due to severe weather conditions.

4.1.1

Transport

We work across the entire supply chain to prepare and deliver products in the most efficient ways. We constantly focus on our customers' needs and expectations and are certainly inspired by the changes we notice in their consumption behaviour.

More and more consumers enjoy having the option to access our brands from the comfort of their homes and with the help of Pizza Hut Delivery and KFC Delivery, we are able to make this possible.

We manage the delivery service using our own fleet and resources. We seek new methods to reduce and replace fossil fuel consumption from the transportation of our products, and that is why, in addition to cars, we also use electric bikes and scooters. We will continue to invest in our delivery infrastructure, according to the needs of this type of service.

Our fleet for the home delivery service in Romania consists of 12 electric bikes, 266 scooters and 41 passenger cars.

We aim to increase the green mobility fleet for KFC Delivery and Pizza Hut Delivery using bicycles and electric vehicles for the delivery sector.

By keeping a record of fuel consumption at Group level, it allows us to:

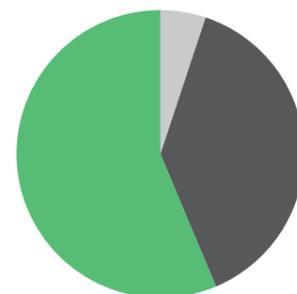
- monitor annual progress;
- understand who our biggest customers are.

We aim for a more efficient product transport system along the entire supply chain, both to reduce transport costs and delivery time, and to reduce our carbon footprint.

We monitor the fuel consumption used by our own fleet, collaborate with distribution companies, but we do not keep records of their fuel consumption.

Sphera Group-level fuel consumption for the self-owned fleet in 2018

Fuel consumption of self-owned fleet, Litres/Year	Year	Sphera Group
Gasoline	2018	167,950
Diesel fuel		115,007
LPG		15,203



■ Gasoline ■ Diesel fuel ■ LPG

More than 70% of food and ingredients used by Sphera Franchise Group subsidiaries (including important categories, such as meat, cheese or vegetable) are sourced locally, from the Romanian market. Certain products, several of which are vital to the identity of the brands (such as spices, tomato paste, pizza flour) are acquired through Yum! Brands, Inc. supply contracts. Soft drinks are provided for by Coca-Cola HBC Romania directly to our restaurants.

For KFC, our main chicken meat suppliers are Agrisol International S.A. (Romania), Agricola International S.A. (Romania), Safir S.R.L (Romania) and Pilco Ltd (Bulgaria). Most of the chicken meat is supplied by farms directly to our restaurants. For Pizza Hut, we collaborate with Ceres (Belgia) for the supply of flour, Indlacto Mures S.R.L (Romania) and International Food Link Ltd (Great Britain) for different types of cheese.

Intelligent transport network for goods

Starting November 2016, storage and transport operations have been outsourced to HAVI Logistics SRL, which is the Romanian branch of the logistic service provider HAVI Group from the United States. As part of the agreement concluded with this company, many products are purchased directly by HAVI Logistics SRL from our pre-agreed suppliers (with the exception of Coca-Cola HBC Romania and Carlsrom Beverage, and a part of the chicken meat products supplied by Romanian farms directly to our restaurants), stored in its warehouses and delivered to our restaurants on request.

Together with our partner, we have developed a program for the streamlining of raw material transportation to all our locations, thus reducing the greenhouse gas emissions associated with the distribution. Every restaurant in our network estimates its own stock needs based on current and estimated short-term sales forecasts, as well as on pre-defined delivery schedules and stock purchase requests submitted to HAVI Logistics SRL, which pulls them together and sends out purchase orders to our suppliers. Our partner is mostly responsible for stock levels, except for special promotion periods for certain new products or during wintertime, when we take on the responsibility for the purchase volumes sent to certain suppliers.

Transportation relies on the preset delivery schedule for all restaurants. In Bucharest, deliveries are made daily, and biweekly to restaurants outside Bucharest.

The distribution of goods to KFC restaurants in the Republic of Moldova is carried out directly from Romania, via HAVI Logistics SRL. In Italy, the products are delivered to our KFC restaurants by Quick Service Logistics Italia S.r.l.

We make our travels more efficient

When it comes to transport, we do not only refer to product delivery or the supply of raw materials. We also pay close attention to our employees' transport and travel times, just like we do with our customers. Usually, restaurant locations are easily accessible to customers and employees alike. Most of our restaurants are in city shopping areas or in the most commonly visited areas, with easy access via public transport network.

It is important for us to foster an open dialogue between our restaurants in Romania, as well as between those located in Moldova and Italy, so we strongly encourage virtual meetings and try to avoid traveling as much as possible.



4.1.2

Water consumption

Water is an important resource throughout the entire supply chain, as well as in the restaurants operating systems.

We use water from the existent public water supply networks in each city where we operate and monitor our water consumption monthly for our stand-alone restaurants. We also receive information on the water consumption per area occupied from the owners of the locations where we hold rented property for our restaurants.

215.69 thousand m³
of water used for food processing in the operational segment, at the Sphera Group level, in 2018



Water consumption for food processing, m ³	Year	Sphera Group	KFC Romania	Pizza Hut Romania (Dine-in & Delivery)	Taco Bell Romania	KFC Moldova	KFC Italy
		m ³	m ³	m ³	m ³	m ³	m ³
	2018	215,690	156,000	42,593	2,000	6,097	9,000

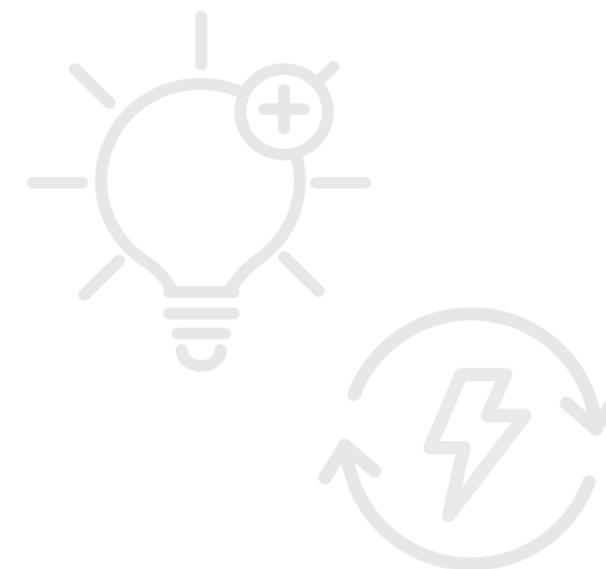
Water efficiency measures:

- introduction of sensor-operated sinks in newly opened locations, both in kitchens and in employee/ customer washrooms
- cooking utensils washing machines and equipment with low water consumption

4.1.3

Energy efficiency and Renewable energy

For Sphera, energy efficiency involves reducing the energy amount used for our products and services, by adopting efficient technologies or equipment, as well as other methods to reduce losses. Low energy consumption has a direct impact on reducing greenhouse gas emissions, which lead to tackling the effects of climate change.



Renewable energy

comes from sources that can never be exhausted, such as solar power, wind power or hydropower, and which can be used for producing electricity or for heating and cooling. Sphera is aware of the importance of gradual transition to renewable energy options in order to protect finite natural resources, as well as for creating new sustainable employment opportunities.

39,950.26 MWh
of electric energy consumed, at Sphera Group level, in 2018.

Electric energy consumption, Sphera Group-wide and per company

Electricity consumption at the organisation level	Year	No. of restaurants	Sphera Group	No. of restaurants	KFC Romania	No. of restaurants	Pizza Hut Romania	No. of restaurants	Taco Bell Romania	No. of restaurants	KFC Moldova	No. of restaurants	KFC Italy
			MWh		MWh		MWh		MWh		MWh		MWh
	2017	113	26,733.77	68	20,109.00	22+17*	6,180.00	2	89.00	2	5.58	2	350.19
	2018	138	39,950.26	76	23,834.00	23+22*	7,083.00	5	598.00	2	5.58	10	1,429.68

*Pizza Hut Delivery Romania

The variation in energy consumption at Group level can be explained by the increased number of restaurants and customers served.

Depending on the geographical area of our restaurants, we hold electric energy supply agreements with various authorised operators.

Share of renewable energy of the National Energy System in Romania

→ **2017: 38.20%*** Renewable energy in the distribution network.

* According to the National Energy Regulatory Authority Report of 2017, renewable energy in the grid, obtained from hydropower, wind, biomass, solar or other renewable sources.

We use natural gas in the restaurants' kitchen, as well as for heating of certain restaurants.

