



# OPTIONS GRANT PLAN FOR SPHERA DIRECTORS

- YEAR 2023 -

## 1. General matters

Based on and in accordance with the terms of this plan (the "Plan"), as part of the variable remuneration, the directors of Sphera Franchise Group S.A. ("Sphera" or the "Company") will be able to receive, free of charge, shares issued by Sphera.

The purpose of the Plan is to reward the Company's directors for their contribution to the development of the Company's activity and, in general, to the increase of the Company's profitability, as well as to encourage them to focus on creating long-term value for Sphera.

## 2. Eligible Directors\*

The directors of the Company (within the meaning of the provisions of Article of 143 of Law no. 31/1990 regarding the Companies, as amended and supplemented at the date hereof) who have exercised the position of *Director* under a mandate contract concluded with the Company for a minimum duration of 12 months prior to the Grant Date, as defined below (hereinafter referred to as the "Eligible Directors").

In the case of directors whose term of office is less than 12 months prior to the Grant Date, the Options will be granted in proportion to the number of months in the relevant period in which they have exercised the position of directors of Sphera.

*\* throughout this document, references to "director/s" shall be read and interpreted as "manager/s" in order to avoid confusion with the director/s of the Company (member/s of the Board of Directors)*

## 3. Granting of Options

In accordance with the terms and conditions of this Plan, Eligible Directors are each granted an option (the "Option") consisting of the right to acquire, free of charge, a number of ordinary shares (the "Shares") issued by Sphera subject to the fulfillment of the terms and conditions set out in the Plan. The shares shall be free of any encumbrances/rights established in favor of any third persons.

The granting of the Options is conditioned by (cumulative):

- (i) approving Sphera's financial statements for the reference period, and
- (ii) meeting the Performance Criteria, according to Section 6.

The Board of Directors of Sphera will decide the date (s) on which the Options will be awarded during the year 2023 (the "Grant Date"). The Grant Date shall not be later than 31.05.2024.



The total number of Shares to be the subject of the Plan shall be limited to 70,525 Shares, consisting of Sphera shares redeemed on the basis of a redemption program(s) approved and implemented in accordance with the legal provisions.

#### 4. Exercise of Options, allocation and Share transfer

The exercise of an Option represents the written request addressed to Sphera by an Eligible Director to be allocated the Shares to which they are entitled under the provisions of this Plan.

Eligible Directors will be able to exercise the Option only if (cumulatively):

- (i) a period of 12 months has elapsed since the Grant Date; and
- (ii) has not occurred any of the cases of expiration/ termination of the effects of the Option indicated in Section 5 below.

Subject to the fulfillment of the above requirements, the exercise of the Option may be performed on the first working day of the calendar month following that in which the above 12-month deadline has been met (the “**Option Exercise Date**”) from the Grant Date. Shares related to the Option exercised by each Eligible Director will be transferred to such Eligible Director in 3 (three) equal annual installments as follows (each date on which each term below is met, a “**Vesting Date**”):

- a. 1<sup>st</sup> installment - 40% of the total number of Shares due to the Eligible Director for which the Option was exercised - within no more than 30 days from the Option Exercise Date.
- b. 2<sup>nd</sup> installment - 30% of the total number of Shares for which the Option was exercised due to the Eligible Director - within no more than 12 months from the Option Exercise Date.
- c. 3<sup>rd</sup> installment - 30% of the total number of Shares for which the Option was exercised due to the Eligible Director - within no more than 24 months from the Option Exercise Date.

Notwithstanding the above provisions regarding the exercise of the Option and the transfer in installments of the Shares for which the Option was exercised, in the event that, during a financial year, the mandate contract of an Eligible Director terminates by reaching the term, by unilateral denunciation by the Company or as a result of unilateral denunciation by the Eligible Director, the Option will be exercised automatically on the working day immediately following the Grant Date, and the Director is entitled to receive Shares in proportion to the period of the financial year in which he exercised the duties of Director even if on the date of (a) the evaluation, (b) the determination of the due variable remuneration, (c) the allocation of the options, (d) the exercise of the Options or (e) the acquisition of the Shares, he is no longer a Director; in such a case the transfer of the Shares will be carried out in full, without installments, within 12 months from the exercise of the Option (the date on which this term is fulfilled, the “**Vesting Date**”).

In each case described above, the actual transfer of the Shares allocated to/acquired by each Eligible Director will be carried out by Central Depository S.A. according to its own rules, based on the instructions and documents submitted by Sphera in order to carry out the transfer (the date of each such transfer being the date of acquisition of the related Shares). Sphera will do all the diligence for each transfer of Shares in the Sphera shareholders' register to take place on the Vesting Date.



## 5. Expiration of Options. Forfeiture of Option rights

Eligible Directors may not transfer the Options or any rights in connection therewith and may not establish burdens or rights over them in favour of any person; this prohibition does not prevent the transmission of an Option to legal successors in the event of the death of the Eligible Directors.

Similarly, prior to the Vesting Date, Eligible Directors may not transfer Shares allotted pursuant to the exercise of the Option in respect of which no transfer of ownership of the Shares has been effected in the register of shareholders pursuant to Section 4 above or any rights in relation thereto and may not create liens or rights thereto in favor of any person; this prohibition shall not prevent the transfer of the right to acquire Shares in respect of the Option exercised to legal successors in the event of the death of the Eligible Directors.

