

BEYOND RESTAURANTS
THE STORY CONTINUES

Sustainability Report

2019



SPHERA

KFC



Pizza Hut
DELIVERY



**TACO
BELL**

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About the Report

We continue to invest in EXCELLENCE

In 2018 we defined our sustainability strategy, a major step for both the Sphera Franchise Group and its companies. Transparency is important to us, which is why we want to keep all our stakeholders informed about our sustainability initiatives and their implementation through measurable and controllable actions and performance.

In this second Group Sustainability Report, we want to highlight those activities that bring us closer to reaching our goals and, implicitly, that contribute to the sustainable development goals addressed in the 2030 Agenda. Our social and environmental responsibility must be understood as a contribution made and steps taken for balancing important and relevant material aspects of the food service industry. Within the value chain, intervention needs vary, therefore we try to identify the risks and opportunities that might help us grow a sound and sustainable business. You will find useful information in the report on the performance of our companies and the success stories of our activities and initiatives, as well as the way in which we focus on reaching global sustainability goals.

Purpose of the Report

This 2019 Sustainability Report is the second Group report and includes information on the operations of its companies carried out under the KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell brands. The Report provides an overview of the Group strategy and the economic, social, and environmental performance of the operations in the three geographical areas: Romania, Moldova, and Italy.

Reporting Period

This report highlights the key aspects of the business, the actions, challenges, results and performance of the companies operating within the Group from January to December of 2019. We have provided data from the year before (2018) for specific indicators to highlight our progress over time.

In the future, we will declare our non-financial performance on an annual basis, in the Group Annual Report, and we will subsequently provide detailed data in the 2022 Sustainability Report for the 2020-2021 period.

Scope of the Report

The scope of this report includes the operations of the Sphera Franchise Group and its companies: USFN Romania (KFC Romania*), USFN Moldova (KFC Moldova*), USFN Italy (KFC Italy*), American Restaurant System (Pizza Hut Romania, Pizza Hut Delivery Romania*), California Fresh Flavors Romania (Taco Bell Romania*), as part of an integrated approach (*).

(*) Please note that this report will feature the abbreviated names of the companies

The report presents quantitative and qualitative data on the way in which companies carry out their operations in the geographical areas of operation: Romania, Moldova, and Italy. The reported indicators are relevant at both Group level and member company level.

Reporting References and Guidelines

The report has been prepared by the representatives of the Sphera Franchise Group in Romania, our Public Relations specialists, with the support of our external sustainability consultant, denkstatt Romania. This report was prepared in accordance with the sustainability reporting guidelines of the 2016 GRI Standards. The GRI index summarizes how we have addressed all the requirements in terms of indicators and information provided.

External Assurance

This report has not been verified by an independent external audit company.

We would like to thank all those who contributed to the preparation of this report, including all stakeholders both internal and external to our organization. Their input and active involvement are reflected in topics considered in our actual development, which will lead to a sustainable growth of our business.

Contact: For information about the report you may write to us at: contact@spheragroup.com.

Message from the Management Team

We are continuing the story of our brands, beyond the restaurants, by providing an overview of the sustainability strategy and the economic, social and environmental performance of KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell operations in our three geographical areas: Romania, Moldova and Italy, as well as the steps taken towards reaching our specific goals and key targets by 2025.

We are the largest Group in the food service industry in Romania, listed on the Bucharest Stock Exchange in 2017.

Ever since the launch of our first report, we have wanted to be a promoter of sustainability in the markets where we operate, and we have actively supported the development of a prosperous community.

We have a responsibility to contribute to the good of society, and we are committed to investing in key areas such as education and health. Our involvement included social support activities for over ten years, and our sustained growth and profitability allows us to pursue an even further strengthening of our commitment in social responsibility. This is a promise we make to our consumers and the community in which we operate, and it is also the responsibility of a mature company that understands the need to support people with less advantaged backgrounds.

For us, people have been and will always be a resource of high importance. We believe that creating motivating and stable jobs with career development opportunities, wrapped up in a safe and pleasant environment, is one of our main responsibilities.

We are focused on developing and supporting initiatives that have a positive impact on our products, our employees and the communities in which we operate.

We remain dedicated to the most efficient management of food, ingredients and packaging. We continue developing food donation programs, thus supporting the efforts made to prevent food waste.

And last but not least, we are working on the continuous improvement and diversification of our product portfolio, which constitute one of our differentiating factors in the market.

We invite you to go through our sustainability report!





01

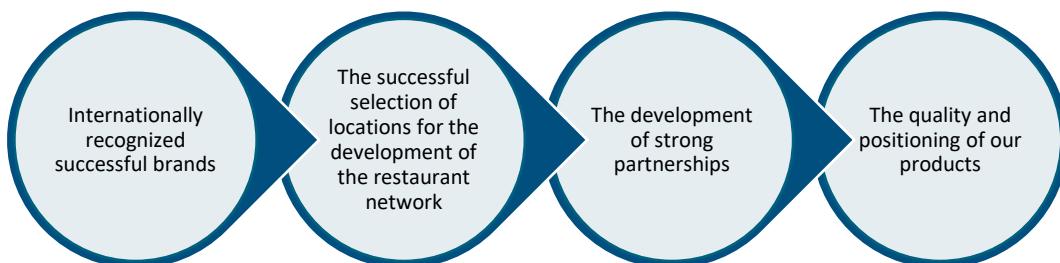
Our Progress

The Sphera Franchise Group was established in 2017, and, that same year, it was listed on the Bucharest Stock Exchange. The Group operates the Kentucky Fried Chicken (KFC), Pizza Hut, Pizza Hut Delivery and Taco Bell brands in a franchise system in three countries - Romania, Moldova and Italy - and provides its companies with services such as: management, marketing support, development, sales support and human resources. Our Group's registered office is in Bucharest, Romania, at 239 Calea Dorobanților.

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

- ✓ **US Food Network SA, Romania (USFN (Romania))** holding franchise rights for the operation of restaurants under the KFC brand in Romania; the registered office: 28-30 Gheorghe Magheru Blvd., Bucharest, sector 1
- ✓ **American Restaurant System S.A., Romania (ARS (Romania))** holding franchise rights for the operation of restaurants under the Pizza Hut and Pizza Hut Delivery brands in Romania; the registered office: 5-7 Calea Dorobanților, the ground floor, buildings C, D and the terrace, room 79, Bucharest, sector 1
- ✓ **California Fresh Flavors S.R.L., Romania (CFF (Romania))** holding franchise rights for the operation of restaurants under the Taco Bell brand in Romania; the registered office: 239 Calea Dorobanților, 2nd floor, room 11, Bucharest, sector 1
- ✓ **U.S. Food Network S.r.l., Italy (USFN (Italy))** holding franchise rights for the operation of restaurants under the KFC brand in certain regions of Italy; the registered office: 5 Via Francesco Restelli, Milan
- ✓ **U.S. Food Network SRL, the Republic of Moldova (USFN (Moldova))** operating restaurants under the KFC brand in the Republic of Moldova; the registered office: 45 Mitropolit Bănulescu-Bodoni, Chișinău MD-2005

The core values of Sphera define our business model and are based on four pillars that have contributed to the Group's operating performance over the years.



1.1. Market Developments

We initiated the development of our restaurant network from a business perspective as well as based on the needs expressed by customers. Thus, the number of units has increased every year, while we have also diversified the product range.



2019

82 in Romania
15 in Italy
2 in Moldova



2018

Dine In - 23 in Romania
Delivery – 22 in Romania

2019

Dine In - 23 in Romania
Delivery – 22 in Romania



2017
2 in Romania

2018
5 in Romania

2019

10 in Romania



1.2. The Diagram of 2019

PRIME INDICATORS		2019 (the reporting period from 01.01.2019 to 31.12.2019)					
Organization*		SFG	KFC Romania	Pizza Hut & Pizza Hut Delivery Romania	Taco Bell Romania	KFC Italy	KFC Moldova
ECONOMIC							
Number of restaurants	-	82	45	10	15	2	
Net income, thousand RON	81,599	679,644	131,728	32,627	98,430	11,328	
Net income, thousand EUR	17,196	143,228	27,760	6,876	20,743	2,387	
Taxes and duties (excluding the social costs below), thousand EUR	514	4,071	1,835	411	(1,598)	250	
Costs of employee salaries and benefits**, thousand RON	25,781	143,162	43,219	8,930	29,004	1,947	
Net profit/loss, thousand RON	31,998	78,772	(8,004)	(2,639)	(7,530)	1,179	
SOCIAL							
Number of employees***	148	3,429	1,063	290	331	94	
Total training, hours	-	314,300	85,456	39,040	12,941	4,432	
Community investment, EUR	312,904						
ENVIRONMENTAL							
Paper/cardboard waste, tons/year	-	473.23	141.46	6.81	119.72	11.00	
Plastic waste, tons/year	-	22.16	7.74	1.44	22.67	0.70	
Waste oil residues, tons/year	-	243.96	6.08	6.16	51.91	10.50	
Food waste, tons/year	-	23.54	0.416	0.00	50.21	5.00	
Electricity consumption, MWh/year	-	24,263.68	7,562.79	1,261.98	3,766.77	5.81	
Water consumption, m³	-	169,290	43,846	4,409	13,500	7,000	

* The financial data are presented on an individual basis and include transactions between Group's companies

**including social costs

***active employees on December 31, 2019

1.3. Corporate Governance

The Group has adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange and implements the principles established by the Code. Sphera has been taking and continues to take the necessary professional, legal and administrative steps to ensure compliance with the provisions of the Code.

The Company structure and principles of corporate governance, as well as the powers and responsibilities of the General Shareholders' Meeting, of the Board of Directors, of the CEO, and of the Executive Directors are described in the Company Instrument of Incorporation, the Rules and Procedures of the General Shareholders' Meeting, the Internal Rules of Operation of the Board of Directors, as well as other relevant documents.

Board members have diligence and loyalty duties to the Company under the law, as provided for not only in the Company Instrument of Incorporation, but also in other internal regulations. The Group has also implemented internal regulations to address conflicts of interest.

The shareholders are informed at all times about the operational performance of member companies and the financial situation of the Group.

The Group shareholding structure

As at 31.12.2019

Shareholders	Percentage of the voting right, %
Tatika Investments Ltd.	27.33%
Computerland Romania SRL	21.43%
Wellkept Group S.A.	16.34%
Lunic Franchising and Consulting LTD	10.99%
Shareholders group	23.90%
Total	100.00%

Group assets in 2019

ASSETS, thousand RON	2019
Non-current assets:	508,147
Current assets:	112,082
Total assets:	620,229
Total equity:	172,251

Internal Policies

Sphera operates on the basis of a set of internal policies and procedures developed for the purposes of transparency in terms of operation and reporting.

- ➔ Continuous Reports Guidelines – ad hoc reports;
- ➔ Policy on Conflicts of Interest;
- ➔ Policy on Dividends;
- ➔ Forecast Policy;
- ➔ Policy on General Shareholders' Meetings;
- ➔ Policy on Staff Remuneration;
- ➔ Financial Reporting Policy;
- ➔ Policy on Efficient Operations (the supply chain, restaurant operations).

The Board of Directors

The Group is run by the Board of Directors. Its members are appointed by the General Shareholders' Meeting for a period of four years, except the initial members, who were appointed for a period of two years. The Board of Directors has delegated the Company management to the Executive Directors, who perform their functions under mandate contracts.

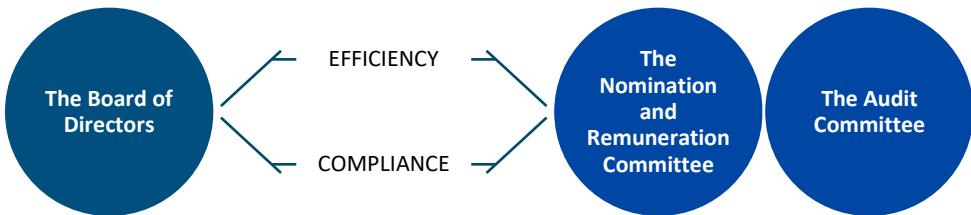
The Board fulfills its duties both competently and prudently, in accordance with the applicable laws and regulations, the Instrument of Incorporation, and the provisions of the contracts concluded with each of the Directors and Board established Rules.

The Company is managed based on a unitary system through the Board of Directors, and the day-to-day management is delegated to the Executive Directors, of whom one has been appointed as the Group CEO. The Board of Directors consists of 7 members, of which 1 is Executive while 6 are non-executive members.

The members of the Board of Directors as at 31.12.2019 were the following:

- ✓ Georgios ARGENTOPOULOS – the Chairman
- ✓ Anastasios TZOULAS – the Vice-Chairman
- ✓ Silviu-Gabriel CÂRMACIU
- ✓ Georgios-Vassilios REPIDONIS
- ✓ Lucian HOANCA
- ✓ Valentin ARNAOUTOU
- ✓ Răzvan LEFTER

The Board of Directors has set up ADVISORY COMMITTEES to monitor the activities and legal compliance.



The distribution of duties between the Board of Directors and the CEO, and the Company Directors, respectively, including the thresholds of powers for legal acts concluded by the Group, is included in the Rules on the organization and functioning of the Board of Directors, in the contracts governing their activity and/or may be established by decisions of the Board of Directors.

Legally, the members of the Board of Directors have duties of diligence and loyalty to the Group, as provided for in the Instrument of Incorporation and other internal rules of the Group.

The Board of Directors is responsible for fulfilling all the useful and necessary acts for the operation of the Company, except for the duties legally assigned to general shareholders' meetings.

The activity of the committees is governed by Internal Rules (the Rules of the Audit Committee and the Rules of the Nomination and Remuneration Committee), and is established based on the legal requirements and provisions of the Company Instrument of Incorporation, and in line with the Code of Corporate Governance of the Bucharest Stock Exchange and capital market regulations.

Both the Audit Committee and the Nomination and Remuneration Committee consist of three members elected by the Board from among its members, and one of the members of the Committee is elected to be the Chair.

The duties of the Board of Directors and of the Chairman have remained the same, as reported in the 2018 report.

Performance Assessment

Assessments are carried out annually and are based on very well-established criteria. All positions in the organizational chart are evaluated internally for performance achieved compared to the goals assigned to the relevant position within the organization.

Board assessment	Management assessment	Employee assessment
<ul style="list-style-type: none">Conducted according to the regulations provided for in the Rules of the Board of Directors, under the coordination of the Chairman of the Board and in accordance with good practicesAnnual assessmentsReports to the General Shareholders' Meeting	<ul style="list-style-type: none">Conducted by the executive Management for checking the achievement of individual goals and targetsAnnual assessments	<ul style="list-style-type: none">Conducted by assessing the personal performance for the previous year; the process is constructive, and prospects of development and support for the employee are created for the purposes of continuous personal developmentAnnual assessments

Risk Management

We responsibly manage all aspects of our activities that can generate potential risks and we identify opportunities that can help our business in the long run. We always identify these opportunities in close collaboration with both our internal and external stakeholders.



