

# REMUNERATION REPORT

## Sphera Franchise Group for the financial exercise 2022

### Introduction

The Board of Directors of Sphera Franchise Group SA (hereinafter, the "Company" or "Sphera") has drawn up, in accordance with the legal provisions in force, this Remuneration Report, which includes the remuneration granted to the members of the Board of Directors, as well as to the executive management of the Company, during the financial year ending on December 31<sup>st</sup>, 2022, to be subject to the advisory vote, within the Ordinary General Meeting of Shareholders according to (i) art.107 of Law 24/ 2017, (\*republished\*) on issuers of financial instruments and market operations, and according to (ii) art. 2671 of Regulation 5/2018 regarding issuers of financial instruments and market operations republished. The Remuneration Report will be published on the Company's website at [www.spheragroup.com](http://www.spheragroup.com), to remain available to the public for 10 years from publication, in accordance with the applicable legal provisions.

The Remuneration Report aims to provide shareholders with an overview of how the Remuneration Policy was applied during the previous financial year, as well as reliable information regarding the individual remuneration of all the Company's managers, in the sense of the normative acts listed above.

Sphera has a Remuneration Policy that was approved by the shareholders' vote through Decision no. 1 of the Ordinary General Meeting of Shareholders of August 11<sup>th</sup>, 2022.

## Remuneration of the Board of Directors' members

RON th.	Name	2022				2021	delta	2020	delta	2019	delta	2018
		Gross Fixed Allowance	Gross Additional Allowance	Total	delta							
Arnaoutou Valentin	38.9	0.0	38.9	-90.7%	416.8	3%	404.7	52.5%	265.4	N/A	0.0	
Carmaci Silviu Gabriel	384.9	0.0	384.9	-6.5%	411.7	0.5%	409.6	19.3%	343.3	69.2%	202.9	
Ene Mihai	346.0	6.3	352.3	N/A					0.0	0.0		
Hoanca Lucian	384.9	2.5	387.4	-5.3%	409.2	54.8%	264.4	-21.3%	336.0	791%	37.7	
Lefter Razvan Stefan	384.9	8.8	393.7	-4.4%	411.7	0.5%	409.6	20.2%	340.9	1215.4%	25.9	
Repidonis Georgios Vassilios	384.9	8.8	393.7	-3.8%	409.2	1.7%	402.2	51.6%	265.4	N/A	0.0	
<b>TOTAL</b>	<b>1,924.3</b>	<b>26.5</b>	<b>1,950.8</b>	<b>-5.2%</b>	<b>2,058.6</b>	<b>8.9%</b>	<b>1,890.5</b>	<b>21.9%</b>	<b>1,550.9</b>	<b>481.8%</b>	<b>266.6</b>	

\* the historical information about remuneration is presented only for members of the Board of Directors whose mandates are valid during 2022; the mandate of Mr. Valentin Arnaoutou ceased on February 4, 2022, as a result of the adoption of OGSM Decision no. 1 of February 4, 2022.

The basic principles for the remuneration of the members of the Board of Directors aim to support:

- the strategic component, as proposed to the shareholders;
- the supervision/control component and continuous monitoring of the management decision-making process and the executive management fulfillment of the annual and strategic objectives in the current activity of the Company;
- the component of compliance with ethical and legal norms.

The members of the Company's Board of Directors, including the chairman, benefit from a **fixed allowance** and an **additional one**, the latter in the form of the meeting allowance for participation in the consultative committees of the Board of Directors. The amount of both the fixed and the variable allowances is approved by the Ordinary General Meeting of Shareholders.

The Board of Directors is composed of 5 members, with mandates valid until the date of May 31st, 2023 according to the decision of the Ordinary General Meeting of Shareholders held on February 4th, 2022. By the Ordinary General Meeting of Shareholders decision number 1 on February 4th, 2022 the consideration of the remuneration was changed exclusively in the sense of reducing the amount of the allowance for the meeting granted to the members of the Board of Directors who are also members of the consultative committees, from 300 EUR net / month / member to 150 EUR net / month / member. The fixed allowance was kept at 4,000 (four thousand) EUR net / month / member (including for the President of

the Board of Directors). The members of the Board of Directors are not part of any other benefit scheme, other than the remuneration presented above. In the case of the members of the Board of Directors, there is no possibility of recovering the variable remuneration (meeting compensation). The Ordinary General Meeting of Shareholders decision no. 1 dated April 28<sup>th</sup>, 2022, rejected the proposal of the monthly remuneration due to the members of the Board of Directors, (valid from the date of the above mentioned Ordinary General Meeting of Shareholders, until the end of the administrator's mandate on May 31<sup>st</sup>, 2023), in the amount of 4,000 (four thousand) EUR net / month / member, 4,000 (four thousand) EUR net/month for the Chairman of the Board of Directors and 150 (one hundred and fifty) EUR net / month / meeting, as additional remuneration for the members of the Board of Directors who are also members of the consultative committees.