988.12 MWh
of natural gas,
Sphera Group-wide, in 2018

Natural gas consumption, at Sphera Group level and per company

Natural gas consumption, at the organisation-level, MWh*	Year	Sphera Group	KFC Romania	Pizza Hut Romania	Taco Bell Romania	KFC Moldova	KFC Italy
		MWh	MWh	MWh	MWh	MWh	MWh
	2017	898.35	517.38	380.97	N/A	N/A	N/A
	2018	988.12	569.12	419.07	N/A	N/A	N/A

N/A – operations do not use natural gas

* Natural gas consumption for heating the restaurants located in rented spaces in large shopping malls where heating is ensured by the owner was not considered

Energy efficiency measures set out in our strategy:

→ Use of low-energy lighting fixtures (e.g. LED) at the renovation of locations in order to fulfil our 100% target by 2024



4.1.4

Sustainable buildings



Sphera selects its restaurant locations based on their quality, both in terms of energy efficiency and of their proximity to public transport.

We intend to manage all our restaurants as efficiently as possible in order to reduce carbon emissions, while also reducing costs. All our Drive-Thru restaurants, as well as our other stand-alone restaurants, have an Energy Performance Certificate.

Targeted functional units	Actions undertaken	Direct/Indirect environment impact envisaged
Restaurant	Efficient storage / refrigeration areas	Reducing the number of deliveries
	In the newly opened locations, low-energy sensor-operated and LED lighting systems were introduced	Increasing energy efficiency
	Water consumption efficiency by installing sink sensor batteries in newly opened restaurants	Reducing water consumption
	Hot air curtains in all Drive-Thru locations with direct access from the outside. They are set out in the design stage of indoor HVAC (Heating, Ventilation and Air Conditioning) systems and implemented in every newly built location.	Increased comfort for the employee and the customer while also increasing energy efficiency
Kitchen	In Pizza Hut Delivery and Pizza Hut locations, we purchased ovens that enter stand-by mode during idle time, in order to avoid excessive energy consumption.	Increasing energy efficiency
	As of 2017 we have introduced in new locations, as well as in the ones we renovate, LED lighting systems, which have low-energy consumption.	Increasing energy efficiency

We intend all our newly opened restaurants to be in sustainable buildings that comply with the principle of energy efficiency and have ISO 14001 or ISO 50001 certification.

4.1.5

Intelligent food grids

It is important for us that Sphera Group restaurants operate as closely as possible to urban centres and that the raw materials needed for the preparation of our products to be supplied using efficient transportation, facilitating the delivery of fresh food to all restaurants or even directly to our customers, through efficient distribution systems.

We strive to continue opening new restaurants in urban centres while also supporting an efficient distribution system within the supply chain. The management team has the objective of an organic growth, according to commitments made to Yum! Brands, Inc., but correlated with the changes that can occur both at macroeconomic level, but also in terms of customer consumption behaviour. For the purpose of extending the brands in our portfolio there are, however, certain steps that we respect, and which are subject to internal (management team) and external (franchise) approvals.

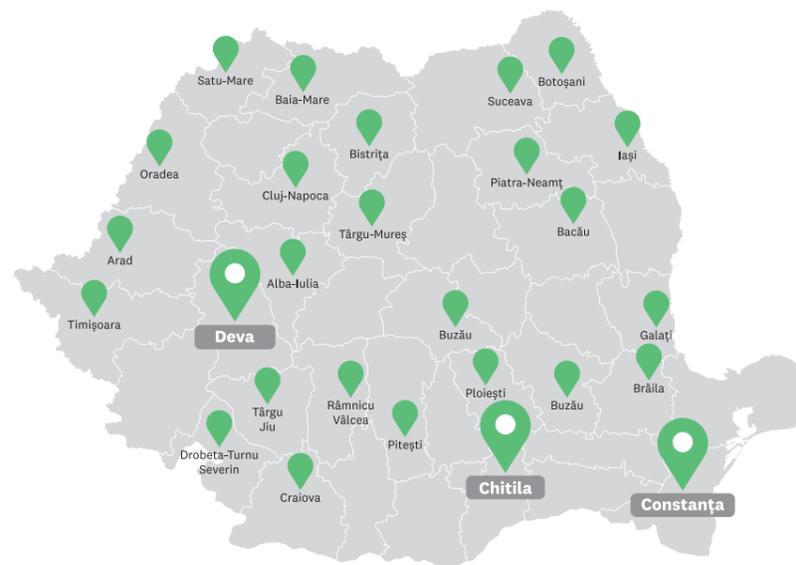
Choosing a location for a restaurant is a highly important decision for us. Within the program for location development, we consider the specificity of each brand, and strive to cover all important aspects and requirements. There must be enough people who live, carry out activities, or pass through the area on a regular basis for the restaurant to be profitable. Accessibility and parking facilities are equally important for the success of a restaurant, just like the products sold and the staff employed.

Based on that, we extended our KFC coverage to smaller towns with less than 100,000 residents, specifically in areas with high traffic and of interest for customers. For our Pizza Hut, Pizza Hut Delivery and Taco Bell locations, we look towards cities with a minimum of 150,000 residents, usually, in the food courts of shopping malls. Customers and consumers therefore find in the same site entertainment, shopping and food or various other services of local authorities, but also our restaurants.

Havi company

which ensures our logistic operations within the supply chain has three distribution centres in optimal locations, ensuring an optimized distribution of raw materials: one located in the central part of the country (Deva), another one near Bucharest (Chitila) and one in Constanta. As previously mentioned, in the Products section, Havi aims to continuously optimise this process, reducing fuel consumption and, subsequently, reducing carbon emissions.

In 2018, in order to reduce the number of weekly deliveries, Havi also increased the sizes of dry deposits and refrigeration / freezing facilities - successfully reducing the fuel amount needed for deliveries.



4.1.6

Greenhouse gas emission sources

We started monitoring our consumptions in order to determine our direct CO2 emissions (Scope 1) and the indirect CO2 emissions (Scope 2). The calculation of CO2 emissions was based on the environmental indicators that we collect on a centralised basis from all companies operating within Sphera Group, covering all types of energy used in our operations: electricity, fuel and natural gases. The direct emissions do not include the greenhouse gas emissions from freon losses in cooling facilities (fugitive emissions).

In our calculation we used the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. For the correct estimation of direct and indirect emissions, we used CO2 conversion

factors from the Ecoinvent database and the IPCC (Intergovernmental Panel on Climate Change) conversion factors.

Indirect emissions from other downstream and upstream sources in the value chain (Scope 3) were not quantified, as the data that could have provided an overview on the quantity of GHG emissions was not within the scope of our collection and assessment so far. We are also aware that our supplier HAVI Logistics SRL has also already taken measures to improve the efficiency of the logistic and transport segment, which is also ensured for our companies. HAVI Logistics SRL assessed their own GHG emissions, which we are considering in our future reports if the data will be provided to us.

CO2 emissions at Sphera Franchise Group level

862.40 tons of CO2 eq.*

Scope 1 - Direct GHG emissions***

- Emissions associated with the fuel consumption of the self-owned fleet (gasoline, Diesel fuel, LPG)
- Emissions associated with the consumption of the natural gas used directly in company operations (cooking, heating)

19,531.19 tons of CO2 eq.

Scope 2 - Indirect GHG emissions***

- Emissions associated with purchased electricity for own consumption

N/A**

Scope 3 - Other indirect GHG emissions***

- Raw material supply
- Logistics
- Waste management
- Travel for work not conducted using self-owned fleet vehicles

*CO2 emissions for Scope 1 do not include the emissions associated with natural gas consumption for heating the restaurants located in rented property within large shopping malls, where heating is ensured by the owner

**Activities covered by Scope 3 are provided by external services and were not considered in the calculation of the carbon footprint.

***GHG - greenhouse gases

4.2

Waste recovery and recycling

We are fully aware of our responsibility for the environment. Our main objective is to protect natural resources and minimize the impact of our operations on the environment. We continuously identify solutions for waste collection and recycling, and when waste cannot be recycled, we strive to identify the potential for recovery.

Waste management is a complex area which is rapidly evolving. Reducing waste, as well as waste selective collection, are key topics for our organization and our restaurants. As new technologies are developed and the best practices are improved, we continue our

quest for the newest and most efficient methods to reduce, reuse and recycle waste, and thus limit our environmental impact.

We are committed to reducing the amount of municipal waste by selectively collecting packaging waste, thus reducing the impact and disposal costs.

In order to implement specific waste recycling and reduction measures, as well as their monitoring and control, the company established an Environmental Protection department to ensure that all our efforts are rigorously followed and implemented.