- ✓ We assess issues of legal compliance that are subject to both national and international legal requirements.
- ✓ Sphera Group works consistently towards stabilizing external factors and reducing market risks.
- ✓ The Company has developed an internal culture that promotes proper conduct for all employees and the Company management. We rely on an organizational culture, principles, values and operating standards.
- ✓ We conduct regular audits on food safety issues and have strict criteria for compliance with them, at the level of the supply chain, as well as at operational level.
- ✓ We regularly assess operational risks regarding health and safety at work and draw up plans for the prevention and protection of employees. We regularly monitor and check all risks associated with our activities. We work closely with an external consultant for support in this area.
- ✓ We assess the environmental aspects that can generate a negative impact and we are proactive in generating potential mitigation solutions.
- ✓ The Group mitigates risks through monitoring and control conducted by our Legal Department.

The PRINCIPLES that we follow highlight our core values:

- ➔ Delivering excellence on every level: products, services, and outstanding experience;
- ➔ Trust in our employees, which sets us apart in the industry, by supporting, nurturing, guiding, developing, empowering, rewarding and acknowledging performance;
- ➔ We are a business that operates in the HoReCa field, which portfolio includes some of the best-known brands in the world, which is a privilege to us. to trust, as well as be passionate about, and enjoy our work.

Conflicts of Interest

Within our Group there is a policy on conflicts of interest, which stipulates the obligations of the members of the Board of Directors and Executive Directors in any potential conflict of interest situation. Thus, they all have a duty of loyalty to the Company and must strive to avoid conflicts of interest, defined as situations where their personal or professional interest either directly or indirectly makes it difficult to act impartially and independently in the best interests of the Company and of all its shareholders.

Combating Corruption and Bribery

Responsible corporate governance is the basis of our organizational culture. Requirements to comply with the applicable anti-corruption and anti-bribery laws have been closely and diligently observed, to ensure that Group values are implemented, and in turn our reputation is well protected.

There have been no cases of corruption within the organization and we are very careful in preventing their occurrence.

The Group Management

There are three levels of management controlled by the CEO of the Sphera Franchise Group.

The **CEO** designs management and strategic plans, controls the performance to be reached by subsidiaries and the Group as a whole; supervises and decides on banking operations, on the development of the business plan for the entire Group, on the management of capital requirements and budgeting processes. The CEO also legally represents the Group in dealings with all stakeholders, and actively involves the Top Management in the development of the business, of the strategy, and in reaching the annual goals and targets set.

The **COO** controls the activities and performance of the CEOs of each entity (US Food Network SA and American Restaurant System S.A.), as well as the Sole Directors of California Fresh Flavors S.R.L., U.S. Food Network Italia S.r.l and U.S. Food Network SRL. The other Top Management directors contribute to the management the activities carried out by the specific departments of the Company.

The **Directors of the specific departments** (the Financial, Marketing, Development, Human Resources and Legal Departments) have strict responsibilities and obligations in terms of managing the development of their departments and reaching the goals and targets set, at both strategic and operational level.

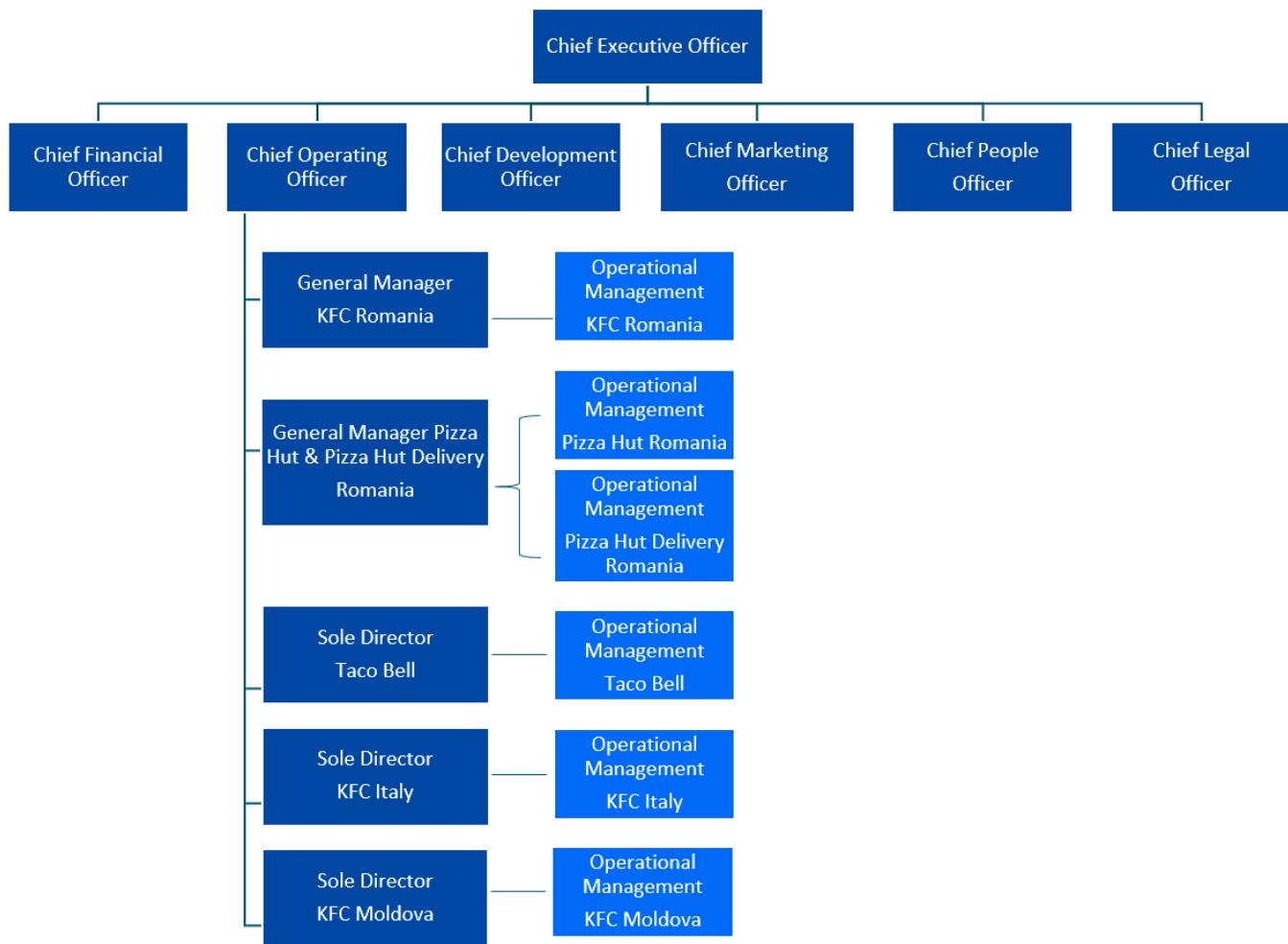
In Romania, the management of the restaurant network for each brand has a dual structure: a first line of regional managers, who in turn supervise the area managers.

In Moldova, the management of KFC restaurants is integrated into the management of the Romanian subsidiary.

In Italy, as of September of 2019, the responsibility for management of the restaurants is assigned to the appointed CEO, who manages a dedicated team based in Milan, including an Operations Manager who supervises the activity and expansion of the network in the country.

*For further information on the roles and responsibilities of the Top Management, please see *in extenso* the 2018 Sustainability Report (chapter 1.2.2)

The organization is run on three management levels



1.4. Sustainability and Progress

In 2018, we developed the Group Sustainability Strategy, a major step for us. We started thinking about projects needed to achieve the general and specific goals set, as well as our targets for year 2025. All these required a complex path of integrating the elements of social and environmental responsibility in our attempt to be the promoters of sustainability concepts that add value to our sector. We aim to be closer in a relevant way, to promote changes that lead to a mitigation of the impact of our activities. Through an integrated approach, we want to add value together with all our stakeholders and help society and the communities in which we operate. We communicate our progress to highlight the materialization of our efforts in strict correlation with the indicators set for contributing to the achievement of the SDGs (Sustainable Development Goals) at international level.

Our Mission: “Excellence in everything we do!”

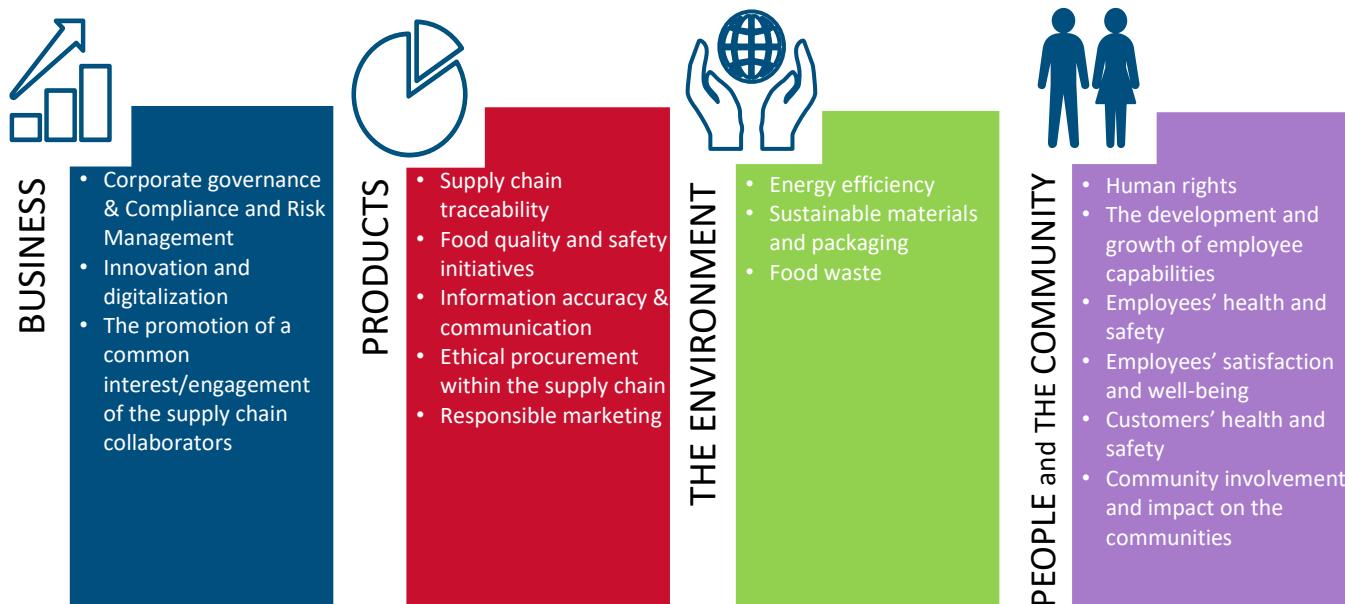
Ensuring business excellence based on sustainable growth along with responsibility to the environment and society.

Our View: “Development through relevance and trust”

Creating a positive impact and benefits in the community, step by step, and further growing our business. We maintain a balance between the impact generated by the business, the needs of society and the

environment and we want to act as leaders in the field of sustainability for the food service industry. We will actively contribute to improving the environmental performance of our operations, and we will promote the well-being of our communities through our social responsibility actions.

Target 1	Audits of basic product suppliers according to the Code of Ethics and Conduct and the Sustainability Approach by 2025
Target 2	100% of restaurants equipped with kiosk ordering systems (where the surface area and design allow it) by 2021
Target 3	100% of restaurants equipped with digital menu boards, in all KFC and Taco Bell restaurants, by 2022
Target 4	100% consumption packaging made of recoverable and reusable plastic by 2025
Target 5	100% energy efficiency lighting (LED lighting) by 2024
Target 6	2% of staff hired from vulnerable communities or from among persons with disabilities, as well as various nationalities by 2023
Target 7	50% of the operations training programs being available on apps/in digital format or using gamification by 2022
Target 8	80% rate of in-house promotion for restaurant management positions by 2025

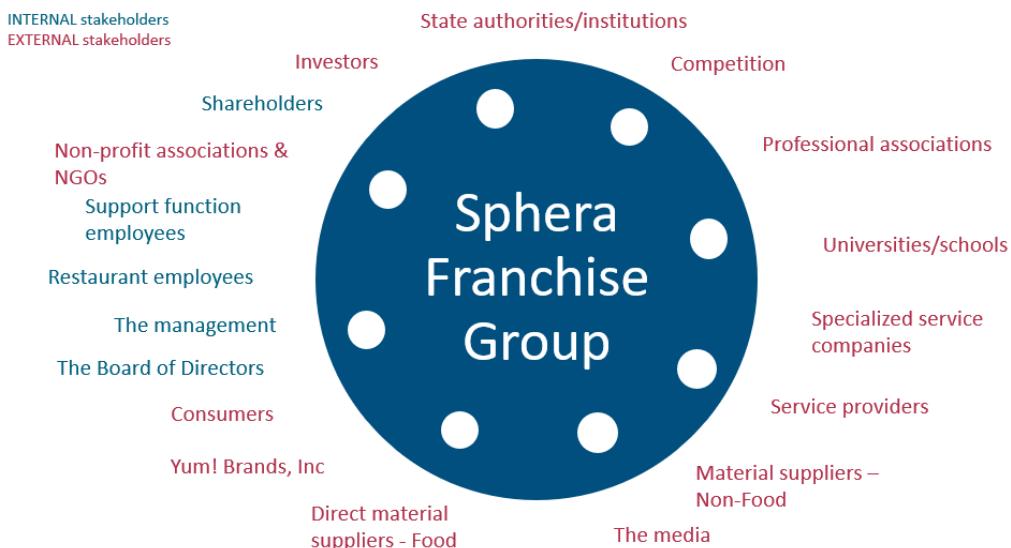


SUSTAINABLE DEVELOPMENT GOALS TO WHICH WE HAVE SUBSCRIBED



1.5. Stakeholders' Engagement

In 2018, through an extensive analysis, we identified Sphera's stakeholders' groups. Thus, we highlighted their need and expectations and undertook a series of interactions to strengthen relationships and create long-term collaboration prospects.



How do we work together?

We have always wanted to engage, collaborate, and develop partnerships with our stakeholders, and the methods of interaction employed have been diverse and tailored to their needs. In our dealings with the suppliers, or with other organizations with whom we work, we try to find common ways to cooperate, to improve and develop corporate responsibility.