Later in the year, by way of Resolution no. 1 of August 11<sup>th</sup>, 2022, the Ordinary General Meeting of Shareholders, approved the monthly remuneration due to the members of the Board of Directors (remuneration valid starting from the date of the above mentioned Ordinary General Meeting of Shareholders, until the end of the administrator's mandate on May 31<sup>st</sup>, 2023), in the amount of 3,500 EUR net / month / member, 3,500 EUR net /month for the President of the Board of Directors and 150 EUR net / month / meeting, as additional remuneration for the members of the Board of Directors who are also members of the advisory committees, within the limit of 6 (six) annual meetings of the consultative committees and ratified all the payments made as monthly remuneration due to the members of the Board of Directors, respectively as additional remuneration due to the members of the Board of Directors who are also members of the consultative committees, starting with 28.04.2022 and until the date the OGSM meeting, respectively August 11<sup>th</sup>, 2022.

## Executive Directors' Remuneration

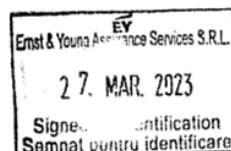
RON <sup>th</sup>

Name	2022													
	Gross Fix Remuneration	Gross Variable Remuneration**	Remuneration in kind	Sphera Shares***	Remuneration received from subsidiaries	Total	delta	2021	delta	2020*	delta	2019	delta	2018
Budeș Valentin Ionut	778.4	171.4	23.5	177.1	49.9	1,200.4	2.5%	1,170.9	-4.2%	1,222.1	137.7%	514.1	N/A	-
Eftimie Oana-Monica	758.2	132.8	20.0	136.8		1,047.8	2.4%	1,023.5	-0.6%	1,029.6	27.7%	806.4	12.3%	718.3
Ionescu Calin-Viorel	1,162.6	244.3	21.2	252.0	49.9	1,730.0	4.7%	1,653.0	23.9%	1,334.2	21.7%	1,096.6	2.5%	1,070.2
Osiac Cristian	750.5	0.0	21.7			772.2	-24.6%	1,023.5	-0.6%	1,029.6	13.2%	909.6	-14.3%	1,061.3
<b>TOTAL</b>	<b>3,449.7</b>	<b>548.5</b>	<b>86.4</b>	<b>565.9</b>	<b>99.9</b>	<b>4,750.4</b>	<b>-2.5%</b>	<b>4,870.9</b>	<b>6.6%</b>	<b>4,616.4</b>	<b>38.7%</b>	<b>3,326.8</b>	<b>+16.7%</b>	<b>2,849.8</b>

\*the CEO mandate of Mr. Ionescu started in October 2020; previously he acted as Chief Operations Officer and Acting CEO during May – October 2020.

\*\* The annual gross variable remuneration is paid during the year presented (for the years 2022, 2021, 2020 and 2019), but related to the previous year

\*\*\* According the unanimously approved Board of Directors decisions, respectively Decision number 2 on November 17th, 2022 and Decision number 2 on December 15th, 2022, the Board of Directors decided to grant free of charge, Sphera shares (with the value of 14 RON per share) to certain executive directors within the Company, as part of the variable remuneration, for the activity in 2021 carried out on the basis of the mandate contracts concluded with the Company, and representing 50% of the



performance bonus for 2021 achievements, according to the procedure adopted by the Board of Directors. The number of shares is as follows: Mr. Calin-Viorel Ionescu 17,500 shares; Mr. Valentin Ionut Budes 12,300 shares; Ms. Oana-Monica Eftimie 9,500 shares. The granting of the shares, as well as the approval of their acquisition, will be subject to ratification, respectively approval by the GSM, which will take place on April 27<sup>th</sup>/28<sup>th</sup>, 2023. In the event that the GSM does not ratify the granting of the shares and/or does not approve the redemption of the shares, according to the Board of directors decision, the Company will convert the shares into cash and pay them to the Eligible Directors within 60 days from the date of the GSM.