Quantities and types of waste generated by our units throughout the last two years

Organisation/ type of waste	Sphera Group		Romania										Moldova		Italy	
			HQ		KFC Romania		Pizza Hut Romania		Pizza Delivery Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
Tons / Year	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Plastic	21.99	36.54	0.12	0.16	15.71	20.15	4.31	5.22	0.82	1.26	0.18	0.31	0.50	0.70	0.35	8.74
Paper/ Cardboard	512.88	673.96	0.51	0.82	375.20	459.90	109.10	123.90	9.30	11.84	0.91	0.31	10.00	11.00	7.86	65.19
Glass	2.35	2.85	0.00	0.00	1.32	1.75	0.98	1.04	0.00	0.00	0.00	0.01	0.05	0.05	0.00	0.00
Metal	3.17	4.89	0.00	0.00	2.17	2.63	0.81	1.04	0.11	0.25	0.02	0.02	0.01	0.00	0.04	0.95
Domestic	7,175.55	7,788.92	6.02	7.17	6,847.40	7,358.40	195.22	239.59	39.69	50.27	2.31	3.06	80.00	85.00	4.90	45.43
Used oil	256.37	293.15	0.00	0.00	224.18	239.15	14.42	17.40	0.00	0.00	0.42	0.63	10.20	10.50	7.15	25.47
Food waste	28.91	48.53	0.00	0.00	18.47	21.60	0.00	0.00	0.00	0.00	0.00	0.00	5.00	5.20	5.44	21.73

We recycle waste stemmed from recyclable materials up to 100%

The recovery and recycling of reusable materials within our organisation supports our objectives to reduce natural resources (petrol, water, energy) consumption, thus contributing to reduce the environmental impact.

We recycle more and more plastic and cardboard from our units, directing it to third party companies, specialized in waste collection and recycling.

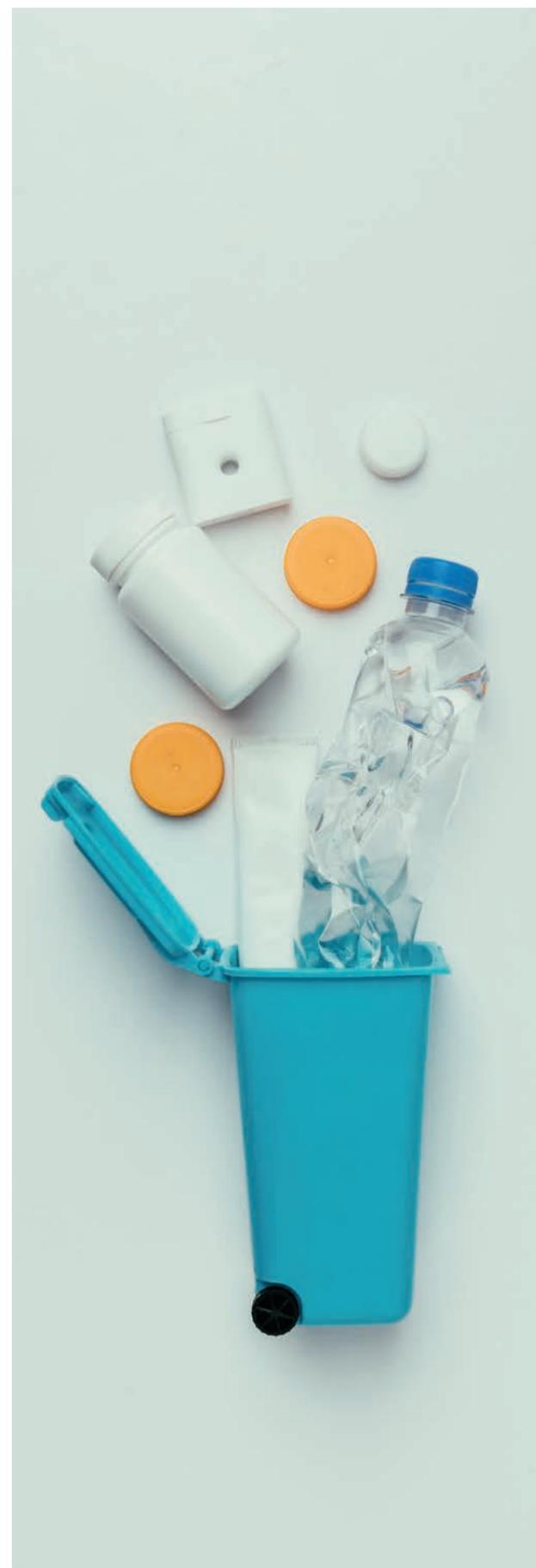
INITIATIVES

Waste selective collection

Constantly monitoring compliance with the legal requirements on waste management, focusing on the selective collection of the waste, we generate an increasing amount of recycled or recovered waste. We have focused our efforts on training of all operational staff and increase the awareness of the importance of waste selective collection and accurate labelling the containers used. Besides this, we have ensured that we have contracts with companies specialized in waste collection, recovery or recycling. Thus, we increased the amount of recycled / recovered waste by reducing the quantities of mixed municipal waste.

Monitoring the amount of generated waste

We regularly monitor the waste collection process, in order to improve this process as much as possible. We conduct internal audits to verify waste collection activities, through our Environmental Protection department and we strive to involve all restaurant employees in our fight to mitigate our environmental impact.



No penalties or fines throughout 2018 on compliance with environmental requirements.

Awareness

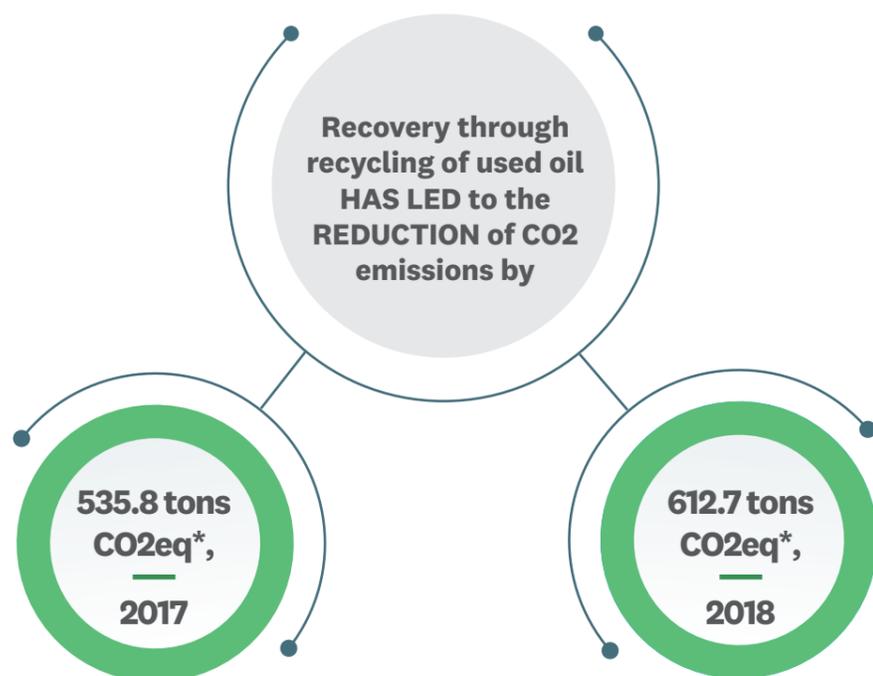
We aimed to attract our customers to join us in our mission, which is why we initiated a customer/employee awareness and information project concerning the waste selective collection. Thus, we properly labelled the containers in our restaurants.

Recovery

We also acted towards reducing and recovering our cooking oil. The project emerged from the need to reduce the quantity of used oil, so we carried out certain approved tests to check its quality. This oil testing process is strictly monitored through diagrams, according to the internal procedures implemented.

Hence, we are aware of the large quantities of used oil and we have not missed this point, which is why **all the used oil** in our restaurants **is recovered through recycling** and turned into biofuel.

Quantity/ Organisation/ Year	Sphera Group		KFC Romania		Pizza Hut Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Used cooking oil, tons/year	256.37	293.15	224.18	239.15	14.42	17.40	0.42	0.63	10.20	10.50	7.15	25.47
Recycled cooking oil, tons/year	256.37	293.15	224.18	293.15	14.42	17.40	0.42	0.63	10.20	10.50	7.15	25.47



*Calculations are based on the differences between potentially emitted CO2 quantities during oil recovery by producing biofuel versus the burning of used oil in incineration plants (using Ecoinvent conversion factors).

4.3 Sustainable materials and packaging

The sustainable sourcing of raw materials, such as the use of recycled materials for packaging is a large part of our economic, operational and environmental footprint. As part of our business model, our suppliers' performance directly influences Sphera's results and commitments regarding sustainability.

This topic is not only important to us, but to our customers as well. We are aware that a lot of waste sent to landfills is generated by inappropriate disposal or management of packaging. Therefore, environmentally friendly packaging has recently gained extraordinary popularity. Our company is currently seeking different ways to incorporate sustainable materials and different packing material, in order to continue minimizing our environmental impact.

Sustainable materials and packaging represent a topic of primary interest for our company and we are committed to purchasing products and using materials originating from sustainable sources, as well as biodegradable packaging. We are aware that we need to actively contribute to reducing packaged waste along our entire supply chain, in the production process, and even further along, after the final sale to the customer.

We communicate our actions as we strive to raise environmental awareness and responsibility among customers about the importance of a clean environment.