INTERNAL stakeholders

- Meetings/conference calls or teleconferences
- Trainings
- Internal communication platforms
- Employee satisfaction surveys
- Performance assessment
- Internal initiatives
- Internal events
- Audits
- Work sessions
- Internal/networking events
- Reports

EXTERNAL stakeholders

- Meetings/conference calls or teleconferences
- Networking events
- Audits
- Partnership work for addressing relevant issues
- Assessments
- Studies
- Meetings
- Reports
- Activities of social, economic and environmental responsibility
- Social media interactions

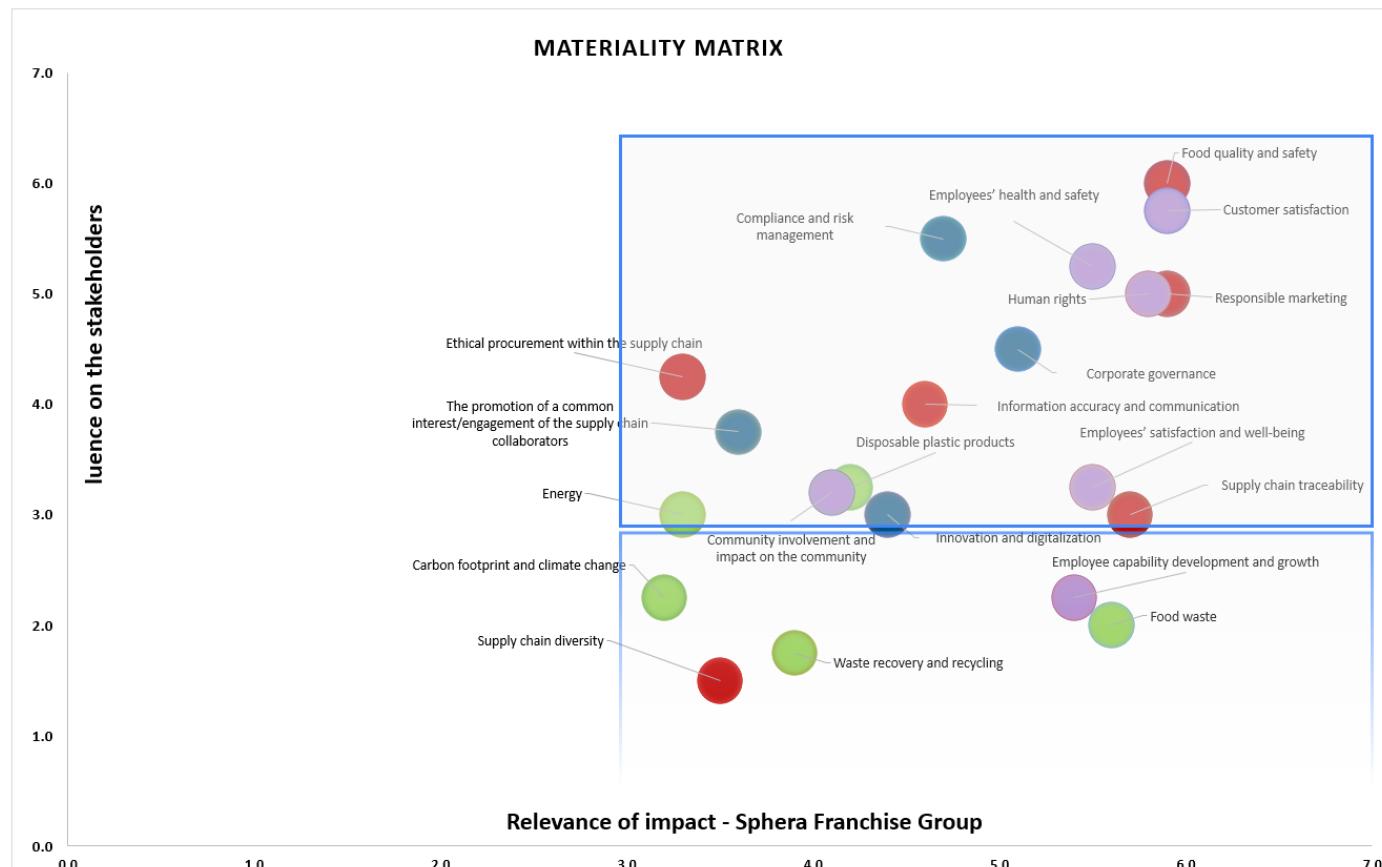
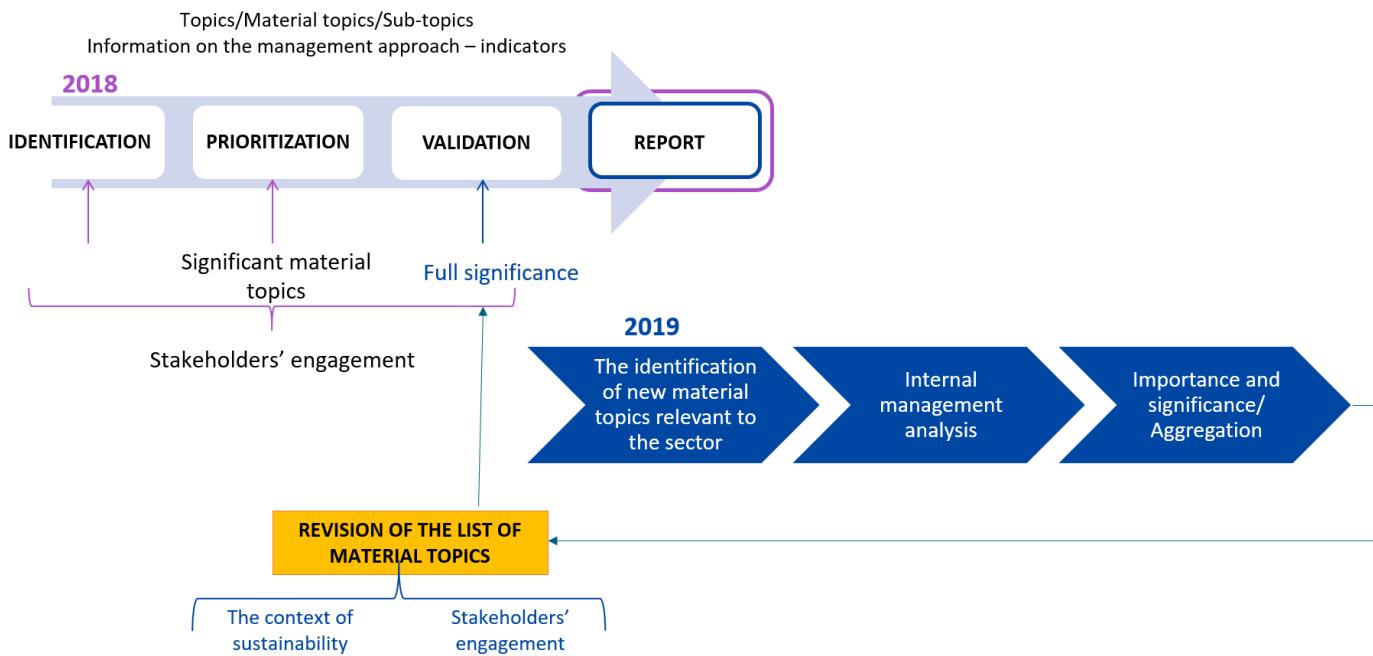
*For specific examples of interactions employed with certain stakeholders, one may see in detail the table from the 2018 Sustainability Report (chapter 1.6)

1.6. Key Topics for Our Business

For 2019, the analysis of the material topics , the assessment and development of the materiality matrix, were re-assessed internally , from the perspective of both the management and certain employees, as well as externally, from the perspective of the most important stakeholders' groups. We identified several new material topics that are relevant to our Group, either as global trends and challenges in the food service industry, or as legal challenges we face, which cannot be neglected and are part of our organizational risk management approaches. We have not excluded the ones addressed in the previous year, but we have

combined some of these material topics because they do not have a significant impact individually, but rather cumulatively.

The relevance and importance of the material topics have been identified through internal and external surveys and questionnaires.





Material topics

- Employees' health and safety
- Food quality and safety
- Customer satisfaction
- Responsible marketing
- Information accuracy and communication
- Corporate governance
- Compliance and risk management
- Human rights

- Community involvement and impact on the community
- Disposable plastic products
- Supply chain traceability
- Innovation and digitalization
- Food waste
- Employee capability development and growth
- Employees' satisfaction and well-being
- Waste recovery and recycling



Material topic

Strategic guidance (B=Business P=Products E=Environment Pe=People)	Material topic
B	Corporate governance
B	Compliance and risk management
B	Innovation and digitalization
B	The promotion of a common interest/engagement of the supply chain collaborators
P	Supply chain diversity
P	Supply chain traceability
P	Information accuracy and communication
P	Responsible marketing
P	Food quality and safety
P	Ethical procurement within the supply chain
E	Energy
E	Carbon footprint and climate change
E	Waste recovery and recycling
E	Disposable plastic products
E	Food waste
Pe	Employee capability development and growth
Pe	Employees' satisfaction and well-being
Pe	Community involvement and impact on the community
Pe	Human rights
Pe	Employees' health and safety
Pe	Customer satisfaction

According to the corroborated data and internal analyses performed, the internal and external scope of the material topics is different considering that the need and interest of various stakeholder groups have had some limitations. The content of this report has been defined by taking these limitations and interests into account.

Material topics and the importance for our internal and external stakeholders

No.	Material topics	Relevance and importance (assessment score)		Scope/limitations			
		For the company	For the stakeholders	INTERNAL	Limitations	EXTERNAL	Limitations
1	Corporate governance	5.10	4.50	SFG		YUM, S, PA, PAUT, M, I	
2	Compliance and risk management	4.70	5.50	SFG		YUM, S, PA, PAUT, C, M, NGO, I	
3	Innovation and digitalization	4.40	3.00	SFG		YUM, S, PA, C, M, I	
4	The promotion of a common interest/engagement of the supply chain collaborators	3.60	3.75	SFG		YUM, S, PA, NGO, I, M	
5	Supply chain diversity	3.50	1.50	SFG	✓	YUM, S, PA, C	✓
6	Supply chain traceability	5.70	3.00	SFG		YUM, S, PA, PAUT	✓
7	Information accuracy and communication	4.60	4.00	SFG		YUM, S, PAUT, C, M, NGO, PA	
8	Responsible marketing	5.90	5.00	SFG		YUM, C, S, M, I, NGO, PAUT, PA	
9	Food quality and safety	5.90	6.00	SFG		YUM, C, S, PAUT, PA	✓
10	Ethical procurement within the supply chain	3.30	4.25	SFG	✓	YUM, S, PAUT, PA, I, NGO, M, C	
11	Energy	3.30	3.00	SFG		YUM, S, PA, PAUT, U, NGO, C, M	
12	Carbon footprint and climate change	3.20	2.25	SFG		YUM, S, PA, PAUT, U, NGO, C, M	
13	Waste recovery and recycling	3.90	1.75	SFG	✓	YUM, S, PAUT, C, M	✓
14	Disposable plastic products	4.20	3.25	SFG	✓	YUM, S, PA, PAUT, C, M, NGO	
15	Food waste	5.60	2.00	SFG		YUM, S, PAUT, C, M, NGO	
16	Employee capability development and growth	5.40	2.25	SFG		YUM, U, PA, C, PAUT	
17	Employee satisfaction and well-being	5.50	3.25	SFG		YUM, PAUT, PA, C	✓
18	Community involvement and impact on the community	4.10	3.20	SFG		YUM, C, S, U, PA, NGO, PAUT, M, I	
19	Human rights	5.80	5.00	SFG		YUM, C, S, PA, NGO, PAUT, M, I	✓
20	Employee health and safety	5.50	5.25	SFG		YUM, S, PAUT, PA	✓
21	Customer satisfaction	5.90	5.75	SFG	✓	YUM, C, S, PAUT, PA	

Legend: stakeholder groups

1. Sphera Franchise Group: **SFG**
2. YUM Brand: **YUM**
3. Suppliers: **S**
4. Professional associations: **PA**
5. Universities/schools: **U**
6. NGOs: **NGO**
7. Public authorities: **PAUT**
8. Consumers: **C**
9. Media: **M**
10. Investors: **I**

SFG - Sphera Franchise Group includes the employees and management of US Food Network SA (Romania), American Restaurant System SA (Romania), California Fresh Flavors SRL (Romania), U.S. Food Network SRL (Moldova), US Food Network Srl (Italy) and the shareholders

S - Suppliers include: raw material suppliers (food), raw material/material suppliers (non-food), service providers, outsourced service providers

Note: As previously mentioned, there are small changes in the material topics addressed in this report. *Energy efficiency, Renewable energy* and *Sustainable buildings* addressed in 2018 have been aggregated into **Energy**. We no longer addressed the topic *Sustainable materials and packaging*, as it has been replaced by **Disposable plastic products**, and have excluded the topic *Smart food networks* this year as it is a topic of relatively low impact.

How do we define the importance of the material topics for our companies?

Corporate governance

Sphera carries out its activities with integrity and respect for society. Implementing all aspects of corporate governance is a major priority for our Company: from compliance with all aspects of our Code of Conduct and Anti-Corruption Policies, to supplier assessment and transparency regarding complaints received.

Innovation and digitalization

Digital communication of menus and the use of new technologies for ordering, in order to improve the experience of our customers and Sphera employees, along with other innovative technologies for our products are priority initiatives within Sphera in the sustainable development of the company.

Supply chain diversity

Supply chain diversity is a priority, because only in this way can we guarantee the continuity and availability of the products for all the companies in our portfolio. The diversity of producers and suppliers is crucial to the success of the Group and is also a competitive advantage.

Information accuracy and communication

Sphera and Group companies communicate transparently, using simple and useful communication platforms with a wide range of stakeholders. We believe that the accuracy of the information submitted by us is important and we want as close an interaction and constructive communication with the communities in which we operate as possible.

Food quality and safety

Sphera is committed to providing the best quality products and services that meet the requirements and expectations of consumers in all respects. Our business depends on the quality and integrity of the products sold, and consumer perceptions. Brand integrity also plays an important part.

Energy

For Sphera, energy is very important because all our processes are based on the efficient use of energy. We are aware of the importance of the progressive transition to renewable options for the protection of finite natural resources, which is why we implement high-performance technologies and energy-efficient equipment.

Waste recovery and recycling

We, here at Sphera, are fully aware of our responsibility to the environment. Our main objective is to protect natural resources and minimize the impact generated by our activity on the environment, by continuously identifying solutions for collection and recycling, and, when waste cannot be recycled, the potential to recover the energy thereof.

Compliance and risk management

Compliance with all applicable laws, and the assessment and management of risks associated with Sphera operations on various issues such as food safety, and health and safety are of strategic importance to Sphera and are crucial in all the activities carried out.

The promotion of a common interest/engagement of the supply chain collaborators

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

Supply chain traceability

Sphera wishes to promote sustainable products, and, in order to achieve this, we work closely with our suppliers to ensure that the quality requirements for raw materials and products, and environmental and social requirements are met throughout the supply chain.

Responsible marketing

Sphera and its companies are committed to managing marketing processes responsibly and according to applicable internal policies and requirements. The integrity and reputation of our brands are very important, and, so, we address all marketing campaigns honestly, transparently and open to any improvements that may be offered by our main stakeholders.

Ethical procurement within the supply chain

The Sphera Group relies on ethical procurement within the supply chain, ensuring that all products purchased for restaurants are obtained through responsible and sustainable methods. This also includes the payment of fair wages to the workers who are involved in the supply chain production of the materials used by the Sphera group, the respect for human rights, the sites being clean and safe working environments and the consideration of all social and environmental aspects of the production activities.

The carbon footprint and climate change

Climate change poses potential risks for Sphera, including the possibility of increased energy costs, CO2 emission taxes, the sustainable supply of agricultural raw materials and water and business interruptions due to severe weather conditions, and, through efficient energy and carbon management, we believe that Sphera's continued investment in energy efficiency and low-carbon technologies will benefit the Group and society.

Food waste

Food waste occurs when food remains unconsumed, and takes place in different stages, from production and processing to sale and the final consumer. Sphera deems it particularly important to reduce the amount of food left unconsumed, at all stages, by implementing strategic measures and improving its performance in reducing the amount of food waste generated.

Employees' satisfaction and well-being

Sphera is committed to supporting initiatives for employee development, the improvement of the working environment, health and safety at work, etc. The success of our business depends on our ability to attract and retain talented, healthy, happy and responsible people. Access to development programs, as well as the creation of a safe working environment are part of our organizational culture.

