SPHERA

2022

Sustainability Report

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About the Report

Sphera Franchise Group implements a model for the annual reporting of its performance, to provide transparent information about the impact of key business aspects, challenges and achievements of Group companies. This document is the fourth Sustainability Report prepared, for the 2022 financial year and published on 30 June 2023. The disclosed information includes the reporting period from 01 January 2022 to 31 December 2022. The Report provides an accurate and real picture of the actions taken in the context of the sustainable business model and of the Company contribution to global efforts materialised in the Sustainable Development Goals tackled by the United Nations (UN) 2030 Agenda.

The Scope of the Report

The information herein presents the economic, social and environmental performance of the six companies in Romania, the Republic of Moldova and Italy that make up the Sphera Group. The Report includes an integrated overview of operations of both the Group and its portfolio companies:

- Sphera Franchise Group;
- U.S. Food Network SA (KFC Romania*);
- U.S. Food Network SRL Moldova (KFC Moldova*);
- U.S. Food Network S.r.l. Italy (KFC Italy*);
- American Restaurant System SA (Pizza Hut Romania, Pizza Hut Delivery Romania*);
- California Fresh Flavors SRL (Taco Bell Romania*).

* Please note that abbreviated company names will be highlighted in this report.

Reporting References and Guidelines

The Report complies with Directive 2014/95/EU on non-financial reporting (NFRD), the most important piece of European legislation on reporting obligations with regard to sustainability, as well as the provisions transposed into national laws by the Order of the Minister of Public Finance no. 1938/2016, as subsequently amended. It also includes the requirements laid down in Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

The reporting methodology used is based on the 2021 Global Reporting Initiative (GRI) standard and the 2018 Sustainability Accounting Standards Board (SASB) standard applied to the food & beverage sector. The full list of performance indicators according to the two reporting frameworks can be found in the last section, called "GRI and SASB Index".

The Reporting Framework

The process of defining the reporting framework had as starting point, this year as well, the materiality assessment and presents the perspective of double materiality.

This analysis has been carried out in anticipation of Directive 2022/2464/EU on corporate sustainability reporting (CSRD) which will amend NFRD starting with the 2024 financial involving the organisation management in identifying the impact of sustainability issues on the Company – and environmental and social materiality – through the extensive engagement and consultation of stakeholders both within and outside the organisation in determining the Company's impact on the environment and society. The quantitative indicators used illustrate the Company's performance in 2022, compared to the last two reporting years. Unavailable data are marked as N/A (Not Available).

Information Corrections

This year, corrections were necessary for certain data reported in 2021, in the chapter "Care for the Environment". The corrected values are marked directly in the chapter, together with the relevant explanations.

Report Assurance

This Report has not been verified by an independent external audit company, but the Board of Directors and the Top Management of Sphera Franchise Group are actively involved in supervising the reporting process.

Contact

Opinions, suggestions or questions regarding this Report may be sent to **contact@spheragroup.com**. For further information on the approach of Sphera Franchise Group to sustainability, please visit our website: **https://spheragroup.com/sustenabilitate/?lang=en.**
Sphera Franchise Group SA
239 Calea Dorobantilor, room 4, 2nd floor, 010567, Bucharest, Sector 1, Romania.

CEO's Message

Dear readers,

The Sustainability Report of Sphera Franchise Group, now at its 4th edition, covers another year in which the notion of ESG has been tested and revalidated, after a pandemic period that made us face entirely new and unexpected challenges. Unfortunately, 2022 started with a war at our border which made us realise that behind ESG stand values, business decisions and policies that show the true value of a company.

2022 has shown us that social responsibility is part of a brand's DNA, because, beyond the commitment to the communities where it operates or the causes it supports, it means respecting some universal values. Contributing to the betterment of society in general and helping whenever necessary, wherever necessary. Making the tough but right decisions, such as reconfiguring the business even if it means losing major markets or supply sources. Sphera Group supported Ukrainian refugees with donations in cash and products – and we are glad that we were not the exception, but the business environment in general has mobilised, proving that people always come first. We have updated our policies, including those on dealings with suppliers, as well as our Code of Conduct, to ensure that integrity, security and food health and safety standards are applied in every area of our business, as well as our supply chain.

Last year retested our commitments towards sustainability, in a strong inflationary context, and we are proud of the progress we made despite it. The total Group energy consumption was only 0.53% higher than in 2021, even though we increased the restaurant network with seven units. We have reduced the diesel consumption of our fleet by 24% and the gasoline consumption by 14%. We recycle 100% of metal and glass packaging in our restaurants in Romania and Moldova. We require all paper product suppliers to prove that they procure raw materials from sustainably managed forests.

All three companies operating in Romania the KFC, Pizza Hut & Pizza Hut Delivery and Taco Bell brands were certified in 2022 in food safety management according to ISO 22000:2018, which sets out the requirements for a food safety management system. In 2022, all our restaurants were audited by a food safety authority.

In 2022, there were 34 different nationalities among our colleagues, and we are proud to maintain and foster an environment favourable to diversity. We support discrimination-free performance-based development and growth. The percentage of women in management positions is over 50% for 5 of the 6 Group companies.

We have invested over RON 1 million in CSR projects, especially supporting the education needs of children from disadvantaged backgrounds, together with our long-standing partners – SOS Children's Villages, World Vision, the Aurora Day Centre. We have kept our commitment to food waste reduction, and, through our Harvest food donation programme, we donated 7 tonnes of food in 2022.

Moreover, last year we took steps to prepare a report on the risks and opportunities associated with climate change, based on recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). The report, which has been completed and published this year, is voluntary and is meant to strengthen the sustainable practices of Sphera Group.

We are proud that in 2022 our ESG efforts were noticed and gained recognition. Sphera was rated ESG Low Risk, with a score of 18.7, following an assessment by Morningstar Sustainalytics, a leading independent ESG research, ratings and data firm. The obtained rating indicates the company's disclosure is strong, signalling a high degree of accountability to investors and general public for our actions and their impact on the environment and communities.

For this sustainability report, we went a step further in consulting with stakeholders and examined the risks and opportunities related to sustainability along the value chain by using the double materiality methodology, namely both the financial impact of sustainability aspects on the Company, and the Company's impact on the environment and society.

The 2022 Sustainability Report also includes reporting based on the EU Taxonomy, complying with regulations requiring the publication of information on how and to what extent capital flows are directed towards environmentally sustainable economic activities.

We invite you to read more about our ESG-related actions, results and commitments in our 2022 Sustainability Report.

Călin Ionescu
CEO
Sphera Franchise Group

1 About the Company

About Sphera Franchise Group SA

Sphera Franchise Group SA ("Sphera" or "the Company") was established on 16 May 2017, as a joint stock company, operating in three geographic markets - Romania, the Republic of Moldova and Italy – with the registered office in Bucharest.

The Company provides management, marketing, development, sales support, human resources and other services for its subsidiaries US Food Network SA ("USFN"), U.S. Food Network S.r.l. ("USFN Italy"), U.S. Food Network SRL ("USFN Moldova"), California Fresh Flavors SRL ("CFF"), and American Restaurant System SA ("ARS"). Together, these entities form the "Sphera Group" ("the Group" or "SFG"), the largest group in the food service industry in Romania.

Sphera Franchise Group SA has been listed on the Bucharest Stock Exchange since 2017, under the stock ticker 'SFG'.

PURPOSE
To grow through relevance and trust

VISION
To be leaders of the food service industry in Romania and to become a major European player

MISSION
To give customers a memorable experience, through excellent service and unique products, prepared by passionate teams

Sphera Group has a sustainability strategy based on the mission to offer customers a memorable experience, through excellent services and unique products, prepared by passionate teams.

The Company activity revolves around four key pillars: Business; Products; People and the Community; Environment. Thus, by the very nature of its activities, the Group undertakes to provide safe and high quality food products, to have a positive impact on the communities in which it operates and to be environmentally responsible.

About the Companies Held

Sphera Franchise Group owns companies which, as at 31.12.2022, operated the following brands on a franchise basis:

1. **Quick Service Restaurants:**
   - **Kentucky Fried Chicken (KFC)** – USFN operates 96* restaurants in Romania, USFN Italy – 20 in Italy and USFN Moldova – 2 in the Republic of Moldova;
   - **Taco Bell** – CFF has 15 restaurants in Bucharest, Cluj, Braşov, Constanţa, Timişoara, Sibiu, Craiova, Iaşi, Bacău and Ploieşti.

2. **Dine-in restaurants:**
   - **Pizza Hut Dine-in** & **Pizza Hut Delivery** – ARS operates 43** locations in Romania.

   * and, from an administrative point of view, USFN also operates 1 PAUL restaurant and 1 Pizza Hut Delivery restaurant in Cluj

   ** of which 1 Pizza Hut Delivery location in Cluj, operated by USFN, and 1 sub-franchised location

At the end of 2022, Sphera Franchise Group operated **177 de restaurants**, including 23 drive-thru locations, with over **4 900** active **employees** in total.

2 MOLDOVA

155 ROMANIA

20 ITALY

KFC
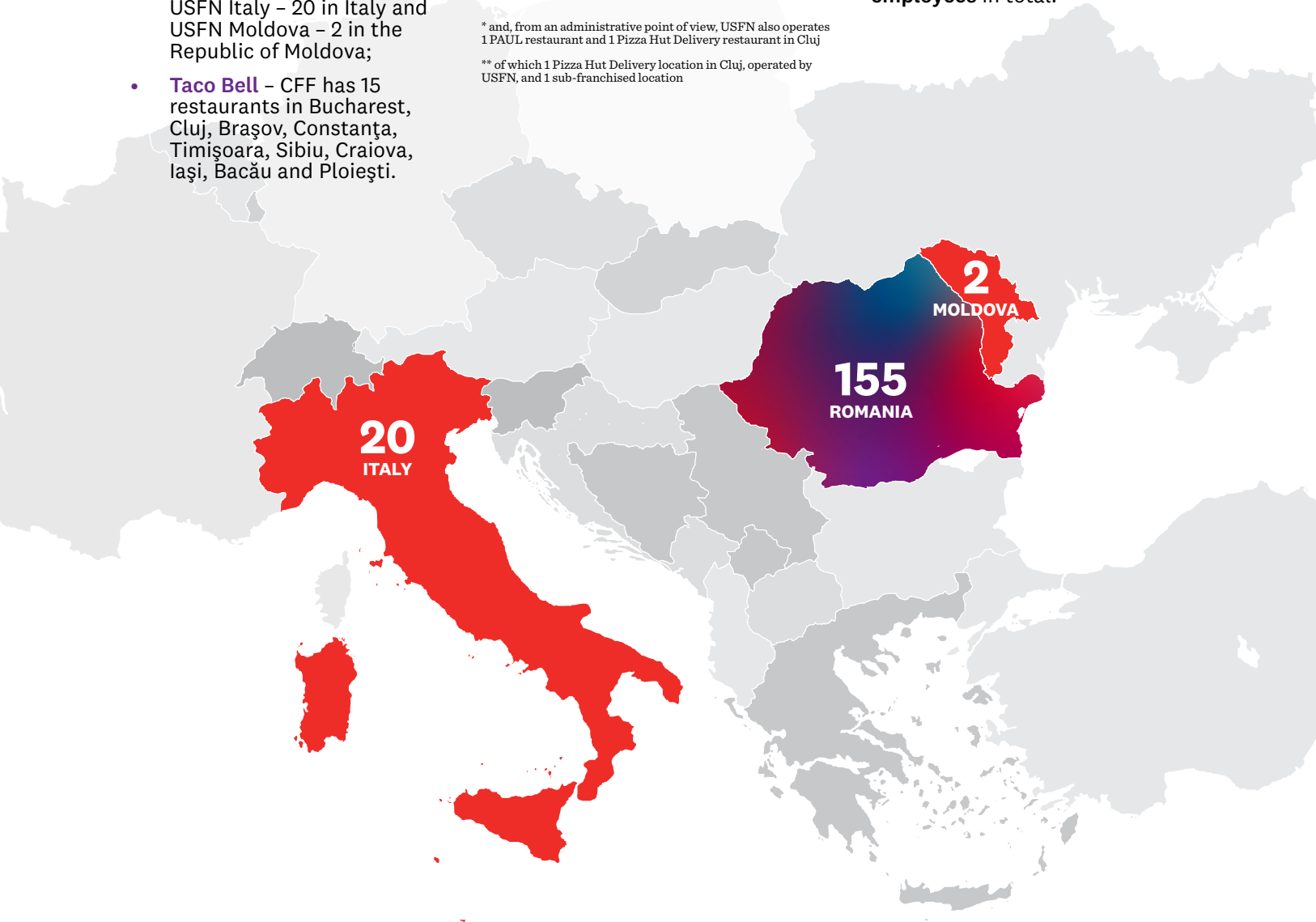
KFC (Kentucky Fried Chicken) is the second largest quick-service restaurants (QSR) chain in the world, specialising in chicken dishes. KFC offers chicken products, but also salads or vegetarian options, menus containing a portion of a chicken-based product, French fries and a soft drink, as well as Buckets for individual or group consumption.

Pizza Hut is a dine-in restaurant that has been in operation internationally for over 60 years. With its home delivery service, Pizza Hut Delivery has become one of the most popular pizza delivery concepts in Romania. In order to satisfy the tastes of its customers, Pizza Hut offers a wide range of products, from pizza and pasta to burgers, as well as soft drinks and desserts.

TACO BELL

Taco Bell is a major global chain of quick-service restaurants inspired by Mexican cuisine. Its restaurants offer a variety of Mexican-inspired dishes, including tacos, burritos, quesadillas, nachos and other specialties.

1.1 Our Brands

In 2022, we continued our efforts to strengthen our market position and expand our restaurant network, and saw growth on certain segments of our brands, thus showcasing our success and commitment to providing memorable experiences to our customers.

Market evolution of companies held by Sphera Franchise Group

	2020	2021	2022
KFC Romania	86	92	96*
KFC Italy	18	20	20
KFC Moldova	2	2	2
Pizza Hut (Dine-In)	21	22	22
Pizza Hut Delivery	18	20	21
Taco Bell	11	13	15

* from an administrative point of view, KFC Romania also operates 1 PAUL restaurant and 1 Pizza Hut Delivery restaurant in Cluj

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1.2 The 2022 Diagram

Reporting period 01.01.2022-31.12.2022

ORGANISATION*	SFG	USFN	ARS	USFN MD	USFN IT	CFF
ECONOMIC						
Number of restaurants	-	96**	43	2	20	15
Net revenues (K RON)	85 582***	948 053	122 918	17 393	166 335	69 303
Net revenues (K EUR)	17 354***	192 240	24 925	3 527	33 728	14 053
Taxes (excluding the social costs listed below) (K RON)	594	3 220	1 009	305	(2 946)	1 074
Taxes (excluding the social costs listed below) (K EUR)	120	653	205	62	(597)	218
Costs with employee salaries and benefits (K RON)	29 506	199 608	35 838	2 428	45 031	16 742
Costs with employee salaries and benefits (K EUR)	5 983	40 475	7 267	492	9 131	3 395
EBIT (profit/loss before financial expenses & revenues and taxes) (K RON)	45 087	81 451	(9 896)	2 394	(10 913)	(141)
EBIT (profit/loss before financial expenses & revenues and taxes) (K EUR)	9 142	16 516	(2 007)	485	(2 213)	(29)
Net profit/loss (K RON)	43 383	67 717	(12 944)	1 966	(12 096)	(3 450)
PNet profit/loss (K EUR)	8 797	13 731	(2 625)	399	(2 453)	(700)

Reporting period 01.01.2022-31.12.2022

ORGANISATION	SFG	USFN	ARS	USFN MD	USFN IT	CFF
SOCIAL						
Number of employees*	172	3519	705	81	395	341
Total training (hours)	1 774	269 755	49 674	2 920	18 059	33 727
Donated food (kg)	-	6 973	-	-	-	-
Community investment (EUR)	810	210 693	7 968	-	-	9 022
ENVIRONMENTAL						
Paper/cardboard waste (tons)	-	560,14	36,57	18,10	199,19	18,78
Plastic waste (tons)	-	92,24	13,88	1,50	75,61	10,25
Waste oil residues (tons)	-	131,42	2,12	2,90	67,61	9,20
Food waste (tons)	-	60,67	0,01	1,30	42,23	0,26
Electricity consumption (MWh)	-	27 274,00	6 100,82	529,88	5 519,07	1 887,98
Water consumption (m³)	-	205 182	24 539	5 358	47 076	7 748

* Total employees (active + suspended) as at 31 December 2022

* Financial data are presented on an individual basis, including transactions between Sphera Franchise Group companies. Financial data are reported according to IFRS standards

** From an administrative point of view, USFN also operates 1 PAUL restaurant and 1 Pizza Hut Delivery restaurant in Cluj

*** SFG – Net revenues resulting from services and dividends, excluding revenues from the sale of assets (129 K RON representing 26 K EUR).

1.3 Corporate Governance

Sphera Franchise Group carries out its activities with integrity and respect for society. Based on a transparent and structured framework, Sphera's policies and commitments ensure compliance with internal conduct and anti-corruption principles and requirements, including supplier assessment and transparency regarding complaints received.

Sphera attaches great importance to activities and processes carried out within the Group. The implementation of sound internal policies aimed at preventing corruption and conflicts of interest proves the Group's commitment to compliance with the highest ethical and professional standards.

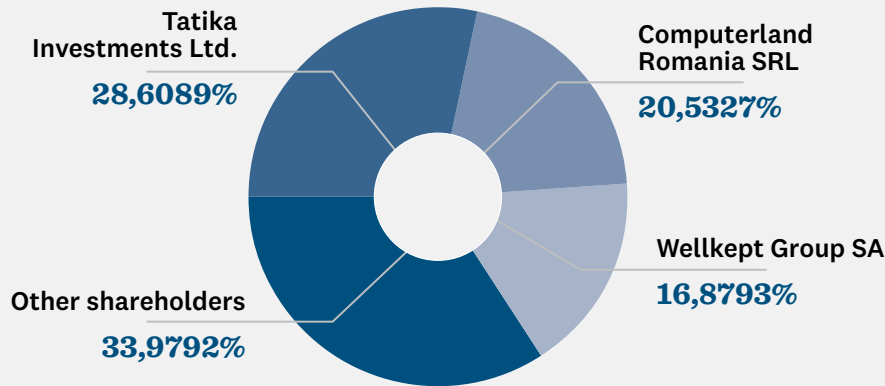Sphera undertakes compliance with the principles and requirements of internal conduct, which reflect the commitments and responsibilities regarding business management. These principles and requirements apply at all levels of the organisation, including in dealing with partners and suppliers, thus ensuring a thorough and transparent assessment of all stakeholders.

Transparency is a key element for the corporate governance of Sphera Group, which promotes open and honest communication with all stakeholders. This entails constant monitoring and reporting of Company performance.

Sphera Franchise Group shareholding structure as at 31.12.2022

- Tatika Investments Ltd. **28,6089%**
- Computerland Romania SRL **20,5327%**
- Wellkept Group SA **16,8793%**
- Other shareholders **33,9792%**

Assets held by Sphera Franchise Group in 2022

ASSETS (K RON)*

2022

Fixed assets
537 600

Current assets
168 282

Total assets
705 882

Total equity
116 364

* Consolidated financial data according to the IFRS report

The policies, procedures and codes of conduct expressing commitments and responsibilities regarding the management of the business and the performance of activities within Sphera, including the assessment of suppliers and business partners, can be checked on the Company website, under: **Corporate Governance** and **Sustainability**. These policies provide a clear and well-structured framework for carrying out operational and reporting activities, including:

- The Code of Conduct of Sphera Group;
- The Continuous Reporting Guidelines;
- Sphera Policy on Governance and ESG Reporting;
- Sphera Anticorruption Policy;
- The Policy on Conflicts of Interests;
- The Dividend Policy;
- The Forecast Policy;
- The Policy on the Organisation and Conduct of General Shareholders' Meetings;

- The Remuneration Policy;
- The Financial Reporting Policy;
- The Policy on Effective Operations (the supply chain, restaurant operations);
- Sphera Policy on the Supplier Code of Conduct;
- Sphera Policy on Paper-based Packaging Sourcing;
- Sphera Policy on Human Rights and Key Supply Chain Commitments;
- Sphera Sustainable Packaging Policy;

- Sphera Animal Welfare Policy;
- Sphera Policy on Genetically Modified Food;
- Sphera Responsible Marketing Policy;
- Sphera Data Protection Policy;
- Sphera Policy on Sustainable Animal Protein Principles;
- The Data Security Policy;
- The Policy on Procurement.

In order to ensure the implementation and observance of its principles and values, Sphera provides employees with internal policies containing specific requirements and principles, to ensure responsible and ethical behaviour within the Company.

Through the policies and practices implemented, Sphera Group ensures that there is transparency regarding questions, ambiguities or complaints received from employees or other stakeholders.

An important aspect of this approach is the Speak up! Integrity Line communication channel, which is available at 0373 760 274. Through this channel, employees and other stakeholders can report any violations of Company policies and procedures.

Subsequently, the complaint is sent to the designated person within the Company who will examine the conformity of the complaint and will request data, information and documents, and will open an internal investigation, while also taking all necessary steps to resolve the complaint. Only certain persons from the Company management will be involved in the investigation, depending on the nature of the reported offence, in strict compliance with data confidentiality.

During the reporting period, there were no cases or incidents related to conflicts of interests, bribery or corruption issues, which reflects Sphera's firm commitment to fair corporate governance.

The Board of Directors and the Executive Management

The Role of the Board of Directors

The Company is run by the Board of Directors and the General Shareholders' Meeting (GSM), with decision-making duties and operating methods established by the Article of Association and the Companies Law no. 31/1990. The role of the Board of Directors consists in establishing the main directions of activity and development for the Company, including the approval of the business plan and any amendments thereto, within the limits set by the GSM. The Board of Directors consists of five non-executive members, who ensure a uniform Company management, by delegating responsibilities to executive directors and a CEO. Members are appointed by the GSM for a four years mandate, except for the first members, appointed for a two year-term. The Board of Directors has transferred the management of Sphera to the executive directors, who exercise their duties under mandate contracts.

The Structure of the Board of Directors and Advisory Committees

As at 31.12.2022, the Company Board of Directors consisted of five members:

The member's name	Executive/ non-executive	Independent (Yes/No)	Gender	Role
Lucian Hoancă	Non-executive	No	Male	Chair
Silviu-Gabriel Cârmaciu	Non-executive	No	Male	Member
Georgios Vassilios Repidonis	Non-executive	No	Male	Vice-Chair
Mihai Ene	Non-executive	No	Male	Member
Răzvan Ştefan Lefter	Non-executive	Yes	Male	Member

The Audit Committee and the Nomination and Remuneration Committee consist of three of the Board of Directors members, one of whom is appointed as Chair.

As at 31.12.2022:

The Audit Committee	The Nomination and Remuneration Committee
Răzvan-Ştefan Lefter (Chair)	Lucian Hoancă (Chair)
Mihai Ene	Georgios Vassilios Repidonis
Georgios Vassilios Repidonis	Răzvan-Ştefan Lefter

The functioning of the advisory committees is coordinated through Internal Regulations (the Regulation of the Audit Committee and the Regulation of the Nomination and Remuneration Committee) and is based on compliance with legal requirements, the provisions of the Company Article of Association, the Code of Corporate Governance of the Bucharest Stock Exchange (BVB) and capital market rules.