Our top management encourages and supports the transition to sustainable materials and packaging through annual projects and programmes. Regarding purchasing and implementation, we put special emphasis on the traceability of the products and materials used, which are in line with the general sustainability principles.

Hence, our medium and long-term company objectives are focused on simplifying the packaging recycling process and implementing sustainably sourced materials and packaging. Some of the implemented or under implementation projects include switching to biodegradable bags, replacing of plastic straws with paper straws and removing all single-use plastic products.

Responsibility for the paper/cardboard and plastic materials from packaging of our company is taken over by FEPPA INTERNATIONAL SA.

Quantities of each type of packaging used for our products

Quantities according to packaging type/organisation/year	KFC Romania		Pizza Hut Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Paper/cardboard packaging, tons/year	1,644.02	1,927.71	216.56	236.95	2.82	8.99	10.00	41.00	11.23	93.13
Plastic packaging, tons/year	77.83	114.39	3.28	4.48	0.72	0.80	0.50	4.50	1.29	22.95

Our packaging comes from suppliers certified by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative (SFI).

Pizza Hut and **Pizza Hut Delivery** – the cardboard used for the pizza boxes comes from responsibly managed forests and/or recycled materials.

At **KFC** and **Taco Bell** all paper and cardboard-based packaging (bags, cardboard, boxes, cups) is obtained from responsibly managed forests and/or recycled sources.



Pizza Hut, Pizza Hut Delivery and KFC: 90% of the total packaging used comes from recycled materials.

Taco Bell: about 65% of the total packaging used comes from recycled materials.

According to the Romanian legislation in force, we support the collection and recycling process in order to achieve the national targets, so we recover through Responsibility Transfer Organisations (RTO):



Quantities of packaging recycled through RTOs in Romania

Total recycled quantity/year	Romania		KFC Romania		Pizza Hut Romania		Taco Bell Romania	
	2017	2018	2017	2018	2017	2018	2017	2018
Paper/ cardboard packaging, tons/year	1,127.66	1,304.93	995.31	1,156.63	130.39	142.18	1.96	6.12
Plastic packaging, tons/year	18.42	30.28	17.52	25.74	0.74	1.01	0.16	3.53

The data above shows that the recycled quantities in our restaurants comply with the specific legal requirements for recycling the quantities of packaging placed on the Romanian market.

In Italy, we joined to the National Packaging Consortium (NPC), where companies defined as ‘packaging user’ must pay a tax based on the turnover.

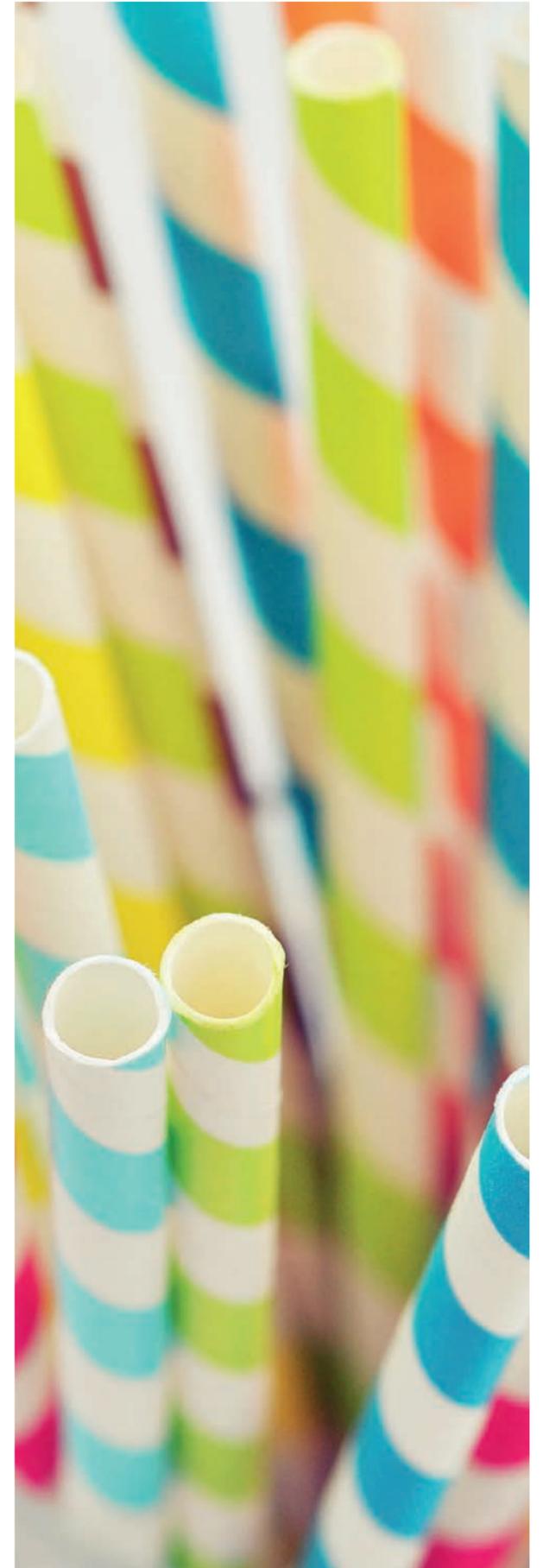
Given that the legal requirements in Moldova do not entail recovery from the market of the packaging for recycling we could not provide the data. However, according to the information offered by collection/ recycling companies that take over the packaging used by our clients, a large part of it is indeed recovered.

INITIATIVES

Because we want to contribute to a plastic-free world

- Starting July 2018, we have replaced plastic bags with biodegradable bags.
- Starting April 2019, we will begin the process of replacing plastic straws with paper straws.

100% of our plastic-based packaging should be recoverable or reusable by 2025



4.4

Food waste

Food waste occurs when food is not consumed and happen at different stages of the food supply chain – production, processing, sale and end customer. Sphera consider that the reduction of unconsumed food is particularly important across all stages by implementing strategic measures and improving the performance in reducing the amount of food waste generated.

Food waste is a major problem across the globe. According to studies, 1/3 of food is thrown away worldwide. Food waste is both resource and money, but also contributes to a significant increase of carbon footprint, having a negative impact on the environment.

We focus our efforts not only to comply with the legal requirements on food waste, but also on conservation of resources. Starting with growing, production, transportation and selling food, all these processes need energy and resources.

We approach the principles of waste hierarchy by focusing on prevention, recovery and donation of the surplus processed food products within their shelf-life.

Food waste generated by our company’s operations, which are by-products of animal origin, is disposed of by incineration, in compliance with veterinary and food safety regulations.

We strive to reduce food waste throughout our value chain, but we are aware that there is a long way to the global impact.



Quantities of food waste generated in our restaurants

Total quantity/ Organisation/ Year	KFC Romania		KFC Moldova	
	2017	2018	2017	2018
Food waste, tons/year	18.47	21.60	5.00	5.20

INITIATIVES

We have taken multiple measures to reduce our quantity of food waste, as seen below:

- Using the FEFO (first-expired, first-out) method in our restaurants and storage areas;
- Planning supplies based on the sales history;
- Monitoring the preventive maintenance plan;
- Purchasing products in packaging adequate to the daily production volume;
- Storing and handling of food to protect packaging and product integrity, for the purpose of reducing non-compliant ingredients and products;
- Training staff and creating a restaurant workflow that prevents unintended dropping of the products on the floor;
- Transfers carried out according to the schedule between the central warehouse and the restaurants;
- Using reliable equipment and technologies;
- Implementation of Harvest program to reduce food waste and support the communities in need.

These measures have helped us reduce the amount of food waste generated, to reduce greenhouse gas emissions, thus improving our company’s carbon footprint.



In 2018 the HARVEST program reduced our greenhouse gas emissions by 1.84 t CO2-eq* by donating 1,075 kg of processed food products within their shelf-life.

* Calculations rely on the CO2 emission factor per ton of food waste in the food industry (processing/production), factor made available by the European Commission [DG ENV - Directorate C] within the Final Report – Preparatory Study on Food Waste - 2010.

WE WANT TO BE THE BEST VERSION OF OURSELVES!

We are a company with high quality products, which puts a strong emphasis on service and innovation making our customers choose us every day. Central to that is our commitment to food safety and the wellbeing of our employees and customers. That is why we have the responsibility to operate our business as a good corporate citizen, supporting the communities in need and helping solve the problems they face.

For over 10 years we have been involved in social support activities, strengthening our social responsibility commitment. Thus, we place significant importance on building partnerships and developing projects with various foundations, NGOs and educational institutions, aiming to support education and continuous learning, offering career opportunities to diverse categories, which can increase the training level and retention of Romania active population.



People and
Community

5.1

Our employees

Our mission

Sphera Group offers a complete, **Hire2Retire** type of experience to its employees, for the purpose of maximising both the individual and the company's potential.