Human rights

The issue of human rights is the key to the responsibility of the organization to the community to which it belongs. Human rights are a key performance indicator for all Sphera Group companies. We are committed to constantly creating a working environment that promotes diversity and social inclusion, ensuring that human rights are fully acknowledged and respected.

Employees' health and safety

The Sphera Group and its companies understand the importance of the health and safety of its employees and contractors. To this end, we always send notices, identify risks and potential hazards, conduct audits and use best practices and training methods to ensure that our health and safety policies and measures are understood and followed. We make sure we have the resources needed to ensure safe workplaces for our employees.

Disposable plastic products

Because we want to have a clean environment, we have launched the new paper straws instead of the plastic ones in all KFC store chains, thus managing to reduce the impact on the environment. We are constantly monitoring compliance with legislative requirements and we are trying as much as possible to be proactive in taking the best steps to reduce the consumption of disposable plastic products and implicitly the plastic waste generated.

Employee skill development and growth

Our business is based on people and their interaction with our customers. Continuing training, employee motivation, access to development programs, as well as the creation of a career path for them are an ongoing concern for us.

Community involvement and impact on the community

Sphera and its companies are committed to supporting information and education campaigns and community initiatives. It is also committed to opening partnerships with secondary school and university institutions in order to support future generations, regarding access to the labor market, initiation in career management and professional development. The success of our business depends largely on the quality of life for our customers and the well-being of the communities in which we operate.

Customer satisfaction

The Sphera Group and its companies understand that consumers have the right to expect the food they buy and consume to be safe and top quality, and the restaurant environment to be safe and risk-free. We want to make sure that our practices meet all applicable standards to ensure food safety, restaurant safety and that we focus on creating diverse products.

In the following chapters, we present our Group performance in close correlation with these material topics.



02

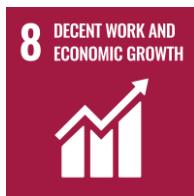
Our Products

We target excellence and provide culinary experiences

Our mission – ‘Excellence in everything we do’ – remains the essence of our sustainability strategy relevant to all our stakeholders, but particularly important to our customers and collaborators. In this regard, we continue focusing on major issues, such as innovation, digitalization, supply chain partnerships, food quality and safety, easy communication and responsible marketing.

In 2018, we developed our sustainability strategy and subscribed to the international UN Sustainable Development Goals. We pay special attention to the PRODUCT pillar, and we do our best to reach our targets and to communicate our progress.

THE PRODUCTS PILLAR



Objectives	Targets	Progress
Supply chain traceability	100% of restaurants equipped with kiosk ordering systems (where the surface area and design allow it) by 2021	We continue to supply our restaurants with kiosk ordering systems to reach the target of 100% by 2021 (where the surface area and design allow it). In 2019 we equipped 24 KFC restaurants in Romania and a Taco Bell establishment with kiosk ordering systems.
Product traceability and sustainability	100% of restaurants equipped with digital menu boards, in all KFC and Taco Bell restaurants, by 2022	We continue to supply our restaurants with digital menu boards to reach the target of 100% by 2022. <ul style="list-style-type: none">▪ We have equipped 10 Taco Bell restaurants – 100%;▪ We have equipped 58 KFC restaurants.
Ethical procurement within the supply chain	100% of the consumption packaging made of recyclable or reusable plastic by 2025	We continue our efforts to reach the target by 2025, for all consumption packaging distributed in our restaurants to be made of recyclable or reusable plastic.
All products purchased are obtained in responsible, sustainable and ethical ways	Audits for basic product suppliers according to the Code of Ethics and Conduct and the Sustainability Approach by 2025	In 2019 we managed to replace plastic straws with paper ones.
Food quality and safety initiatives		
The highest food quality and safety standards in the food service industry		We conduct regular audits for our basic products, both internally and externally. We ensure that all our requirements are met, and we work closely with our suppliers to maintain high standards.

2.1. Our Brands

The Sphera Group holds and operates, in a master franchise system, well-known and beloved international brands: **KFC, Pizza Hut, Pizza Hut Delivery** and **Taco Bell**.

In 2019, within the Group, 11 new KFC restaurants were launched, six of which were in Romania and five in Italy, as well as five new Taco Bell restaurants in Romania.



Why KFC?

KFC is the largest chicken product-based fast food restaurant chain in the world in terms of the number of restaurants, and manages over 23,000 restaurants in over 135 countries and territories under the name of 'Kentucky Fried Chicken' or 'KFC', being one of the best known commercial brands in the world.

- ✓ The unique recipe
- ✓ The fresh products prepared daily in our kitchens
- ✓ The high quality
- ✓ The accessible locations
- ✓ The innovative products

Evolution in terms of the number of Restaurants	2018	2019
KFC Romania	76	82
KFC Moldova	2	2
KFC Italy	10	15



Why Pizza Hut and Pizza Hut Delivery?

In Romania, Pizza Hut is the largest dine-in restaurant chain in terms of the total sales and the number of restaurants. Pizza Hut Delivery uses the home delivery system for the products from its restaurant portfolio. In 2019, the number of Pizza Hut and Pizza Hut Delivery restaurants remained constant.

- ✓ The largest dine-in and home delivery restaurant chain;
- ✓ The varied menu – Burgers, Ribs, Pasta, Pizza, Desserts;
- ✓ The largest range of pizza crusts (Pan, Cheesy Bites, Stuffed Crust);
- ✓ The 99% brand awareness (the brand with the highest visibility in its category)

Evolution in terms of the number of Restaurants	2018	2019
Pizza Hut (Dine in)	23	23
Pizza Hut Delivery	22	22



Why Taco Bell?

Taco Bell restaurants serve Mexican-inspired products, and the slogan 'Live Mas' represents the brand philosophy, the enjoyment of life and good times. There are currently over 360 Taco Bell restaurants in over 27 countries outside the US. In Romania, in 2019, five Taco Bell restaurants were opened.

- ✓ The Mexican-inspired menu
- ✓ The fresh products prepared in the restaurants
- ✓ The kind employees
- ✓ The open kitchen

Evolution in terms of the number of Restaurants	2018	2019
Taco Bell	5	10

Menus and Products beloved by Customers

Our products comply with the internally established Codes of Practice, and each supplier is regularly checked, both internally and externally, during the annual independent audits.

Each product is only available for sale for a certain period of time, according to the standards and good practices of Yum! Brands Inc., to ensure quality and freshness is offered to our customers.

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

We carefully select the raw materials. In selecting the raw materials and in the preparation of the products and the management of the waste, we implement sound sustainability principles.

We develop partnerships only with producers or supplies who can prove high food safety standards and a proper level of product quality and availability.



Supplier Pre-approval. Audits

Suppliers of certain raw materials that either pose food safety risks or have possible supply problems or whose manufacturing process is complex (such as meat, cheese, some pizza ingredients – the tomato paste, flour and some spices), enter a process of pre-approval by Yum! Brands Inc.

Each year, these suppliers are audited according to strict requirements imposed and controlled by Yum! Brands, Inc. The audits are carried out by independent specialized companies.

>70% of Group food and ingredients come from the Romanian market, including major categories, such as meat, cheese, and vegetables.

Sunflower and rapeseed oil

We use sunflower and rapeseed oil, and waste oil is recycled in collaboration with companies specializing in the biofuel production technology. The oil used in the preparation of the products does not contain artificial trans fats.

Chicken meat

We procure chicken from the Romanian market and work with local suppliers. The products are freshly prepared every day in restaurants by our specially trained cooks.

Coffee – FAIRTRADE certified

The coffee sold in our restaurants is Fairtrade certified and comes from 100% Arabica coffee beans.

The product packaging

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

At Pizza Hut and Pizza Hut Delivery, pizza boxes and paper bags come from responsibly managed forests and/or recycled sources.

2.2. Responsibility and Innovation

Responsibility and innovation are values of mature organizations, so we want to act responsibly in all aspects of the activities carried out by Sphera Group companies. Whether we are talking about our products, the supply of raw materials and products, the marketing activity or food safety, they all comply with our values in terms of responsibility.

We continue focusing on innovation to become more competitive and efficient.

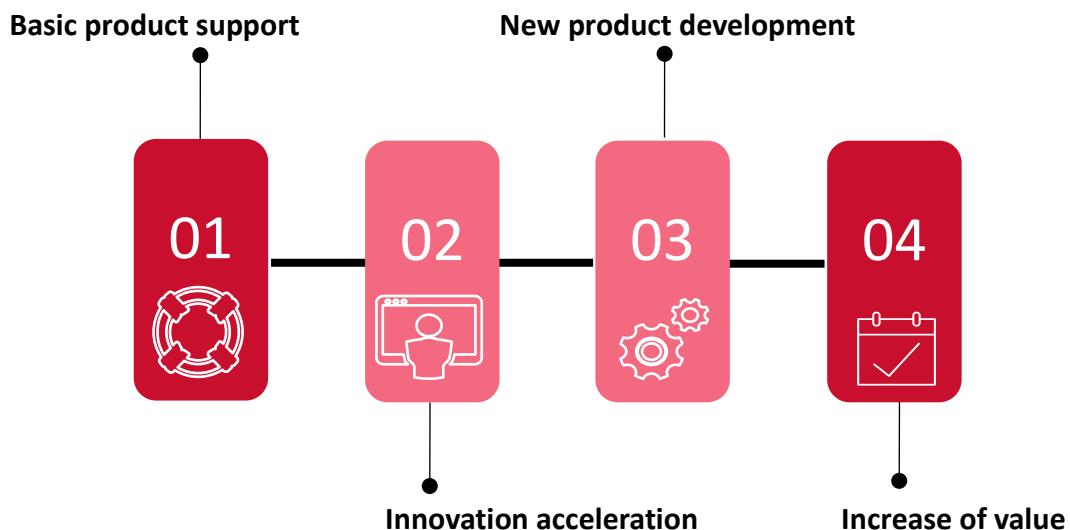
Responsible Marketing, Innovation and Digitalization

We are committed to managing marketing processes responsibly and according to applicable internal policies and requirements. As the integrity and reputation of our brands are very important, we address all marketing campaigns honestly and transparently, and we are constantly open to improvements suggested by our main stakeholders.

The Group marketing strategy aims at increasing sales by strengthening the notoriety of our brands among customers.

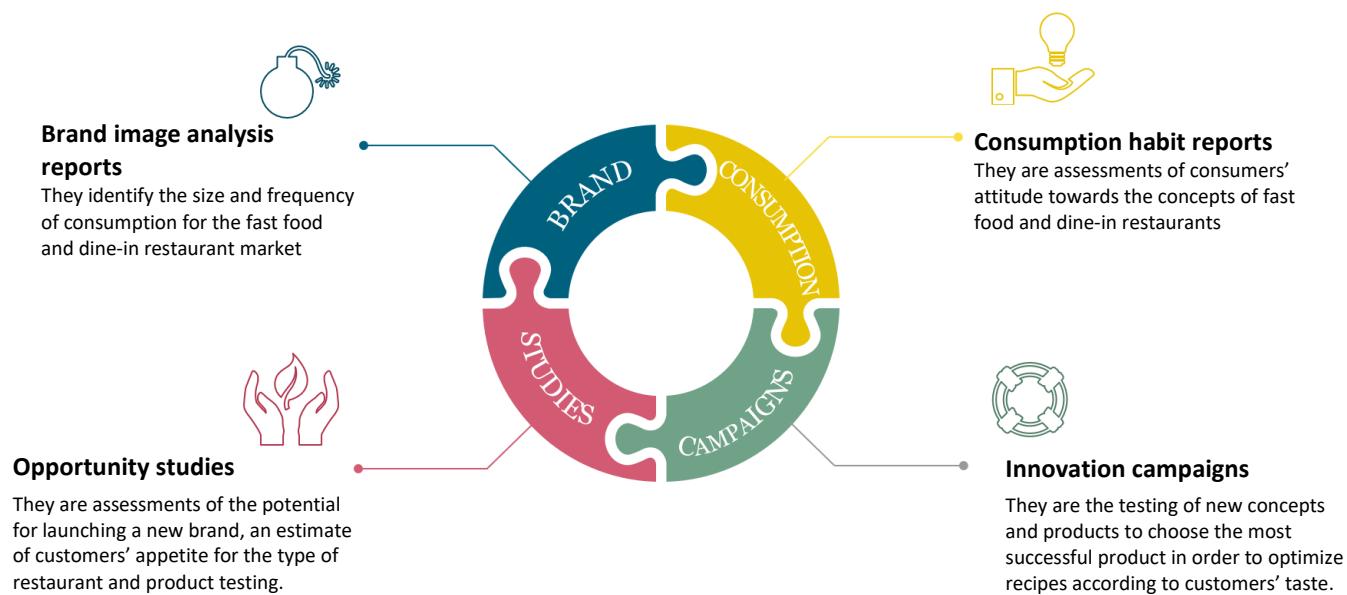


We continue maintaining the four major directions for the marketing activity



We constantly analyze patterns of perception exhibited by consumers in relation to the brands, products and services of Sphera, as well as their consumption habits and preferences in terms of lifestyle, to constantly improve our offers and remain relevant for our customers.

We identify consumers' needs and analyze the market



DIGITAL MENUS at TACO BELL and KFC

25 New Ordering KIOSKS in 2019

For Sphera brands, digitalization is a very important issue, which is why we constantly invest in innovative solutions and systems which we implement in the restaurants.



Information Accuracy and Communication

We provide customers with all the important information about the products and services offered by the brands available in the Sphera Franchise Group portfolio. It can be found both online, on the websites of each brand, and physically, in each restaurant, i.e. in the menus.

In order to ensure that the information we provide is accurate, we rely on the specifications provided by raw material suppliers, as well as the test reports issued by authorized laboratories.

WE COMMUNICATE ON VARIOUS CHANNELS

We provide customers with various means to express their opinions on our products and services:

- ➔ Social media (Facebook, Instagram, LinkedIn, Google My Business)
- ➔ The official websites of each brand
- ➔ Official email addresses for each brand
- ➔ Customer satisfaction surveys.

2.3. The Supply Chain

Supply Chain Traceability

Food safety is a priority for us along with the quality of our products. The subject of traceability has several key components, such as ensuring the optimal requirements for food processing and food safety and ensuring collaborations that might allow the avoidance of any risks for the basic products for all our brands, respectively.

Through optimal supply chain traceability, we can effectively identify the history of the goods, as well as the location of a sample of raw materials, in order to establish preventive intervention actions to maintain quality standards. In case of suspicions related to consumer safety, we can block a certain batch from sale, thus minimizing any risk to customers' health and safety.

Our collaboration with logistics and transport companies, i.e. **HAVI Logistics** (for Romania and Moldova) and **Quick Service Logistics Italia S.R.L.** for Italy, ensures the continuous optimization of the supply chain transport activities.



We are very serious about any supply chain issues, by integrating each product (raw material) into food quality and safety management systems. Through the HACCP standard, each item/material goes through a process of verification and approval and is then accompanied by supporting documentation on its traceability.

Ethical Procurement within the Supply Chain

We promote fair competition and ensure that the product selection is based on criteria relying on values such as:

- ➔ Competence
- ➔ Capacity
- ➔ Experience
- ➔ Transparency
- ➔ Responsibility

100% of our raw materials and products are in line with the concept of ethical procurement

values which we ask of our product suppliers.