The Executive Management Team

There are three levels of management that are controlled by the CEO of Sphera Franchise Group. The CEO designs management and strategy plans, controls the achievement of performance for subsidiaries and the entire Company, supervises and decides on banking operations, the development of the business plan, the management of capital requirements and budgeting processes. The CEO also legally represents Sphera before all stakeholders, actively involving the Top Management in business and strategy development and in pursuing the achievement of objectives and targets set annually.[*]

As at 31 December 2022, the team consisted of:

The member's name	Gender	Role
Călin Ionescu	Male	Chief Executive Officer
Valentin Budeş	Male	Chief Financial Officer
Monica Eftimie	Female	Chief Marketing Officer
Cristian Osiac	Male	Chief Development Officer
Marina Topşa	Female	Chief Legal Officer

[*] For additional information on the roles and responsibilities of the Executive Management, please check the 2018 Sustainability Report in extenso (chapter 1.2.2, pages 16, 17, 18)

The Structure of the Organisation Management
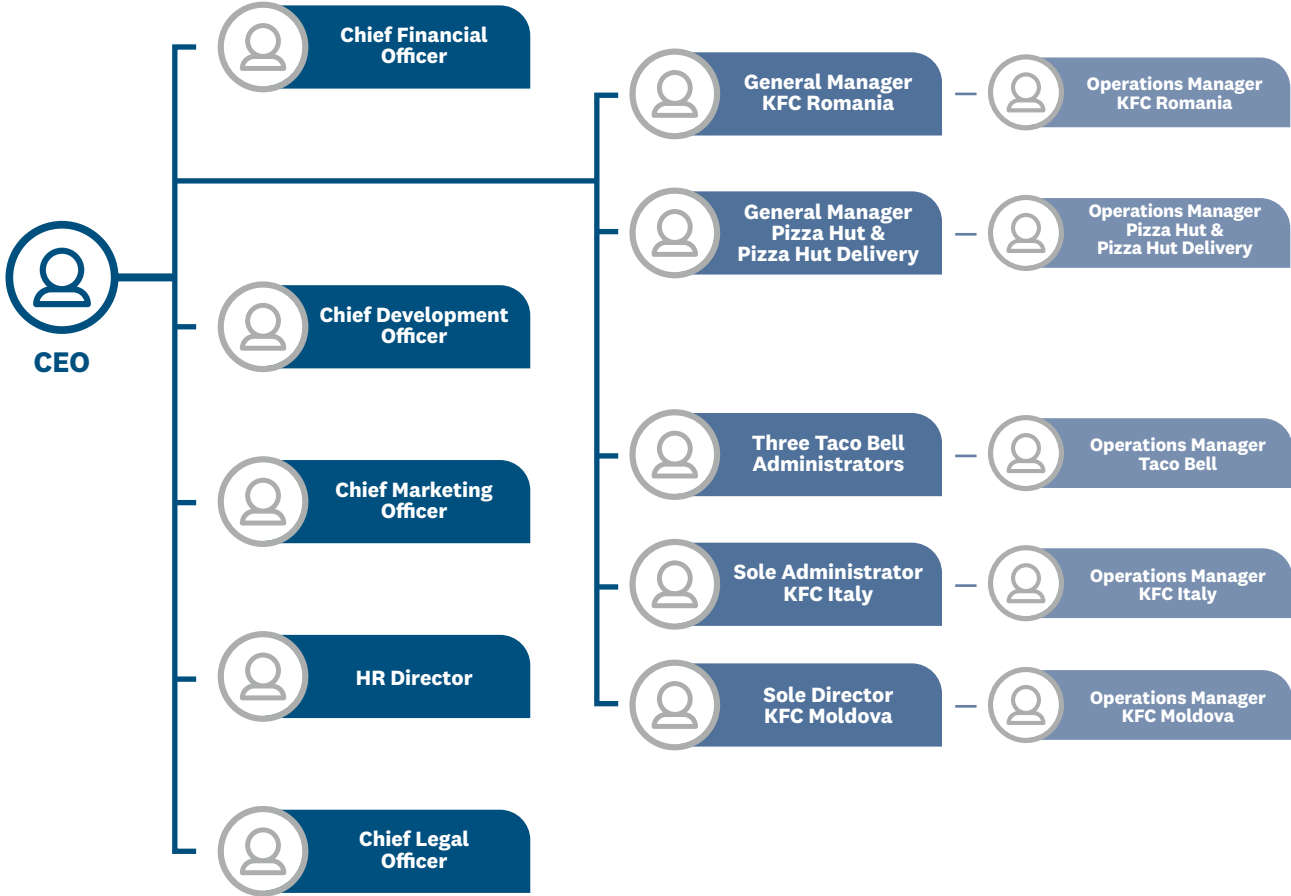
The Role of Management in Sustainability

The Board of Directors oversees and supports the Group's sustainable development, including the environmental, social and governance (ESG) perspective, as stated in **Sphera Policy on Governance and ESG Reporting**.

At operational level, the ESG Board has a key role in coordinating the strategy and setting sustainability-related priorities. Sphera also convenes cross-functional working groups which include employees from food safety, human resources, supply chain, development, communication and legal teams at corporate level to coordinate the activity with the aim of achieving progress in priority ESG areas.

At Company level, ESG risk assessment and management is carried out by the ESG Board, led by the CEO and senior executive-level leaders: the CFO, the Operational Director, the CMO, the CDO, the HR Director, the Chief Legal Officer, the Quality and Food Safety Manager, the Communication and Social Responsibility Manager, General Managers of the subsidiaries, the Chief Supply Chain Officer.

The Board of Directors is informed at least once a year by the ESG Board about areas of interest through the Audit Committee. In this regard, Sphera's reputation is monitored and ESG sustainability-related risks are assessed and managed.

Regular reporting is the main way in which we share our progress and we show transparency about our ESG practices.

Sphera Group believes that good corporate governance is a critical factor in achieving business success and supports practices that align with the interests of shareholders, community and employees. Risk management and financial and non-financial reporting, at both subsidiary and Group level, is supervised by heads of departments, by the Top Management at Sphera level, and finally by the Board of Directors of Sphera.

The Company's executive management ensures that sustainability policies, codes and procedures are implemented and observed. Employees benefit from regular training on how to implement and comply with sustainability-related policies, codes and procedures.

The Remuneration Policy

Sphera Remuneration Policy lays down a set of rules regarding the structure of remuneration for Company managers, showing the correlation between remuneration, strategy, sustainability, interests and results. The main objectives of the Remuneration Policy are related to:

- The existence of a defined relationship between performance and remuneration;

- Individual contribution to the Company performance, by compliance with and implementation of the business strategy, the culture and values of the organisation, and the long-term interests of the Company;

- Steps taken to avoid conflicts of interests and other practices that may affect business prospects, reputation and shareholders' interests.

The remuneration of the executive team members implies, in addition to the fixed remuneration, a variable component based on financial and non-financial performance criteria, such as the social impact and sustainability of the Group operations (environment, safety and employee engagement). The Remuneration Policy takes into account the nature, size and complexity of the Company business, the strategies and investment required to achieve the results approved by shareholders. Moreover, available Company resources, adequate management of risks undertaken by the management team, the avoidance and resolution of potential conflicts

of interests, loyalty and diligence, as well as the priority of protecting the interests of the Company's shareholders are taken into account, and these are also criteria for electing members.

The Remuneration Policy within Sphera Franchise Group SA was developed by the Nomination and Remuneration Committee of Sphera and approved according to Decision no. 1 of the Ordinary General Shareholders Meeting on 11 August 2022.

For additional details, please refer to the **Remuneration Policy of Sphera Franchise Group**.

Performance Review

We continue carrying out specific activities of annual performance review for members of the management. The review for members of the Board of Directors is carried out in accordance with the rules stipulated in the Regulations of the Board of Directors, under the coordination of the Chair of the Board and in accordance with good practices.

Every year, we conduct a performance review for the executive management, or Top Management, whereby we examine the progress made towards meeting set objectives and targets, including those related to ESG development pillars. Following annual reviews, the steps taken have focused on: identifying professional progress, improving performance and contributing to the organisation and development strategy of the Company.

Board Assessment	**Management Review**	**Employee Review**
According to the Regulation, the Chair of the Board of Directors ensures that the Board carries out an annual self-assessment of its effectiveness and implements the necessary improvements.	The executive management of the Company is assessed by the Board of Directors.	The review of personal performance achieved by employees under the guidance of the Company management.
Annual review	**Annual review**	**Annual review**

Business Ethics

Fighting Corruption

Within our organisation, accountability and integrity are the foundation of our corporate culture. We are committed to strictly and diligently complying with applicable anti-corruption and anti-bribery laws to ensure that Sphera Group values are observed and to protect the Company's reputation. The steps we have taken focus on preventing, identifying and handling any acts of corruption and bribery, which allows us to maintain an ethical and transparent work environment.

Following the assessment of all major operating locations* for corruption-related risks, no such cases were identified within the organisation. Through strict policies and procedures, we are committed to preventing any incidents related to corruption and bribery from occurring. This means creating an environment where employees feel

encouraged to report any suspicion or incident of corruption and bribery without fear of reprisals.

We work closely with authorities and business partners to ensure compliance with applicable regulations and to strengthen our efforts to combat corruption and bribery. We also conduct regular risk assessments and internal audits to identify and address any vulnerabilities or irregularities within the Company.

We are committed to developing and maintaining an organisational culture where integrity, honesty and accountability are the core values that guide the behaviour and decisions of all employees and collaborators. This means fostering open communication and a work environment where employees feel encouraged to raise any concern or question related to ethics and

compliance.

To ensure that all employees and collaborators understand and abide by our values and principles, we provide appropriate training and resources. We continue monitoring and assessing the effectiveness of our anti-corruption and anti-bribery measures, updating our policy and procedures in light of changes in the legislative framework or new findings. Thus, we ensure that we remain at the forefront of preventing and combating corruption and bribery in all aspects of our operations.

* Major operating locations refer to all restaurants and operating offices within the Group.

Competitive Fairness

Sphera Franchise Group, as the leader in the local restaurant market, is deeply committed to maintaining a fair and ethical business environment, observing competition and antitrust laws and regulations.

During the reporting period, Sphera Franchise Group was not involved in any ongoing or concluded legal actions related to anti-competitive conduct, the violation of antitrust laws or monopolistic practices. The Company continues its efforts to comply with current regulations and to promote an ethical corporate culture.

As there were no legal actions during the reporting period, there are no results to report in terms of court decisions or judgments in cases related to anti-competitive conduct, the violation of antitrust laws or monopolistic practices.

Sphera Franchise Group reaffirms its commitment to complying with applicable laws and regulations and to acting in accordance with the highest ethical standards in all aspects of its operations. Through the continuous monitoring of activities and the implementation of appropriate policies and procedures, the

Company ensures that a fair and transparent business environment is maintained, contributing to a healthy competitive market.

As a commitment of Sphera Group, all our employees and collaborators have been informed about the Code of Conduct, which is public, along with other anti-corruption policies and commitments.

We assess legislative compliance issues and observe both national and international legal requirements. The Company has developed an in-house culture that promotes fair conduct for all employees and the management. We rely on a strong organisational culture and have principles, values and operating standards.

BUSINESS RISKS

- Risk of non-compliance with the laws
- Risk of payments
- Reputational risk
- Risk of violating the Code of Business Conduct

OPERATING RISKS

- Occupational health and safety risk
- Food safety risk
- Environmental risk
- Risk of operational shutdowns

1.4 Compliance and Risk Management

Compliance with legal requirements, as well as the identification and management of risks associated with Group operations in various respects – food safety, health and safety – are of strategic importance to Sphera, with vulnerabilities assessed in all areas of activity.

Compliance and risk management are key aspects for Sphera Franchise Group, one of the largest companies in the food service industry in Europe. Compliance with legal requirements and the identification

and management of risks associated with Group operations are crucial to ensuring food safety and the health and safety of our customers and employees. Through a proactive approach and by taking appropriate preventive measures, Sphera ensures that it observes the highest compliance standards and manages risks effectively. For food safety and our customers' and employees' health and safety, Sphera uses the latest technologies and procedures, thus ensuring sound protection

against risks associated with the business.

We responsibly manage aspects of activities that may generate certain risks and we identify opportunities that can help the business in the long run. We always identify such opportunities in close collaboration with stakeholders, both internal and external.

During the reporting period, the following sanctions were applied for violating legal compliance:

		SFG	USFN RO	ARS	USFN MD	USFN IT	CFF
	Significant cases of non-compliance	0	25	17	0	5	5
I.	Number of cases of fines	0	21	14	0	5	5
II.	Number of cases of warnings	0	4	3	0	0	0
	Total number of fines paid during the reporting period	0	21	14	0	5	5
	Monetary value of the fines (RON)	0	23 477	14 300	0	14 157	4 500
	Percentage of monetary fines out of the net revenues	0%	0,0026%	0,0116%	0%	0,009%	0,006%

Sphera Group consistently seeks to stabilise external factors and mitigate compliance risks. We conduct regular audits on food safety-related issues and have strict criteria for compliance , at both supply chain and operational level. All three Sphera subsidiaries operating in Romania the KFC (US Food Network), Pizza Hut & Pizza Hut Delivery (American Restaurant System) and Taco Bell (California Fresh Flavors) brands, are certified in food safety management ISO 22000:2018.

The cases of non-compliance for which monetary sanctions have been applied are the inherent results of work processes within our restaurants, of volumes at different times of the day, and did not endanger consumers' or our own employees' health or safety.

In Italy, fines received were related to waste collection (the low frequency of waste collection led to the accumulation of a large quantity due to a peak day not expected at the time of the inspection) and the lack of visibility of the licence for selling alcoholic beverages (available in the restaurant, but not exposed at the cash desk).

We regularly assess operating risks related to occupational health and safety and draw up employee prevention and protection plans. We regularly monitor and control all risks associated with our activities. We work closely with an external consultant for support in this area.

We have a sustainable business vision developed through relevance and trust. We assess environmental aspects that can have a negative impact and we are proactive in implementing solutions for potential mitigation.

The Group mitigates risks through monitoring and controlling processes lead by the Legal and HR Departments.

Management of Climate Risk

The consequences of climate change pose potential risks for Sphera and its portfolio companies, both physically and transitionally. Physical risks particularly associated with extreme weather events can lead to disruptions in the supply chain, activities or supply of resources. Transition risks can impact economic and financial stability in case of rising energy costs, of costs associated with emissions caused by international pressure to reduce greenhouse gas emissions or new regulations on mitigating the effects of climate change.

Climate risks are managed at both subsidiary and Group level by heads of departments, by the Top Management at Sphera level, and finally by the Board of Directors. In Sphera Group organisational chart, there is an Internal Auditor who functionally reports directly to the Audit Committee within the Sphera Board of Directors and who reports to the CEO, for administrative purposes, in connection with the obligations of the management to identify and mitigate risks. Such Auditor plays a key role in risk management, identifying risks and opportunities across the Group, checking and reporting on the degree of implementation of the action plan drawn up based on them, and develops an Annual Audit Plan.

The measures designed to adapt or mitigate climate risks also present a number of opportunities for Sphera:

RISKS		OPPORTUNITIES
Price increase in energy and raw material	Way of using resources	Optimising energy and water consumption through technical solutions and streamlining processes, reducing and recycling waste and gradually implementing a circular economy model
The introduction of regulations regarding taxation of carbon emissions	Energy sources	Procuring energy from low-carbon sources or generating it through own means, participating in the carbon market, implementing new technologies, accessing financial incentives offered by the state or other political bodies for a transition in the decarbonisation process as smooth as possible
Shift in consumer perceptions and focus on products with low impact on the environment and society	Products and services	Developing or expanding the portfolio of goods and services with a low carbon footprint, conducting research and innovation, diversifying culinary options according to market demand, reducing the factors that generate high insurance policy premiums
Capital holders' focus on sustainable investment options	Market	New financing sources and/or lower associated financing costs, partnerships with local or central authorities or accessing new, emerging markets
The intensification of extreme weather events, rising temperatures and water stress	Resilience	Replacing or diversifying products and services, ensuring the continuity of the supply chain, operating systems adapted to various conditions

They also regularly update a risk mapping at Sphera Group level, with risks grouped into several categories: strategic, financial, operational and compliance. All these types of risks are regularly assessed by the Top Management of Sphera Group. For further details on climate risk management, please access this link: **Risks and opportunities of climate change in 2022**.

Sphera is rated ESG Low Risk, with a score of 18.7, by Morningstar Sus-tainalytics, a leading independent ESG research, ratings and data firm. The obtained rating indicates the company's disclosure is strong, signalling a high degree of accountability to investors and the general public.

Morningstar Sustainalytics ratings are independent and measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. Ratings are categorized into five levels of risk: negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+).

ESG standards look at the sustainability of an organisation from a three-fold perspective: Environment – the extent to which the company manages its environmental impact; Social – analyses the company's relationship with various stakeholders, including employees; Corporate Governance – compliance with corporate governance rules.

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1.5 Cybersecurity

Cybersecurity is crucial to Sphera Franchise Group, because the Company has a great responsibility to its customers to protect their data and to maintain their confidentiality. Moreover, to remain competitive in a constantly changing business environment, Sphera must be able to protect its information system and data, especially in an age where cyber-attacks are becoming increasingly sophisticated and frequent.

Sphera Franchise Group is dedicated to implementing effective methods to ensure cybersecurity. In this regard, our IT team conducts regular risk assessments and identifies potential cyber threats. We also implement tools and protection systems to combat cyber fraud. We ensure that all incidents are monitored, and our staff is trained on cybersecurity measures.

To prevent data leakage, our Company's critical systems such as ERP, orders, and integrations with payment systems are encrypted. Sphera Franchise Group also carries out strict monitoring of its suppliers and partners to ensure that they comply with CIS security and data protection policies.

To ensure compliance with cybersecurity standards, we conduct internal and external audits of our cyber security systems, and we implement the recommended measures. We work with an independent entity to assess and test our cybersecurity systems.

In order to manage complaints regarding the breach of customer privacy and the loss of customer data, Sphera Franchise Group has a well-defined communication channel, the email address **protectiadatelor@domain**. ro, where our customers can register complaints and exercise their rights. To date, we have not received any substantiated complaints from external parties or regulatory bodies about data loss.

Our monitoring is carried out through regular checks of systems for logging and traceability of personal data between the different storage and communication systems of our Company. Cyber incidents are monitored and analysed with discernment by a team set up for when special cases arise. The procedure stipulates that, in case of a cyber incident resulting in personal data loss, the competent state authority in this case shall be notified.

Our feedback mechanisms consist of monitoring and notification/alerting checks for the types of data in relation to which triggers are set in handling or transmitting personal data. Every week we analyse ATERA reports on computing system vulnerabilities, CEVs and CIS8 inaccuracies and take proactive measures through targeted remediation, the application of security patches and/or the submission to our experienced providers for handling and implementation of security measures.

During the reporting period, we are happy to announce that no data security breaches were identified within our organisation. Also, we did not received any substantiated complaint about breaches of customer privacy or from regulatory bodies. The percentage of security staff trained in organisation-specific procedures and their application for data security is 100%, which proves our commitment to data security and the protection of personal information.
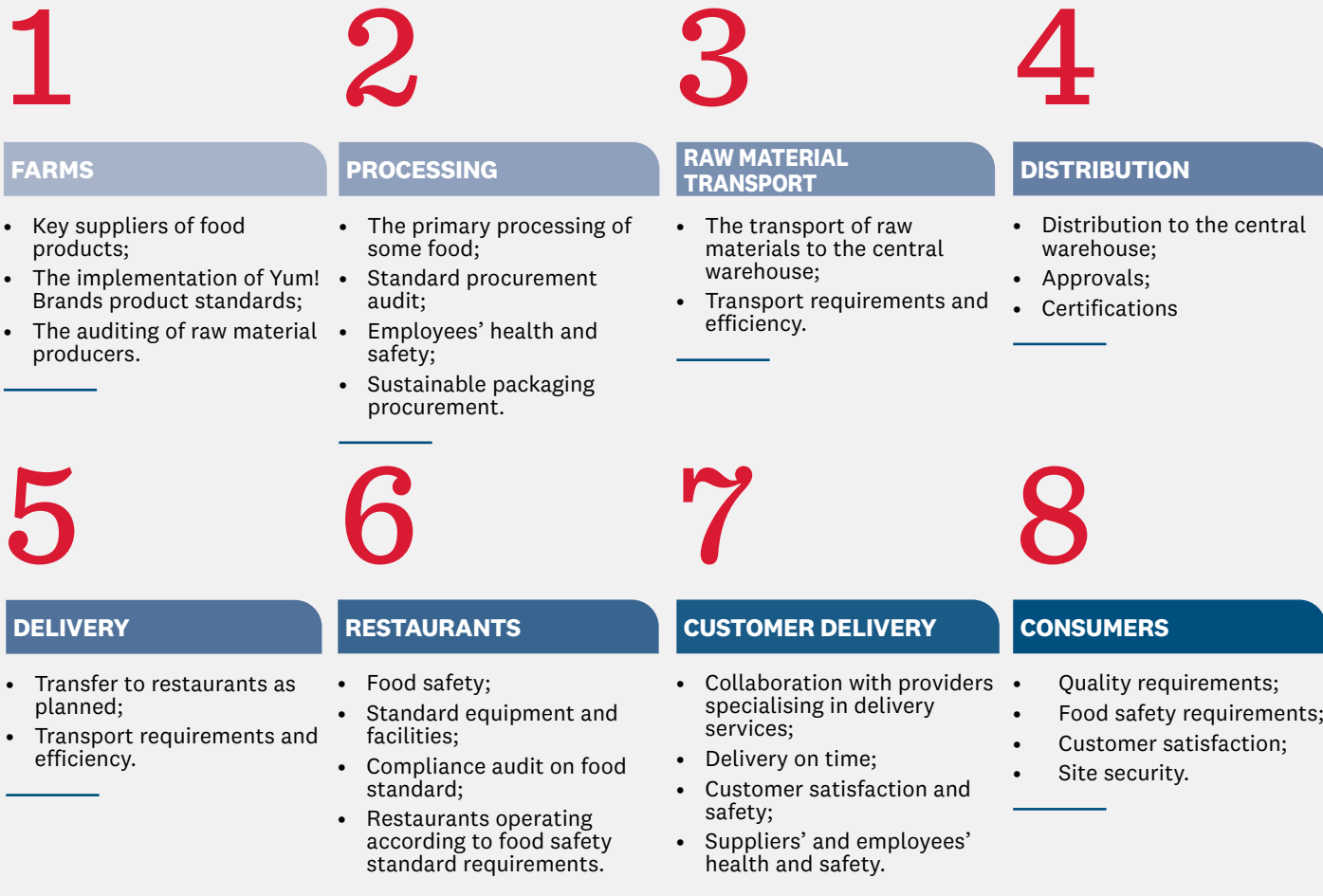
1.6 The Value Chain

In order to continue creating value at every stage of the value chain, we strive to identify the needs and expectations of all stakeholders with whom we interact, both internal and external. Working closely with stakeholder groups remains a priority for all stages of the value chain, in order to address relevant issues both for them and our business.

In recent years, we have worked hard with service providers specialising in product delivery to ensure that our products reach customers in optimal conditions. Although the economic context has been difficult, we managed to establish fruitful collaborations so that we could effectively offer quality products within a strong value chain.

1

FARMS

- Key suppliers of food products;
- The implementation of Yum! Brands product standards;
- The auditing of raw material producers.

2

PROCESSING

- The primary processing of some food;
- Standard procurement audit;
- Employees' health and safety;
- Sustainable packaging procurement.