We want to contribute in the society by correctly anticipating the employment needs and promoting diversity, through the development of the employees and their training for the future, as well as consistent professional ethics. We want to inspire our employees along their personal development journey and support them in their endeavours to be the best version of themselves.

Our strategy

We strive to give all our employees a memorable experience working for us.

We provide our employees:

- a safe and stable legal framework to conduct their activities;
- a collaborative workplace climate, focused on efficient solutions and behaviours;
- the opportunity to develop specific skills according to their roles in the company and continuous learning;
- the opportunity for personal development;
- the possibility to support a culture for diversity and inclusion.

Our promise

Through the approaches and projects we implement, we aim to ensure a non-discriminatory (regardless age, gender, religion or ethnicity), safe and stable workplace environment, which favours professional and personal development. We support our employees to perform well, as we want to become a top employer approaching more and more active population categories.

In the following years, we aim to ensure a sustainable and diverse framework for the integration of various social categories. We encourage those who may come from underprivileged backgrounds or communities, those who are over 45 years old, those with certain disabilities, those who wish to continue their studies and need a mean for financial support, as well as those who wish to be mentored.

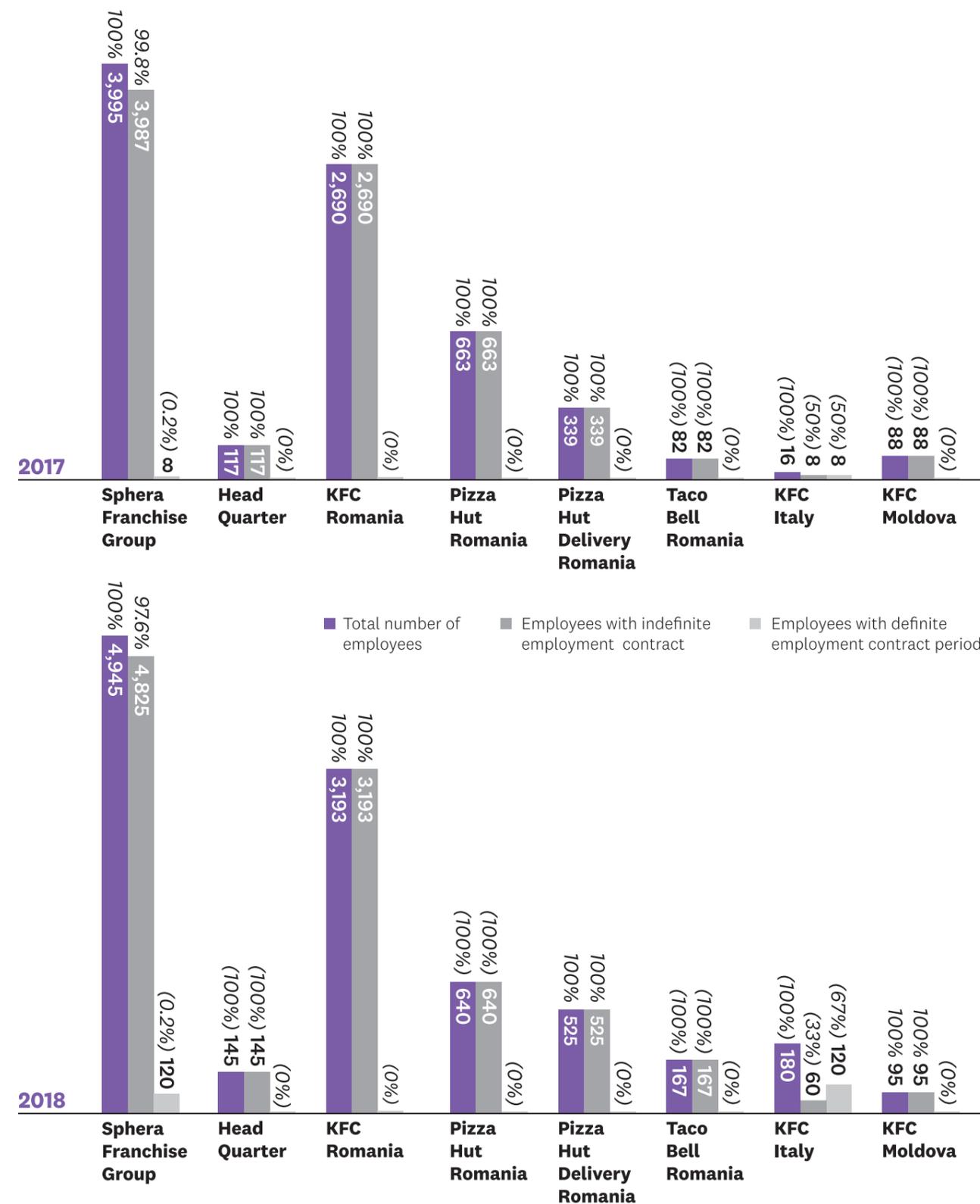
We also strive to develop international diversity among our teams, hiring people from other countries and ensure that they are culturally and professionally integrated.

Our employees are the backbone of our success. Therefore, we aim to attract future employees both by financial package, as well as through the openness we have towards work schedule flexibility and diversity. We offer job opportunities without demanding previous professional experience.

We are pleased to announce that in **2018**, our number of employees increased by **24%** compared to 2017, thus reaching **4,945** people.

TOTAL NUMBER OF EMPLOYEES 2017/2018*

Sphera Franchise Group



*active employees at the end of the year

5.1.1

Development and enhancement of employee skills

Our business relies on our people. Continuous coaching & training, motivation of the employees, access to development programs, as well as the creation of a professional path for employees, is our constant preoccupation.



As we build some of the most loved and trustworthy brands in the world, the central element in achieving this is through our people. Business wise, we need to adapt to all the specific market changes by encouraging professional, personal and academic development.

We motivate our employees by promoting company values through positive attitude, balanced approach so that **they can be themselves** and **the best version of themselves**.

We designed the **Onboarding programme**, which helps new teammates adapt gradually to the work environment, feel part of the team and enjoy working and, in the same time, offering customers a great experience.

Our training strategy is designed to take employees from task focused jobs to value-based leadership positions encouraging a guiding culture aiming the wellbeing of all the employees.



We offer our employees a set of learning and development experiences specific to each role, such as:



THEORETICAL TRAINING USING AN E-LEARNING PLATFORM

consisting in courses addressed to both the restaurant personnel and the management teams



1 OPERATIONAL TRAININGS

to support routine activities at the standards of Yum! Brands, Inc. and the specific procedures through:



PRACTICAL TRAINING

conducted within restaurants, thus offering learning opportunities to all our employees



2 HOSPITALITY QUALIFICATIONS AND CERTIFICATIONS

recognised at the European level



3 SOFT AND MANAGERIAL TRAINING SESSIONS

for all employees in team coordinator positions, on topics regarding communication, selection and recruiting, team coordination, motivation, change management, conflict management, English language, etc.



4 PERSONAL DEVELOPMENT TRAININGS

which help individuals to broaden their horizons.

Total number of training hours within the organisation

Training Hours per related function	Sphera Franchise Group	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Italy	KFC Moldova
TOTAL 2018	361,520	245,440	37,550	32,090	18,200	23,320	4,520
Top Management / Management	400	0	0	0	0	0	0
Regional / Areal Management	1,260	780	240	180	60	0	0
Restaurant Management	64,360	38,400	4,800	6,480	6,720	7,480	480
Restaurant Crew	295,500	206,260	32,510	25,430	11,420	15,840	4,040

Centre for Training and Excellence

In 2018, we opened in Bucharest the **Centre for Training and Excellence (Centrul de Pregătire și Excelență)**, situated in Piața Universității, so that new employees from all brands can take part in personal and professional development programs in the same place. We opened it in a central location so that it can be easily accessible to everyone. New employees are welcomed on their first day at this location by a dedicated team. Here, they embark on their journey as employees and start their training for the activities they will later carry out within the company.

We strive to maintain a structured and targeted approach of training programs across all regions we operate in and continue to grow.



Benefits:

- **to new employees**, it offers a warm welcome and introduces the foundation for team cooperation;
- **to existing employees**, it provides a space for continuous learning and development.

Development programs

We recognise performance and efficient behaviours: we value the accomplishments and efficient behaviours of our teammates and celebrate their success.



Leading with Heart

For our leaders to be successful, inspiring and motivational, it takes “Leading with Heart”.

Since 2016 we have been running **the personal development program entitled “Leading with Heart”** that addresses all employees who hold a managerial role or are part of the Human Resources team and from other support departments.

Leading with Heart was designed to allow leaders, from the CEO to the Shift Managers in our stores, to understand their own behaviour and perceive why they do the things they do – to identify the efficient behaviours that induce personal and team wellbeing.

This program spurs self-awareness, provides a perspective on **one’s personal behaviours** by achieving **personal viewpoint versus the vision of others and supports the personal and professional transformation process** of all those involved.