The Executive Directors are remunerated based on mandate contracts concluded within the limits provided by the 2017 Remuneration Policy, contracts whose validity is to expire in the course of 2023.

In the case of directors' remuneration, the basic criteria aims at the continuity and profitability of the company's business by meeting the annual objectives approved by the shareholders within the income and expenditure budget and the long-term strategic objectives, developed under the guidance of the Board of Directors, at the proposal of the executive management and approved by shareholders at certain intervals.

Responsibility, integrity, loyalty and diligence towards the Company, its fundamental values and its employees and collaborators are an essential element in determining individual performance.

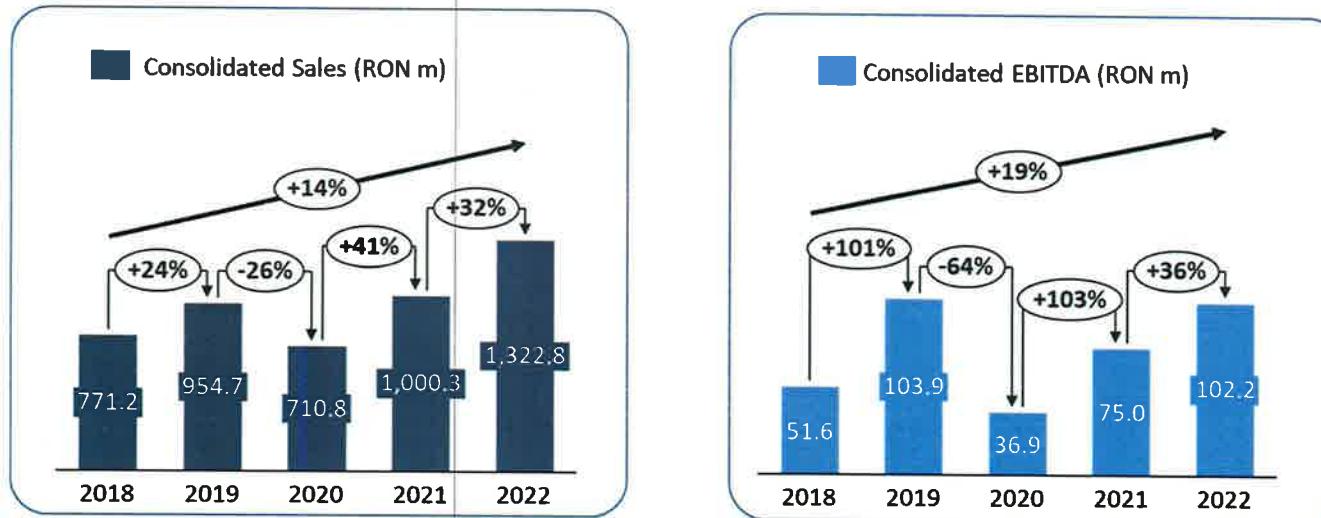
According to the mandate contracts, the variable remuneration in cash is calculated every year by the Nomination and Remuneration Committee, based on the annual financial results and represents a value of up to 60% of the annual fixed remuneration for the General Director and 50% of the annual fixed remuneration for the other Executive Directors. The exact percentage is calculated according to the budgetary indicators approved by the Ordinary General Meeting of Shareholders of the Company for the respective financial year (e.g. sales, EBITDA) and also takes into account the special circumstances that may arise during the year (e.g. the pandemic situation).

This mechanism was adopted in 2017 to reward the fulfillment of the development objectives of the plan presented at the time, which provided for the doubling of the Company's sales within a period of 5 years. The strategic objective of doubling the sales volume was considered in the 2017 strategy as the first step of the consolidation of the Company's operations under the conditions in which a new brand (Taco Bell) was added. The above mentioned strategic objective is to be replaced or expanded in the strategy for the next 5 years which will be proposed to the shareholders in 2023. The mechanism adopted in 2017 considers the fulfillment of the annual operational objectives as the main target of the activity of the executive directors and rewards the degree of their fulfillment through variable remuneration. The annual fixed remuneration cannot be changed during the mandate contract, and the variable remuneration is still in accordance with the mandate contracts between 0-60% of the annual fixed remuneration depending on the percentage of achievement of the budgetary indicators and the individual performance indicators.