3

RAW MATERIAL TRANSPORT

- The transport of raw materials to the central warehouse;
- Transport requirements and efficiency.

4

DISTRIBUTION

- Distribution to the central warehouse;
- Approvals;
- Certifications

5

DELIVERY

- Transfer to restaurants as planned;
- Transport requirements and efficiency.

6

RESTAURANTS

- Food safety;
- Standard equipment and facilities;
- Compliance audit on food standard;
- Restaurants operating according to food safety standard requirements.

7

CUSTOMER DELIVERY

- Collaboration with providers specialising in delivery services;
- Delivery on time;
- Customer satisfaction and safety;
- Suppliers' and employees' health and safety.

8

CONSUMERS

- Quality requirements;
- Food safety requirements;
- Customer satisfaction;
- Site security.

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1.7 Awards and Affiliations

In recent years, Sphera Franchise Group has obtained a significant number of important awards and affiliations in the food and restaurant industry. In terms of awards, we received numerous national and international distinctions and recognitions, including awards from Effie, Golden Drum, Internetics, One Show, ADC, PR Awards, Media Global Awards, Webstock, Top Social Brands and Creative Media Awards. These awards are proof that our efforts to deliver high quality products, excellent service and innovative marketing campaigns are appreciated and recognised globally.

EFFIE AWARDS

2022

Global Grand Effie pentru **KFC „Killer Discounts"** – Brand Experience (Services).

INTERNETICS

2022

- Gold for **KFC „POP or DROP – Popcorn Chicken"** – Social Media (Social Media Special Mechanics);
- Silver for **Pizza Hut „Slices of life"** – Digital Platforms (Sites – Websites).

ADC

2022

Silver for KFC „POP or DROP **– Popcorn Chicken"**.

WEBSTOCK

2022

The first place for **KFC „POP or DROP – Popcorn Chicken"** – Best TikTok Campaigns.

TOP SOCIAL BRANDS

2022

- **1st place for KFC** in the Food Service category;
- **3rd place for KFC** in the competition;
- **3rd place for Taco Bell** in the Food Service category;
- **30th place for Taco Bell** in the competition (the first entry since its launch).

SABRE

2022

KFC „AltKFC mockumentary" – the winner in the Food Service category.

EUROPEAN EXCELLENCE AWARDS

2022

KFC „POP or DROP – Popcorn Chicken" was shortlisted as a nominee in the Launch Campaign category.

We are affiliated to groups or entities in the industry in which we operate. We undertake and comply with all obligations to adhere to these initiatives.

- US Food Network is a member of the Romanian Poultry Breeder Union.
- US Food Network & American Restaurant System are members of the HORA Organisation, the representative authority of the Romanian hospitality industry, with a mission to support and promote the common interests and values of its members, both nationally and internationally.
- Sphera Franchise Group joined, in February 2022, the UN Global Compact, the most important international corporate social responsibility initiative.

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2 The Sustainability Strategy

For us, sustainability represents a model of socio-economic growth that focuses primarily on maintaining a balance between social, economic and environmentally conscious aspects and natural capital elements. We continue guiding our business according to the sustainability strategy based on four pillars, focusing on the sustainable management of human, food and environmental resources.

The pillars of the sustainability strategy of Sphera Group

Business

Business excellence, transparency and integrity in everything we do

1

Products

Our efforts to ensure safe and quality food

2

People & the Community

Socially responsible growth and engagement proven by our initiatives

4

Environment

Our responsibility towards the environment

3

Our goal in terms of sustainability is to be leaders in the food service industry, balancing the impact of our business with the needs of society and environmental protection. To achieve our general and specific objectives, we have undertaken clear targets by 2025. To secure a positive impact in terms of Sustainable Development Goals at international level, we maintain transparent and systematic communication with all stakeholders.

Sustainable development goals to which we have adhered

1 NO POVERTY

2 ZERO HUNGER

4 QUALITY EDUCATION

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

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Our progress in reaching undertaken targets

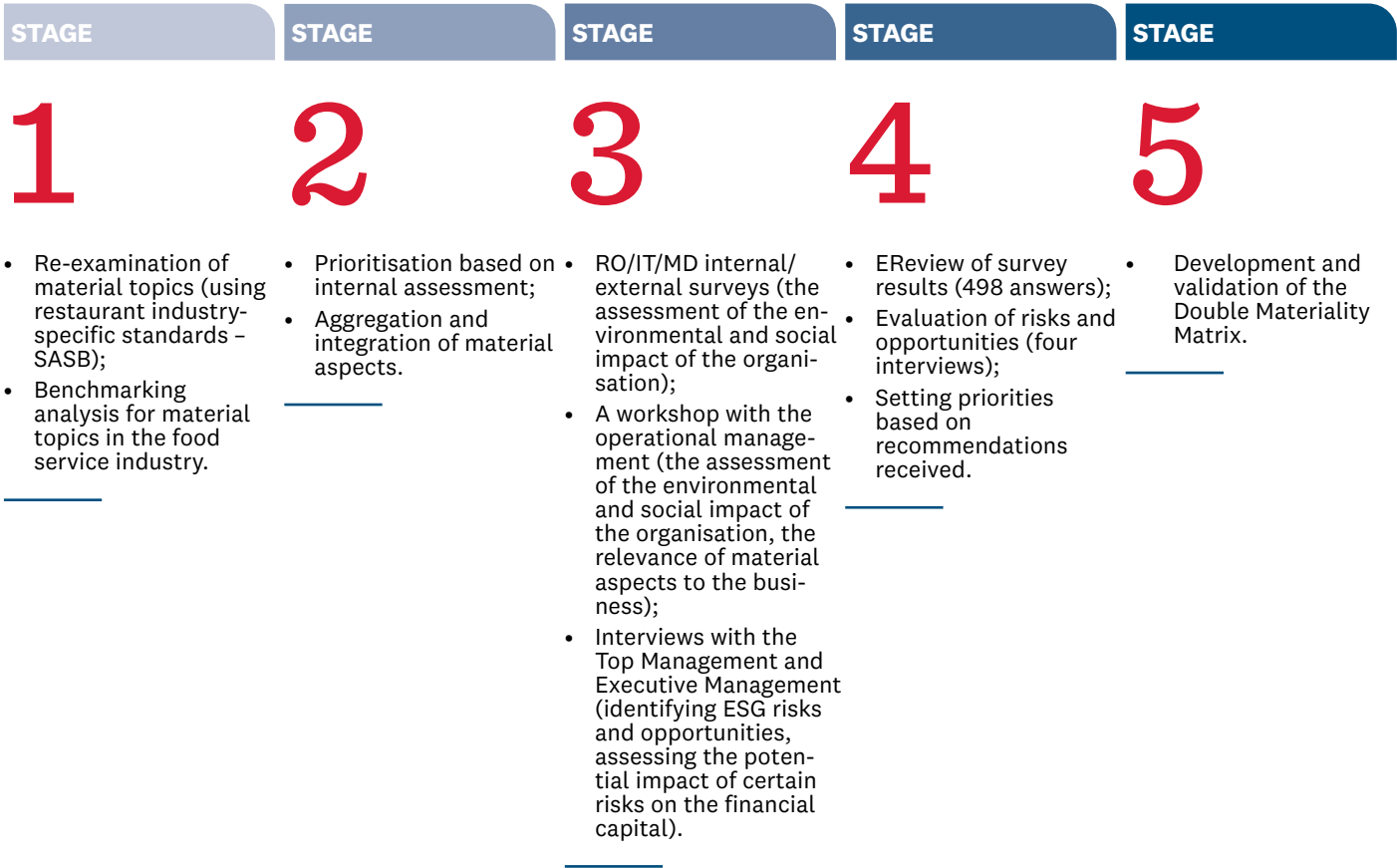| GOALS	TARGETS	PROGRESS IN 2022
Responsibility in terms of governance		
Responsible suppliers We ensure that all our requirements are met and work closely with suppliers to maintain high standards.	The auditing of basic product suppliers according to the Code of Conduct and the Approach to Sustainability by 2025.	• The Code of Conduct is signed by all our suppliers at their own risk. • Suppliers of basic raw materials, both internal and external, are audited annually.
The digitalization of restaurants The use of new ordering technologies to simplify the experience for our customers and employees.	100% of restaurants equipped with kiosk ordering systems (wherever the surface and design allow it) by 2021.	• We concluded 2022 with all KFC and Taco Bell restaurants equipped with kiosk ordering systems, wherever the surface and design allowed it. • In Italy, the Group achieved a 100% compliance rate. We continue pursuing the implementation of these systems in all newly opened restaurants.
Digital menu boards Digital menu communication to improve the experience for our customers and employees.	100% of restaurants equipped with digital menu boards in all KFC and Taco Bell restaurants, by 2022.	• All KFC and Taco Bell units are equipped with digital menu boards. Even the new KFC Drive Thru lines feature digital menus at ordering kiosks. Sphera is committed to continuing equipping all newly opened restaurants with digital menu boards.
Environmental responsibility		
Energy efficiency Reducing the energy consumption and carbon footprint of the organisation.	100% energy efficient lighting (LED lighting) – by 2024.	• Energy efficient lighting for all Drive Thru and street-side restaurants. • Energy efficient lighting for all newly opened and renovated restaurants.
Sustainable materials and packaging Increasing purchases of sustainable materials and packaging.	100% of consumer packaging based on recoverable or reusable plastic – by 2025.	• We have replaced 100% of plastic straws with paper straws and 100% of plastic bags. • We have replaced all products in the category of single-use plastics in accordance with the applicable European directive. Various products containing plastic are marked with the 'Plastic in product' icon – wet wipes and cups.
Social responsibility		
Human rights 'Desired employer' by fostering a non-discriminatory workplace, diversity and inclusion.	2% of staff from vulnerable communities or people with disabilities, as well as diverse nationalities, by 2023.	• In our recruitment processes, we address vulnerable communities and a wide range of nationalities. • Staff from vulnerable communities, people with disabilities, with different nationalities exceed 2% of all employees.
Employees' health and safety Ensuring a safe working environment for employees.	50% of operations training programmes will be available in apps/digital format or using gamification by 2022.	• 90% of operations training programmes are available on digital learning platforms.
Employees' satisfaction and wellbeing Ensuring a pleasant, stable and safe working environment.	80% internal promotion rate for restaurant management roles by 2025.	• We have reached an 80% internal promotion rate; we continue implementing skill development programmes and we closely monitor the internal human potential.

2.1 The Materiality Assessment

Sustainability-related risks and opportunities across the value chain have been analysed using the double materiality methodology. Thus, material aspects have been analysed from the perspective of impact:

(1) outside-in, i.e. financial materiality – by involving the organisation's management to identify the impact of sustainability issues on the Company;

(2) inside-out, i.e. environmental and social materiality – through the extensive engagement and consultation of stakeholders from within and outside the organisation to determine the Company's impact on environment and society.

The process of double materiality assessment has been carried out in five extended stages compared to last year's process, namely:

STAGE **1**	STAGE **2**	STAGE **3**	STAGE **4**	STAGE **5**
• Re-examination of material topics (using restaurant industry-specific standards – SASB); • Benchmarking analysis for material topics in the food service industry.	• Prioritisation based on internal assessment; • Aggregation and integration of material aspects.	• RO/IT/MD internal/external surveys (the assessment of the environmental and social impact of the organisation); • A workshop with the operational management (the assessment of the environmental and social impact of the organisation, the relevance of material aspects to the business); • Interviews with the Top Management and Executive Management (identifying ESG risks and opportunities, assessing the potential impact of certain risks on the financial capital).	• EReview of survey results (498 answers); • Evaluation of risks and opportunities (four interviews); • Setting priorities based on recommendations received.	• Development and validation of the Double Materiality Matrix.

Each of the 22 material aspects has been assessed and prioritised from the perspective of the real and potential impact on the economy, environment and society, including the impact on human rights.

	ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT
Topics of interest for the BUSINESS pillar			
Corporate governance	We believe that corporate governance which supports the sustainability of our business can contribute to the economic performance of the Company by improving efficiency, reducing risks and costs and strengthening investor confidence and brings benefits to the local economy by supporting fair competitiveness and contributing to local taxes.	The corporate governance of our business can bring value to the communities where we operate by creating new jobs, ensuring employee well-being and investing in the community and key supply chain commitments.	Corporate governance plays an important role for our Company by contributing to our efforts to protect the environment, ensuring that the raw materials which we use come from sustainable sources.
Compliance and risk management	Legal compliance and effective risk management ensure our competitiveness in the market and business continuity. Effective risk management also helps us minimise potential economic losses caused by operational disruptions.	Proper risk management helps us prevent potential bottlenecks and ensure that the products sold are optimal in terms of food safety and quality.	Ineffective risk management and the lack of legal compliance can have a negative impact on the environment. We are proactive in identifying these risks and generating potential solutions.
Cybersecurity	Improper cybersecurity management can lead to the loss or theft of personal or business data. This could negatively affect our Company by generating financial losses caused by sanctions imposed by authorities and by damaging the Company image. In this respect, we have incorporated internal processes that ensure monitoring and management of potential crisis situations caused by cyber-attacks impacting the infrastructure, business continuity and people security.	Inadequate cybersecurity management can have an impact on the social component by directly harming the people affected by personal data leaks or theft. Through personal data theft, members of our community may become victims of cyber-attacks or financial loss. The implementation of security policies and procedures, specific controls for computing systems and the cyber infrastructure, as well as campaigns for raising awareness focused on digital hazards creates a secure ecosystem based on mutual trust.	A cybersecurity vulnerability can affect multiple internal systems. This can compromise our internal consumption monitoring systems, which can lead to the uncontrolled use of resources. The steps taken create fluency in terms of business processes and increase the efficiency of the systems and resources involved.
Innovation and digitalisation	Innovation and digitalisation are a priority for Sphera in the process of sustainable development. In this regard, we have already taken digitalisation measures which have a positive economic impact by supporting competitiveness and effective order management.	Through the process of innovation and digitalisation, we want to constantly improve our employees' and customers' experience to increase satisfaction.	The investment made in innovation and digitalisation is a priority in our sustainable development process and helps us streamline processes and reduce resources used (including the distribution of products to customers), having a positive impact on the environment.
Continuity and balance across the supply chain	Continuity and balance across the supply chain can contribute to the economic performance of our business and our suppliers. Continuity across the supply chain helps us mitigate the economic losses that can result from supply chain disruptions.	We want to have a positive impact on the communities where we operate, which is why we maintain continuity and balance across the supply chain by establishing long-term relationships with our suppliers.	We believe that continuity and balance across the supply chain support the sustainability of our Company and should be ensured in order to prevent waste generation for suppliers of perishable food.

	ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT
Diversity across the supply chain	Diversity across the supply chain is a priority for us, because this is the only way in which we can guarantee product continuity and availability for all our companies, which also gives us a competitive advantage. We also support the local economy through our collaborations with local suppliers.	Diversity across the supply chain contributes to the wellbeing of local communities through our collaborations with both local and international suppliers.	By collaborating with local suppliers, we want to ensure that we reduce the carbon footprint associated with transporting the raw materials which we use, while also meeting customer expectations of using local products.
Topics of interest for the PRODUCTS pillar			
Traceability across the supply chain	Good traceability across the supply chain ensures that quality requirements for raw materials and products are met and helps support our economic performance.	In collaborating with our suppliers, we employ food quality and safety management systems to detect any potential threats to our customers.	Good traceability across the supply chain helps us ensure that environmental requirements are met by the suppliers of raw materials and products with whom we work.
Information accuracy and communication	Compliance with legislative requirements and voluntary codes is a key criterion for the proper development of the Group. Moreover, easy customer communication is closely related to customer satisfaction and leads to the improvement of the services that we offer.	The accuracy of the information presented to customers and its accessibility are crucial to avoiding a potential negative impact on consumer health, such as, for example, in the event of allergic reactions.	Customers require accessible and adequate information on the positive and negative environmental impact of the products they consume. Thus, they can decide to consume in a more sustainable way by choosing local products.
Responsible marketing	Responsible marketing practices are closely related to compliance with the voluntary codes to which we adhere, but also to legal regulations. Any deviation from them would lead to sanctions and would damage the companies' reputation, jeopardizing Sphera's economic development.	Our brands, products and services inevitably have an impact on our customers and on the communities where we operate, from transparency to choosing the target audience. In order to have a positive social impact, it is necessary to incorporate accountability into all marketing processes.	Responsible marketing involves conveying reliable information. We seek to avoid any kind of greenwashing in the publication of our sustainability achievements.
Food quality and safety	Health and safety protection is a well-defined objective in national and European laws which we strictly follow to avoid any penalties or sanctions. Improper monitoring and management of product quality and safety could also lead to reputational risks and the loss of customers.	It is the customers' right to receive safe and quality food when purchasing products from our restaurants. We have control procedures in place to ensure that this right is respected and, thus, that negative effects on consumers' health are minimised.	Environmental factors such as high temperatures, floods or other extreme weather events caused by climate change can affect food quality and safety throughout the supply chain. Therefore, effective control also includes monitoring environmental risks when making decisions about the origin, transport and storage of the food to be sold.
Ethical procurement across the supply chain	Ethics across the supply chain also refers to working with reliable suppliers that help us meet our customers' needs. Thus, we focus on developing partnerships that are advantageous to us and to our customers, which offer us products and services of the highest quality, at an affordable price and subject to reasonable delivery conditions.	The choice of partnerships across the supply chain indirectly affects the well-being of communities and our partners' employees, which is why we make sure that raw material suppliers comply with food safety standards but also applicable regulations on fair wages and working hours, social criteria such as respect for human rights and combating discrimination, and occupational health and safety.	The fair assessment of suppliers, especially in the case of new collaborations, is very important in order to correct in due time or to avoid any potential negative environmental impact within the supply chain such as improper waste management or inefficient transport in terms of distance or load.

ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT

Topics of interest for the ENVIRONMENTAL pillar

	ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT
Energy	Energy saving through effective management involves reducing the consumption of electricity, natural gas and fuel, which leads to savings for our Company.	Only through effective energy management we can contribute to the protection of natural resources, minimising the impact that access to resources has on the communities where we operate.	Irresponsible energy consumption can have a negative impact on the environment. By making energy consumption more efficient, we can reduce the impact of this issue on the environment.
Efficient transport and timely delivery	Efficient transport and timely delivery help us meet our customers' expectations, while also contributing to economic wellbeing by reducing the delivery time and the number of kilometres travelled.	By choosing locations close to public transport, we want to contribute to a greater use of the public transport network in the communities where we operate. Moreover, we positively influence the construction of sustainable buildings in our communities by using energy efficiency criteria in selecting our locations.	Efficient transport is a key aspect for the sustainability of our business. In order to reduce greenhouse gas emissions and air pollution, we constantly update our fleet with vehicles with a low environmental impact. We also ensure that delivery is carried out effectively so as to reduce the number of kilometres travelled by delivery vehicles.
Carbon emissions and climate impact	Failure to comply with climate protection requirements may lead to legal non-compliance and financial penalties which may influence the economic performance of our Company.	Carbon emissions can affect the health of individuals. We can bring a positive contribution to society by protecting climate and properly managing greenhouse gas emissions.	For us, it is important to ensure that our environmental impact is minimised, which is why, for three years, we have quantified the direct and indirect emissions generated as part of our Company's activity (Scope 1 and 2) and have invested in energy efficiency and low-carbon technologies.
Circular economy, waste recovery and recycling	We identify solutions for the collection and recycling of waste resulting from our activity, which helps us have a strong ESG profile and increases investors' interest.	Efforts we made in collecting and recycling waste resulting from our activity contribute to local development and increasing the welfare of the communities where we operate by creating new jobs in waste collection, processing and recovery.	We attach great importance to the recycling and recovery of waste resulting from our activity, since recycling processes typically use less energy than the production of new materials, which helps us reduce our environmental impact.
Food waste	In our activity, limiting food waste is very important. Non-marketable food generates financial losses, and food waste management adds extra costs.	Food waste can lead to higher food prices and can limit access to resources for vulnerable groups, such as low-income individuals. Moreover, food waste from our operations can affect the public perception of resource use and environmental protection, which is why we transparently disclose actions taken to reduce food waste, such as donating food that is not consumed by the end of restaurant functioning hours.	Food waste can have a negative impact on the environment through its mismanagement and the generation of methane and carbon dioxide through their decomposition. Moreover, the production of food that is not consumed can lead to the overuse of agricultural land, thereby affecting natural habitats and biodiversity.

*Following the re-examination of material aspects, we removed the material aspect 'Single-use plastics' as our target of eliminating single-use plastic has been achieved. Thus, our initiatives concerning the responsible use of materials and waste reduction are fully covered by the material aspect 'Circular economy, waste recovery and recycling'.

ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT

Topics of interest for the PEOPLE pillar

	ECONOMIC IMPACT	SOCIAL IMPACT	ENVIRONMENTAL IMPACT
Diversity and human rights	We ensure that international human rights principles are applied, and we comply with current laws on diversity and equal opportunities for both new and existing staff. Our organisational culture based on inclusion and mutual respect supports the quality of processes and the growth of Sphera companies, but also the satisfaction and motivation of employees who work in an environment where they can express themselves freely.	By creating an inclusive work environment for our employees, we make progress in assimilating the different categories of employees and assigning them to workplaces where they can carry out their activity safely, where they can express their needs and where their rights are respected.	Ensuring an inclusive work environment is also beneficial in terms of strengthening communication within the organisation and ensuring a proper understanding of internal management procedures, including for environmental aspects, such as good practices for energy and resource saving and separate waste collection.
Employee health and safety	We carry out our activities ensuring the necessary measures so as not to harm the health of employees, customers and raw material suppliers or services providers in any way. Employees' health and safety are crucial in the daily activities of Sphera companies.	As a responsible employer, we deem it our Company's duty to protect employees' health and to ensure safety at work. To this end, we ensure that we always have the resources needed to provide a safe working environment for our employees.	Internal procedures for health and safety at work can also influence the Company's environmental impact. Negative effects on both employee safety and the environment can occur through employees' mismanagement of hazardous waste or energy-consuming equipment, machinery or vehicles.
Employee skill development	Training programmes are designed to develop employees' skills and to ensure the added value which each employee brings to their respective team. Through constant employee development, we ensure that employees are dedicated to their work and are connected to customers' needs.	Development of competences also involves acquiring skills that can bring value to the communities to which the relevant employees belong and their transition or evolution within the Company.	Our employees may be involved in decision-making activities such as procurement or waste management, which can influence the Company's environmental impact. Employees who are trained and informed in the field of sustainability are needed in order not to negatively influence the emissions associated with Company activities and the amounts of waste generated.
Employee satisfaction and wellbeing	Our success depends on our ability to attract and retain engaged and responsible employees. Therefore, employee satisfaction and wellbeing represent an important topic for maintaining a good relationship with employees and encouraging them to achieve better results in their respective positions.	We focus on appreciating all our employees, their behaviours and contributions. By maintaining an open and active communication with all employees, we give them the tools needed to ensure their wellbeing and satisfaction.	A pleasant and safe working environment also depends on ensuring ambient comfort, proper resource management and safe waste disposal.
Community Engagement	Engagement in the communities where we operate leads to long-term partnerships with collaborating associations and foundations and to supporting a framework that facilitates access to the labour market for new generations.	By supporting communities through specific actions focusing on vulnerable groups, we aid their personal and professional growth and the chance to employment and development opportunities.	By raising awareness of existing programmes and environmental initiatives and by leading by example, we can also motivate other companies to be more active in engaging resources for sustainability.
Customer satisfaction*	Continuous business development depends on the quality and safety of our products and customers' satisfaction in terms of the services offered. Our employees' main responsibility is to comply with internal standards imposed to ensure customer satisfaction.	Customer satisfaction is also about ensuring customer safety. All food safety requirements and procedures are strictly observed, and our activity is constantly audited both internally and externally, in order to detect any potential risks to consumer health in due time.	Customer satisfaction is also reflected in customers' behaviour regarding compliance with good practices on separate waste collection, avoiding food waste and choosing products with low environmental impact.