Benefits:

- #1** We invest in our employees so they can be the best version of themselves!
- We support managers in being efficient leaders and reliable assistants
- We provide support for our managers to understand why they behave in a certain way, in order to increase the level of self-understanding and trust
- We align our behaviours to the vision of the company
- We provide perspective on efficient and inefficient behaviours



**Leading with Heart,
a journey on the
path of personal
development**

Inspire the Future Leader in YOU (iFly)

Another personal development and professional transformation program is “Inspire the Future Leader in You” a pilot-program in which 16 employees with potential for development in their respective areas of responsibility participated, over a period of 9 months.

160
hours

Time invested by each participant

The program provides balance between the theory consistent with the latest trends regarding leadership (neuroscience, mindfulness, psychology and emotional intelligence) and analysis of the current Group’s challenges, showcasing at the end specific projects to strengthen the business and the transformation of current prerequisites into development opportunities.

A part of these programs that are intended for soft and managerial skill training and personal development was carried out at the **Centre for Training and Excellence (Centrul de Pregătire și Excelență)**, where we usually host workshops, business meetings, brainstorming sessions, etc.

We succeed in forming a diverse group of skilled employees, who evolve alongside our business and who seek opportunities for development within the company.

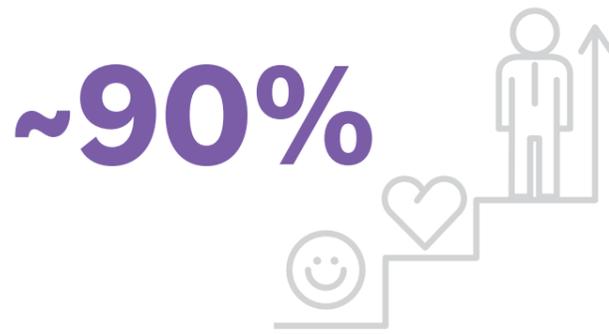
We are extremely proud that most of the current employees holding managerial roles started their careers as members of our restaurant teams.

In many cases, we are people’s first employer. It is therefore our responsibility to support them in their development endeavours.

The professional journey from restaurant employee to Chief Operating Officer or to any other function that is specific to a support department, is very important as it enables the advancement to the following hierarchical level.

We thus invest in our employees’ potential, expertise, and passion. It is our wish to offer them the possibility to build a successful career with satisfaction and opportunities for development. Thus, a part of the employees has the opportunity of career change or can share their knowledge and experience with their fellow workers from other countries where we are actively present.

Due to our business growth, our internal promotion rate was 90% in 2018.



5.1.2

Employee satisfaction and wellbeing

The success of our business is dependent on our capacity to attract and retain skilled, happy, and responsible people. Our employees’ wellbeing and their career development possibilities are important aspects to our strategy, enabling us to build a high level of involvement within our organisation.



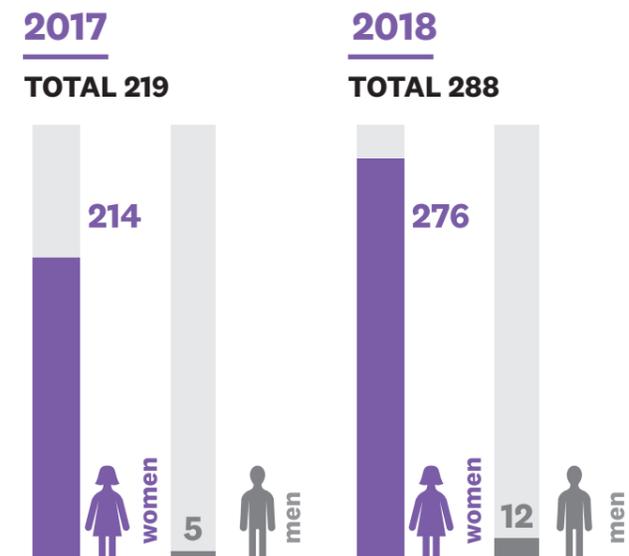
Our efforts focus on attracting and hiring employees, as well as building their loyalty, but also on making constant investments in their professional development and opportunities that not only meet their financial and flexible work requirements, but which also provide the prospect of long-term careers in the food service industry.

We are also aware that an important side to employee wellbeing is work – life balance.

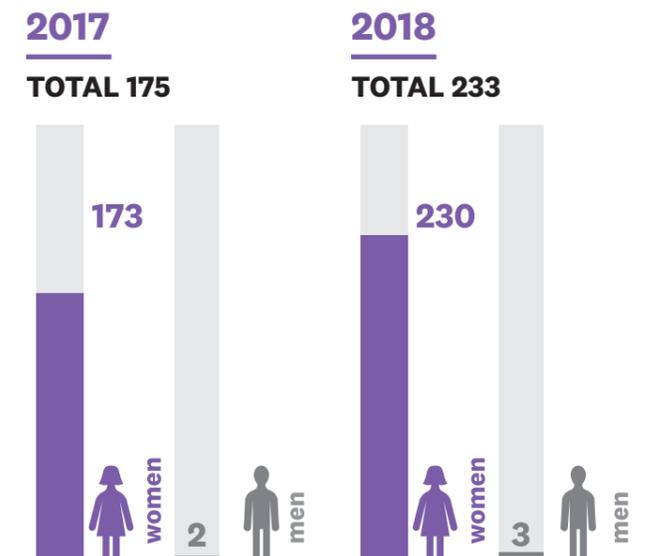
All our employees benefit from parental leave, in accordance to the law.

Sphera Franchise Group

Employees who benefited from parental leave



Employees who returned following parental leave



OUR PROMISE TO THE EMPLOYEES:

“Be your best self!”

Our employees are encouraged and supported in their development both, professionally and personally, so they may be better and better everyday.

“Get involved and stand out!”

We want our employees to be involved, which is why we place importance on **continuous internal communication**, through which we inform our employees of essential business aspects, and the **organisation of internal events dedicated to them**. We thereby aim to support endeavours, to create cohesion among our teams, strengthen feelings of belonging and complementarity, as well as entice employees to be authentic every single day.

“Have fun!”

We strive to achieve, in all our restaurants, a positive, collaborative work environment, based on respect, trust, assumption and focused on solutions and performance.



WHAT WE ACTUALLY DO

We support employees when they decide to take part in sports competitions

We organise events for employees' children on national holidays

We celebrate employees on their birthdays



We acknowledge efficient behaviours, merits, employee development, on an individual level



We celebrate individual success moments

We grant internal support scholarships, selectively, to some employees

who, while working for us, are also attending a higher education institution and achieving very good results;

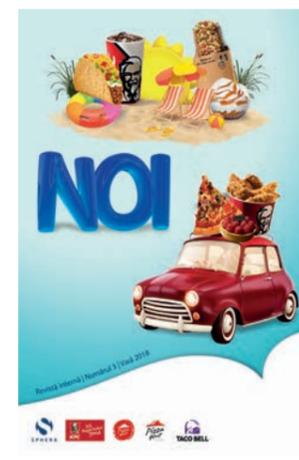
We celebrate team success moments inside and outside of the restaurants

We take part in volunteering actions

We keep our employees regularly informed

through newsletters that include business related news, leaders' messages, articles regarding our companies or leaders, our in-house magazine or audio messages in restaurants that are relevant for the employees.

We share our own passions with our fellow workers through the articles published in our in-house magazine “NOI”



The satisfaction level

of our employees was monitored by specific surveys that offer information on our employees' perception on work conditions, work-life balance, collaboration, rewards, benefits, recognition, development, infrastructure, diversity, etc.

Constant dialogue

Ensures constant interaction with our employees to calibrate feedback in order to follow matters concerning their satisfaction, from onboarding and until leaving the company.

COFFEE TALKS

In addition to regular meetings between employees and their superiors, we organise **“Coffee Talk”** sessions, where seniors company leaders meet with various colleagues and discuss current and future-related topics.

YOUR PROBLEM is also OUR PROBLEM

Moreover, all employees have at their disposal a dedicated phone number for situations when they want to clarify certain aspects, need guidance or support in their current endeavours, wish to notify any incidents or complaint.

TELEFONUL ANGAJATULUI

PROBLEMA TA ESTE ȘI PROBLEMA NOASTRĂ.

AI CEVA CARE TE SUPĂRĂ ȘI NU S-A REZOLVAT NICI CÂND AI VORBIT CU SUPERIORUL?
 AI O PROBLEMĂ CU SUPERIORUL TĂU SAU CU CINEVA DIN ECHIPĂ?
 AI ÎNTĂLNIT LA JOB LIPSĂ DE RESPECT, ÎNCREDERE SAU O ALTĂ PROBLEMĂ CARE ȚI SE PARE GRAVĂ?

DAȚĂ LA PIZZA HUT DELIVERY AI O PROBLEMĂ, N-O REZOLVĂM CU "STAI LINIȘTIT, TE SUNĂM NOI".

SUNĂ-NE ȘI ACȚIONĂM.