To ensure **environmental responsibility**, we ask our suppliers of certain product categories for environmental certifications. If the supplier or producer is unable to provide us with a document to attest the certification, then the relevant supplier will be audited to ensure that it complies with our environmental protection values and requirements.

In the future, we want to enable the visibility of all products originating from sustainable sources, and, to this end, we have strategically taken on a constructive collaboration with our suppliers.

Animal Welfare

We encourage suppliers and producers with whom we work to develop partnerships based on ethical principles. The strategy for implementing EU Animal Welfare values leads to a strengthening of the market position of suppliers. Moreover, by complying with these rules, losses throughout the supply chain will be implicitly minimized.

We are committed to our goal for all our poultry meat suppliers to undergo a Welfare Audit within 2 to 5 years' time and obtain an Animal Welfare certification

By reaching this goal, in addition to the environmental performance of the company, we want to increase consumer trust in the products offered by our brands.

Supply Chain Diversity

For Sphera, supply chain diversity is a priority since this is the only way to guarantee the continuity and availability of the products for all the companies within its portfolio.

We have set out to only work with suppliers who act in accordance with our values, who comply with and implement the laws in force and meet the criteria of safety and environmental protection, quality management, ethics, principles of social responsibility, human rights and work standards.

The supplier mix is balanced between local and external suppliers, and each plays a major role in the supply chain

The diversity of producers and suppliers is crucial for the success of the Group and is also a competitive advantage.

- ➔ Local suppliers and producers support us whenever rapid changes occur in the market;
- ➔ Medium and large-size suppliers and producers ensure the continuity of our Company activity.

The Promotion of a Common Interest/Engagement of Supply Chain Collaborators

This topic is based on the coordination of activities and flows of products and information received from suppliers and producers. For our business it is important to ensure the rapid circulation of raw materials and information to guarantee optimal services offered to end customers.

Sphera's main medium- and long-term goal is to expand its collaboration with raw material suppliers that meet the minimum requirement of certification by the Global Food Safety Initiative (GFSI), a global initiative that brings together key players of the food industry to contribute to the continuous improvement of food safety management systems worldwide, including the British Retail Consortium Global Standards, the International Featured Standards (IFS) and the A+ Standards. The British Retail Consortium (BRC) first introduced the Global Food Safety Standard, a Global Food Safety Initiative (GFSI) standard, in 1998. The International Featured Standards (IFS) includes eight food and non-food standards, covering processes throughout the supply chain.

Chicken Spend Smarter – a Successful Project

The 'Chicken Spend Smarter' project is part of a series of projects created by Yum!, and is a proven way to increase business margins without a negative impact on the experience of consumers of chicken meat products marketed by KFC or on the relationships with suppliers in this field.

The project was carried out through interdepartmental collaboration and a focus on innovation in terms of current chicken meat products, with Yum! Asia Pacific and the Sphera Group Supply Department as the organizer. Chicken meat suppliers, representatives of the Group internal departments, as well as representatives of the Quality and Supply Departments of Central and Eastern European countries, Yum! Russia and specialists on behalf of Spend Smarter Yum! Brands., and Yum! Asia Pacific attended the workshop and worked together.

Carried out in June of 2019, this project was a success, with suppliers and the team identifying business needs in terms of the chicken meat used in KFC restaurants, as well as solutions and methods of collaboration in the medium and long term. After the first six months, there was a decrease in chicken meat purchase costs by approximately 1% of the total annual costs. This lowered level remained constant after the first six months of analysis as well.

2.4. Food Quality and Safety

For SPHERA, food safety remains the number one priority, and, in order to ensure that our products meet quality standards, we audit suppliers, distributors and restaurants on a regular basis. This approach helps us prevent incidents related to food quality and safety, as well as implement the best practices in the field.

We continually implement the highest food quality and safety standards. We achieved it due to our dedicated Quality Assurance team, whose purpose is to guarantee compliance with all relevant requirements, to establish key performance indicators for suppliers, to monitor their compliance, to maintain contact with the Quality Department of Yum! Brands Inc., as well as to train and provide technical assistance to restaurant staff. Food safety procedures in accordance with HACCP principles are implemented in all our establishments, and, through them, we monitor all parameters with a potential impact on consumer health.

Monitored parameters:

- ➔ Product traceability
- ➔ Product and raw material storage temperature
- ➔ Cooking temperature
- ➔ Restaurant facilities
- ➔ Staff hygiene
- ➔ Regular trainings of our staff and collaborators
- ➔ Other.

We handle and solve all complaints with the highest priority and ensure that all stakeholders receive a timely response.

Trainings

All our restaurant employees are trained in food safety, and establishments are inspected and audited on a regular basis by our internal and external managers. The purpose of the trainings is to understand the importance of the learning and maintaining of effectiveness in respect of communication requirements by the staff involved in activities with an impact on food safety. Restaurant management teams are also trained to engage and motivate staff to meet the requirements of internal quality standards.

Year	Entity	Hours of food safety training
2019	KFC Romania	77,728
	KFC Moldova	1,376
	KFC Italy	14,356
	Pizza Hut Romania	10,128
	Pizza Hut Delivery Romania	7,856
	Taco Bell Romania	9,504
	Sphera Group total	120,948

Every year, all our employees fill out a 'Food Safety Assessment Questionnaire' to ensure that the parameters related to this field are met.

In 2019 we received 283 complaints, for which 15 views were drawn up, as requested by ANPC (the National Authority for Consumer Protection).

Year	Entity	Number of complaints	Number of views drafted
2019	KFC Romania	227	12
	KFC Moldova	0	0
	KFC Italy*	1	0
	Pizza Hut Romania	10	3
	Pizza Hut Delivery Romania	42	
	Taco Bell Romania	4	0
Sphera Group Total		283	15

*In Italy, there was one complaint sent via the Facebook page. Following our internal checks, the conclusion reached was that all our procedures had been followed, and the complaint was un justified.

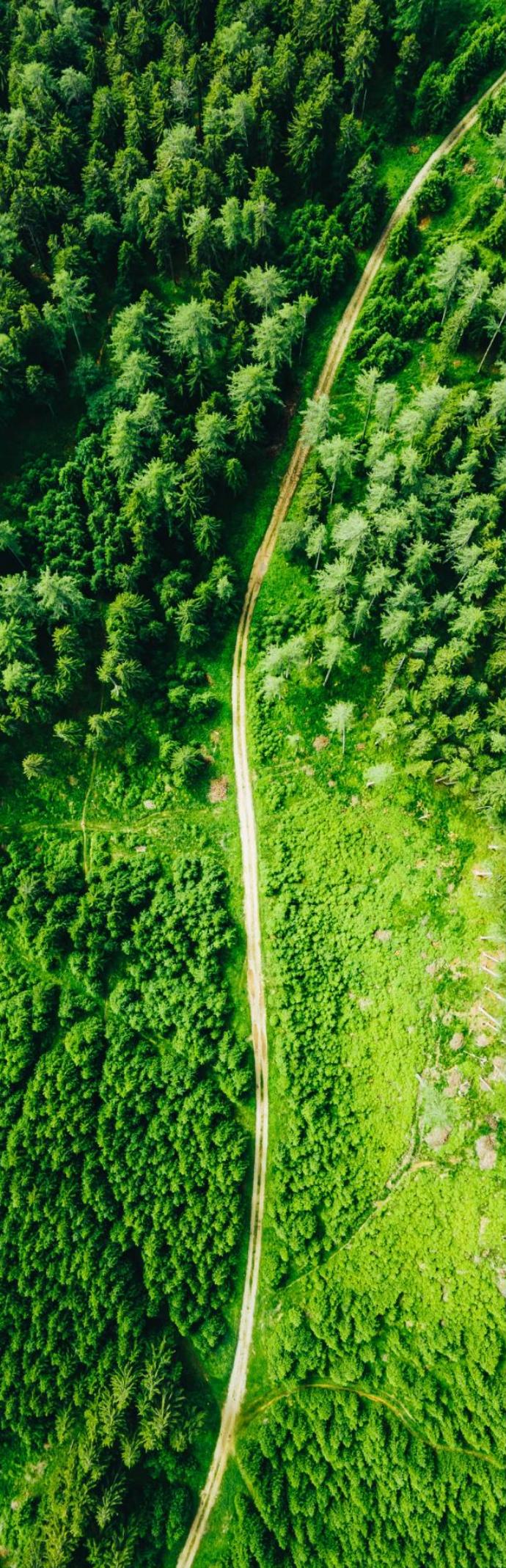
Audits

The internal food safety audit program is designed to promote effective control and reduce risks in the global supply chain.

We select suppliers based on audit performance, risk assessments, human capacity and key performance indicators for preventive food safety controls, including Good Manufacturing Practices (GMP), Hazard Analysis and Critical Control Points (HACCP), pest control, withdrawal plans and protection against contamination.

We conduct annual HACCP audits of suppliers on the basis of well-defined criteria to ensure that the materials and raw materials purchased are high quality and meet food safety standards.

Year	Entity	% audited suppliers	Total number of audits
2019	KFC Romania	84.21	26
	KFC Moldova	84.21	26
	KFC Italy	30	36
	Pizza Hut & Pizza Hut Delivery Romania	60	18
	Taco Bell Romania	100	9



03

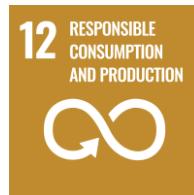
**Care for the
Environment**

Environmental Responsibility

The Sphera Franchise Group and its companies continue focusing on resource management, as the primary pillar of the sustainability strategy launched in 2018. In this regard, the Group has set medium and long-term targets for reaching its goals.

The strategic goals of the Sphera Franchise Group are aligned with the United Nations Sustainable Development Goals. The management of material topics, impact reduction and constant monitoring help us assess progress.

THE ENVIRONMENTAL PILLAR



Objectives	Targets	Progress
Energy efficiency Reducing the energy consumption and carbon footprint of the organization.	100% energy efficiency lighting (LED lighting) – by 2024	Energy efficiency lighting in all Drive Thru and street restaurants. Energy efficiency lighting in all newly opened and renovated restaurants.
Sustainable materials and packaging Increasing sustainable material and packaging purchases.	100% of consumption packaging made of recoverable or reusable plastic – by 2025	We have 100% replaced plastic straws with paper ones. We have 100% replaced plastic bags.
Food waste Aligning with the principles of avoidance of food waste and implementing internal programs for its prevention.	Implementation in all Group companies	The HARVEST program where we donated over 3,600 kg of food products in 2019. Staff training to streamline the flow of materials. Thorough planning of the materials needed in the process. Optimized distribution of the raw materials. Careful use of the equipment.

3.1. Energy

For all the companies in the Sphera Group, everything related to our operational aspects relies on energy use. Whether we use electricity, natural gas or fuel, all our processes are based on the efficient use of energy. We are aware of the importance of a progressive transition to the use of energy from renewable resources to protect finite natural resources, which is why we are focused on implementing high-performance technologies and energy-efficient equipment.

First and foremost, we want to reduce our energy consumption, and therefore reduce our greenhouse gas emissions to combat climate change and minimize the costs.

Here, at Sphera, when we talk about energy or energy efficiency, we consider all potential aspects that we can influence either internally or externally. Sphera selects its restaurant locations based on energy efficiency characteristics and the proximity to public transportation, and we are actively involved in improving their efficiency.

The Sustainability Strategy of the Sphera Franchise Group has set a clear direction for energy efficiency, supported by closely monitored goals.

The total energy consumption of the organization in 2019 was 147,945 GJ.

The Electricity Consumption of the Sphera Group

We monitor the electricity consumption in our restaurants. The restaurant network has grown compared to 2018, which has led to an increased electricity consumption as a cumulative value. However, the energy consumed per unit area has been decreasing thanks to our programs aimed at equipping restaurants with efficient lighting systems or making an efficient use of the equipment. The electricity consumed in certain restaurants has also been used to produce heat in winter.

Electricity consumption for 2018 and 2019

Electricity consumption within the organization	Year	Total restaurants	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		MWh		MWh		MWh		MWh
	2018	138	76	23,834.00	23 + 22	7,083.00	5	598.00	2	5.58	10	1,429.68
	2019	154	82	24,263.68	23 + 22	7,562.79	10	1,261.98	2	5.81	15	3,766.77

*Pizza Hut + Pizza Hut Delivery

For the products sold, the respective electricity consumption in our stores progressed as follows:

2019 vs 2018	KFC Romania	Pizza Hut Romania	Taco Bell Romania	KFC Moldova	KFC Italy
	11.14%	-3.45%	-18.65%	-15.87%	9.24%

The Natural Gas Consumption

In some of our restaurants, we use natural gas for the preparation of our products and in certain cases for heating. The consumption of natural gas used in our restaurants is closely monitored by personnel in charge of our operational teams.

In 2019, the total natural gas consumption was **788.74 MWh**.

TRANSPORT

The Distribution of Food and Non-food Raw Materials

We work closely with major logistical service providers, such as HAVI Logistics SRL in Romania and Moldova, and Quick Service Logistics Italia S.r.l. in Italy, respectively.



All warehousing and transport activities have been outsourced to them, with a large part of the necessary products purchased directly by them based on short-term sales forecasts and estimates. Predetermined delivery schedules and stock purchase requests for different materials and products are also taken into

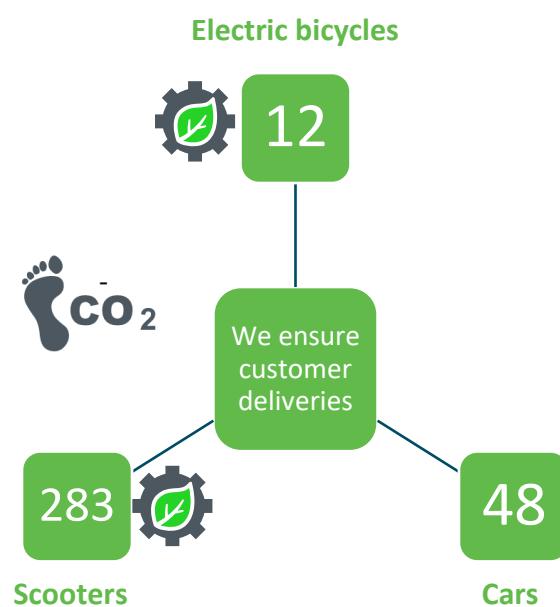
account. All shipments are streamlined so that products might be delivered on time on routes optimized to reduce fuel consumption. Our transport providers use specific programs based on which they coordinate the entire distribution and transport process, monitoring its evolution and reporting any possible problems in a timely manner.



Product Distribution

For us, it is crucial to meet our customers' needs also when we talk about easy access to our products. That is why we have continued delivering their favorite products at home, at work or anywhere they may be.

The fleet of KFC and Pizza Hut Delivery restaurants for the delivery services in 2019:



In 2019 we noticed a significant increase in our customers' preferences in terms of home product delivery.

Fuel consumption recorded for the fleet of vehicles for 2018 and 2019

Fuel consumption of the in-house fleet, liters/year	Sphera Group	
	2018	2019
Petrol	167,950	236,439
Diesel	115,007	127,469
LPG	15,203	16,714

Logistics and Collaboration with Suppliers or Other Stakeholders

In order to support a viable network of restaurants that meet our customers' needs, the executive and operational management team travel to the territory whenever necessary to be close to our stakeholders (both internal and external) in order to ensure the continuity and efficiency of the activities. We encourage virtual meetings as much as possible and try to avoid travel whenever possible, both nationally and internationally.