* Following the re-examination of material aspects, we decided to rename the material aspect 'Suppliers' and customers' health and safety' as 'Customer satisfaction', as it is oriented towards social impact and ensuring consumers' safety and satisfaction. Information on warehouse and supplier safety is covered by the chapter called 'Our products'.
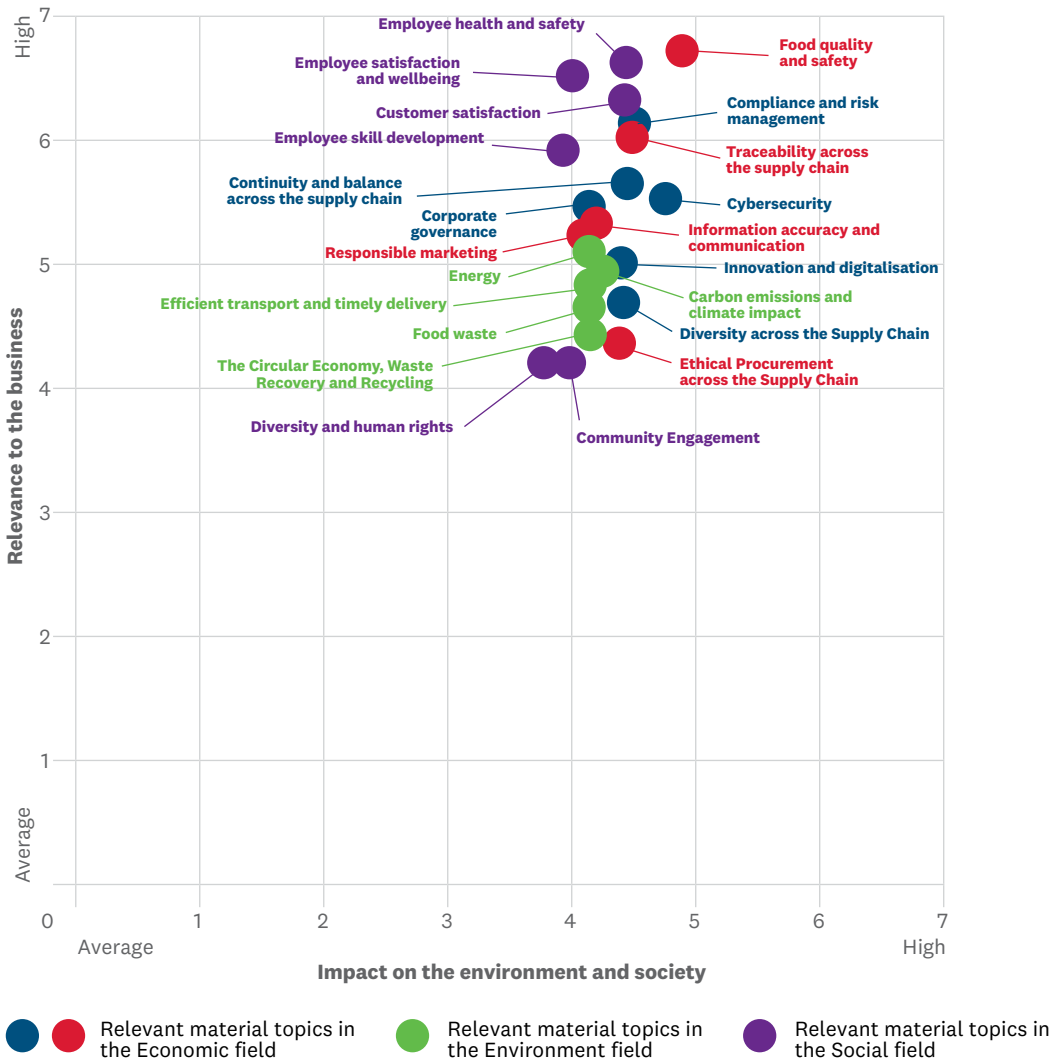
The Double Materiality Matrix

The result of the assessment is the Double Materiality Matrix, a valuable tool that helps us achieve our business objectives and meet our stakeholders' needs. It allows us to identify and assess key topics that are important to our Group and to those with whom we interact.

The process of preparing the matrix has involved careful research and a review of the feedback from our employees and other stakeholders.

Now we can track consistency and improve any areas that are critical to our success and to the satisfaction of both customers and other stakeholders.

Legend:
- Relevant material topics in the Economic field
- Relevant material topics in the Environment field
- Relevant material topics in the Social field

The Interpretation of Results

The Double Materiality Matrix is the basis of the Sustainability Report, and is the tool that helps us classify material aspects according to:

THE INSIDE-OUT PERSPECTIVE

The quantification of the impact of the activity carried out by the organisation on the environment and society (the X axis)

THE OUTSIDE-IN PERSPECTIVE

The quantification of the business relevance of material aspects that can have an impact on the financial capital (the Y axis)

IMPACT ON THE ENVIRONMENT AND SOCIETY

We are aware that the way in which we handle material aspects poses some risks to our stakeholders. We assess the importance of material aspects through ESG surveys and impact analyses and, thus, we identify any issues with high environmental and societal impact. The critical aspects, in terms of impact, as assessed by internal and external stakeholders in the markets where we operate, are, ordered by impact:

1. Food quality and safety;
2. Cybersecurity;
3. Compliance and risk management;
4. Traceability across the supply chain;
5. Continuity and balance across the supply chain.

RELEVANCE TO THE BUSINESS

This is the expression of the importance of each material aspect to the economic wellbeing of the Company. This economic relevance has been thoroughly analysed through a series of interviews with representatives of Sphera management and major suppliers. They have analysed the ratio between expected risks and opportunities in the external environment, in relation to each material aspect. The most relevant aspects, in terms of business risks, are, ordered by relevance:

1. Food quality and safety;
2. Employee health and safety;
3. Employee satisfaction and wellbeing;
4. Customer satisfaction;
5. Compliance and risk management.

We constantly work towards identifying and addressing risks and turning them into opportunities to develop and improve our processes, in terms of both economic wellbeing and the way in which Company activities affect society and the environment.

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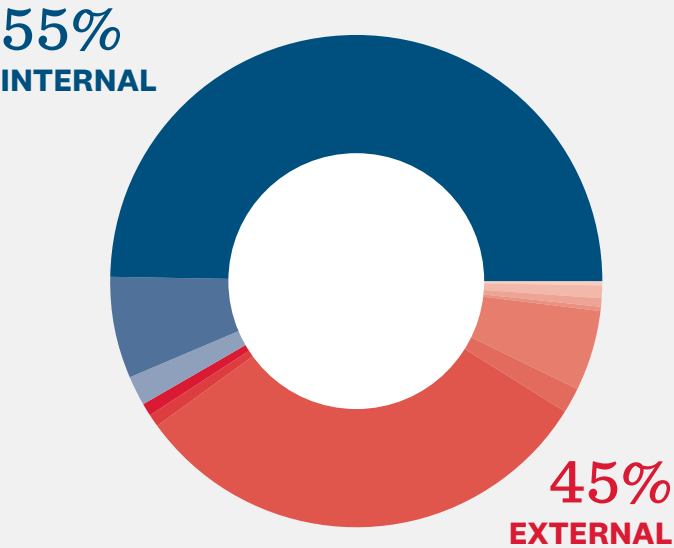
2.2 Stakeholder's engagement

Sphera makes a strong commitment to its stakeholders, constantly involving them in defining development directions and priorities through multiple communication channels. The Company pays attention to the identification of new stakeholders, adapting to changes in the business context. Relationships with stakeholders are managed according to their needs and expectations so that a balance is achieved.

Each year, Sphera involves stakeholders in a consultation process to understand their priorities related to the Company activity and to focus on the risks identified in achieving the Sustainable

Development Goals. In order to ensure that this process faithfully reflects stakeholders' vision, it is organised into several stages, including internal and external consultations through targeted questionnaires and discussions with the management.

Sphera prepared the Materiality Matrix based on the evaluation of 498 answers from stakeholders. Of these, 55% belonged to internal stakeholders, and 45% to external stakeholders. The categories of stakeholders and the groups related thereto, as well as the distribution of the answers, are presented below:

CATEGORY – GROUP/STAKEHOLDER

55% INTERNAL

45% EXTERNAL

	GROUPS OF STAKEHOLDERS	DISTRIBUTION OF ANSWERS
INTERNAL	Employees	46,6%
	Management	6,2%
	Shareholders	1,8%
EXTERNAL	Prospective employees	0,8%
	Investors/Analysts	0,8%
	Customers	28,9%
	Raw material suppliers	1,6%
	Service providers	4,8%
	Public Authorities/City Halls	0,4%
	Universities/Schools	0,6%
	Media (press/social media)	0,6%
	NGOs	0,2%

Stakeholders' Recommendations

Following the stakeholder consultation process, we also collected their recommendations, to identify needs and expectations in terms of our sustainable development effort.

The recommendations and suggestions for ESG actions received are in line with many of the projects already initiated internally.

GOVERNANCE

- Fair responsible behaviour; transparent relationships, integrity, moral principles, building a positive reputation;
- Product quality and food safety;
- Balance between business development, environmental protection, social impact and employees' wellbeing.

SOCIAL

- Employee development;
- Training young people on the job;
- Involvement in social causes within the counties where the Company operates;
- Involvement in projects related to the education of children without financial possibilities, supporting children in foster homes;
- Daily donation of products close to expiration date (even if there are not many; labelled, properly stored and transported in optimal conditions) to an association dealing with social cases – I believe that it would be a valuable contribution to a category of people who would certainly appreciate the help.

ENVIRONMENT

- The replacement of disposable containers and packaging;
- Focus on the circular economy – minimising waste;
- Separate collection and recycling of waste;
- Environmental protection and food waste prevention;
- Reduction of energy consumption;
- Investment in energy efficiency and low-carbon technologies would benefit both the Group and the communities where we operate.

POSITIVE FEEDBACK:

- All topics in the questionnaire are highly relevant
- The products are of excellent quality
- I think that the topics covered so far are very good and I think you are doing a very good job! Good luck!
- I think that those in charge are already doing whatever it takes, thank you!

We are grateful for the recommendations received and we try to focus our efforts on development in line with the needs and expectations of stakeholder groups. We are committed to continuing this collaboration with stakeholders in order to ensure that Sustainable Development Goals are in line with their needs and expectations.

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2.3 Reporting according to the EU Taxonomy

The EU taxonomy represents a set of common criteria established by the European Commission, with the ultimate aim of directing capital flows towards more sustainable activities and facilitating the achievement of the social and environmental objectives of the European Union (EU). Sphera Group is committed to complying with Regulation (EU) 2020/852, which requires large companies to disclose information on how and to what extent their capital flows are directed towards environmentally sustainable economic activities.

In 2022, we continued assessing our relevant activities from EU Taxonomy perspective by identifying eligible and aligned activities, quantified using relevant key performance indicators: the turnover (%), CapEx (%) and OpEx (%).

The process of identifying eligible and aligned activities, as well as calculating Sphera indicators, has been carried out according to the provisions presented in Annex I to Delegated Regulation (EU) 2021/2178. Eligible activities have been identified and compiled according to the list obtained from each Group company: USFN, ARS, CFF, USFN IT, USFN MD and Sphera. The fulfilment of technical criteria and DNSH principles for aligned activities has been verified from the perspective of climate risks and vulnerabilities according to Appendix A to Annex I of the Delegated Regulation (EU) 2021/2139 and using technical documents obtained from manufacturers.

Calculation of Percentage of Turnover
In the case of Sphera, the Group operates restaurant chains and carries out marketing activities for brands, and so the Company's turnover, as evidenced by the 2022 annual financial report, is based on products and services offered by the Group and its companies. According to the latest version of the Delegated Regulation (EU) 2021/2139 in force, none of the economic activities associated with Sphera's turnover is among the activities covered by the taxonomy at the time of

calculating the indicators. Therefore, the indicator defined by Article 8(2)(a) of Regulation (EU) 2020/852 regarding the percentage of turnover is 0%.

Calculation of Percentage of CapEx
The process of calculating this indicator, as defined in Article 8(2)(b) of Regulation (EU) 2020/852, consisted in identifying the activities consisting of capital expenditure related to assets or processes associated with taxonomy-aligned economic activities out of the total capital expenditure. The activities identified were the following:
- Rights of use relating to the rented vehicles;
- The transport of kitchen equipment for opening new locations;
- Construction works for newly opened Drive Thru locations;
- Renovation works for newly opened locations and existing locations;
- The installation of energy-efficient light fixtures, air conditioning equipment and plumbing;
- Rights of use for locations newly opened in existing buildings.

The denominator CapEx covers additions to tangible and intangible assets during the 2022 financial year, before impairment, depreciation and any revaluations. Capital expenditure has been calculated according to International Financial Reporting Standards (IFRS) also used in the annual reporting of consolidated financial statements at Group level.

Calculation of Percentage of OpEx
The process of calculating this indicator, as defined by Article 8(2)(c) of Regulation (EU) 2020/852, has consisted in identifying the activities which generated operating expenses related to assets or processes associated with aligned activities out of the total operating expenses. The total operating expenses of Sphera Group in 2022,

excluding depreciation and impairment, amounted to RON 1,155 million. The OpEx indicator calculated according to the taxonomy for Sphera Group had an insignificant weight, representing less than 3% of the total operating expenses at Group level. Therefore, in accordance with section 1.1.3.2 of Annex I to the Regulation of the 6th of July, the Company only publishes the denominator. The OpEx 2022 denominator amounts to **RON 27.54 million**, representing direct non-capitalised costs related to renovation works, maintenance and repairs, as well as any other direct expenses related to the current maintenance, continuous and effective operation of tangible assets.

Share of turnover generated by products or services associated with taxonomy-aligned economic activities – 2022

Economic activities	Code	Absolute turnover	Share of the turnover	Criteria for substantial contribution						DNSH criteria							Share of economic activities aligned with the taxonomy of 2022 turnover	Category (facilitation activity)	Category (transition activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimal guarantees			
		MRON	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
Turnover of environmentally sustainable activities (aligned with the taxonomy) (A.1)		0	0 %	-	-	-	-	-	-	-	-	-	-	-	-	-	0 %	-	-
A.2. Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy)																			
Turnover of taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy) (A.2)		0	0 %																
TOTAL (A.1 +A.2)		**0**	**0 %**														**0 %**	**-**	**-**
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
Turnover of taxonomy-ineligible activities (B)		1 322,82	100 %																
TOTAL (A+B)		**1 322,82**	**100 %**																

Share of CapEx of products or services associated with taxonomy-aligned economic activities – 2022

Economic activities	Code	Absolute CapEx	Share of CapEx	Criteria for substantial contribution						DNSH criteria						Minimal guarantees	Share of CapEx aligned with the taxonomy in 2022	Category (facilitation activity)	Category (transition activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
		MRON	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
Transport by motorcycle, car and commercial vehicle	6.5.	0,45	0,44 %	100 %	0 %	0 %	0 %	0 %	0 %	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0,44 %		T
CapEx related to environmentally sustainable activities (aligned with the taxonomy) (A.1)		0,45	0,44 %	0,44 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0,44 %	0,00 %	0,44 %
A.2. Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy)																			
Transport by motorcycle, car and commercial vehicle	6.5	2,24	2,16 %																
Road freight services	6.6	0,55	0,53 %																
Construction of new buildings	7.1	7,21	6,96 %																
Renovation of existing buildings	7.2	15,09	14,56 %																
Installation, maintenance and repair of equipment for energy efficiency	7.3	1,39	1,34 %																
Acquisition and holding of buildings	7.7	45,15	43,57 %																
CapEx for taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy) (A.2)		71,62	69,13 %																
TOTAL (A.1 +A.2)		**72,08**	**69,56 %**														0,44 %	0,00 %	0,44 %
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
CapEx for taxonomy-ineligible activities (B)		31,54	30,44 %																
TOTAL (A+B)		**103,61**	**100 %**																

Proporția OpEx din produse sau servicii asociate cu activitățile economice aliniate la taxonomie – anul 2022

Economic activities	Code	Absolute OpEx	Share of OpEx	Criteria for substantial contribution						DNSH criteria						Minimal guarantees	Share of OpEx aligned with the taxonomy in 2022	Category (facilitation activity)	Category (transition activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
		MRON	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
OpEx related to environmentally sustainable activities (aligned with the taxonomy) (A.1)		0	0 %	–	–	–	–	–	–	–	–	–	–	–	–	–	0 %	–	–
A.2. Taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy)																			
CapEx for taxonomy-eligible but environmentally unsustainable activities (activities not aligned with the taxonomy) (A.2)		0	0 %																
TOTAL (A.1 +A.2)		**0**	**0 %**														0 %	–	–
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
OpEx for taxonomy-ineligible activities (B)		27,54	0 %																
TOTAL (A+B)		**27,54**	**0 %**																

3 Our Products

3.1 Our Brands

KFC

KFC is one of the largest quick-service restaurant chains worldwide, specialising in chicken products. Based in Louisville, Kentucky.

+ 23 000 **Locations**

135 **Countries/territories**

Pizza Hut

In Romania, the first restaurant opened in Bucharest in 1994, and now the chain has 22 Pizza Hut Dine-In and 21 Pizza Hut Delivery units. With its home delivery service, Pizza Hut Delivery is one of the most popular pizza delivery concepts in the country. Pizza Hut offers a wide range of products, from pizza and pasta to burgers, as well as soft drinks and desserts.

+ 18 000 **Locations**

100 **Countries/territories**

TACO BELL

The brand offers a variety of Mexican-inspired products, from tacos and burritos to quesadillas and nachos. In Romania, there are 15 restaurants, all of which are located within shopping centres, to offer a quick delicious culinary experience.

+ 7 000 **Locations**

30 **Countries/territories**

Sustainabile development goals to which we have adhered

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

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3.2 Responsibility in Communication and Innovation

The integrity and reputation of our brands are very important, and, so, we carry out all marketing campaigns in a transparent manner, in accordance with internal policies and are open to suggestions and recommendations from stakeholders. We focus on innovation in terms of products and services, constantly improving the communication and placement of orders through new recipes and digitalisation, to become more competitive in the market and more efficient for our customers.

3.2.1 Responsible marketing

Our Group deems responsible marketing to be a fundamental principle, thus helping people make informed decisions about the products and services we offer. We are a mature organisation, committed to acting responsibly in all our activities. At Group level, we ensure that marketing processes are managed in accordance with applicable internal policies and requirements. Moreover, we care about the integrity and reputation of our brands, and we carry out all marketing campaigns with transparency, always open to improvements proposed by stakeholders. By aligning our business practices with business and sustainability values and objectives, we ensure that we respect our key stakeholders' interests.

The **Responsible Marketing Policy** of Sphera Franchise Group focuses on promoting its products through socially responsible marketing and communication actions. Through this policy, the Group undertakes not to exploit the vulnerabilities of any individual or group and to respect its values of diversity and inclusion. The Responsible Marketing Policy includes specific advertising guidelines for children under 15, including the distribution of

marketing materials and promotional activities. Sphera Franchise Group is concerned with the environment and is committed to acting in a sustainable way, having eliminated polystyrene and expanded polystyrene from all KFC, Pizza Hut and Taco Bell restaurants since 2021, and taking on to optimise natural resources and minimise the negative impact on the environment.

The marketing strategy of Sphera Franchise Group includes promoting iconic products, accelerating innovation and developing new products to meet consumer needs and preferences.

We are pleased to announce that in 2022 Sphera Franchise Group did not register any non-conformity in terms of regulations and voluntary codes on marketing communications, including advertising, promotion and sponsorship, and marketing regulations. No fines or penalties were imposed, and there were no warnings for non-conformity. Moreover, according to our Responsible Marketing Policy, there was no advertising aimed at children or related to alcoholic beverages.

	USFN	ARS	CFF	USFN MD	USFN IT	Total SFG
Total sales of alcoholic beverages (KRON)						
	484	1 302	45	67	688	2 587
Percentage of revenue alcoholic beverages (% of the Total)						
	0,05	1,06	0,07	0,39	0,41	0,20

3.2.2 Innovation and digitalisation

We focus on implementing innovative practices in all activities of our companies, while remaining committed to incorporating responsibility into all innovation and digitalisation processes. We always look for new ways to remain relevant for consumers and to improve the sustainable development process.

Digital menu communication and the use of new technologies for placing orders, with the aim of improving our customers' and employees' experience, together with other innovative technologies are priority initiatives within Sphera Group in the process of sustainable development of the companies. In order to remain relevant for consumers, we conduct research and analyse the market to identify their needs.

The innovations of 2022:
⇒ Mobile apps were launched for Taco Bell and KFC;
⇒ At Pizza Hut Dorobanti in Bucharest, the QRFood pilot project was launched, making it easier for customers to place orders;
⇒ In Pizza Hut restaurants, waiters take orders via tablets;
⇒ At KFC, digital menus were placed along the Drive Thru lines of newly opened such restaurants ;
⇒ The number of kiosks and digital menu boards is on the rise.

	KFC Romania		Pizza Hut Romania		Pizza Hut Delivery Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
The number of digital menu boards												
	92	96	0	0	0	0	13	15	2	2	20	20
The number of digital ordering kiosks*												
	206	277	1	1	0	0	10	12	0	0	76	81
The number of innovative marketing campaigns												
	4	4	1	1	1	1	3	3	0	1	0	0
The number of Click & Collect stations												
	92	96	22	20	20	21	13	15	0	0	20	20

*The reported data represent the number of faces of ordering kiosks.

In 2022, we also carried out a number of innovative marketing campaigns. For KFC Romania, they were prepared for the following products: Zinger Mozzarella Burger, Popcorn Chicken, Twister Collection and Double Down. KFC Moldova implemented the Real Burger campaign. Pizza Hut implemented the Tasty Bites campaign, and Taco Bell also carried out innovative campaigns such as: Lil Burrito & Lil Crunchwrap; Lil Quesadilla; Double Crunchwrap.

3.2.3 Information accuracy and communication

Sphera and its companies employ various easy-to-use platforms to transparently and constructively disclose information related to both compliance with legislative and internal requirements, and the content of products and the origin of ingredients. The accuracy of the information presented is crucial to the interaction with the communities in which the Group companies operate.

We communicate openly and transparently with all stakeholders, providing clear and accessible information about our products and services both online, on our websites, and physically, in each restaurant through menus.

Responsible communication regarding products, ingredients and other elements is an important value for Sphera. Especially in the pandemic context, we wanted to communicate transparently with our customers and suppliers, including through social media.

We are also concerned with our customers' satisfaction, and we use the Guest Experience Survey system to assess it.

Compliance with legislative and internal requirements is a priority for us, and in our restaurants one can find information about the content of the products and origin of the ingredients, on paper, at kiosks and on digital menus. It is also presented on our brand websites and can be accessed here:

- **KFC**
- **KFC Moldova**
- **Pizza Hut**
- **Pizza Hut Delivery**
- **Taco Bell**

In order to avoid any errors, we ensure the accuracy of the information and check the specifications received from raw material suppliers for 100% of our products. We also analyse information issued by authorised laboratories in order to be sure that we provide our customers with accurate and transparent information.