0747 048 232*

Numărul de telefon este disponibil de luni până vineri în intervalul orar 09:00 - 17:00

5.1.3

Human rights

The human rights matter is the keystone of our organisation's responsibility towards the community we are part of. Human rights are an important topic to all companies within Sphera Group. We constantly thrive to create a work environment that favours diversity and social inclusion, assuring that human rights are fully acknowledged and observed.

Our company's activities follow the human rights principles as enshrined by the Universal Declaration of Human Rights, adopted by the United Nations, as well as the principles encouraged by the International Labour Organization, all regulations on human rights and equality of opportunity being part of our internal policy.

Our employees are encouraged to report any discrimination-related incident, so we may take the necessary measures to investigate and, should the case be confirmed, implement corrective actions, to make sure that no such events shall reoccur.

During the reporting period no discrimination-related incidents were reported.



We foster a work environment where diversity

is encouraged and regarded as an element that benefits our activity, across all organisational levels;

We do not tolerate discrimination

on any basis, including race, gender, ethnicity, religion, age, sexual preference, nationality, social origin, political preference or any other kind;

We uphold a safe work environment

free from any form of abuse, harassment or violence;

We fully observe the legal obligations

regarding employment conditions, work schedules, our employees' freedom of association, making sure that the recruitment, hiring, training, and payment process, as well as the career advancement process, are transparent and rely solely on experience, skills and achievements.

Diversity

We are aware that diversity is essential to our business: both in terms of direct interaction with our customers and for the essence of our teams. We are proud that we manage to maintain an almost perfect balance between genders.

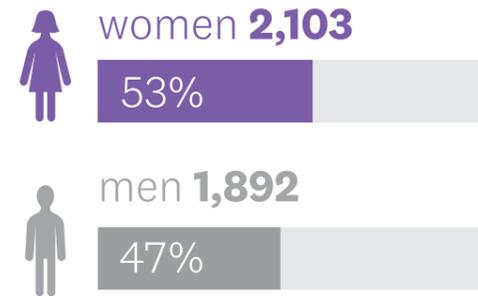
The Group's Board of Directors is composed of men in a ratio of 100%. The top management team including executive and non-executive officers is composed of 3 women and 4 men. The operational management team is diverse; in 2018 the percentage of women holding management functions within Sphera Group was 53%, while the percentage of men was 47%.

Sphera Franchise Group

Distribution of employees, by gender

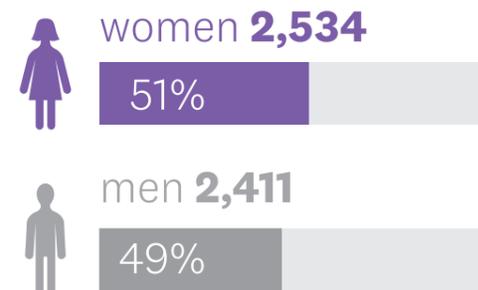
2017*

TOTAL (employees)
3,995



2018*

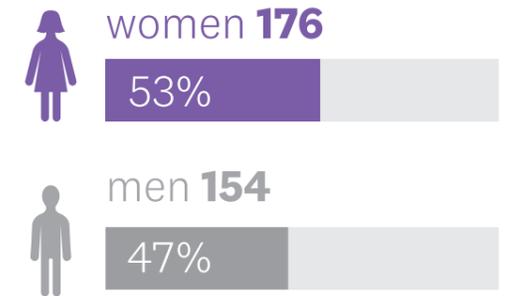
TOTAL (employees)
4,945



Employees holding management roles

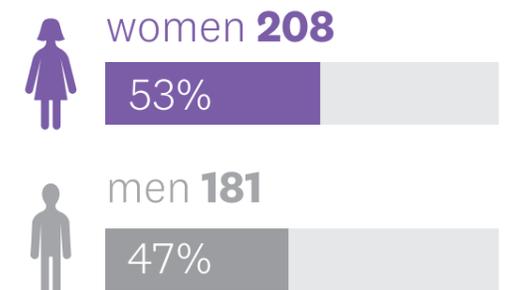
2017*

TOTAL
330



2018*

TOTAL
389

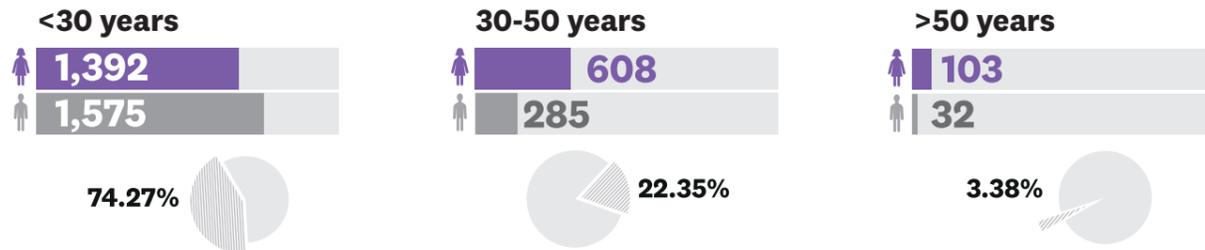


*active employees at the end of the year

Distribution of employees by age and gender

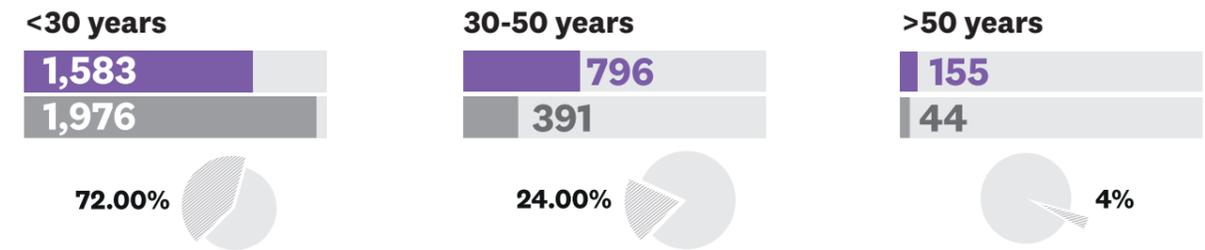
2017*

 women  men



*active employees at the end of the year

2018*



*active employees at the end of the year

Regarding the distribution of employees by age and gender, our active population is predominantly young, and we support this trend by encouraging those with no work experience to apply and get employment in our companies. We are ready to integrate and train them so that after a period of 3-6 months they begin to notice the added value of our collaboration.

We encourage change through the initiative:

APPLY WITHOUT A CV

There is also an employee segment aged over 45 years that we attract through the openness we show towards people who want a change in their professional life.



5.1.4

Employees health and safety

Sphera Group and its subsidiaries place a lot of importance on the health and safety of its employees and contractors. We continuously send notifications, identify risks and potential hazards, conduct audits and use the best practice and training methods in order to ensure that our health and safety policies and actions are understood and practiced. We ensure that we have the resources to provide safe employment for our employees.



What is it that we do?

- We assess the risks of occupational injury and sickness;
- We ensure that all employees are fit for work, according to the roles they hold;
- We train our employees as early as their first day on the responsibilities of their role, typical risks and the training plan thereof;
- We constantly monitor the health status of all our employees;

- We organise regular trainings on operational processes, food safety, occupational health and safety/ emergency situations;
- We aim to streamline processes and machinery used;

We ensure that the reporting procedure is carried out, and that, in case of any event, the local authorities would be informed - pursuant to legal regulations and managed according to the indications in force.



Training and prevention

We carry out regular trainings on the use of fire extinguishers available on the premises, the action plan for emergency situations, putting out fires and safe evacuation.

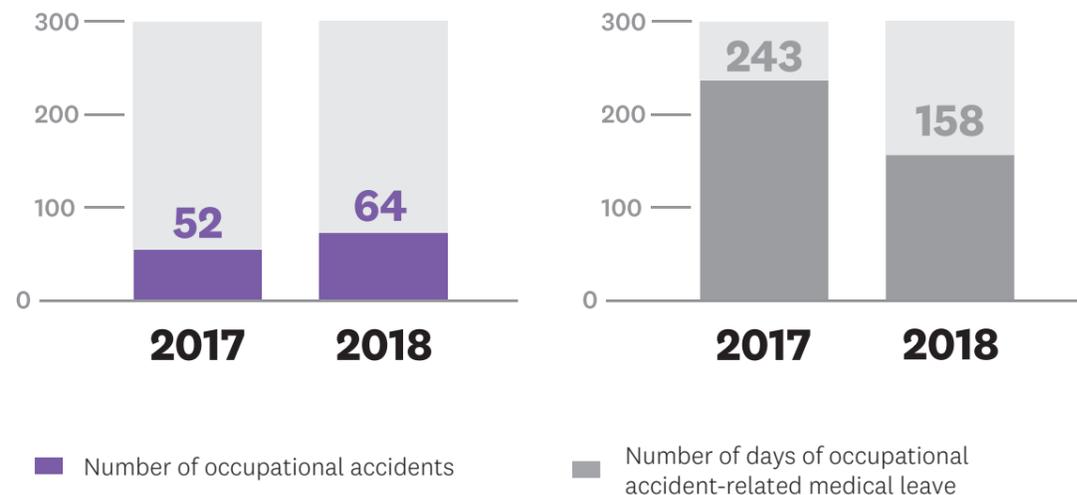
In addition, we constantly monitor the work / technological equipment to make sure that they are operating within optimal parameters so they cannot cause any injury or fire.