WATER

Water is an indispensable source in our restaurants and is mainly used for food processing. Our water comes from the public supply networks in each city in which we operate. In our attempt to improve the way in which we use this resource, we monitor the consumption for our own restaurants on a monthly basis and collect information on the water consumption per surface area of the shopping centers from where we rent.

The water consumption recorded within the Sphera Group in 2018 and 2019

The water consumption for food processing, m ³	Year	Sphera Group	KFC Romania	Pizza Hut Romania	Taco Bell Romania	KFC Moldova	KFC Italy
				(Dine in plus Delivery)			
		m ³	m ³	m ³	m ³	m ³	m ³
	2018	207,208	156,000	42,593	2,000	6,097	9,000
	2019	238,045	169,290	43,846	4,409	7,000	13,500

3.2. Waste Reclaiming and Recycling

We are aware that it is important to evolve and therefore we increasingly contribute to efficient waste management. We are always looking for process optimization solutions by implementing new initiatives to help all operational staff.

Within our Group we have implemented a waste management system, which is continuously monitored and improved. By conducting regular waste audits in our restaurants, we ensure that all objectives set out in the waste management plan are understood and observed, also applying corrective measures where appropriate.

Our objectives are long-term, and the main purpose is encouraging customers' separate collection, through various actions and continuous information at restaurant level.

The applicable legal requirements are closely followed and strictly observed.

Our waste management mission consists of minimizing the amount generated by ensuring optimal and efficient separate waste collection in our restaurants. Such actions help us reclaim and recycle reusable materials from the waste generated, thus reducing the consumption of natural resources (oil, water, energy), as well as the level of harmful air emissions.

All complaints are strictly handled.

ZERO penalties or fines in 2019 as regards compliance with environmental requirements.

Amount of waste generated in 2018 and 2019

Organization/ type of waste	Romania										Moldova		Italy	
	Sphera Group		KFC Romania		Pizza Hut Romania		Pizza Delivery Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
Tons/year	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Plastic waste	36.38	54.71	20.15	22.16	5.22	5.91	1.26	1.83	0.31	1.44	0.70	0.70	8.74	22.67
Paper/cardboard waste	673.96	752.23	459.9	473.23	123.9	128.21	11.84	13.25	1.31	6.81	11.00	11.00	65.19	119.72
Glass waste	2.85	4.11	1.75	2.35	1.04	1.23	0.00	0.00	0.01	0.48	0.05	0.05	0.00	0.00
Metal waste	4.89	7.33	2.63	3.24	1.04	1.32	0.25	0.28	0.02	0.04	0.00	0.0018	0.95	2.45
Household waste	7.788.92	7.974.46	7.358.40	7.483.67	239.59	248.81	50.27	53.18	3.06	4.78	85.00	85.00	45.43	99.02
Waste oil residues	293.15	318.60	239.15	243.96	17.40	6.08	0.00	0.00	0.63	6.16	10.50	10.50	25.47	51.91
Food waste	48.53	79.17	21.60	23.54	0.00	0.096	0.00	0.32	0.00	0.00	5.20	5.00	21.73	50.21



Separate Collection in Our Restaurants

The main objective of this initiative is to increase the amount of recycled waste from the total waste generated. We are a responsible company that wants to reduce its impact on the environment; therefore, in addition to our willingness and the need to comply with legal requirements, and also in order to reduce costs, we constantly train our employees in thorough waste management, actively contributing to the success of this approach.

We have obtained positive results and have managed to reduce the amounts of mixed municipal waste, thus increasing the amounts of reclaimed/recycled waste.

This initiative is ongoing and is monitored by regular assessments and internal visits to verify the waste collection activity in our restaurants.





Campaigns of Customer and Employee Awareness Raising and Information on the Separate Collection of Waste

Since we have chosen the strategic objective of increasing the amount of waste recycled out of the total waste generated, we have also started an information and awareness raising project that address both our employees and our customers.

The main activities carried out within this project have been:

- ✓ Labelling the containers in restaurants for easier identification;
- ✓ Information messages written on the product packaging.



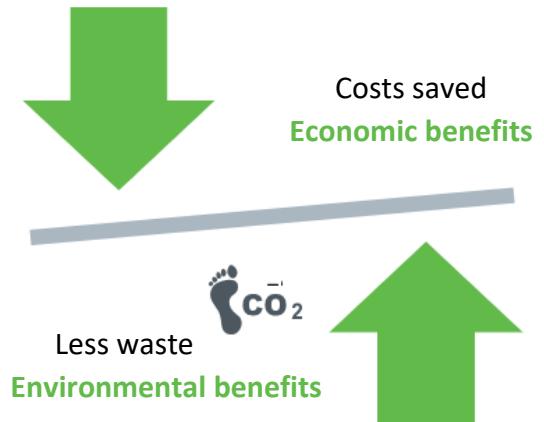
Collection of Waste Oil, Measures for reducing the Amount generated

Waste oil is waste generated in a significant amount in our restaurants, but with high recovery potential.

Since we have wanted to reduce the amount of waste oil, we have implemented a controlled waste oil quality process using approved tests.

The process is strictly monitored according to internal procedures and followed by the collection and recovery of the waste oil, and the result is **biofuel**.

By comparison to 2018, we reduced the amount of waste generated related to restaurant sales by over 16%!



3.3. Disposable Materials

Disposable plastic accounts for the largest share of waste in the oceans, and plastic straw and bags occupy a leading place in this category. In this context, Sphera has developed and adopted the plan for the elimination of plastic straws from all the restaurants it operates in Romania. As of April of 2019, the transition has been made to **paper straws** in all KFC restaurants in Romania.

Plastic bags have been replaced since the beginning of 2019 for all our brands, as a result of both our strategy and legislative changes.

The paper used to produce the straws comes from **sustainably managed forests**.

The Sphera Group works with producers and suppliers who have been selected based on certifications issued by the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC).

We limit the impact of disposable plastic on environmental pollution.

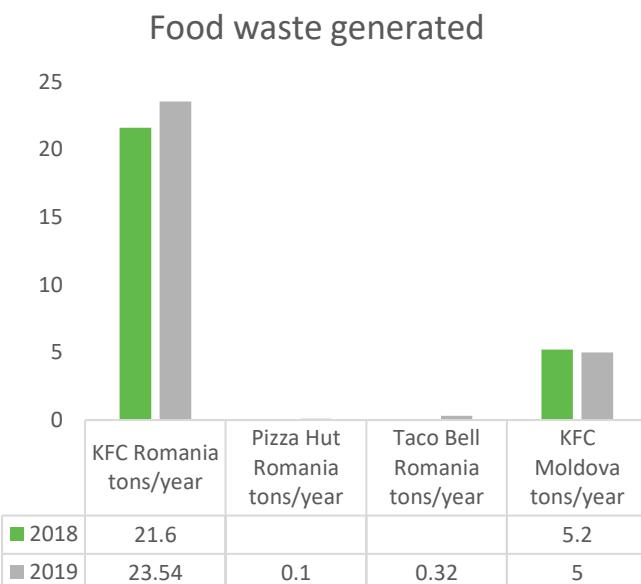
3.4. Food Waste

In Sphera Group companies, reducing food waste has not been a mere trend for some time. With our sustainability strategy, we are committed to preventing and reducing the amount of food waste.

Sphera deems it particularly important to reduce the amount of food left unconsumed, at all stages, by implementing strategic measures and improving its performance in reducing the amount of food waste generated.

We have continued all primary and secondary logistical initiatives implemented and notified in 2018 by primarily monitoring:

- Staff training for streamlining the flow of materials;
- Thorough planning of the materials needed in the process;
- Optimized distribution of the raw materials;
- Careful use of the equipment.



The continuation of the **Harvest program** for reducing food waste and supporting people from disadvantaged backgrounds.



In 2019, we donated over **3,600 kg of food products** within their shelf life, thus ensuring one of the main daily meals for people from disadvantaged backgrounds or at risk of social exclusion.

In 2019 we donated three times more food products to over 600 beneficiaries!

3.5. Carbon Footprint and Climate Change

We continue our thorough monitoring of energy consumptions to have a clear image of the effectiveness of the measures implemented. It is important to us to make sure that our impact on the environment is minimized, which is why, based on the consumption recorded, this year, we have again calculated the direct and indirect CO₂ emissions (Scope 1 and Scope 2). This calculation was made for the Sphera Group and covers all types of energy we use in our operations: electricity, fuel, and natural gas. Greenhouse gas emissions resulting from freon losses from cooling installations (fugitive emissions) were excluded from the calculation of direct emissions.

We used the Greenhouse Gas Protocol Corporate Reporting and Accounting Standard for the calculations. LCA (Life Cycle Assessment) conversion factors were used to correctly estimate direct and indirect CO₂ emissions.

975.06 tons of CO₂ eq *

Scope 1 – Direct GHG emissions***

- Emissions related to the fuel consumption of the in-house fleet (petrol, diesel, LPG);
- Emissions related to the consumption of natural gas used directly in the company activity (cooking, burning or air conditioning for the premises)

18,020.9 tons of CO₂ eq

Scope 2 – Indirect GHG emissions***

- Emissions related to the electricity procured for in-house consumption

N/A**

Scope 3 – Other indirect GHG emissions***

- Raw material supply
- Waste management
- Logistics
- Business trips not using cars from the in-house fleet

Observations:

* CO₂ emissions for Scope 1 do not include emissions related to the natural gas for the air conditioning of restaurants located on premises rented out in large shopping centers where the air conditioning is provided by the lessor

**The activities classified under Scope 3 are ensured by external services and have not been considered in the calculation of the carbon footprint

***GHG – greenhouse gas emissions



04

**Care for Our
People and Our
Community**

We do everything in our power to be the best version of ourselves

In its daily activity, the key objective of the Sphera Franchise Group is to maintain an organizational culture by ensuring working conditions which are suitable for employees, and which abide by the national laws in the field and observe human rights. The work environment which we promote for our employees is an inclusive one, in which diversity is welcome. We also focus on creating stable jobs and investing in training and professional development programs.

Sphera is a responsible company, which is involved in the communities in which it operates, not only by ensuring the well-being of its employees, but also by carrying out social responsibility projects.

Last year we developed the sustainability strategy and subscribed to the Sustainable Development Goals, which exist globally. We pay particular attention to the pillar of social responsibility and community involvement and do our best to reach the targets set.

THE SOCIAL RESPONSIBILITY PILLAR



Objectives	Targets	Progress
Human rights A 'sought-after' employer by ensuring a non-discriminative workplace, diversity and inclusion	2% of staff hired from vulnerable communities or from among persons with disabilities, as well as various nationalities, by 2023 Zero tolerance to gender, religious or political orientation-based discrimination	In our recruitment processes, we address vulnerable communities and a diverse range of nationalities so as to be able to hire 2% of our staff from these categories by 2023
Employee capability development and growth The ensuring of continuing learning and development opportunities	50% of the operations training programs should be available on apps/in digital format or using gamification, by 2022 80% rate of internal promotion for restaurant management positions, by 2025	We continue implementing app/digital-based operations training programs so that, by 2022, 50% of them might be digitally accessible We continue supporting the internal promotion process by implementing personal and professional skill development programs so that, by 2025, 80% of promotions should be based on the internal human potential.
Employees' health and safety The ensuring of a safe work environment for the employees		We pay particular attention to leadership trainings for management positions.
Employees' satisfaction and well-being Acknowledgment as the most sought-after employer by ensuring a pleasant, stable and safe working environment.		

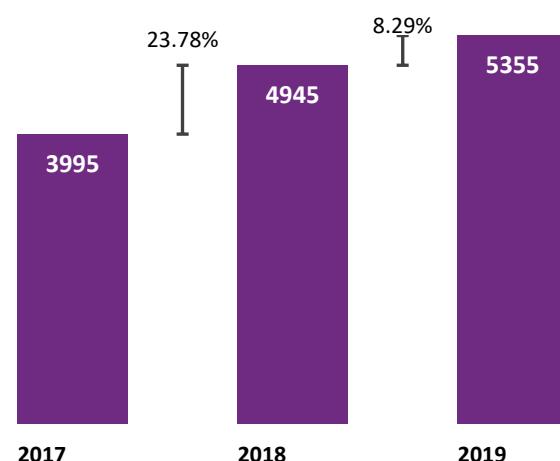
4.1. Responsible for Our Employees

Sphera wants to attract talented and creative human resources, motivated to be proficient at work. Through the Human Resources strategy and the projects implemented at Group level, the Company seeks to appeal to a large range of categories of the working age population. In the coming years, we want to also ensure a sustainable and diverse framework for adequate social integration to categories from disadvantaged backgrounds, and to include people fit for work over the age of 45, people with certain disabilities, people who want to continue their studies and need a framework of financial support to a higher degree.

Our strategy for our employees is based on the desire to offer a memorable experience to all those working within the Group by creating a context of legality, stability, security, collaboration, and development. We aim to offer a complete *Hire2Retire* type of experience to our employees, in order to maximize the potential of both the individual and the organization.

Our number of employees has increased each year, as a result of the Group development. At the end of 2019, we recorded a total of **5,355** active **employees** as at 31 December 2019, up by 8.29% from the number of active employees at the end of 2018.

96.30% of our employees have permanent contracts and **3.70%** of our employees have temporary contracts.



The total number of employees in 2019*

	Sphera Franchise Group TOTAL		HQ		KFC Romania		Pizza Hut Romania		Pizza Hut Delivery Romania		Taco Bell Romania		KFC Italy		KFC Moldova	
	♀	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀	♂
Employees with indefinite duration contracts	5,157		142		3,422		610		452		290		147		94	
	2,741	2,416	82	60	1,925	1,497	329	281	118	334	147	143	76	71	64	30
Employees with definite duration contracts	198		6		7		1		0		0		184		0	
	92	106	2	4	0	7	0	1	0	0	0	0	90	94	0	0
TOTAL	5,355		148		3,429		611		452		290		331		94	
	2,833	2,522	84	64	1,925	1,504	329	282	118	334	147	143	166	165	64	30

*active employees on December 31, 2019

Most employment contracts are full time: **73.59%** of employees have full-time contracts and **26.41%** have part-time contracts.

The concept of **decent work** is one of the Sustainable Development Goals to which we have aligned our sustainability strategy. We are going to continue implementing and developing strategic programs that address:

- ➔ The integration and development of new employees' skills;
- ➔ The strengthening of active employees' functional skills;
- ➔ The cultivation of leadership qualities.

Human Rights

The topic of human rights is the key to the responsibility of the organization in the community to which it belongs. Human rights are a performance indicator for all Group companies. We are committed to creating a working environment that promotes diversity and social inclusion, ensuring that human rights are fully acknowledged and respected.

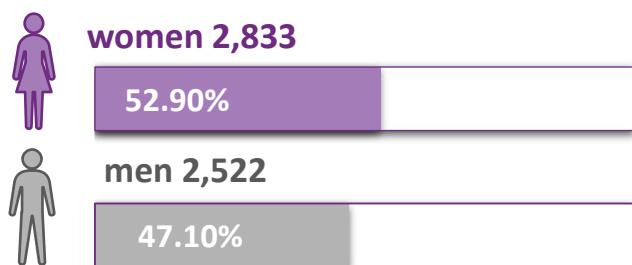
Our company understands and acts in favor of employee diversity in terms of age, educational level and concerns. This approach allows the company to recruit employees who can choose work schedules tailored to their personal needs, who can opt for various personal and professional development programs or who can apply for scholarships. Group companies also facilitate access to employment for people who want to work in the field of hospitality, through recruitment campaigns addressed to both the young segment (students over the age of 15 who have parental consent to work, students, etc.) and the segment of active people over the age of 45.