Sphera Franchise Group attaches great importance to compliance with regulations and voluntary codes in terms of information and labelling of products and services. In this regard, the Company has taken steps to ensure that all restaurants comply with these standards.

During the reporting period, no incidents of non-compliance with regulations or voluntary codes on product, service and label information were recorded within Sphera Group companies.

3.3 The Supply Chain

3.3.1 Traceability across the supply chain

We work closely with our suppliers to guarantee a high level of quality of raw materials and products and compliance with legal requirements throughout the supply chain. Good traceability across the supply chain is based on compliance with internal quality standards for raw materials and the identification of any possible threats to our customers' health at every stage. Risks are thus reduced by means of prevention procedures.

In order to encourage legal, social and ethical business practices among our suppliers, we have created a Supplier Code of Conduct, signed by every supplier with whom we work.

In order to ensure a high level of health protection for the final consumer, suppliers have to prove that they can trace each product back to its source, going through all stages of production and distribution. This condition is vital for preventive intervention and maintaining quality standards. In the case of consumer safety concerns, we can block the sale of a particular batch, thereby minimising any risk to customer safety and health.

Each product, including raw materials, is integrated into quality and food safety management systems. Each item goes through a thorough process of verification, approval and documentation, ensuring its traceability.

In order to mitigate any potential risk, we only work with Yum! Brands certified suppliers and we reserve the right to conduct assessments, audits and unannounced inspections of supplier facilities. Violations shall lead to corrective measures, including the termination of the collaboration with the relevant supplier for repeated violations or repeated non-compliance. For additional information, please check our policy on the **Supplier Code of Conduct**.

The number of suppliers audited in terms of food safety in 2022

24	**9**	**1**	**24**	**47**
KFC Romania	**Pizza Hut Romania**	**Taco Bell Romania**	**KFC Moldova**	**KFC Italy**

3.3.2 Ethical procurement across the supply chain

We work with suppliers that are committed to using sustainable food systems and that prioritise the well-being of people, animals and the environment. We take responsibility to ensure that our products are delivered in a sustainable and ethical manner. In order to achieve this goal, we have implemented sustainable sourcing and animal welfare policies. Supplier selection includes an assessment of compliance with all applicable laws and regulations regarding the treatment of employees, from ensuring fair wages, respect for human rights and non-discrimination to occupational safety and maintaining clean and safe workplaces. Thus, all social and environmental aspects of production activities are taken into account.

To prevent any negative impact on society and to ensure compliance with all applicable laws and regulations, social criteria addressed in the assessment cover wages and working conditions, non-discrimination, child labour and forced labour or apprenticeship.

We have established sustainable sourcing principles based on which we train and guide suppliers towards sustainable business practices, so that their performance constantly improves. We ask all suppliers of paper products to prove that they source raw materials from sustainably managed forests. We do not purchase paper-based packaging products made with fibres from illegal sources.

Our aim is to use as much recycled content as possible for our packaging and to work with suppliers to ensure compliance with this sourcing policy. Moreover, we are committed to ensuring that, by 2025, 100% of the plastic used in our packaging is recoverable. Suppliers are encouraged to increase the recycled plastic content of plastic-based packaging as much as possible, while also ensuring that the material remains suitable for its intended use.

In terms of agricultural practices, farmers have to meet legal requirements regarding pesticide levels in or on food of plant and animal origin, when these residue levels apply to products obtained. Sphera promotes good agricultural practices, including the use of sustainable integrated crop management (ICM) systems to reduce environmental impact.

All our chicken suppliers should have BRC or IFS certificates and should undergo an annual QSA (Quality System Audit), and animal welfare is a key principle which they observe. We collaborate with animal welfare experts to implement scientific and humane animal handling practices. All chicken suppliers undergo an animal welfare audit.

At the end of 2022, all our chicken suppliers underwent the animal welfare audit according to our **Animal Welfare Policy**. In Romania, six such audits were carried out, and in Italy 1 audit was carried out for chicken suppliers.

In 2022, all new suppliers signed the Code of Conduct at their own risk, agreeing to comply with the social and environmental criteria imposed by it.

This year, no significant negative impact on society has been identified within the supply chain.

With regard to the impact on the environment, within the environmental audit of existing suppliers, a potential for improving packaging management has been identified. Thus, we have taken steps to reduce the consumption of plastic packaging, by implementing secondary cardboard packaging, eliminating plastic crates when transporting chicken products for over 90% of suppliers.

3.3.3 Diversity across the Supply Chain

Diversity across the supply chain is a priority, as it is the only way in which we can guarantee product continuity and availability for all Group companies. The diversity of manufacturers and suppliers is crucial to the success of Sphera's business and also represents a competitive advantage.

We have created strong partnerships with our chicken suppliers and together we look for solutions for more sustainable consumption, including the development of new recipes. We prefer working with local chicken suppliers to increase product freshness and to reduce purchasing costs and fuel consumption, which are the main criteria for selecting suppliers according to our procurement procedure. All local chicken suppliers are direct suppliers for restaurants in their region, thus eliminating the route to the logistics platform and from the platform to the restaurants. They are easier to monitor and easier to visit and check to make sure their production departments comply with both our product quality as specified and production conditions.

For the other food categories, we select local suppliers taking into consideration reducing the delivery time and the contingency plan.

In 2022, the total number of suppliers was calculated differently from previous years, due to the restructuring of the distributor classification. Thus, distributors belonging to the same producer were grouped as representing a single supplier.

	2021	2022		2021	2022	
Total number of suppliers	121	92	**KFC Romania**	101	68	**Number of local suppliers**
	118	79	**Pizza Hut Romania**	103	69	
	43	43	**Taco Bell Romania**	33	31	
	134	102	**KFC Moldova**	123	94	
	1	54*	**KFC Italy**	1	5*	

* Starting with 1 July 2022, the QSL logistics company was replaced with HAVI Logistics which works with several suppliers.

We continue working with HAVI Logistics at a rate of over 95%.

In terms of local purchases, in 2022, we bought 86% of chicken from local producers, and the remaining 14% was imported, as a contingency amount in case of Force Majeure events. Moreover, we purchase drinks, dairy, sauces, vegetables, packaging and meat products locally.

Local suppliers are defined as national suppliers, and 80% of the amount of chicken is delivered directly to restaurants by suppliers. The remaining 20% is delivered from the HAVI logistics platform as a contingency plan to ensure the continuous supply to restaurants.

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3.3.4 Continuity and Balance across the Supply Chain

Ensuring the continuity of Sphera's business and a balance across the supply chain involves establishing long-term relationships with suppliers and collaborators, along with training, and guiding them towards sustainable approaches in their activity. Thus, supplier performance in dealings with Sphera and/or its subsidiaries and, implicitly, with the final consumer constantly improves.

In order to provide optimal customer service, we coordinate activities and flows of products and information received from suppliers and manufacturers to ensure the fast distribution of raw materials

and information. We collaborate in the medium and long term with class A & B suppliers (QSA) and risk 1 suppliers (FSA – Food Safety Audit) holding GFSI (Global Food Safety Initiative) certifications.

We work closely with current suppliers for in-house contingency planning. Our contingency plans ensure the continuity of production in case of unforeseen events, whether internal or external, such as issues with the supply of raw materials, strikes, governance and legislative regulations.

At the end of 2021, a contingency plan was prepared for the chicken category for the entire year of 2022,

which provided for a stock back-up both at the logistics platform and with suppliers. In addition to the electricity reserve held by all suppliers, we also have suppliers that produce biodiesel using waste (excreta, fluff, feathers) resulting from the production process. Thus, all chicken suppliers are prepared to ensure energy supply to all slaughterhouses and cold storages, in case of unforeseen events.

100% of main raw material suppliers are selected based on food quality and safety criteria, and then they are audited according to requirements by a third party company approved by Yum! Brands.

The ISO 22000:2018 certification is intended for all organisations in the food industry, regardless of their size or sector. For Sphera, the audit for obtaining the certification was carried out by SRAC, a company accredited for certification of food safety management systems. With this certification, Group subsidiaries in Romania will be subject to surveillance audits for a period of two years.

In addition to third-party audits for ISO 22000:2018 certification, we frequently carry out operational assessments that also cover food safety, compliance with operational standards, the use of work equipment.

These include:

- The standard audit, carried out four times a year by an external company. It is specific to each brand as follows: for

KFC restaurants, the ROCC (Restaurant Operations Compliance Check) audit, for Pizza Hut, the ACE (Assured Customer Experience) audit, and for Taco Bell, the CORE (Customer Operations Review & Evaluation) audit;

- Internal assessments conducted on a daily basis by restaurant managers and team leaders and periodically by area managers.

3.4 Food quality and safety

Assessment of Safety and Quality of Products in Our Restaurants

Our business depends on the quality and integrity of products sold. In order to provide top quality products and services that meet our consumers' requirements and expectations, we ensure effective control, and we seek to mitigate the risks associated with each stage of our chain supply, through implemented food safety and quality programmes.

To ensure a high standard of food quality and safety, we collaborate with certified suppliers, and consider existing quality tests and specifications. Internal and third-party control procedures are applied at every stage of our supply chain.

In 2022, all three companies operating the KFC (US Food Network), Pizza Hut & Pizza Hut Delivery (American Restaurant System) and Taco Bell (California Fresh Flavors) brands in Romania were certified in food safety

management according to ISO 22000:2018, which sets out requirements for a food safety management system. Providing safe products for all customers, complying with applicable regulatory authority requirements regarding food safety, and improving risk management in food safety processes are some of the benefits of implementing this standard.

The number of standard/non-standard audits in restaurants (ROCC/ACE/CORE)

	2021	2022
KFC Romania	402	232
Pizza Hut Romania	74	72
Pizza Hut Delivery Romania	64	66
Taco Bell Romania	48	42
KFC Moldova	9	5
KFC Italy	77	66

The percentage of restaurants audited by a food safety authority (%)

	2021	2022
KFC Romania	96%	100%
Pizza Hut Romania	50%	100%
Pizza Hut Delivery Romania	37%	100%
Taco Bell Romania	46%	100%
KFC Moldova	100%	100%
KFC Italy	100%	100%

Our efforts are directed towards the constant improvement of food health and safety standards. In Romania and the Republic of Moldova **we have not issued any recalls of batches of raw materials**. For KFC Italy, the standard method of recalling a non-compliant product from restaurants, according to the traceability procedure, has been applied. In 2022 there were two such cases of recalls and the non-compliant product was flour. The total quantity withdrawn was 200 kg. We are committed to maintaining a high level of performance and we will continue taking all necessary steps to guarantee the safety and quality of our products.

In order to ensure that we responsibly fulfil our duty to consumers and society, we invested in the ongoing training of our staff in food safety and implemented regular internal and external restaurant audit programmes.

Hours of employee training in food safety

	2021	2022
KFC Romania	61 632	60 816
Pizza Hut Romania	3 440	5 728
Pizza Hut Delivery Romania	6 432	3 872
Taco Bell Romania	6 032	7 152
KFC Moldova	1 104	1 168
KFC Italy	1 320	1 338

Every year, all our employees fill out food safety level assessment questionnaires in order to ensure that we strictly comply with our requirements and standards.

4 Care for the Environment

We have made a strong commitment to reducing our environmental impact. Starting from the responsible procurement of raw materials to the way packaging is managed and practices regarding the conservation of resources used, we take steps for the sustainable development of our business.

4.1 Energy

We constantly seek to identify effective consumption management opportunities within our processes and use high-performance technologies and energy-efficient equipment. Only through effective energy management can we contribute to the protection of natural resources, minimising the impact of resource consumption on the environment and the communities in which we operate.

The process of monitoring and managing energy consumption is ensured in all our restaurants. We also take energy efficiency features into account when selecting new locations for our restaurants.

Sphera's total energy consumption in 2022 was 152,601.83 GJ, only 0.53% higher than in 2021.

2022 vs. 2021

+0,53%

Total energy consumption (GJ/year)

2021	2022
151 792,80	152 601,83

Sustainable development goals to which we have adhered

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

4.1.1 Electricity Consumption

We monitor electricity consumption by restaurant. In recent years, our network has grown significantly, reaching 177 units at the end of 2022, which led to an increase in electricity consumption.

We continue to balance consumption through our monitoring programmes and the use of eco-efficient lighting in all our restaurants.

At present, we do not use renewable energy sources, but we plan to install such sources in the near future. We have already started the stage of internal analyses and feasibility calculations in this respect.

Organisation-wide electricity consumption (MWh)

Sphera Group

2021	2022
No. of restaurants	
169	177
Consumption (MWh)	
41 337,25	41 545,12*

* It also includes consumptions related to the headquarters of Sphera Franchise Group

KFC Romania

2021	2022
No. of restaurants	
93	98**
Consumption (MWh)	
28 663,95	27 274,00

** Including 1 PAUL restaurant and 1 Pizza Hut Delivery restaurant operated by USFN Romania

Pizza Hut Romania

2021	2022
No. of restaurants	
22 + 19	22 + 20***
Consumption (MWh)	
5 854,43	6 100,82

*** 19 Pizza Hut Delivery restaurants + 1 Pizza Hut Delivery sub-franchise

Taco Bell Romania

2021	2022
No. of restaurants	
13	15
Consumption (MWh)	
1 693,02	1 887,98

KFC Moldova

2021	2022
No. of restaurants	
2	2
Consumption (MWh)	
517,44	529,88

KFC Italy

2021	2022
No. of restaurants	
20	20
Consumption (MWh)	
4 608,40	5 519,07

149 562,45 GJ — Total electricity consumption in 2022

4.1.2 Natural Gas Consumption

Natural gas is used to prepare certain products, but also to ensure the heating of premises.

Consumption monitoring is carefully carried out by members of our operational team responsible for this activity.

Sphera Franchise Group

2021	2022
Gas consumption (MWh)	
822,36	844,27

4.1.3 Energy Efficiency

In addition to constantly monitoring electricity and natural gas consumption, we have taken the following decisions:

- In all KFC restaurants, air conditioning equipment was set to 19 degrees throughout winter and 27 degrees in the summer;
- In all KFC, Pizza Hut, Pizza Hut Delivery restaurants, air curtains only operated in ventilation mode;
- In all KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell restaurants, the turn-on and turn-off of electrical equipment were better managed, depending on production needs, to achieve minimum consumption required;

- In all KFC In-line and Drive Thru restaurants, illuminated signs were turned off while restaurants were closed;
- Classic light bulbs were replaced with LED that require low electricity consumption in KFC, Pizza Hut and Pizza Hut Delivery restaurants;
- Motion sensors were installed in ancillary areas (locker rooms, employee toilets) in all newly built restaurants, as well as in existing ones that were remodelled.

As a result of energy efficiency measures, in 2022, electricity savings of 1 389,95 MWh were achieved in KFC restaurants compared to 2021.

KFC RESTAURANTS

1 389,95 MWh

saved in 2022 vs. 2021

4.2 Efficient Transport and Timely Delivery

Sphera selects its restaurant locations and transport collaborators based on efficiency and easy and timely delivery to customers. We also carefully choose new locations for our restaurants based on energy efficiency characteristics and the proximity to public transport, while also taking into account what is most convenient for subcontractors. We are always streamlining our transport fleet, to gradually reduce the impact on the environment.

We want our products to be transported efficiently and delivered on time, which is why we work with key suppliers for raw material sourcing, and we continue expanding our collaboration with providers specialising in delivery.

Distribution of Food and Non-food Raw Materials

We work closely with major logistics service providers, such as HAVI Logistics in Romania and Moldova, and Quick Service Logistics (QSL) in Italy, for the distribution of food and non-food raw materials.

As of 1 July 2022, in Italy, QSL has been replaced by HAVI.

We work with our collaborators to identify solutions to streamline transport and logistics processes. Providers use specific software to manage the entire distribution and transport process, monitoring it and reporting any possible issues in a timely manner.

HAVI has managed to replace the entire fleet with Euro 6 trucks and aims to supply electricity produced by solar panels to the central warehouse in Chitila by 2025, thus reducing consumption by at least 30%. Moreover, transport is optimised in order to reduce fuel consumption. HAVI explored the possibility of investing in cars running on compressed natural gas, but currently there is only one pump from where this type of fuel can be supplied in Romania. In parallel, the replacement of the current fleet of trucks with an electric one is being considered, but due to their low travel range, it is not a feasible solution for HAVI just yet.

Moreover, the QSL provider with whom we work in Italy is striving to have a sustainable fleet. To this end, QSL began switching to truck models that meet the new Euro 6 emission standards. This fleet management approach will be complemented by the purchase of low-emission cooling units and the use of environmentally friendly coolants.

Product Distribution

We strive to meet customer needs by providing easy access to our products. Therefore, during the pandemic, we continued offering our customers the option to have their favourite products delivered to their home, workplace or any other location convenient to them.

The in-house fleet of KFC and Pizza Hut Delivery restaurants for delivery services in 2022:

Cars — gas — **59**

Mopeds — **27**

Bicycle — **18**

Others — Electrical mopeds — **4**
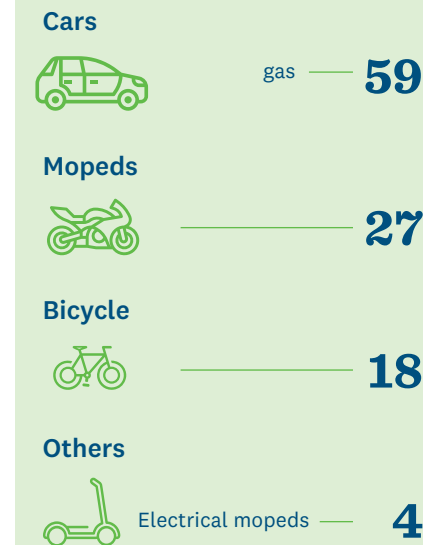
During the cold season, cars using LPG are on hire for short-term use (three months).

Fuel consumption of our fleet (litres/year) at Sphera Group level

	2021*	2022
Petrol	253 565,63	**218 662,79**
Diesel	140 936,84	**107 411,12**
LPG	5 671,84	**3 862,91**

* Rectified data for 2021

-14%
Petrol consumption 2022 vs. 2021

-24%
Diesel consumption 2022 vs. 2021

Logistics and Collaboration with Providers or Other Stakeholders

In order to maintain an efficient restaurant network and meet our customers' expectations, members of the executive and operational management team go out into the field whenever necessary to be in direct contact with all stakeholders, whether internal or external, and to ensure business continuity and efficiency.

Moreover, we encourage holding virtual meetings whenever possible and we avoid travel whenever feasible, both nationally and internationally.

In order to ensure customer access to our products, we work both in Romania and in Italy with providers specialising in delivery, such as:

- Tazz
- Glovo
- Bolt
- Deliveroo
- Just Eats
- Uber Eats
- Vorrey

Restaurant	Aggregators	Contract start date	Cities and towns served
KFC Romania	Tazz	May 2020	Bucharest, Alba Iulia, Arad, Bacău, Baia Mare, Baloteşti, Bârlad, Bistriţa, Botoşani, Braşov, Brăila, Buzău, Cluj, Constanţa, Craiova, Deva, Drobeta, Focşani, Galaţi, Iaşi, Miercurea Ciuc, Oradea, Piatra Neamţ, Piteşti, Ploieşti, Râmnicu Vâlcea, Roman, Satu Mare, Sfântu Gheorghe, Sibiu, Suceava, Târgovişte, Târgu Jiu, Târgu Mureş, Timişoara, Zalău
KFC Romania	Glovo	June 2020	
KFC Romania	Bolt Food	February 2022	
Pizza Hut Dine In Romania	Tazz	2020	Galaţi, Iaşi, Timişoara, Bacău, Cluj, Constanţa, Craiova, Ploieşti, Braşov, Bucharest
Pizza Hut Dine In Romania	Glovo	2020	
Pizza Hut Dine In Romania	Bolt Food	September 2022	
Pizza Hut Delivery Romania	Glovo	2019 – present	Bucharest, Ploieşti, Constanţa, Cluj, Târgu Mureş
Pizza Hut Delivery Romania	Tazz	2020	
Pizza Hut Delivery Romania	Bolt Food	February 2022	
Taco Bell Romania	Glovo	April 2019	Bucharest, Cluj, Timişoara, Constanţa, Sibiu, Ploieşti, Braşov, Iaşi, Bacău
Taco Bell Romania	Tazz	May 2020	
Taco Bell Romania	Bolt Food	January 2022	
KFC Italy	Uber Eats	April 2020	Bari, Bologna, Bolzano, Firenze, Genoa, Marcon, Moncalieri, Padua, Pomezia, Rome, Turin, Udine, Verona, Villesse, Settimo
KFC Italy	Glovo	April 2020	
KFC Italy	Just Eat	April 2020	
KFC Italy	Deliveroo	May 2020	
KFC Italy	Vorrey	October 2020	

In terms of providers specialising in delivery services, we did not undertake to quantify the number of kilometres travelled or the amount of fuel used to deliver our products, because there is no exclusivity in terms of the delivery services.

4.3 Water Consumption

Water resources are used especially for processing and cleaning areas in kitchens and restaurants. In order to optimise the use of this valuable resource, we monitor monthly consumption in all our restaurants. For shopping malls where we have leased premises, we also collect information on water consumption in relation to the occupied area. Wastewater is disposed of in the sewage network available at our locations.

For the time being, the wastewater produced cannot be recycled, and our premises do not allow the installation of specific and feasible equipment for this process. The water used is in turn tested by an ISO 17025/2018 accredited laboratory. Moreover, each indicator is in turn tested by the laboratory based on standards approved by RENAR.
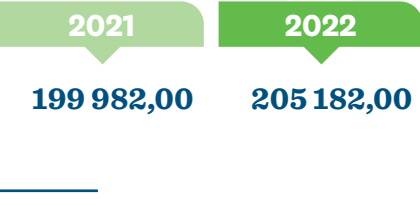
Water consumption for food processing, Ml**(m³)
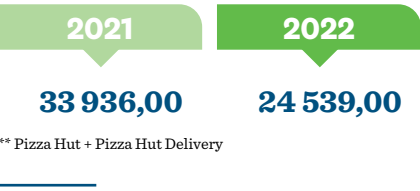
Sphera Group

2021	2022
262 815,00	291 511,00*
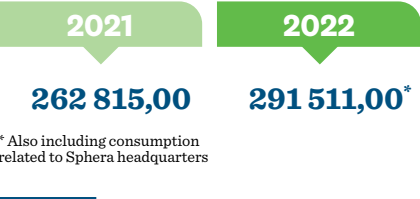
* Also including consumption related to Sphera headquarters

KFC Romania

2021	2022
199 982,00	205 182,00

Pizza Hut Romania**

2021	2022
33 936,00	24 539,00

** Pizza Hut + Pizza Hut Delivery

Taco Bell Romania

2021	2022
6 399,00	7 748,00

KFC Moldova

2021	2022
4 198,00	5 358,00

KFC Italy

2021	2022
18 300,00	47 076,00
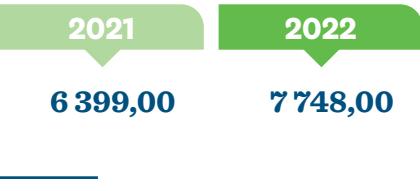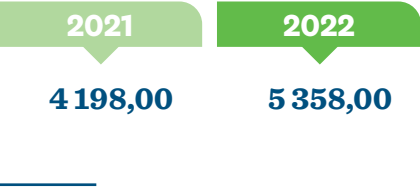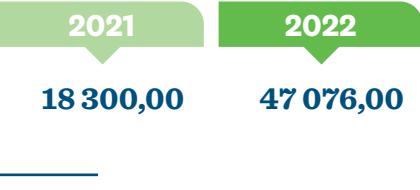
The measures designed to reduce water consumption by the use of sensors at hand sinks, the immediate repair of equipment exhibiting problems, employee training in water saving, without deviating from hygiene and food safety rules, have led to a decrease in water consumption at Pizza Hut and Pizza Hut Delivery restaurants. Thus, in 2022, in the two networks, 9 397 m³ less water was consumed than in 2021.