Indicators monitored during the reporting period:

In 2018, we experienced an increase of occupational accidents, due to the diversification of services offered to our customers. It should be noted, however, that the number of days of occupational accident-related medical leave had decreased by 35%. Hence, the accidents had been less serious than in the past and our training proved useful.

Sphera Franchise Group



5.2 Community

Our social responsibility is part of our business strategy. At the beginning of every year, we establish the areas where we need to increase our involvement - according to brand campaigns, project history, relationships with non-governmental organisations and the needs identified at community level.



5.2.1 Involvement and impact on the community

We are committed to community initiatives through information and education campaigns. We pledge to initiate partnerships with high schools and universities to support future generations with respect to access to the labour market and professional development. Our success relies largely on the quality of life of our customers and employees, as well as the well-being of the communities where we operate.



Social responsibility

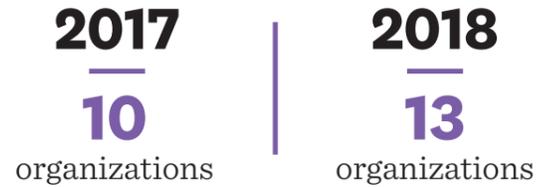
Through our social responsibility strategy, we strive to contribute to the development of society, across all sectors in which we engage.

EDUCATION

is the main pillar of our social responsibility strategy, and therefore we primarily invest in projects that enable us to create opportunities for young people coming from underprivileged environments, to offer them the possibility to grow personally and professionally. We have developed long-term partnerships, with consistent results, with organizations focused on education and development of Romanian youth and we try to support them with the necessary resources to build a hopeful future. We want to continue to be part of such programs and offer young people real employment integration opportunities, even in our restaurants at some point.

Impact on the community, in numbers

Number of organizations that benefit from contributions granted by Sphera Group



Charity, Euro



Fundraising, Euro



Products donated from KFC restaurants within 'Harvest' program



COMMUNITY INVESTMENT

It is our wish to develop long-term partnerships, based on trust, achievements and direct impact on the beneficiaries, particularly since our customers are part of the programs we conduct within our restaurants, and contribute together to the promotion of social activities.

We carry out recurrent fundraising campaigns in our restaurants and we donate those funds to non-governmental organisations to develop long-term projects and we carry out volunteer activities.

DIRECT IMPACT

Relevant SOCIAL projects

We implemented several direct impact projects, on short term, but, especially on long term which have direct beneficiaries people coming from underprivileged backgrounds. We contributed to the improvement of social or environmental conditions, of skills or knowledge within certain communities, personal and professional development, thus, facilitating access to health care services to increase the quality of life.

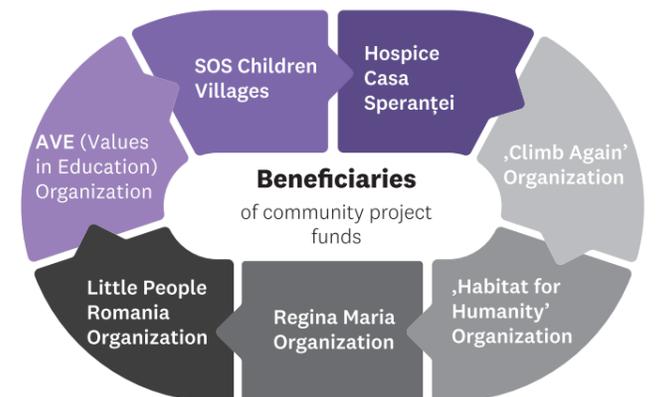
“HOSPICE Casa Speranței”

Pizza Hut & Pizza Hut Delivery support “**HOSPICE Casa Speranței**”, a foundation that offers comprehensive and free palliative care through medical, psychological and spiritual services for patients with incurable diseases and limited life expectancy, both children and adults, by donating 1 RON out of the price of each medium- or large-size European pizza sold in restaurants across Romania. Each month, a donation of about EUR 2,000 is made to **HOSPICE Casa Speranței**, thus endorsing the organization’s mission to extend palliative care on a national and international level, through information, education, consultancy and improvement of legislation.



“Bucket de Bine” (Bucket of Good)

We also donated to the organization **SOS Children Villages Romania**, through the campaign “**Bucket de bine**” (Bucket of good). We donated EUR 59,100 in 2017 and in 2018, over EUR 68,000. In addition, we donated KFC and Pizza Hut Delivery products worth EUR 1,200.



“Fizica Altfel” (Physics taught differently) / KFC

KFC also supports the program “Fizica Altfel” (Physics taught differently) carried out together with “Centrul de Evaluare și Analize Educaționale” (CEAE, Centre for Evaluation and Educational Analysis), where we have so far donated EUR 24,500. The program is conducted yearly, and it includes courses for teachers covering new, interactive teaching methods to increase children’s interest for natural sciences.

Number of teachers involved



Number of student beneficiaries



Amount donated, Euro



HARVEST, food donation program

Harvest is an international program aimed at reducing food waste, support of underprivileged communities, as well as reducing carbon footprint. KFC Romania implemented this program initially as a pilot platform in November 2017, as a sustainable measure to use the food surplus from KFC restaurants to support people from disadvantaged or social risk exclusion environments. In 2018, over 1,000 kg of chicken were donated from KFC Drive Thru restaurants Mihai Bravu and Iancului to Caritas Association in Bucharest, the first non-governmental organisation to join the program.

Since the beginning of the program, approximately 200 beneficiaries supported by Caritas Association receive food daily. In 2019, we plan to extend the program with other associations nationwide in Romania.



“Together for the success of the institutionalised young people”

In 2017 and 2018 we partnered up with “The Social Incubator” association, through the project “Împreună pentru succesul tinerilor instituționalizați” (Together for the success of institutionalised youth), through which the young people enrolled in the program benefited from training internships, being integrated in various personal and professional training projects. The partnership took the form of a sponsorship, in the amount of EUR 10,000 in 2017 and EUR 15,000 in 2018.



Our employees’ volunteering activities

Every year, we organise a volunteer day, attended by our employees from the administrative office. In 2017, jointly with our partners at Hospice Casa Sperantei, we built a gazebo, became involved in the cleaning of the site and created leather necklaces and bracelets during a workshop. In 2018, we upgraded the inner courtyard and the playgrounds of SOS Children Villages Bucharest.

Employees involved in volunteering actions



Volunteering hours



In Italy, in 2018, we took part in the project “Nonno Natale” (Christmas Grandpa), which was organised by the Shopping Mall Città Fiera for about 400 elderly people in dire situations, through which lunch was ensured on December 26th, 2018. The aim was to provide the elderly with the possibility to spend Christmas in a festive manner.

INDIRECT IMPACT

Donations from fundraising campaigns carried out through our chain of restaurants

By fundraising activities across KFC, Pizza Hut and Taco Bell restaurants, we donated money to support beneficiaries of several non-profit organizations.

In 2018, we donated EUR 1,000 to the “Little People” Romania raised in the donation boxes placed in Taco Bell restaurants.

“I want to go to high-school!”

Over 11 years of collaboration, KFC and Pizza Hut Romania donated to the World Vision organization EUR 805,000 for the project “I want to go to high-school!”

The funds raised by this program are used for monthly scholarships amounting to 250 RON, offered to registered students, granted throughout the school year, covering partial transport or accommodation expenses, total expenses for school supplies, clothing and attendance to monthly project activities, such as vocational guidance (for students in grades XI and XII), critical reasoning, social abilities, and communication skills (for students in grades IX and X).

Through the donations made to World Vision, more than 1,200 children from underprivileged backgrounds were supported to continue their high school studies.

World Vision

Amounts donated, in EUR



5.2.2

Customers' satisfaction

Our consumers have the right to expect the food they buy and consume to be safe and high quality, and the environment in the restaurants to be safe and risk-free. We want to ensure that our practices comply with all restaurants and food safety standards, focusing on creating diverse products.

implemented a very rigorous process to measure customer satisfaction. We are committed to providing our customers with a unique experience in the restaurants, freshly prepared and high-quality products, promptly and kindly served by our staff, in a warm and welcoming atmosphere, while considering a safe and comfortable environment for customers.

The food service sector has a direct impact on the consumer through the acquisition and consumption of the food. In this respect, we have developed and



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