Campaigns are carried out differently and involve the allocation of resources dedicated to this process, an interesting and challenging process because it facilitates the individual and team integration of new people who join us, through job-specific training.

Gender-based employee distribution

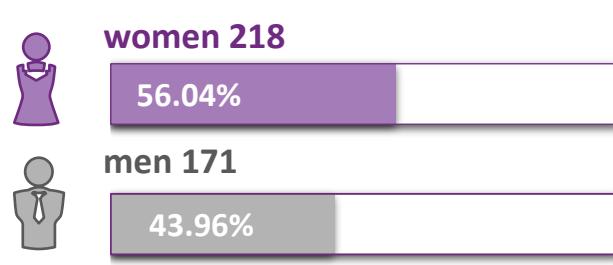
2019

TOTAL 5,355 (employees)*



Gender-based distribution of employees in management positions

TOTAL 389



*active employees at the end of the year 2019

Compared to 2018, the percentage of women hired in management positions has increased from 53% to 56.04%.



*active employees at the end of the year 2019

As for the distribution of employees by age and gender, by comparison to 2018, one can see an increase in the number of employees over the age of 30. The percentage of people in the 30-50-year age category increased from 24% to 28.63% of the total number of employees, and the percentage of those over the age of 50 has increased from 4% to 6.09%.

Our internal policies also aim **to create an inclusive working environment** that facilitates the integration of the different categories of employees and their employment in a workplace where they can carry out their activities safely and where their rights are respected. To the extent that employees want to communicate with the company management, they can do so using the Employee Telephone Number.

The **Employee Telephone Number** is a communication channel accessible to any employee, where calls are answered and then investigated to find the most suitable solutions.

There were no discrimination-related incidents in 2019.



In 2019, the Sphera Franchise Group decided to adhere to the international Diversity Charter project.

The Romanian **Diversity Charter** is based on a set of general principles, undertaken in order to promote diversity, non-discrimination, inclusion and equal opportunities in the workplace.



**CARTA
DIVERSITĂȚII
DIN ROMÂNIA**

By signing the Charter, the Group is committed to supporting, protecting and developing diversity by: implementing diversity management policies and promoting equal opportunities at work.

We bring together and integrate, both culturally and professionally, a diverse range of nationalities within our team, at the moment.

Through our **Equal Opportunities Policy** we aim to ensure that there is no discrimination in the recruitment, retention and training of employees including, but not limited to discrimination based on gender, marital status, sexual identity, religion and belief, political choices, ethnicity/race, working time, age, disabilities, social & economic context.

Employees' Health and Safety

The company makes considerable efforts to fully meet the provisions regarding occupational safety according to the legislation in force, as well as provisions laid down in the internal standards. Notices are constantly submitted, risks and potential hazards are identified, audits are carried out using the best practices and training methods, so that our health and safety policies and measures are understood and implemented. We make sure to provide the resources needed to create safe jobs for our employees.

Employees' health and safety is crucial in carrying out their daily activities. In this regard:

- ➔ We developed a training and education plan for occupational health and safety, as well as specific procedures by means of which to monitor potential accidents at work and other specific events;
- ➔ We developed a partnership with an external consultant who regularly performs specific audits to help eliminate non-compliances;
- ➔ Employees have the necessary instructions and materials in terms of occupational health and safety training.

Occupational health and safety make up a particularly important issue because:

- ➔ We are aligned with the company values whereby 'excellence in everything we do' is a priority;
- ➔ It can affect the strategic objectives of the company;
- ➔ Compliance with the laws and safety rules is in line with the principles and values of the company;
- ➔ It reduces absenteeism at work;
- ➔ It reduces the probability of material and financial losses.

Any employee enjoys working conditions suitable for the activity to be performed, as well as social protection, and health and safety at work.

In order to improve performance, Sphera makes considerable efforts to increase the level of compliance with the requirements of the applicable laws on Occupational Health and Safety, and for a proper work activity process, the company provides: hygiene & sanitary materials, protective equipment and medical supervision by an occupational physician.

- ➔ The company management has sought to improve work conditions by applying all organizational, technical and health measures, according to the prevention and protection plan, including provision of personal protective equipment suitable for the risks that arise from assigned work activities.
- ➔ Establishing and signaling areas with a high and specific risk of injury by displaying posters and warning panels in the work areas.
- ➔ The Group allocates financial resources for staff training.
- ➔ In order to secure our workers' health, the collaboration with the occupational medicine provider is maintained ensuring the performance of all the medical tests according to the legislation. Medical

assistance, through regular check-ups and the conclusion of fitness for work forms for existing or new employees is therefore provided.

- ➔ New employees are trained and tested according to the general induction and on-the-job training.
- ➔ The regular training is carried out according to the established and approved schedule.
- ➔ In each location there are evacuation and intervention plans, as well as the appropriate signaling for evacuation, and for smoking, respectively.
- ➔ The grounding of plugs and the state of electrical connections are constantly checked.
- ➔ Fire extinguishers are regularly checked.

The objectives of the health and safety policy are:

- Protecting the health and ensuring the safety of employees, visitors, customers and contractors;
- Ensuring and maintaining safe and healthy working conditions;
- Informing employees, visitors and contractors about the risks of injury;
- Providing specialized training and consultancy;
- Maintaining the status of 'ZERO TOLERANCE' towards any dangerous situation or action and manifestations such as dangerous incidents that may cause injury or pose a hazard to the health of all the persons involved in the work process;
- Carrying out the work in such a way as not to endanger the health of employees, customers and service providers or raw material suppliers in any way;
- Ensuring the framework for employees or any other interested person to make suggestions for improving working conditions or product quality.

In 2019, at Group level, 78 work accidents were reported. The number of restaurants' work accidents remained at the same level, while a slight increase in the home delivery services was recorded. Our employees' health and the prevention of work accidents are very important for us, and, therefore, all employees regularly participate in trainings aimed to prevent and reduce the number of accidents. We work with specialized providers to maintain a constant balance in the portfolio of trainings and internal debates on potential critical cases.

	Sphera Franchise Group		
	2017	2018	2019
Number of accidents at work	52	64	78
Number of days of sick leave as a result of accidents at work	243	158	211

33,584 days of sick leave for reasons other than accidents at work.

The Group pays particular attention to occupational safety and carries out a continuous process of promotion of health and safety rules at all levels.

Each employee is involved in a health monitoring program, from employment all the way through his/her activity within the company. Quality medical assistance is provided to all employees, with the necessary facilities available for efficient first aid measures.

In accordance with the legal provisions in force, all occupational medicine services are provided by qualified staff and institutions.

Employee Skill Development and Growth

Our employees' well-being and health and safety, their possibility of growth and career advancement are important aspects of our strategy, and we are confident that we can create an attractive work environment that inspires and positively influences as many of them as possible. We support and offer growth and development opportunities for our employees and are in constant dialogue with them. An important element underlying long-term success and sustainable development is the company's care for the development of the human capital. We act responsibly as we increase the presence of the KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell brands in Romania and we want to offer quality products and services to our customers, to grow sustainably and to unlock the potential of our employees.

At business level, we must adapt to all the changes in the environment in which we operate, and we do so by encouraging professional and personal development. We motivate employees by the example of a positive attitude, a balanced approach, by instilling company values, so that they might in turn be the best version of themselves.

Our endeavors start from the first moment we interact with potential employees, through the development opportunities offered in the form of internships as part of our sustainable partnerships with both educational institutions and associations, designed to support disadvantaged groups or group members that need support in finding a job.

In 2019 we carried out 229 traineeships in Romania.

The number of hours of training within the organization

Hours of training per related position	KFC	Pizza Hut	Pizza Hut Delivery	Taco Bell	Sphera Total (in Romania)	KFC Italy	KFC Moldova
Management	42,352	7,992	14,520	6,776	71,640	5,856	992
Restaurant staff	272,048	35,448	27,496	33,264	263,040	7,084,80	3,440
Total 2019	314,300	43,440	42,016	39,040	334,680	12,940,80	4,432

Development of our people and their skills require the implementation of a personalized and interactive approach that allows us to unlock the potential of our employees and help them make a difference in the workplace and in their communities.

In order to ensure that the people in our team are constantly engaged, motivated and connected to customers' needs, the Group focuses on maintaining a dynamic work environment by implementing dedicated training programs that meet the specific needs of each position.

The Training and Performance Centre

It is the place where we meet new colleagues and strengthen collaborative relationships with active employees, we channel the human potential and establish directions for work, organize events dedicated to learning and the recognition of employees' merits or open communication between employees and the company management.



Development Programs

In 2019, we continued the training and development sessions for our colleagues.

The professional journey from Restaurant Staff to COO or to a position specific to a support department is in line with the development of the skills specific to each stage and with the achievement of results that allow the transition to the next hierarchical level. We therefore invest in the potential, talent, expertise, and passion of our employees, and we want to offer them the opportunity to develop a fulfilling career. Thus, some employees may choose to make a change in their professional journey or may contribute to sharing their experience with colleagues in the countries where we operate.

Induction Training for New Employees

The onboarding program was updated in 2019 to help new colleagues gradually adapt to both the work environment and within the team, so that they might enjoy work, offering pleasant customer experiences. It includes sessions of face-to-face and online presentation and interaction with colleagues holding similar positions.

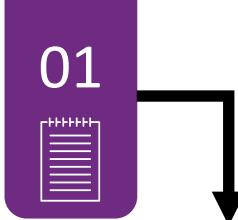
The Learning Zone

It is an online learning platform, accessible to all employees, regardless of their experience level. Using it we manage to update all the necessary information in our efforts to integrate and confirm employees in the positions they hold.

Training Schools

Wishing to support employees in their activity from day one and to give them the opportunity to experience the new job, in a safe environment, in 2019, we decided to set up Training Schools dedicated to each brand, i.e. KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell. Thus, we chose certain restaurants and prepared them to receive new

Induction training for new employees



employees and support them in their certification of the skills specific to the position held. 488 employees were trained in the training schools in 2019.

Leading with Heart

For our leaders to be successful, and to inspire and motivate, they need to 'lead with their heart'. In this sense, since 2016, within our teams, we have been implementing the '**Leading with Heart**' personal development program, addressed to those in a management position or part of the Human Resources team and other support departments. **Leading with Heart** has been designed to allow leaders, from the CEO to the Shift Manager, to understand their own behavior and identify an effective one that induces well-being on a personal and team level.



Performance

A project to develop management skills – a program developed and carried out between May and June of 2019, together with an external provider, which sought to support 86 fellow managers from the KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell teams in Ploiești, Brașov, Cluj, Constanța and Timișoara. Each participant dedicated 40 hours to the topics addressed: **Manager versus Leader, Managers as an Example for Their Teams; Success in My Restaurant and Interpersonal Relationships.**

The HR College

In 2019, at the Group Training and Performance Center, for two days, we hosted the **KFC HR College**, an event dedicated to learning and sharing of good practices, intended for the colleagues from the KFC CEE, Russia & CIS Human Resources and Operations teams.

We support the overall goal of innovation and digitalization by providing unique experiences to team members. In this regard, we have developed a pilot program for centralizing specific Human Resource requests, on a digital assistance and incident management platform.

The **HR4KFC** pilot project was awarded at the 2019 HR Summit receiving the Sanders HR Awards, with the 'Best Project – 2019' distinction.

Employees' Satisfaction and Well-being

Sphera supports initiatives for employee development, the improvement of the work environment and health and safety at work. The success of our business depends on the ability to attract and retain talented, healthy, happy and responsible people. Access to development programs, as well as the creation of a safe working environment are elements that are part of our organizational culture.

Employees' satisfaction and well-being make up an important aspect of the employee-employer relationship. Along with the financial offer with step-based salary increases and a package of benefits, we provide our employees with flexibility in terms of the working hours.

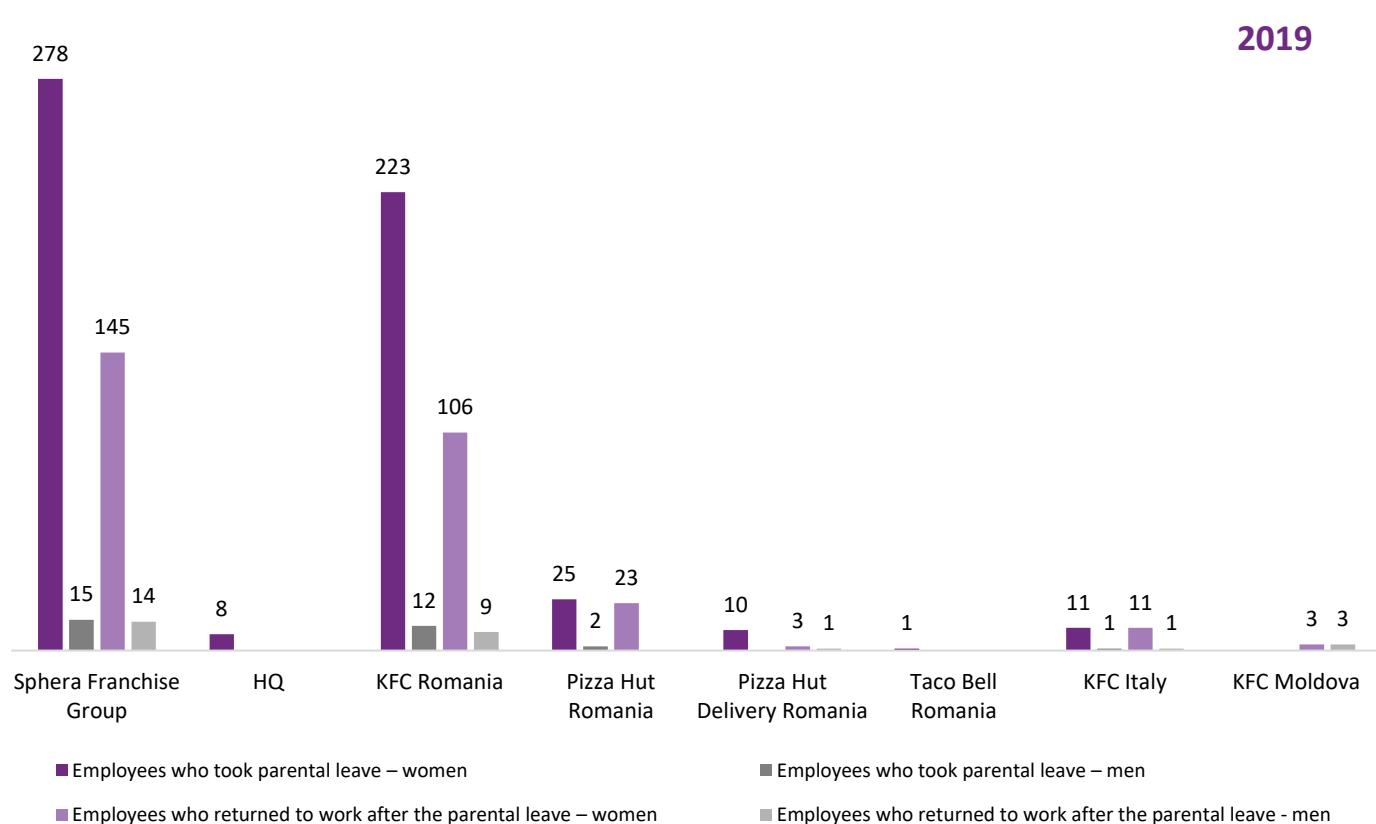
On hiring, we do not require previous professional experience and we encourage candidates to discover the field of hospitality. We support our employees' professional journey through induction and regular training because we want to offer them the chance to build a career in the restaurant operation field.