Current Exposure to Water Stress in Our Countries of Operation

We used the Aqueduct Water Risk Atlas, provided by the World Resources Institute (WRI), free of charge, to determine the risk of water stress in the countries where we operate. Currently (2022), the risk of water stress is low to medium in most regions of northern Italy, the Republic of Moldova and Romania. But, according to forecasts (2040), this phenomenon will increase, especially in the Republic of Moldova. We will continue monitoring the evolution of this indicator to ensure that the impact of water consumption at our restaurants, although low, does not negatively affect the local communities in which we operate.

Water stress assessment – present

Water stress assessment – 2040 forecast

4.4 The Circular Economy, Waste Recovery and Recycling

Our main objective is to protect natural resources and to minimise the environmental impact generated by our activity. Our efforts are directed towards the continuous identification of solutions for collection and recycling. And when waste cannot be recycled, we focus on exploring its energy recovery potential.

We have implemented a waste management system that is constantly monitored and improved. It is based on legal requirements in force, but also on our own concepts, so that we are able to make the best use of the waste selection at generation locations. In this regard, we carry out regular waste audits at our restaurants to ensure that the objectives of the management plan are understood and observed, intervening with corrective measures wherever necessary.

In order to promote the separate collection of waste, we have implemented several informative and awareness activities addressed to our customers and employees. These include labelling restaurant bins for easier identification, training cleaning teams to ensure proper waste collection and sorting, and displaying written information messages on product packaging.

Within Sphera, we strictly adhere to applicable legal requirements and closely monitor compliance with them. The Board of Directors of Sphera Franchise Group is responsible for overseeing environmental issues and, in addition to fixed remuneration, is paid based on non-financial performance criteria such as the environmental impact.

We generate waste within our activity, from packaging waste to supply chain waste. Within the restaurants inside shopping centres, municipal and recyclable waste is stored in specially designated areas and is later collected by authorised companies, and the rest of the waste generated is handed over directly by locations to authorised companies on a contract basis. At Drive Thru locations, all categories of waste generated is handed over to authorised companies on a contract basis.

We work with authorised companies to manage hazardous waste such as printer toners, batteries and accumulators, fluorescent tubes and scrapped equipment containing hazardous components.

We collect and monitor data related to the amount of waste generated from documents according to the legislation provided by the companies authorised to collect waste with whom we have contacts, as well as documents drawn up by the locations.

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Amounts of waste generated

Plastic waste (tons)	2021	2022
Sphera Franchise Group	107,50*	193,47
KFC Romania	25,32	92,24
Pizza Hut Romania	6,11	9,26
Pizza Hut Delivery Romania	2,15	4,62
Taco Bell Romania	1,89	10,25
KFC Moldova	0,20	1,50
KFC Italy	71,83	75,61

* Rectified data

Glass waste (tons)	2021	2022
Sphera Franchise Group	5,18*	4,85
KFC Romania	2,71	0,17
Pizza Hut Romania	1,54	4,59
Pizza Hut Delivery Romania	0,00	0,00
Taco Bell Romania	0,92	0,09
KFC Moldova	0,01	0,01
KFC Italy	0,00	0,00

* Rectified data

Household waste (tons)	2021	2022
Sphera Franchise Group	7 881,99*	6 479,01
KFC Romania	7 369,37	4 963,70
Pizza Hut Romania	242,44	650,70
Pizza Hut Delivery Romania	60,22	350,60
Taco Bell Romania	4,52	198,53
KFC Moldova	98,60	99,00
KFC Italy	106,83	216,47

* Rectified data

Food waste (tons)	2021	2022
Sphera Franchise Group	80,60*	104,47
KFC Romania	23,09	60,67
Pizza Hut Romania	0,20	0,01
Pizza Hut Delivery Romania	0,00	0,00
Taco Bell Romania	1,20	0,26
KFC Moldova	5,20	1,30
KFC Italy	50,90	42,23

* Rectified data

Paper/cardboard waste (tons)	2021	2022
Sphera Franchise Group	935,15*	832,79
KFC Romania	541,62	560,14
Pizza Hut Romania	161,31	15,79
Pizza Hut Delivery Romania	16,42	20,78
Taco Bell Romania	9,37	18,78
KFC Moldova	17,20	18,10
KFC Italy	189,23	199,19

* Rectified data

Metal waste (tons)	2021	2022
Sphera Franchise Group	5,96*	13,29
KFC Romania	3,75	9,47
Pizza Hut Romania	1,63	2,17
Pizza Hut Delivery Romania	0,45	0,83
Taco Bell Romania	0,12	0,77
KFC Moldova	0,00	0,04
KFC Italy	0,00	0,00

* Rectified data

Waste oil residues (tons)	2021	2022
Sphera Franchise Group	281,91*	213,25
KFC Romania	201,34	131,42
Pizza Hut Romania	1,89	2,12
Pizza Hut Delivery Romania	0,00	0,00
Taco Bell Romania	10,19	9,20
KFC Moldova	6,10	2,90
KFC Italy	62,39	67,61

* Rectified data

We recycle
100%
of the following types of waste:

metal packaging and glass packaging in restaurants in both Romania and Moldova. For Italy, the total amount of waste recycled is based on estimates. It is handed over directly by locations to authorised companies on a contract basis.

Waste management within the Sphera Group (tons)

Sphera Franchise Group		2021*	2022
Plastic waste	Recycled	145,23	146,67**
Paper/cardboard waste	Recycled	766,06	773,04***
Glass waste	Recycled	5,18	4,85
Metal waste	Recycled	5,96	13,29
Household waste	Disposed of, storage	7 881,98	6 479,01
Waste oil residues	Recycled	281,91	213,25
Food waste	Disposed of, storage	80,60	104,47
Tons of waste recovered by recycling		1 204,35	1 151,10
Tons of disposed of waste		7 962,59	6 583,48

* Rectified data
**The amount in Italy is estimated
***The amount in Italy is estimated

The Collection and Management of Waste Oil

In our restaurants, waste oil is generated in significant amounts, but it can be recovered in a sustainable way. In order to reduce the amount of waste oil generated, we have implemented a controlled waste oil quality verification process, which involves the use of approved tests. The process is strictly monitored according to internal procedures, followed by collection and recovery, finally resulting in biofuel.

Recycled cooking oil (tons)

	2021	2022
Sphera Franchise Group	281,91	213,25
KFC Romania	201,34	131,42
Pizza Hut Romania	1,89	2,12
Taco Bell Romania	10,19	9,20
KFC Moldova	6,10	2,90
KFC Italy	62,39	67,61

Paper/cardboard packaging (tons)

	2021	2022
Sphera Franchise Group	1 321,77	1 412,90
KFC Romania	804,42	736,08
Pizza Hut Romania*	263,59	397,80
Taco Bell Romania	52,73	67,53
KFC Moldova	11,80	12,3
KFC Italy	189,23	199,19

*Pizza Hut + Pizza Hut Delivery

4.4.1 Reducing Plastic Consumption

In 2022 we continued using paper straws, wooden cutlery and beverage stirring sticks in all our restaurants, having achieved a full transition at the end of July 2021.

We work with manufacturers and suppliers that were selected based on certifications issued by the Programme for Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC). The paper used to produce the straws comes from sustainably managed forests. We mainly use paper and cardboard packaging in our operations, thus being aligned with the Yum! Policy in this area.

Plastic packaging (tons)

	2021	2022
Sphera Franchise Group	119,14	165,03
KFC Romania	45,39	87,33
Pizza Hut Romania*	1,92	2,09
Taco Bell Romania	0,00	0,00
KFC Moldova	0,00	0,00
KFC Italy	71,83	75,61

*Pizza Hut + Pizza Hut Delivery

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	KFC Romania		Pizza Hut Romania		Pizza Hut Delivery Romania		Taco Bell Romania		KFC Moldova		KFC Italy	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Packaging used made from recycled and/or renewable materials (%)	40	85,26	30	98,01*	100	98,01*	35	91,94	–	85,63	N/A	N/A
Packaging that is recyclable, reusable and/or compostable (%)	46	85,26	46	98,01*	100	98,01*	46	91,94	–	85,63	N/A	N/A
Plastic bags replaced by biodegradable bags (%)	100	100	100	100	100	100	100	100	100	100	100	100
Plastic cutlery replaced by biodegradable cutlery (%)	100	100	100	100	100	100	100	100	100	100	100**	100
Plastic straws replaced by paper straws (%)	100	100	100	100	100	100	100	100	100	100	100	100

* The monitored indicator includes Pizza Hut and Pizza Hut Delivery restaurants
** 100% as of July 2021

We work with our partners to implement extended producer responsibility and to ensure that packaging waste generated by our customers and the general population outside our locations is properly recovered.

In order to meet our recovery targets, we work with Reciclad'Or, an authorised EPRO (Extended Producer Responsibility Organisation).

RECICLAD'OR
Recycling For Your Future

4.5 Food waste

Food waste can occur during different stages, starting from production, to processing, sale and the final consumer. Sphera deems it particularly important to reduce the amount of unconsumed food, at all stages, by implementing strategic measures and improving its performance in reducing the amount of food waste generated.

In 2022, we continued our food donation programme, Harvest, by adding a new restaurant in Bucharest. Throughout the year, from over 35 restaurants, we donated 6 973 kg of food to 10 associations nationwide. The donation programme is also extended to Italy, where four Sphera Group restaurants are involved.

Food waste management within Sphera Group

2021	2022
Total amount of waste (tons)	
9 298,28	7 841,13
Total amount of food waste (tons/year)	
80,60	104,47
Percentage of food waste	
0,87%	1,33%
Total amount saved from becoming waste (tons/year) (Food donated through the HARVEST programme)	
8,40	6,97

4.6 Carbon Emissions and Climate Impact

Climate change poses potential risks for Sphera, including the possibility of rising energy costs, taxes on carbon emissions, the sustainable procurement of agricultural raw materials, water and business disruptions due to severe weather conditions.

We are constantly investing in energy efficiency and low-carbon technologies, since such efficient energy and carbon management can benefit both our Company and the communities in which we operate. Energy consumption is carefully monitored to ensure that measures implemented are effective. Reducing environmental impact is a priority for us, which is why, based on the recorded energy consumption, we have calculated direct and indirect emissions of CO_2 eq (Scope 1 and Scope 2) and we continue taking steps to reduce them.

We have not considered Scope 3 in our current calculations, but in the coming years we are going to focus on supply chain analysis in areas where we can have an impact.

4.6.1 The Carbon Footprint

Table of greenhouse gas emissions (GHG) (tons CO_2 eq)

Sphera Group activities			2021	2022
1	• Fuel consumption emissions of the in-house fleet (petrol, diesel, LPG) • Emissions related to the consumption of natural gas used directly in the Group activity (cooking, combustion or air-conditioning)		1 130,45*	1 038,48
2	• Emissions related to electricity procured for in-house consumption and heating	Location** - based	14 015,69	9 482,73
		Market*** - based	N/A	12 655,40
3	• Raw material supply • Waste management • Logistics • Business trips not using cars from the in-house fleet		N/A	N/A
Total location-based emissions			15 146,14*	10 521,21
Total market-based emissions			N/A	13 693,88

* Rectified data
** Location-based: calculation generated using national emission factors (of the national electricity grid)
*** Market-based: calculation generated using supplier emission factors (specific to each electricity supplier)

Observations:

- For the calculation of Scope 1 emissions, the consumptions of liquid and gaseous fuels (petrol, diesel, LPG and natural gas) were taken into account. The amount of refrigerant reloaded into air conditioning systems or refrigeration installations has not been taken into account because it is not possible to centralise it.

- In order to determine Scope 2 emissions in 2022, electricity consumption was taken into account, and in addition to 2021, the amount of heat carrier purchased was also included.

- In Romania, Scope 2 emissions were calculated on both a location-based and a market-based system. For directly purchased electricity, emission factors specific to electricity suppliers were used. In the case of locations within rented spaces, where the amount of electricity is recharged based on meter readings, residual emission factors were used. Both emission factors corresponding to electricity suppliers and residual emission factors are specific to 2021.

- For the Republic of Moldova, in the absence of emission factors specific to the electricity supplier, the same factors were used to calculate Scope 2 emissions, on both a location-based and a market-based system. The latest emission factors specific to electricity consumption are available for 2020.

- In Italy, location-based emissions associated with the Scope 2 electricity consumption were calculated using national emission factors specific to the year 2020, and for the calculation of market-based emissions, residual emission factors specific to 2021 have been used. This way of working is influenced by published emission factors, by the legislation of each country of provision of emission factors, and by the energy mix of suppliers, respectively.

- Activities classified under Scope 3 are provided by external services and have not been taken into account in the calculation of the carbon footprint.

In 2022, there was an 8% reduction in Scope 1 emissions compared to 2021. This decrease is the result of the replacement of a number of diesel cars with hybrid ones, with the aim of reducing the Group environmental impact. In Italy, seven diesel cars were replaced with hybrid ones, and in Romania four were replaced.
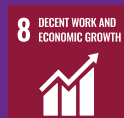
The intensity of greenhouse gas (GHG) emission

The intensity of GHG emissions	2021	2022
Total GHG emissions by location (tons of CO_2 eq)	15 146,14	10 521,21
Net sales (Mln RON)	1 000,29	1 322,82
Gross sales (Mln RON)	1 082,61	1 424,16
Net sales (Mln USD)	240,43	282,14
Gross sales (Mln USD)	260,22	303,76
GHG emission intensity per 1Mln RON in net sales revenues (tons of CO_2 eq/Mln RON)	15,14	7,95
GHG emission intensity per 1Mln RON in gross sales revenues (tons of CO_2 eq/Mln RON)	13,99	7,39
GHG emission intensity per 1Mln USD in net sales revenues (tons of CO_2 eq/Mln USD)	63,00	37,29
GHG emission intensity per 1Mln USD in gross sales revenues (tons of CO_2 eq/Mln USD)	58,21	34,64

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5 People and the Community

5.1 Our Team

At Sphera Group, we believe that the impact we have on people and communities is just as important as the products we provide our customers.

One of the four pillars underpinning our sustainability strategy is represented by People and the Community, which is why our mission is to provide customers with a memorable experience, supported by excellent service and unique products prepared by passionate teams. We support this mission by developing a culture based on the sum of our employees' experiences, that we build together, employees – employer.

Through the objectives and targets we have set, we contribute to the well-being of the people who are part of our team, as they are the most important element in our mission to create a sustainable future both for our Company and the industry in which we operate.

During the reported year, we continued to contribute to the Sustainable Development Goals that we have set in 2018, we analysed and measured our performance and evolution in this direction, and we are still motivated to achieve them through specific actions that define our passion in everything we do.

Sustainable development goals to which we have adhered

1 NO POVERTY

2 ZERO HUNGER

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

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Guided by our values, we make decisions that reflect our firm commitment to the goals of our strategy and their achievement. We are proud of the progress we have made and are working ambitiously to develop talent, to educate the workforce and to increase the sustainability of the Company. We focus on efforts and decisions that promote equality and improve Company policies, and our promise is to provide a safe and stable environment that supports constant growth.

OUR VALUES

TEAM

Our success comes from teamwork through collaboration with:

- Peers to implement and adopt best practices;
- Customers to give them excellent experiences;
- The community to create the conditions for growth.

TRUST

We enhance trust in the human potential:

- We trust our peers and their well-meaning intentions;
- We offer customers confidence through the quality of our products and services;
- We take responsibility for our actions.

GROWTH

We help people and businesses grow:

- We encourage peers to grow both personally and professionally;
- We develop management teams on a SMART & HEART & COURAGE & GREEN basis;
- We develop SMART restaurants for our customers.

ACTION

We act promptly and we look to the future with curiosity:

- We focus on priorities and solutions;
- We do not tolerate inequalities.

GRATITUDE

We cherish every achievement:

- We celebrate our and others' successes;
- We are grateful for any opportunities for personal growth;
- We are grateful to the team for their support.

Adherence to these values represents our commitment to sustainable development where care and collaboration are working tools for each employee.
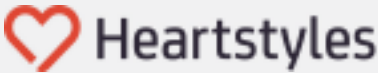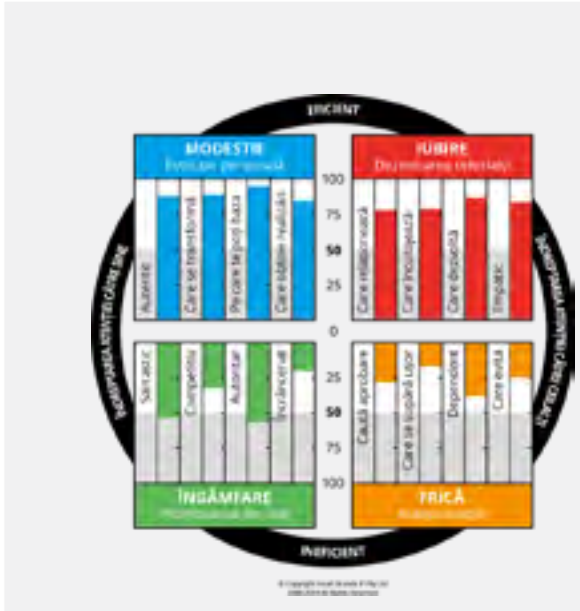
In this context, we deemed it appropriate to have continued, in 2022 as well, the **Leading with Heart** programme for raising awareness in the sense of improving managers' behaviour, based on the **Heartstyles** assessment tool. We believe that change is only possible if managers improve not just their skills and capabilities, but also their behaviour.

We offer the following to our employees:

- A legal, safe and stable environment for carrying out their activity;
- A collaborative working atmosphere, focused on effective solutions and behaviours;
- The opportunity of undergoing training for specific skills for the positions held and for lifelong learning;
- The opportunity of personal growth;
- The possibility to support a culture of diversity and inclusion;
- The right context for decent work.

Sphera Group consists of the teams of US Food Network SA, American Restaurant System SA, California Fresh Flavors SRL, U.S. Food Network S.r.l. ("USFN Italy"), U.S. Food Network SRL ("USFN Moldova") and Sphera Franchise Group SA.

The total number of Sphera Franchise Group employees at the end of 2022

2021	2022	
5 111	5 213*	+2%

* The value represents the total number of employees: active employees (4 935 individuals) and suspended employees (278 individuals) as at 31.12.2022

Within Sphera Group companies, there are nine individuals who are not employees but whose work is controlled by the organisation.

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	Sphera		KFC Romania		Pizza Hut Romania		Pizza Hut Delivery RO		Taco Bell Romania		KFC Moldova		KFC Italy	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
The total number of employees														
	164	172*	3 529	3 519	366	402	361	303	265	341	78	81	348	395
The total number of full-time employees														
	153	164	3 021	2 964	339	348	280	226	199	254	36	37	108	111
Women														
	99	105	1 825	1 862	223	208	89	83	99	130	24	28	48	48
Men														
	54	59	1 196	1 102	116	140	191	143	100	124	12	9	60	63
The total number of part-time employees														
	11	8	508	555	27	54	81	77	66	87	42	44	240	284
Women														
	2	4	272	280	13	24	19	11	38	36	29	21	138	162
Men														
	9	4	236	275	14	30	62	66	28	51	13	23	102	122
The total number of employees on an indefinite-term employment contract														
	164	167	3 529	3 470	366	384	361	288	265	316	78	81	18	224
Women														
	101	108	2 097	2 138	236	232	108	94	137	166	53	49	5	110
Men														
	63	59	1 432	1 332	130	152	253	194	128	150	25	32	13	114
The total number of employees on a fixed-term employment contract														
	9	5	201	49	6	18	7	15	25	25	0	0	155	171
Women														
	1	1	1	4	0	0	0	0	0	0	0	0	85	100
Men														
	8	4	200	45	6	18	7	15	25	25	0	0	70	71

* employees with a mandate are not included

5.1.1 Diversity and human rights

Sphera Group values diversity among its employees and does not discriminate in terms of employment on grounds of race, citizenship, language, religion, social origin, genetic features, age, gender, nationality, disability, educational level etc. We are committed to maintaining a working environment that respects, supports and promotes human rights for all employees.

We maintain a well-developed culture of integrity, based on ethical and compliance standards, in order to preserve our status of reliable employer. We respect **human rights**, and we use our influence to guide people and communities to improve various aspects of their lives. We follow these endeavours by aligning internal rules and the **Code of Conduct** and, mostly, we offer employees the possibility to report any deviation through two direct communication channels, facilitated by a third-party partner, which ensures anonymity and confidentiality, namely:

- The Employee Helpline – available Monday through Friday, between 09:00 and 17:00, at **0747 048 232**
- Speak UP Integrity Line - available 24/7, at **0373 760 274**.

In 2022, there were no incidents relating to human rights violations at Sphera Group level.

We are constantly striving to create an organisational culture where each employee can express themselves authentically and have a sense of belonging to the team and to the Company, which is why, in 2022, within Sphera, the diversity aspect had a high score in the employee satisfaction survey, similar to previous ones. Thus, **81,70%** of respondents believe that in the organisation all employees are treated fairly, and individual differences are accepted, and that there is no discrimination related to age, gender, ethnicity, disabilities, or any other aspect. Moreover, we ensure equal opportunities for promotion and professional development for all employees, regardless of their origin or social background.

Within Sphera Group, in 2022, **34** different **nationalities** were registered among employees, with the largest group of foreign employees consisting of 276 people belonging to a single nationality. Among them there are coworkers looking for a professional path with us and whom we encourage in their endeavours. In this context, we are happy to be able to support diversity and the inclusion of foreign citizens within Sphera, given that in 2022 our team grew by 193 foreign employees.

ROMANIAN DIVERSITY CHARTER

In 2019, we joined the **Diversity Charter** and became committed to supporting, protecting and developing diversity. We foster a culture based on mutual respect, trust, recognition and the capitalisation of individual differences and skills, applying the principles of non-discrimination and equal opportunities in HR processes, focusing on recruitment, skill development, remuneration and professional promotion. Because we place great emphasis on respecting human rights and equal opportunities between women and men, within Sphera Group we maintain the principle of equal pay for work of equal value, with women and men being paid the same.

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Diversity within Sphera Group manifests in different forms, from age (the youngest employee being 15 years old and the oldest, 73 years old) to gender diversity and disabilities that can be assimilated to our field of work, which proves our team's openness to integrating coworkers with a positive attitude towards the activities carried out and towards the team.

Discrimination prevention practices are monitored and revised on a regular basis, and employees can report any deviation by accessing helplines, by informing their direct superior, by contacting the HR team or by sending a complaint to the Company headquarters.

In 2022, there were no discrimination-related incidents within Sphera Group.