Following, we present Sphera Franchise Group main KPIs for the period 2018-2022.

RON th.	2022	delta	2021	delta	2020	delta	2019	delta	2018
Sales	1,322,822	32%	1,000,312	41%	710,797	-26%	954,728	24%	771,197
Net Profit*	39,054	42%	27,407	-1255%	(2,373)	-104%	64,167	164%	24,262
Net Profit normalized*	44,270	71%	25,880	438%	4,808	-91%	56,230	25%	44,984
EBITDA*	102,162	36%	75,004	103%	36,907	-64%	103,926	101%	51,637
EBITDA normalized*	102,655	40%	73,477	67%	44,088	-54%	95,989	33%	72,359

\*excluding the impact of IFRS 16, starting January 1st, 2019

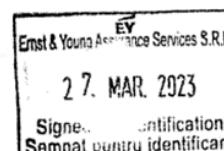


During the 2022 financial year, there were no cases that would require the recovery of the variable remuneration.

Ordinary General Meeting of Shareholders Decision number 1 in August 11<sup>th</sup>, 2022 approved the Remuneration Policy, providing for mechanisms granting a cash or shares based variable remuneration in order to meet the requests of some shareholders regarding the alignment of the interests of the executive directors with the interests of the shareholders in respect to shares value.

Variable remuneration is intended to encourage executives to focus on creating long-term value for the Company, in accordance with the Company's strategy and aligning the interests of executives with the interests of the Company and shareholders.

The financial and non-financial performance criteria considered by the Remuneration Policy adopted in August 2022 for the cash and share based variable remuneration are as follows:



Financial Criteria:

- EBITDA of the Company;
- Net Profit of the Company;
- Company sales;
- The Company's Free Cash Flow.

Non-Financial Criteria:

- the social impact and sustainability of the Group's operations - e.g. environment, safety and employee involvement;
- management of strategic projects: business development projects, turnaround management and increasing the Company's profitability, significant improvement of processes, improvement of existing franchise contracts, new markets and products, etc.

### **The medium gross remuneration based of Full time equivalent (FTE) employees**

According to the labor market dynamics and the financial performance achieved by the Company, the medium gross remuneration of Sphera employees excluding top management is reflected in the table below for the last 5 years period:

(in RON)	2022	delta	2021	delta	2020	delta	2019	delta	2018
Medium gross Remuneration, FTE based	11,281	11.8%	10,088	+20.6%	8,365	-11.7%	9,468	2.1%	9,277

These changes are the result of a multitude of factors, the most important of which being:

- a) the average salary level in the market,
- b) legal limitations and labor market dynamics,
- c) local competitiveness of wages,
- d) labor availability,
- e) the ability of the Company to ensure the competitiveness, stimulation and retention of the labor force in the medium and long term.

### **General considerations**

The Remuneration Report of the Sphera Franchise Group pertaining to the financial year ending at December 31st, 2021 was submitted for the consultative vote of the Ordinary General Meeting of Shareholders in the date of April 28th, 2022, according to the provisions of art. 107, paragraph

(6) of Law no. 24/2017 regarding issuers of financial instruments and market operations, republished, vote following which this item on the agenda was rejected.

During the reporting period, there was no deviation from the implementation procedure of the Remuneration Policy adopted in 2017 and no derogation from the remuneration policy, in accordance with the provisions of paragraph 107. (2) letter f) from Law no. 24 / 2017, regarding issuers of financial instruments and market operations, republished, although the period of the last two years of economic and social constraints, in the context of the COVID-19 pandemic, was the most difficult in the over 25-year history of the brands ( e.g. the subsidiaries that operate the brands) included in the Company's portfolio. On the other hand, the current conditions constitute exceptional circumstances and the necessary measures, if they prove necessary, will be communicated by the Company through all the methods provided by the law and the regulations in force.

This Report was drawn up in accordance with the requirements of Law 24/2017 on issuers of financial instruments and market operations, republished and approved by the Board of Directors of the Company on March 23<sup>rd</sup> 2023. The Remuneration Report is to be subject to the vote at the Annual Ordinary General Meeting of the Company's Shareholders convened for April 27/28, 2023, the opinion of the shareholders, resulting from the vote, is to have an advisory nature.

Chairman of the Board of Directors  
Lucian HOANCA