During our collaboration, we try to be close to our employees and their families by:

- ➔ Organizing events for employees' children around the holidays;
- ➔ Offering a gift on the 8th of March, as a symbol of our appreciation, to our female colleagues;
- ➔ Congratulating employees on their birthday;
- ➔ Recognizing employees' efficient behaviors, individual merits and growth;
- ➔ Organizing employee recognition events and providing the opportunity to live unique experiences;
- ➔ Celebrating individual success moments;
- ➔ Celebrating employees' loyalty;
- ➔ Granting in-house scholarships to support employees in 2019, based on selection criteria;
- ➔ Celebrating team successes, both inside and outside the restaurant;
- ➔ Participating in volunteering actions and encouraging employees to do good deeds;
- ➔ Constantly informing employees through newsletters, formal notices, the in-house magazine, etc.;
- ➔ Maintaining an active dialogue and open communication based on feedback, providing the opportunity to dial the **Employee Telephone Number** whenever an employee believes that he/she does not have the necessary information to solve a problem faced.

We are also aware that an important part of an employee's well-being is related to the balance between professional and personal life.

All our employees are entitled to parental leave in accordance with the laws in force.



The Group makes payments on behalf of its employees for pensions (defined contribution plans), health insurance, employer and staff taxes calculated according to the statutory rates in force during the year, based on gross salaries. Food allowances, travel expenses and holiday allowances are also calculated in accordance with local laws. The Group does not operate any other pension or post-employment benefit plans and, as a result, has no pension obligations.

In accordance with Italian labor regulations, the Group uses a defined benefit plan only in Italy, which consists of the payment of an allowance to employees at the end of the employment contract, and this plan involves contributions to a separately managed fund.

Each employee's potential is assessed according to certain criteria specific to the position held or targeted. Thus, because we want the right person in the right place, we have specific training and development plans for those who want to follow a professional path by our side.



	Sphera Franchise Group TOTAL	HQ	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Italy	KFC Moldova
Employees promoted in 2019	356	5	201	34	47	28	38	3

4.2. Community Involvement and Impact on the Community

We are a company that focuses on social involvement, we continue initiating information and education campaigns, as well as community projects, because the success of our business depends largely on customers' quality of life and the well-being of the communities in which we operate.

We want the relationship between our organization and the community to be collaborative, based on mutual respect, support and understanding. We are innovation-oriented and focused on high standards of food quality and safety, but we also understand that we have a responsibility to get involved in the development of the communities and to help solve the problems they face. We are involved in social support activities and are keen on strengthening our commitment in the field of social responsibility.

We have also taken on the mission of contributing to the education of young people and we are trying to support them with the resources needed to build their future.

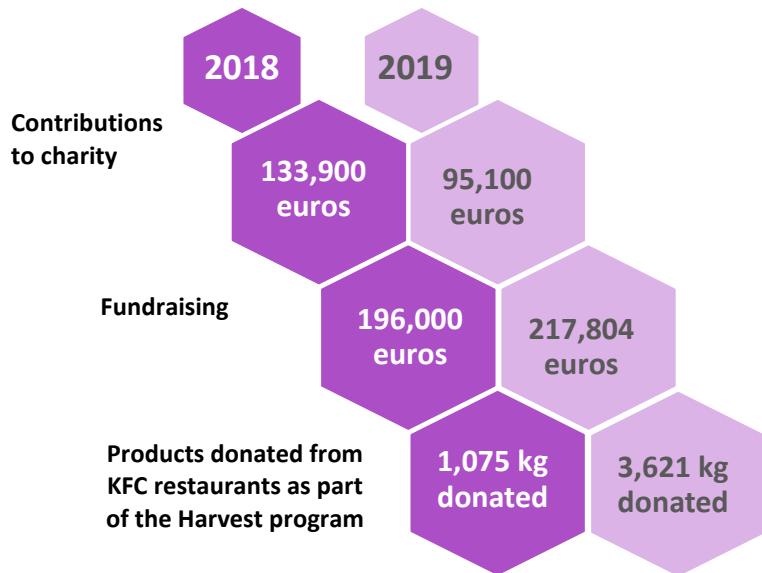
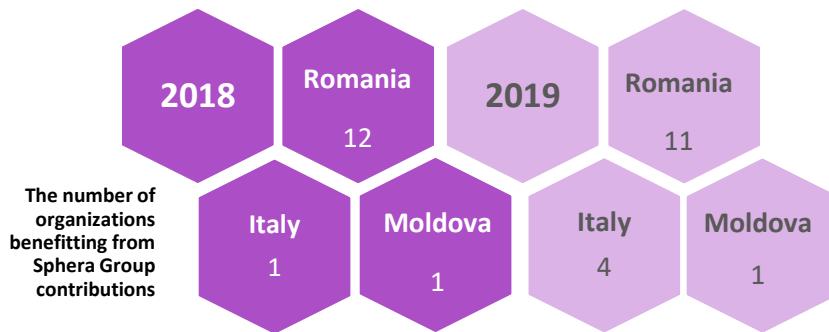
Over time, based on long-term partnerships with non-governmental organizations, we have set up programs for people from disadvantaged backgrounds. Thus, the beneficiaries of the projects have had access to education and health programs, which have offered them better opportunities for integration and the chance to become active members of their respective communities.

We are involved in the development of communities and help solve the problems they face

All Sphera Group companies are involved in community projects.

We identify the needs of target groups and, with the help of community organizations, we ensure that we can generate a positive impact.

Impact on the community in figures



Investment in the Community

We monitor the direct impact created both by the projects launched by our companies and the indirect impact generated with the help of our customers who support us in the fundraising campaigns. We allocate these funds in a controlled way to make sure that the social impact will be quantifiable.

Direct Impact

Relevant Social Programs

In 2019 we continued implementing a series of projects with direct impact, the beneficiaries being people from disadvantaged backgrounds. Thus, we contributed to improving social conditions, improving the skills and knowledge in certain communities, ensuring personal and professional development, access to health services and increasing the quality of life.

The HARVEST Food Donation Program

It continued successfully in 2019, the goal being to reduce food waste, to support communities in need and to reduce the environmental footprint. Through this international social responsibility program, KFC Romania contributes to reducing food waste and supporting people from disadvantaged backgrounds.

In 2019, we donated over 3,600 kg of chicken products, from 11 KFC restaurants in Bucharest and across the country

The Harvest program, originally implemented as a pilot platform for the first time in Romania in November of 2017, is a sustainable measure of use of the excess food from KFC restaurants to support people from disadvantaged backgrounds or at risk of social exclusion. Subsequently, it was also successfully implemented in Italy, its beneficiaries being the target group of associations in the Tuscany, Venice and Piedmont regions.

We work together with non-profit organizations to reach our target groups, the beneficiaries.

The ‘O Masă Caldă’ (literally, *A Hot Meal*) Association in Cluj Napoca prepares **270 hot meals**, every day from Monday to Friday, whose beneficiaries are: 70 children aged between 6 and 16, enrolled in day-care centers; 110 adults enrolled in shelter centers; 90 low-income/homeless people or people with various addictions, both women and men, aged between 35 and 93 (the oldest beneficiary is 93).

“A hot meal” – with the help of KFC and the HARVEST program

The Brașov ‘Bucuria Darului’ (literally, *The Joy of Giving*) Association has offered support to the beneficiaries of the social assistance canteen, people with low or no income who fail to obtain their daily food and single-parent families and families with many children where parents’ salaries do not cover daily expenses; older people with no dependents and with low or no income; people with disabilities/chronic diseases; homeless people. Beneficiaries are provided with a lunch/working day/person, either in the form of a hot meal given daily or in the form of packages of food needed to prepare the lunch (these are provided on a weekly basis – basic foodstuffs, vegetables, dairy, meat, eggs, bread etc.).

From April to December of 2019, there were 570 beneficiaries for nine months

The St. Lazarus Center for Independent Living for Adults with Disabilities and the St. Lazarus Social Housing Residential Center for Homeless Adults.

The people who have benefited from the products donated by KFC Romania are men and women aged between 18 and 46, social cases, most of whom come from the streets or from the former state centers from the ‘glory days’.

Products prepared and served every day to approximately 60 people – social cases.

In 2019, Caritas Bucharest constantly offered KFC products through the Harvest program to the **60 beneficiaries of the canteen** (the elderly unable to move and the 16 children housed in St. John’s House, aged between 8 and 17). Occasionally **250 people in difficulty** from different parishes, older people or people from large families with many children and major problems due to the lack of a job or medical problems, people in the post-addiction recovery period, homeless people and adults in difficulty with problems of drug addiction or lack of housing also received food packages.

60 constant beneficiaries of the Caritas canteen

Occasionally, 250 more people in need received help in the form of food

The **Regional Food Bank Foundation (Italy)**, having established branches in the Venice, Piedmont and Tuscany regions, benefits from our donations through local charities (charities that are mainly canteens and supermarkets dedicated to people in need) that withdraw donated products and use them in their canteens and supermarkets.

2019 – the HARVEST project also launched in five restaurants in Italy. Products donated in a total amount of EUR 7,299.34

The '**I want to go to high school!**' project also continued in 2019 in collaboration with the World Vision organization, to support the continuation of the studies for children from disadvantaged backgrounds. Thus, through a joint effort, October has symbolically become the month of donations, that time of the year when all employees and customers of KFC and Pizza Hut restaurants find out the stories of the young people enrolled, every year, in the 'I want to go to high-school!' program and contribute to building their future. If, during the first year of collaboration (2008), the amount donated to World Vision Romania was 10,000 euros, in 2019, we reached a total amount of **140,000 euros**, which was redirected to the organization to support the personal and professional journey of hundreds of young people living in poor conditions.

In 2019, **238 young people** benefited from a monthly scholarship, monthly non-formal education activities, quarterly socialization activities, a summer camp, psychological, school and vocational counseling, tutoring and donations of goods needed to attend high school. The topics of the 2019 activities were aimed at stimulating communication, increasing the efficiency of decision-making and developing the critical analysis of everyday situations and problem solving, as well as personal knowledge.

Moreover, for 12th grade students, throughout the school year, in addition to all the other activities carried out within the project, special attention is paid to vocational guidance.

The students supported in the 2018-2019 school year come from rural areas, have attended high schools in Bucharest and the counties of Cluj, Dolj, Vâlcea, Ialomița, Iași, Vaslui and come from low-income families. In addition to the precarious financial situation, the children face various other family problems, such as: 21.34% come from single-parent families, 35.4% come from families with at least three children, 10.74% come from families living in homes in an advanced state of degradation and with no access to utilities, especially a source of water, electricity and heating, 7.24% come from families where at least one of the parents went to work abroad.

63.44 % of the students supported by KFC recorded school progress, and the high school graduation pass rate for the project in 2019 was 81.13% compared to the national rate of 75.5%.

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"Christmas lights the Padua station 2019" – social and cultural events organized by the PadovaCresce association (for social and cultural promotion) implementing actions for improving the degraded area around railway stations and some streets in Padua in order to improve the quality of life in these areas and reduce crime.

A contribution of 500 euros for actions leading to the reduction of local crime in Italy

Indirect Impact

By raising funds in KFC, Pizza Hut and Taco Bell restaurants, we supported the beneficiaries of various non-profit associations.

In 2019, we directed over 72,000 euros to support two houses from the SOS Bucharest village

Donations for the SOS Children's Villages association as part of the 'Bucketful of Good Deeds' (Bucket de Bine) program. Over **72,000 euros** were directed to support the **two houses 'adopted' by KFC**, where nine children live with their social mothers and enjoy proper school training, as part of the project, as well as extracurricular activities during which they discover and develop significant skills for their training.

Donations worth over 75,000 euros for social inclusion

Beneficiaries:

Children aged 5 to 18 and young people aged 18 to 25

With the money donated by customers in all **KFC** restaurants, in 2019, **over 75,000 euros** were donated to the **ASCHFR association** wishing to develop programs with and for children and young people with physical and/or related disabilities and for specialized help to their families, with a view to facilitating social inclusion.



52% girls



48% boys



Help for 24 children aged 5 to 16, with severe neuromotor disabilities

As part of this project, the **Aurora Day Center**, the **Bucharest branch of ASCHFR**, benefitted from some of the donations and carried out educational activities, adapting the school curricula of the education system to the children's specific particularities. The beneficiaries were **24 children aged between 5 and 16**, with severe neuromotor disabilities, and their families. Moreover, transport, kinetotherapy, speech therapy and cognitive-sensory stimulation services were provided.

From its second year of business in the local market, **Taco Bell** has been involved in supporting the **Little People Association** whose aim is to provide emotional support to children with cancer in Romania and the Republic of Moldova, by placing special donation boxes in Taco Bell restaurants. With the help of customers, in 2019, over 2,700 euros were donated to the organization, and the money was invested in psychosocial support programs for children and teenagers, and in the annual events and seminars offered to the *Temerarii* community of survivors. The young people came from **10 onco-pediatric wards**, approximately **1,890 children and young people affected by cancer in Romania** aged between 0 and 30 received emotional support.

In 2019, Taco Bell, with the help of customers, donated over 2,700 euros

In 2019, Pizza Hut and Pizza Hut Delivery directed over 23,000 euros

The **HOSPICE Casa Speranței Organization**. In February of 2017, **Pizza Hut** and **Pizza Hut Delivery** started a collaboration with this non-profit organization which strives to change the lives of those dealing with an incurable disease for the better. Every month, a donation of about 2,000 euros goes to this organization, which has been there for **over 22,000 people and their families**. In 2019, over 23,000 euros were directed to the organization in order to support terminally ill patients, children and adults, through medical care and social support.

4.3. Customer Satisfaction

When we talk about customer satisfaction, we focus on providing quality products and services, ensuring a safe environment in our restaurants, cleanliness and a pleasant ambience.

Pleasant Experiences in Our Restaurants

For all Group brands, customer satisfaction is a very important aspect. In this regard, our employees are trained to offer a pleasant experience to customers in our restaurants.

With a positive attitude, the **Customer Mania** service wholly complies with CHAMPS standards. For each CHAMPS standard, **the positive attitude** is expressed in a different way, in order to reach the objectives of **Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Serving Speed**.

100% compliance with CHAMPS standards as defined above is the main responsibility laid down in the job descriptions of all employees.

We measure customer satisfaction in all our restaurants through quick surveys, after purchasing the products, based on well-defined criteria.

The **GES (Guest Experience Survey)** is an indicator meant to assess our customers' experience, and we want to find out the opinions of at least 30 customers a month.

The customer has the opportunity to fill in more details about his/her satisfaction or dissatisfaction through the means of leaving feedback using this innovative and very flexible system for customers.

All employees are trained
to provide a Customer
Mania service

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