In 2022, in line with an international approach to gender diversity and while pursuing our goals, we conducted a survey of all female employees of US Food Network: the Woman Happiness Index. Using this tool, we make sure that every female employee within the KFC team feels that , she can access any career development opportunity which she deems fit for her, that she feels respected, that she receives equal treatment and has a work-life balance. Within the KFC Romania team, during the reported year, the Woman Happiness Index reached a value of 73%.
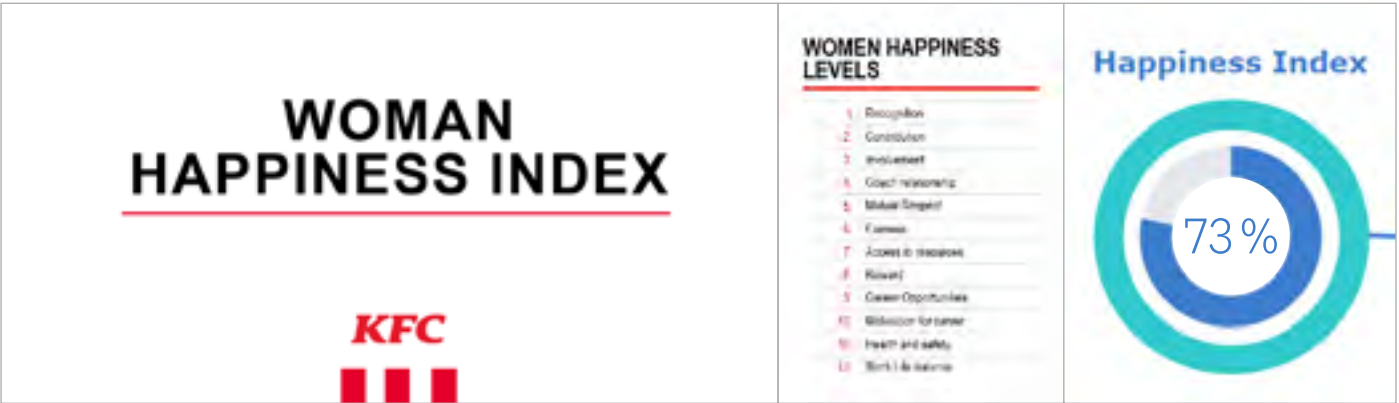
The total number of female employees (2022)

	Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery RO	Taco Bell Romania	KFC Moldova	KFC Italy
< 30 years old	20	995	92	52	137	34	151
30 – 50 years old	74	897	105	34	22	12	59
> 50 years old	15	250	35	8	7	3	0
Total	**109**	**2 142**	**232**	**94**	**166**	**49**	**210**

The total number of male employees (2022)

	Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery RO	Taco Bell Romania	KFC Moldova	KFC Italy
< 30 years old	7	953	104	141	139	30	117
30 – 50 years old	30	353	63	66	35	2	67
> 50 years old	26	71	3	2	1	0	1
Total	**63**	**1 377**	**170**	**209**	**175**	**32**	**185**

Once again, in 2022, we maintained balanced gender diversity both at management level, as well as the restaurants and supporting departments. During the reported year, the ratio of women to men was as follows:

Women 58% **Men 42%**

2022
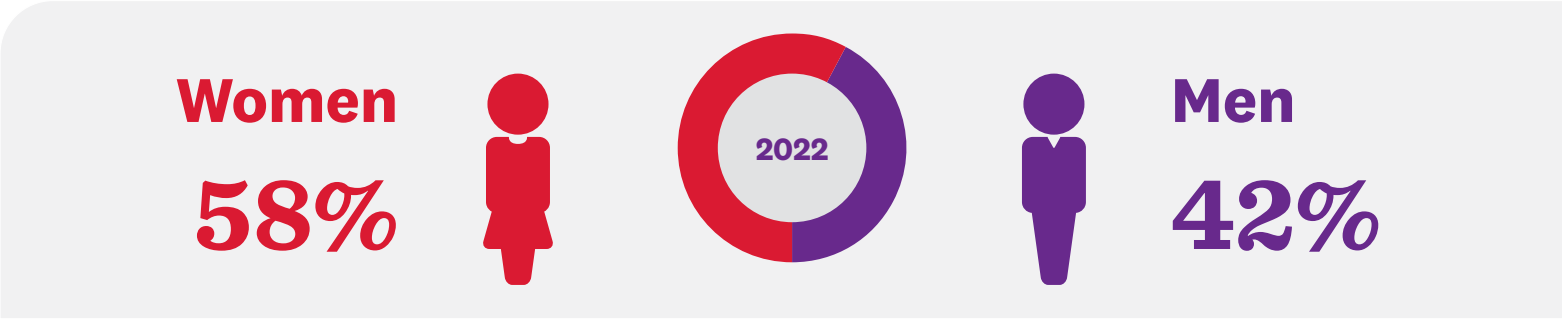
Although within the Group Board of Directors there are no women with specific duties, there is age diversity, with three members between **30 and 50 years of age** and two members over **50 years of age**.

Sphera		KFC Romania		Pizza Hut Romania		Pizza Hut Delivery RO		Taco Bell Romania		KFC Moldova		KFC Italy	
2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Employees in management positions													
35	33	544	550	97	91	72	75	58	69	8	9	18	17
Women													
23	20	361	369	64	57	34	33	30	34	5	5	5	9
65,71%	60,61%	66,36%	67,09%	65,98%	62,64%	47,22%	44,00%	51,72%	49,28%	62,50%	55,56%	27,78%	52,94%
Men													
12	13	183	181	33	34	38	42	28	35	3	4	13	8
34,29%	39,39%	33,64%	32,91%	34,02%	37,36%	52,78%	56,00%	48,28%	50,72%	37,50%	44,44%	72,22%	47,06%

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For the companies within Sphera Group, over 95% of managers were hired from the local community, being selected in relation to the geographic market served by Group companies.

Sphera Franchise Group	2021	2022
The total number of **employees**	5 111	5 213
The total number of **female** employees	2 918	3 002
%	57,10	57,57
The total number of **male** employees	2 193	2 211
%	42,90	42,43

We comply with laws in force regarding the employment of young people under 18 years of age and we ensure that their health and personal growth are not affected, and that we do not interfere with their schooling.

The ratio between the gross entry-level salary and the legal gross minimum salary during the reporting period

KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy
134%	120%	127%	134%	151%	100%

5.1.2 Employees' Health and Safety

Supporting employees' health and overall well-being continues to be a key focus for us. To offer safe workplaces, we provide information, we identify risks and potential hazards, we conduct audits, and we use best practices and training methods ensure that our health and safety policies and measures are understood and followed.

Proper occupational health and safety (OHS) management defines the responsibilities of the whole organisation and includes a wide range of organisational and operational activities which are constantly improved, in order to lead to the achievement of our objective of supporting safe, healthy and productive workplaces within all Sphera Group companies.

Sphera Group has several well-defined OHS objectives:

- 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 accident risks;

- Providing training and specialised consultancy;

- Maintaining the status of ZERO TOLERANCE towards any dangerous situation or action and towards manifestations related to dangerous incidents that may cause injuries or pose a hazard to the health of everyone involved in the work process;

- Carrying out the activity in such a way as not to jeopardise the health of employees, customers and raw material suppliers or service providers in any way;

- Providing the framework through which employees or any other stakeholder can make suggestions for improving working conditions or product quality.

Although a certified OHS management system is not in place, during the reported year, we paid special attention to occupational health and safety management, starting with the regular auditing of specific activities, the proper training of all parties involved and the development of specific action plans to improve occupational health and safety. These actions are part of our internal management system which is managed by the **Occupational Health and Safety Committee** (OHSC), that has the following responsibilities:

- Supervising the current state of health and safety-related activities;

- Recommending improvements taking into account the presence of groups sensitive to specific risks;

- Checking how laws are observed;

- Analysing employees' proposals for preventing accidents at work and occupational diseases, as well as improving working conditions.

In order to manage the potential impact, we carry out regular assessments of risks that may arise in relation to work hazards, as well as specific actions to mitigate the degree of risk. Thus, at individual level, any situation that could cause injuries or health problems is reported to the immediate superior who, together with the OHS team, will determine the necessary actions to address such situations.

The investigation of work-related incidents is an approach carried out both internally and externally, given the partnership of the Sphera Group with a service provider working closely with the **Occupational Health and Safety Committee**. Each reported incident involves a specific investigation and, naturally, a specific corrective action plan, whose implementation is monitored both by the OHS team and by the Company management.

In 2022, we continued carrying out work processes in accordance with the employee's status, a classification offered by the occupational medicine service provider as a result of check-ups in this regard.

Regular checks of staff safety within Sphera companies are a priority and, therefore, we ensure that employee feedback is appreciated, and that adequate action is taken in the necessary cases. By promoting a culture of transparency, our employees are empowered to accurately and promptly report any incidents that occur at work. Moreover, employees have instructions and necessary materials at their disposal regarding training in health and safety at work, we provide hygiene and sanitary materials, protective equipment and medical supervision through the occupational medicine specialist doctor.

We regularly conduct training for our employees and managers to raise awareness on the importance of OHS and we allocate financial resources to staff training and staff health monitoring. The regular training has also included practical applications of the use of fire extinguishers and the course of action in case of such an emergency. We also constantly monitor all equipment and technological installations to prevent injury hazards or fires.

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In total, we have allocated 7 million RON to health and safety within our companies.

Health and safety-related costs (RON) – 2022

Sphera	KFC Romania	Pizza Hut & Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy	TOTAL
24 047	5 547 090	675 467	549 481	8 114	196 597	**7 000 796**

Since Sphera Group portfolio also includes home delivery services, we train coworkers in traffic hazards, and safety and conduct rules in this area.

The number of accidents at work occurring at restaurant level has dropped compared to the previous year because we are constantly improving our policies and procedures related to occupational health and safety.

In May 2022, we implemented **Energy@SPHERA**, a Group-wide wellbeing programme aimed at promoting our employees' emotional and mental health.

Thus, for the entire month, general access seminars were held in connection with the following topics:
- How we can increase wellbeing within the organisation
- Mindfulness in times of crisis
- How to regain restful sleep
- Sports, hobbies, social connection
- How to develop emotional intelligence to reduce stress.

This endeavour helped many of our employees to become aware of the importance of well-being both in their personal lives and in their relationships with others.

Traffic accidents resulting from in-house delivery services

2021	2022
10	7

Sphera Franchise Group

The number of accidents at work

2021	2022
61	52

The number of days of sick leave due to accidents at work

2021	2022
112	630

	Sphera		KFC Romania		Pizza Hut Romania		Pizza Hut Delivery RO		Taco Bell Romania		KFC Moldova		KFC Italy	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
The number of days of sick leave (resulting from accidents at work)	635	932	29 931	38 909	3 249	4 102	1 386	2 656	1 099	1 838	280	96	2 611	2 455

TOTAL Sphera Franchise Group

2021	2022
39 191	50 988

No deaths have been recorded on the premises of Sphera portfolio companies.

5.1.3 Employee skill development

Our business is based on employees and their interaction with customers, both internal and external. Constant training, motivation, the provision of access to development programmes, as well as the creation of a professional path for our employees and support to pursue it are a constant concern for us.

We believe that people are the most important pillar of our business, and we have a culture based on their development, with the goal to reach their full potential, which is why we invest in employee training and development through programmes and benefits, as well as guidance.

We grow alongside our team, sharing the values and vision of the organisation, and we encourage individual and group training, ensuring our progress towards sustainability, through our dialogue with our employees.

We support our employees' development by:
- Internships;
- In-house skill and capability development programmes;
- Practical training;
- Digital training;
- Training schools;
- Sharing of good practices

Within USFN Italy, we work on establishing sound in-house strategies to implement Sphera procedures, to provide the best support and working conditions possible for our employees.

USFN Italy trains its employees through:
- The learning path and the operational manual developed by the franchise;
- Conducting practical and theoretical in-house training;
- In-house policies that include KFC International standards and local regulations that are presented and explained to employees on a daily basis and before the practical part of the training begins;
- Organising tests to assess skills;
- Special in-house training in the proper use of kitchen and protective equipment during activities.

The process of assessing skills, behaviours and results is applicable to all employees, and plays an important part for both the employee and their immediate superior.

Thus, we pursue employees' potential and capitalise on it by promoting them to suitable roles. We analyse behaviours and manage their effectiveness primarily through acceptance, awareness and action. We regularly assess results and, if in compliance with required criteria, we offer employees a performance bonus.

Within Sphera Group, there are no differences in the benefits package offered, and, instead, there are only different proportions specific to work quotas, at subsidiaries' level. Each company has its own specific package, but there are also different elements.

The standard benefits package for companies operating restaurants in Romania includes the following:
- Meal vouchers related to the number of days worked with a value of RON 30/voucher;
- Days off for special events;
- An extra day of annual leave in addition to the legal limit;
- Salary increases after three months, a year and two years of collaboration;
- A loyalty bonus one year after hiring representing 50% of the basic salary;
- Easter and Christmas bonuses granted according to internal criteria;
- A Christmas bonus for employees' children up to 13 years of age.

All Sphera Group employees benefit from collective bargaining agreements.

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We constantly try to increase our employees' performance and, therefore, we invest resources in **programmes to improve their skills**. In 2022, we carried out the following programmes:

- **Training schools** – a complex learning experience for new employees, aiming to provide all information specific to the individual role and area of responsibility.

- **Induction training** – digital programmes and shadowing of experienced coworkers – during the onboarding period.

- **Continuous training** – programmes of digital certification and training for development purposes.

- **Exchanges of experience** – aiming to get experienced coworkers join endeavours specific to restaurant openings or improving restaurant deliverables.

- **RGM1 & Board of Review** – the power of example is crucial, and personal experience can

inspire the leadership style of our restaurant managers.

- **AC Unlock** – the way in which an Area Manager builds their management style is supported by a job-specific and management skill development programme.

To ensure that the people running our restaurants are trained and involved, we created a constant process of training and assessment of their skills.

Through our development programmes, we pursue several objectives:

- Development of job-specific skills through training programmes – depending on the hierarchical level, **Basic Project Management and Negotiation** courses were organised to bring about transformations in employees' positioning towards certain topics.

- The development of effective behaviours – the **Leading with Heart** programme, that in 2022 was implemented for

all employees in management positions.

- Mindset development – the **Fixed Mindset vs Growth Mindset** programme, consisting of several work sessions, in which topics such as the thinking style, decision-making, problem-solving, habit changing, coping with change were discussed, to prepare the context for topics such as coaching, change management, agility.

- Soft skills development, the **E-learn@Sphera** programme, launched in 2020 and still in effect to this date, includes a digital learning platform, with over 650 courses aimed at developing professional skills and ensuring personal growth. The platform is developed by an external collaborator, is easily accessible and meets our employees' needs and interests. With this platform, we created learning paths specific to each development approach initiated within the Company.

2021

1 622 hours
for **Fix Mindset vs Growth Mindset**

2 232 hours
for **Leading with Heart**

2022

3 714 hours
for **Fix Mindset vs Growth Mindset**

2 992 hours
for **Leading with Heart**

Hours of training per position (2022)

Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy	Total Sphera Group
Management							
512	56 668	8 064	6 336	8 625	248	7 617	87 558
Restaurant staff							
1 258	213 087	20 030	15 300	25 102	2 920	18 635	295 074
TOTAL							
1 770	287 775	28 094	21 636	33 727	3 168	26 252	382 632

Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy	Total Sphera Group
Total number of training hours for employees during the reporting period							
1 774	269 755	28 038	21 636	33 727	2 920	18 059	375 909
Women							
1 304	146 451	14 581	5 829	15 434	1 766	7 339	192 704
Men							
470	123 304	13 457	15 807	18 293	1 154	10 720	183 205
Total number of employees with more than three months' seniority who underwent regular performance and career development review during the reporting period							
164	2 913	334	236	242	10	59	3 958
Women							
103	1 830	197	79	115	3	36	2 363
Men							
61	1 083	137	157	127	7	23	1 595

To ensure our employees' progress in their professional development, we carry out performance reviews annually and whenever necessary.

Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy
The percentage of all employees with more than three months' seniority, who underwent a regular performance and career development review during the reporting period						
95%	83%	83%	78%	71%	12%	15%

Based on performance and career development reviews, we make decisions related to the promotion of our employees.

Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	KFC Italy
Number of employees promoted during the reporting period						
6	273	25	22	24	6	59

5.1.4 Employee Satisfaction and Wellbeing

Sphera supports initiatives for employee development, improvement of working environment, and occupational health and safety aspects. Business success depends on our ability to attract and retain talented, satisfied and responsible people. Access to development programmes, as well as the creation of a safe working environment are part of our organisational culture.

To us, it is obvious that a positive working environment, where employees feel supported and fulfilled, leads to higher productivity, higher retention rates and overall business success. The creation of a positive work culture starts with the leadership and the management team, which is why we constantly set a positive example through respect, empathy and open communication. We also encourage collaboration and teamwork and promote a sense of belonging and inclusion. We recognise and celebrate employees' achievements and contributions to boost morale and foster a supportive environment. Within the companies under Sphera umbrella, we create jobs and offer benefits that financially support the physical and emotional wellbeing of our employees.

We want to be a company that people want to join and have motivated employees who are encouraged to develop their skills and constantly evolve. We invest in employees' professional development, offering training programmes, mentoring opportunities and career advancement paths, showing genuine interest in their goals and aspirations. By providing paths for growth, we not only increase employee satisfaction, but also nurture a sense of loyalty and commitment to the organisation.

2021

308
promoted employees

2022

415
promoted employees

We are proud that most employees in management positions within our restaurants started their careers in Sphera Group companies.

The labour market in Romania is tense for reasons related to work-force emigration, demographic decline and the disappearance of the workforce from standard radars, in the sense that it can no longer be found in either school or the workplace. Moreover, changes in the perception of work and physical presence have brought about challenges, as Sphera Group operates through restaurant chains, where physical presence is mandatory.

In this tense context, in 2022, we carried out standard online and offline recruitment actions, such as running digital recruitment campaigns, using recruitment services offered by our collaborators, being actively present at various job fairs and internships, signing new partnerships based on recruitment sources and making efforts to import workforce from abroad. At national level, we carried out a recruitment campaign on several media channels, including TV, which supported our message of ensuring safety, stability and flexibility of employment.

The audience of our recruitment campaigns was diverse, from young people with potential looking for a job for the first time to adults who see in our jobs opportunities to change careers or increase their income. Our work schedules are varied (12h, 8h, 6h, 4h, 3h, weekends), and each candidate can choose the option adapted to their needs, and the large network of units makes it possible to choose a restaurant near one's home.

To work for KFC, Pizza Hut or Taco Bell restaurants in the Restaurant Staff category, no previous experience is required, which makes it accessible to various categories of employees, aged between 16 and 65+. In this case, it is important to consider our candidates' positive attitude towards work and physical exertion as they work standing, have to handle various weights specific to a restaurant kitchen, must be physically present, be open to teamwork and customer interaction.

Selection criteria are adapted to each specific position and there is naturally a proportional correlation between experience and skills, and the hierarchical level.

To streamline the recruitment process, we digitalised it by creating an online recruitment management module and we set up a partnership with a call centre service provider to contact applicants **within 24 hours of submitting the application**.

The hospitality sector in which Sphera Group operates is prone to high staff turnover rates compared to other fields of work. The turnover rate is generated by past crises, such as the pandemic, and current crises represented by the armed conflict at Romania's border, the economic or social crisis, which is prejudicial to the notions of safety and stability in hospitality. The turnover rate is also influenced by the reputation of the field, as one where salaries are not the highest, by decisions made by authorities regarding employment, seasonality and especially because this field is one where the young workforce is formed in its professional path towards the targeted professional destination.

The literature refers to figures that can be lower than, equal to or higher than 100%, but this setpoint exhibits significant variations related to the country/geographical region of the country/continent or even the world, as well as the policies implemented by authorities to support hospitality, namely restaurants.

We are concerned with improving new employees' experience, taking into account the challenges related to candidates adapting to the requirements of the targeted job and the specific context. Accepting a new role involves preparation of both the new employee and the employer.

In 2022, we continued streamlining and digitalising the onboarding and training of new employees, we trained management teams through specific sessions dedicated to these very important processes, along with the topic of effective team management, since a new employee experience also depends on the relationships they build within the team. Thus, each new employee has direct access to digital learning platforms: one dedicated to operational topics covering the professional interest specific to the position held and another to topics related to soft skills or ones in other fields of work that may be of personal interest. The degree of access to the operational digital platform is 95%, which certifies that the employee understands their responsibilities and has the necessary information.

Moreover, in order to provide support to the management team on topics related to on boarding, training, compliance with operational standards, we decided that there should be an employee dedicated to training and managing the practical aspects of work in each restaurant.

When it comes to shifting from one role to the next, we pride ourselves on the fact that 84% of those filling new positions are employees promoted internally, which is possible as a result of investing in people's professional and personal development and is the source of success for a much faster and easier onboarding of our coworkers.

	Sphera		KFC Romania		Pizza Hut Romania		Pizza Hut Delivery RO		Taco Bell Romania		KFC Moldova		KFC Italy	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
The staff turnover rate (voluntary)														
	100%	96%	98%	83%	98%	92%	99%	88%	98%	90%	97%	100%	69%	86%
The staff turnover rate (involuntary)														
	0%	4%	2%	17%	2%	8%	1%	12%	2%	10%	3%	0%	31%	14%

Our employees' wellbeing is tracked by:
- **Individual discussions between employees and immediate superiors;**
- **A survey of all employees;**
- **Calls to the helpline.**

We maintain active dialogue and open feedback-based communication with all our employees via the Employee Helpline. This communication channel is accessible to all employees, and calls are answered and investigated to find the most appropriate solutions.

The main reason why Sphera Group employees leave the organisation is to change the field of work or the country, aligning their professional direction with ongoing or completed studies, and of aligning the income earned with estimated expectations or even aligning the specifics of the work with their personal style.

During the reported year, within Sphera Group, there were 2% disciplinary dismissals, generated by the following cases: absences without leave or the violation of the working hours, violent behaviour and theft.

To reduce the number of departures, various steps have been taken within Sphera Group to create better synergy between the time when new employees' join the Company and the continued experience as active employees. Operational and human resource-related processes have been updated and digitalised, such as: recruitment and selection, integration, training and development (so that any employee should have quick and easy access to all information needed for carrying out their work, both hard skills and soft skills), performance review, reward and appreciation, employee satisfaction monitoring, communication between the employee and the employer, as well as the decision to leave the Company. Thus, we are closer to employees in terms of retrieving information, investigating the level of satisfaction and solving situations that require improvement.

Appreciation is an important component of our relationships. We organised training sessions for all our managers and provided them with the necessary information to perform acts of appreciation constantly, coherently and specifically for individuals and groups.

We appreciate effective behaviours and results achieved, specific moments of celebration and especially coworkers with a 'big heart'.

There are several ways in which appreciation occurs at Sphera:
- Specific appreciation cards for various occasions;
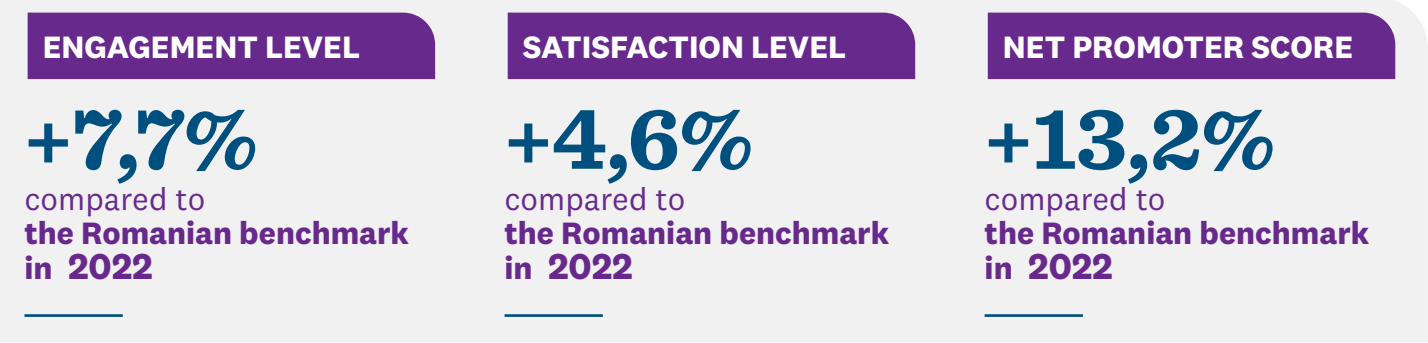- Offering a symbol of spring, beauty and appreciation in early March to all active female employees;
- Celebrating employees' birthdays and restaurant opening days;
- Celebrating results achieved;
- Celebrating the winning of internal competitions;

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- Giving "I believe in you" type of bonuses based on specific criteria, as a result of the anticipative appreciation of the potential manifested in fulfilling the responsibilities specific to the position held;
- Constantly informing employees through official communications, presentations and local meetings;
- Organising internal competitions centred around operational and creativity topics;
- Participating in international competitions organised within Yum! Brands.

In 2022 we continued the trend of salary increases and, given our desire to contribute to the wellbeing of our employees and their families, at the end of the year we decided to increase the amount of the meal voucher from 20 RON per day worked to 30 RON per day worked.

In addition to the financial benefits offered in 2022, described under **"Development and Increase of Employees Skills"**, we focused on improving the experience of new and current employees.

During the reported year, together with a partner that ensured respondents' anonymity and provided a benchmark for Romania in 2022, we conducted a study on employee satisfaction and commitment, which showed encouraging results, namely increases compared to previous years. 79% of our employees participated in this survey. Obviously, each Group company has its own results and personality, and at Sphera Group level the results obtained were as follows:

ENGAGEMENT LEVEL	SATISFACTION LEVEL	NET PROMOTER SCORE
+7,7%	**+4,6%**	**+13,2%**
compared to **the Romanian benchmark in 2022**	compared to **the Romanian benchmark in 2022**	compared to **the Romanian benchmark in 2022**

The results were above the Romanian average, which encourages us to continue our efforts.

In today's rapidly and constantly evolving working landscape, we recognise the importance of supporting employees who are carers. Whether that means caring for a child or for the medical needs of a family member, we understand and support the provision of childcare and sick leave services.

Total number of employees who benefited from parental leave

2021		2022	
170		**146**	
Women	Men	Women	Men
158	12	137	9
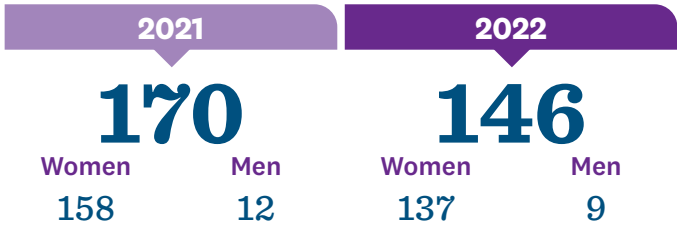
Total number of employees who returned from parental leave

2021		2022	
138		**133**	
Women	Men	Women	Men
120	18	126	7
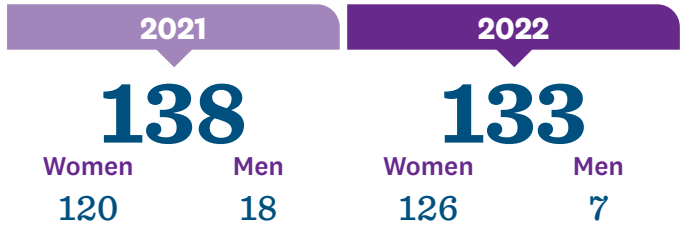
5.2 Community Engagement

Sphera undertakes to conclude partnerships with high school and university education institutions to support future generations regarding access to the labour market, initiation in career management and professional development. Thus, we can contribute to improving the quality of life and implicitly to generating a positive impact in the communities in which we operate.

Thus, in 2022, we had **216 internships** in Romania, whereby we allowed high schools and university students to discover the hospitality field.

Through volunteering programmes, community partnerships, educational initiatives, and employee engagement, companies can make lasting changes and can help address local challenges. By actively participating in community improvement, businesses become integral stakeholders, fostering a sense of pride among employees and establishing a positive brand reputation.

That is why, in 2022, we continued existing projects to support young people from disadvantaged communities, in collaboration with several associations, through KFC and Taco Bell brands. Specifically, we added support actions by offering menus and blankets to Ukrainian refugees, following the conflict started in late February. Food and blankets were provided by all Group brands: Sphera, KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell.

We continued supporting young people and their education through fundraising projects offered by customers in donation boxes available at cash registers in all KFC and Taco Bell restaurants across Romania, as well as through sponsorship from internal funds.

At USFN Italy, we are working on building the strategy for the years to come, to support and help the community in the long term. We have implemented the Harvest donation programme, but the impact of COVID and the international economic situation (the war in Ukraine and related consequences) is slowing down our future actions. The CSR Manager of USFN Italy works closely with the CSR Manager of Sphera Franchise Group and the franchisor (KFC Italy S.r.l.) to create and monitor medium and long-term targets. Adjustments to the management approach as a result of the assessment may include:

- Changes in the allocation of resources, objectives or targets;
- Specific actions aimed at improving performance;
- Identification of community engagement, the type of vulnerable groups considered and the way initiatives are grouped.

	Sphera	KFC Romania	Pizza Hut Romania	Pizza Hut Delivery Romania	Taco Bell Romania	KFC Moldova	TOTAL
Number of partner organisations							
	1	27	2	1	3	1	35
Total contribution for charitable organisations (RON)							
	14 500	1 053 463	40 374	10 590	45 111	3 717	1 167 755

The food donation programme, Harvest, continued in 2022 in its 37 restaurants nationwide, in collaboration with 10 associations. In May, we added another restaurant in Bucharest. The amount of food donated from the 38 restaurants throughout the year was 6 973 kg.

2021

8 400 kg
of donated food

2022

6 973 kg
of donated food

In 2022, we supported several associations by offering products, cash donations and blankets to Ukrainian refugees. The supported associations include the Institute of Good Deeds, SOS Children's Villages, World Vision, the Concordia Humanitarian Organisation etc.

20 000 euros were donated to Habitat for Humanity Romania as part of a project developed by this association to help Ukrainian refugees, which provided emergency support (accommodation, food), with further actions to be implemented in the long term to include them in the programmes of the association.

10 000 euros were directed to SOS Children's Villages, which planned a series of social efforts, including the preparation of approximately 130 accommodation places. For these spaces, priority is given to vulnerable groups, i.e. children from SOS Ukraine, children from foster homes in Ukraine and children

accompanied by their mothers. Moreover, along with several associations – the CONCORDIA Humanitarian Organization, the A Hot Meal Association in Cluj, the Oradea Youth Empowerment and Development Association (ARDT), the Good Romanians Association and the Romanian Hotel and Restaurant Employers' Organisation (HORA), Sphera Franchise Group offered refugees from specially set-up centres 10 000 menus with products freshly prepared in all portfolio brand restaurants – KFC, Pizza Hut and Taco Bell.

We are aware that volunteering programmes are a tangible way in which companies can prove their

commitment to the community. By encouraging employees to volunteer, companies can contribute to various causes, such as environmental conservation, education, poverty reduction or healthcare initiatives.

In 2022, 100 employees from KFC Romania and 100 employees from Sphera were involved in volunteering actions. The total number of hours worked in this area was 100 for KFC Romania, and in the case of Sphera, each of the 100 volunteers spent 5 hours volunteering, resulting in a total of 600 hours of volunteering for both companies.

KFC ROMANIA

RON **227 037**
for
youth development programmes

KFC ROMANIA

RON **157 811**
for
education programmes

SPHERA

RON **14 500**
for
environmental programmes

5.3 Customer Satisfaction

Consumers have the right to expect the food they buy to be safe and of high quality, and the restaurant environment to be safe and risk-free. We ensure that our practices comply with all current food standards, and we are always focused on finding solutions to any problems that may arise.

Each member of our team is dedicated to meeting and even exceeding customer expectations, thus ensuring service referred to in our industry as Customer Mania. Service complies 100% with CHAMPS (Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality, Speed of Service) standards. A positive attitude is expressed differently in order to achieve the objectives for each CHAMPS standard, which is one of employees' main responsibilities. To monitor the quality of our services from customers' perspective, we use different systems to manage and assess customer satisfaction, such as:

- **GES (Guest Experience Survey):** a digital platform where our customers can leave suggestions or complaints about the quality of products and services offered after a visit in our restaurants. The parameters monitored include: overall satisfaction, the taste of the food, the speed of service, the accuracy of the order, the staff's friendliness, general cleanliness, potential issues identified and their resolution.

- **PARTOO:** a digital platform of Google My Business, which offers the possibility to manage certain complaints received from our customers in real time and facilitates the connection with them.

We reward any customer who accesses the GES platform and answers our questions by offering them a complimentary product on their next order. Such actions generated a great deal of response,

providing us with enough data to improve our services.

Sphera Group has a thorough approach to identifying and solving complaints, following an internal complaint resolution procedure. Users of these mechanisms are directly involved in the design, review, operation and improvement processes. To ensure the effectiveness of complaint resolution mechanisms, we constantly monitor the process and respond promptly and in a satisfactory manner to all complaints received.

Customer satisfaction is also monitored through GES by the Customer Care Department, which takes over and responds to all complaints received on every channel, such as social media, the addresses: contact@kfc.ro, contact@pizzahut.ro, contact@pizzahutdelivery.ro, contact@taco-bell.ro or through the Call Centre service.

The complaint resolution procedure is structured by category. Category 1 complaints are resolved immediately at restaurant level, while Category 2 complaints require the involvement of managers on duty or the internal Customer Care Department.

In both cases, Sphera Group pays utmost attention to complaints received, and shows concern about the incident, collects the necessary information and evidence and appreciates the feedback received.

Category 1:

These are customer complaints that can be solved immediately at restaurant level by a team member (wrong orders, improper packaging, product quality, inhospitable service, order delays).

Category 2:

Category 2 complaints are more serious ones that have to be addressed and resolved by the manager on duty, RGM (Restaurant General Manager) or the internal Customer Care Department and have to do with cases such as getting sick from the food or food poisoning, food contamination, foreign objects found in the food, accidents, injuries or trauma and any Category 1 complaint for which the complainant requests the involvement of the management.

Moreover, Sphera guarantees data confidentiality and caller anonymity, thus ensuring a transparent and responsible attitude towards the issues raised. The Company is committed to ensuring the proper

implementation and management of good corporate governance, which respects its values and principles and brings added value to the entire system in which it operates.

In 2022, we registered 6 120 complaints received through various customer communication channels.

The number of complaints

2021	2022
KFC Romania	
4 963	5 300
Pizza Hut & Pizza Hut Delivery Romania	
999	469
Taco Bell Romania	
187	351

At Sphera, we pay special attention to resolving all complaints and we ensure that they are handled with top priority. Moreover, we are committed to providing complete and timely responses to all stakeholders involved.

The number of official responses

2021	2022
KFC Romania	
16	30
Pizza Hut & Pizza Hut Delivery Romania	
3	2
Taco Bell Romania	
1	0

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Declaration of Use

Sphera Franchise Group reported in accordance with GRI Standards for the period from 1 January 2022 to 31 December 2022

GRI 1 used

GRI 1: Foundation 2021

Applicable GRI sectoral standards

N/A

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION*			GRI sectoral standard ref.*
			Omitted requirement(s)	Reason	Explanation	
General Disclosures						
GRI 2: General Disclosures - 2021	2-1 Organizational details	7				
	2-2 Entities included in the organization's sustainability reporting	4				
	2-3 Reporting period, frequency and contact point	4				
	2-4 Restatements of information	4				
	2-5 External assurance	4				

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION*			GRI sectoral standard ref.*
			Omitted requirement(s)	Reason	Explanation	
GRI 2: General Disclosures - 2021	2-6 Activities, value chain and other business relationships	23, 43				
	2-7 Number of employees by type of employment contract	76				
	2-8 Workers who are not employees	75				
	2-9 Governance structure and composition	14, 15				
	2-10 Nomination and selection of the highest governance body	14				
	2-11 Chair of the highest governance body	14				
	2-12 Role of the highest governance body in overseeing the management of impacts	15				
	2-13 Delegation of responsibility for managing impacts	15, 16				
	2-14 Role of the highest governance body in sustainability reporting	16				
	2-15 Conflicts of interests	13, 16				
	2-16 Communication of critical concerns	16, 21				
	2-17 Collective knowledge of the highest governance body	16				
	2-18 Evaluation of the performance of the highest governance body	16				
	2-19 Remuneration policies	16				
	2-20 Process to determine the remuneration	16				
	2-21 Annual Total Compensation Ratio	–	Omitted requirement	Confidentiality-related constraints	Salary information is internal, and companies ensure and guarantee respect for the confidentiality of employees' personal information through the Code of Conduct applicable at Group level (see the chapter on The protection of privacy and confidentiality of the Code of Conduct)	
	2-22 Statement on the Sustainable Development Strategy	5				
	2-23 Policy commitments	13				
	2-24 Embedding policy commitments	16				
	2-25 Processes to remediate negative impacts	13, 21				
	2-26 Mechanisms for seeking advice and raising concerns	13, 93				
	2-27 Compliance with laws and regulations	19				
	2-28 Associations and affiliations	24				
	2-29 Approach to stakeholder engagement	36, 37				
	2-30 Collective bargaining agreements	83				

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GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION* Omitted requirement(s)	Reason	Explanation	GRI sectoral standard ref.*
Material Topics						
GRI 3: Material topics – 2021	3-1 Process to determine material topics	29				
	3-2 List of material topics	30-33				
ABOUT THE COMPANY						
Corporate Governance						
GRI 3: Material topics – 2021	3-3 Management of material topics	12				
GRI 201: Economic performance – 2016	201-1 Direct economic value generated and distributed	10, 11				
GRI 205: Anti-corruption – 2016	205-1 Operations assessed to identify the risks associated with the provisions of the Code of Conduct	17				
	GRI 205-2 Communication and training about anti-corruption policies and procedures	17				
	205-3 Confirmed incidents of corruption and actions taken	13				
GRI 206: Anti-competitive behaviour – 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	18				
GRI 207: Taxation – 2019	207-4 Country-by-country reporting	7, 10, 12				
SASB - Restaurants – the 2018-10 Version	FB-RN-000.A Number of (1) Company-owned and (2) franchise restaurants	10				
	FB-RN-000.B Number of employees at (1) Company-owned and (2) franchise locations	11				
Compliance and Risk Management						
GRI 3: Material topics – 2021	3-3 Management of material topics	18				
GRI 201: Economic performance – 2016	201-2 Financial implications and other risks and opportunities due to climate change	20, 21				
Innovation and Digitalization						
GRI 3: Material topics – 2021	3-3 Management of material topics	45				
Non-GRI	Number of digital menu boards	45				
Non-GRI	Number of digital ordering kiosks	45				
	Number of innovative marketing campaigns	45				
	Number of Click & Collect stations	45				
Continuity and balance across the supply chain						
GRI 3: Material topics – 2021	3-3 Management of material topics	50				
GRI 414: Social assessment of suppliers – 2016	414-1 New suppliers that were screened using social criteria	50				
Diversity across the supply chain						
GRI 3: Material topics – 2021	3-3 Management of material topics	49				
GRI 204: Procurement practices – 2016	204-1 Proportion of spending on local suppliers	49				
GRI 308: Environmental assessment of suppliers – 2016	308-1 New suppliers that were screened using social criteria	49				
Cybersecurity						
GRI 3: Material topics – 2021	3-3 Management of material topics	22				
GRI 418: Customer confidentiality – 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	22				
OUR PRODUCTS						
Responsible Marketing						
GRI 3: Material topics – 2021	3-3 Management of material topics	44				
GRI 417: Marketing and labelling – 2016	417-3 Incidents of non-compliance concerning marketing communications	44				
SASB - Restaurants – Nutritional information	FB-RN-260a.3 The number of advertising impressions made for children	44				
Information Accuracy and Communication						
GRI 3: Material topics – 2021	3-3 Management of material topics	46				

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION Omitted requirement(s)	Reason	Explanation	GRI sectoral standard ref.*
GRI 417: Marketing and labelling – 2016	417-1 Requirements for product and service information and labelling	46				
	417-2 Incidents of non-compliance concerning product and service information and labelling	46				
Traceability across the Supply Chain						
GRI 3: Material topics – 2021	3-3 Management of material topics	47				
GRI 414: Social assessment of suppliers – 2016	414-2 Negative social impacts in the supply chain and actions taken	47				
Ethical Procurement across the Supply Chain						
GRI 3: Material topics – 2021	3-3 Management of material topics	48				
GRI 308: Environmental assessment of suppliers – 2016	308-1 New suppliers that were screened using environmental criteria	48				
	308-2 Negative environmental impact in the supply chain and actions taken	48				
GRI 414: Social assessment of suppliers – 2016	414-1 New suppliers that were screened using social criteria	48				
	414-2 Negative social impacts in the supply chain and actions taken	48				
SASB: Restaurants – Supply chain management	FB-RN-430a.3 Discussing the strategy for managing social and environmental risks across the supply chain, including animal welfare	48				
Food Quality and Safety						
GRI 3: Material topics – 2021	3-3 Management of material topics	50				
GRI 416: Customer health and safety – 2016	416-1 Assessment of the health and safety impacts of product and service categories	51				
	416-2 Incidents of non-compliance concerning health and safety impact of products and services	52				
SASB: Restaurants – Food safety	FB-RN-250a.1 (1) Percentage of restaurants inspected by a food safety supervisory body, (2) Percentage of restaurants with critical violations	51				
	FB-RN-250a.2 (1) Number of recalls issued and (2) Total amount of food recalled	52				

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION Omitted requirement(s)	Reason	Explanation	GRI sectoral standard ref.*
CARE FOR THE ENVIRONMENT						
Energy						
GRI 3: Material topics – 2021	3-3 Management of material topics	55				
GRI 302: Energy - 2016	302-1 Energy consumption within the organisation	56, 57				
	302-4 Reduction of energy consumption	57				
SASB: Restaurants – Energy management	FB-RN-130a.1 (1) The total energy consumed, (2) the percentage of electricity grid, (3) the percentage of renewable sources	55, 56				
GRI 303: Water – 2016	303-1 Interactions with water as a shared resource	61, 62				
	303-2 Management of water discharge-related impacts	61				
	303-5 Water consumption	61				
Efficient Transport and Timely Delivery						
GRI 3: Material topics – 2021	3-3 Management of material topics	58				
GRI 302: Energy – 2016	302-1 Energy consumption within the organisation	59				
	302-4 Reduction of energy consumption	59				
The Circular Economy, Waste Recovery and Recycling						
GRI 3: Material topics – 2021	3-3 Management of material topics	63				
GRI 306: Waste – 2020	306-1 Waste generation and significant waste-related impacts	63				
	306-2 Management of significant waste related-impacts	63				
	306-3 Waste generated	64, 65				
	306-4 Waste diverted from disposal	66				
	306-5 Waste directed to disposal	66				
GRI 301: Materials – 2016	301-1 Materials used by weight or volume	67				
	301-3 Reclaimed products and their packaging materials	68				
SASB: Restaurants – Food and packaging waste management	FB-RN-150a.1 (1) Total amount of waste, (3) Percentage diverted from disposal	66				
	FB-RN-150a.2 (1) Total weight of the packaging, (2) Percentage obtained from recycled and/or renewable materials, and (3) Percentage that is recyclable, reusable and/or compostable	67, 68				

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION* Omitted requirement(s)	Reason	Explanation	GRI sectoral standard ref.*
Food Waste						
GRI 3: Material topics – 2021	3-3 Management of material topics	69				
GRI 306: Waste – 2020	306-1 Waste generation and significant waste-related impacts	69				
	306-2 Management of significant waste-related impacts	69				
SASB: Restaurants – Food and packaging waste management	FB-RN-150a.1 (2) The percentage of food waste of the total amount of waste generated	69				
Carbon Emissions and Climate Impact						
GRI 3: Material topics – 2021	3-3 Management of material topics	70				
GRI 305: Emissions – 2016	305-1 Direct (Scope 1) GHG emissions	70				
	305-2 Energy indirect (Scope 2) GHG emissions	70				
	305-3 Other indirect (Scope 3) GHG emissions	70				
	305-4 GHG emissions intensity	71				
	305-5 Reduction of GHG emissions	71				
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Diversity and Human Rights						
GRI 3: Material topics – 2021	3-3 Management of material topics	77				
GRI 202: Market presence	202-1 Ratios of standard entry level wage compared to local minimum wage	78				
	202-2 Proportion of senior management hired from the local community	80				
GRI 405: Diversity and equal opportunities – 2016	405-1 Diversity of governance bodies and employees	79, 80				
	405-2 Ratio of basic salary and remuneration of women to men	77				
GRI 406: Non-discrimination – 2016	406-1 Incidents of discrimination and corrective actions taken	78				
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GRI 3: Material topics – 2021	3-3 Management of material topics	80				

GRI standard reference/ alternative source	GRI information element number and name	Page	OMISSION* Omitted requirement(s)	Reason	Explanation	GRI sectoral standard ref.*
GRI 403: Health and safety at work – 2018	403-1 Occupational health and safety management system	81				
	403-2 Hazard identification, risk assessment and incident investigation	81				
	403-3 Occupational health services	81				
	403-4 Worker participation, consultation and communication on occupational health and safety	81				
	403-5 Worker training on occupational health and safety	81				
	403-6 Promotion of worker health	82				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relations	82				
	403-9 Work-related injuries	82				
	403-10 Work-related ill health	82				
Employee skill development						
GRI 3: Material topics – 2021	3-3 Management of material topics	83				
GRI 401: Employment – 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	83				
GRI 404: Training and education – 2016	404-1 Average hours of training per year per employee	85, 86				
	404-2 Programs for upgrading employee skills and transition assistance programmes	83, 84				
	404-3 Percentage of employees receiving regular performance and career development reviews	86				
Employee Satisfaction and Wellbeing						
GRI 3: Material topics – 2021	3-3 Management of material topics	87				
GRI 401: Employment – 2016	401-1 New employee hires and employee turnover	88				
	401-3 Parental leave	90				
SASB: Restaurants – Work practices	FB-RN-310a.1 (1) Voluntary and (2) Involuntary turnover rate for restaurant employees	88				

| GRI standard reference/ alternative source | GRI information element number and name | Page | OMISSION* | | | GRI sectoral standard ref.* |
			Omitted requirement(s)	Reason	Explanation	
Community Engagement						
GRI 3: Material topics – 2021	3-3 Management of material topics	91				
GRI 413: Local communities – 2016	413-1 Operations with local community engagement, impact assessments and development programmes	92				
Non-GRI	Total number of employees involved in volunteering programmes	92				
	Total number of volunteering hours	92				
Customer Satisfaction						
GRI 3: Material topics – 2021	3-3 Management of material topics	93				
Non-GRI	Number of notices received from customers	94				
	Number of views drawn up	94				

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