The option will expire/cease to automatically produce effects, and the Eligible Director shall forfeit the right to acquire Option Shares under the terms and conditions of the Plan whether the Option has been exercised at that time, as follows:

- (i) on the date of the justified termination of the mandate contract of the respective Eligible Director by the Company,;
- (ii) on the date when any breach of the prohibition to transfer the Option or to establish rights in favour of any person has occurred over/ in connection with it;
- (iii) on the date of application of a criminal or contravention sanction to the Company, if the respective sanction is directly attributable to the respective Eligible Director;
- (iv) when Sphera finds fraud involving that Eligible Director, if the fraud is related to the Eligible Director's work in the Company and is found in an internal audit conducted by Sphera in case of reclassification or amendment of the financial statements related to the reference period - on the date when Sphera's Board of Directors found that, as a result of these events, the Option was not required to be granted;
- (v) on the date of expiry of a period of 12 months from the death of the Eligible Director, if their legal successors have not exercised the Option within that period, according to Section 9;
- (vi) when Personal Events occur - at the end of a period of 90 days after the occurrence of the event, if the Option has not been exercised within this period, as indicated in Section 9.

An Option cannot be exercised by an Eligible Director whether or not the Option Exercise Date has occurred::

- (i) during any legal proceedings brought by Sphera against them;
- (ii) if Sphera finds that there is a breach of the Eligible Director's management agreement that is a potential reason for termination of the directors' position in the Company;
- (iii) if it is found that the Eligible Director has breached a fiduciary duty towards the Company;

- (iv) if the exercise of the Option is prohibited by legal provisions (including codes or other internal rules issued by Sphera or acts of individual character or guidance issued by regulatory bodies/authorities).

Eligible Directors shall not be entitled to claims, prejudices or damages for any loss relating to the Options or the Plan if such loss results (or is alleged to result), in whole or in part, from the expiration or, as the case may be, the impossibility of exercising the Options or forfeiture of the rights to acquire Shares, in accordance with the foregoing paragraphs.

The Company shall be obliged to notify the respective Eligible Director or his successors if an Option is to expire, at least 15 calendar days prior to the expiry date.

## 6. Performance criteria

### (a) Financial criteria:

- (i) Group's normalized net profit: RON 83.4mn.
- (ii) Group's normalized EBITDA: RON 162.6mn.
- (iii) Group's sales: RON 1600.3 mn.
- (iv) Group's cash flow (free cash flow): RON 71.1
- (v) Positive YoY share price variationAnnual dividend payment: RON 65mn

### (b) Non-financial criteria - if stipulated in the mandate contracts of the Eligible Directors:

- (i). Social impact and sustainability of Group operations (such as environment, safety and engagement).
- (ii). Management of strategic projects (such as business development projects, *turnaround management* and increasing the Company's profitability, significantly improving processes, improving existing franchise contracts, developing new markets and/ or products).

The degree of fulfilment of the Non-financial Criteria shall be assessed for each Eligible Director, by the Nomination and Remuneration Committee, on an individual score basis (scale from 1 - minimum to 10 - maximum).

Furthermore, even if the financial and/ or non-financial criteria were not met, Sphera's Board of Directors may decide to grant the Options under this Plan within the limits set out in the Sphera Remuneration Policy applicable at that time if (cumulatively):

- (i) exceptional circumstances (such as economic and financial crisis situations, force majeure situations, significant legislative changes, etc.) were recorded in the reference year,
- (ii) those circumstances would make it impossible to apply the financial and non-financial criteria under conditions of low predictability of economic development and consequently of changes in the approved revenue and expenditure budget,

(iii) the granting of Options does not jeopardise the viability and sustainability of Sphera's business.

By contrast, even if the above financial and/ or non-financial criteria were met, Sphera's Board of Directors may nevertheless decide to postpone the timing of the exercise of the Options by the Eligible Directors if (cumulatively):

- (i) Sphera does not have sufficient resources to continue its work in good condition,
- (ii) The Board of Directors of Sphera shall state in writing the reasons for the need for postponement.

In case of deferral, the exercise of the Option will be carried out during the following financial years, subject to the availability of financial resources for this benefit. The Board of Directors of Sphera shall determine the new Exercise of Option Date and communicate it to the Eligible Directors; the provisions of Section 4 shall apply accordingly.

## **7. Share Grant Limits**

The actual number of Shares to be granted to each Eligible Director shall be determined by the Board of Directors of Sphera, by reference to the following:

- (i) Performance Criteria indicated in Section 6 above;
- (ii) The total amount of variable remuneration (cash and Shares) due to an Eligible Director shall not exceed 100% of the gross amount of its annual fixed remuneration, unless otherwise provided by the mandate contract of the Eligible Directors;
- (iii) The amount of variable remuneration based on Shares under this Plan shall represent a percentage in the range of 50%-75% of the total amount of variable remuneration due to the respective Eligible Director.

## **8. Tax liabilities**

Each management agreement shall include the consent of the Eligible Director to pay to the Company the amount of any Tax liability (as defined hereunder).

Eligible Directors shall not be entitled to clearing or damages for any Tax liability arising out of or increased (or alleged to result in or be increased) in whole or in part in connection with the Shares following their transfer to such Eligible Director.

For the purposes of this Section:

**“Tax liability”** means income tax, withholding tax and social security contribution for which Sphera is or may be held liable (or reasonably considers that it is or may be held liable) as a result of any Taxable Event;

**“Taxable Event”** means any event or circumstance giving rise to an obligation for the Eligible Director to pay income tax, compulsory social security contribution or any other payment required under any statutory provision, in connection with:

- (a) The option, including exercising, assigning or waiving it in exchange for a price, or receiving any benefit in connection therewith; or
- (b) any Shares (or other securities or assets) that are (i) designated to satisfy the Option in the event of its exercise; (ii) acquired as a result of the exercise of the Option; or (iii) acquired in consideration of giving up the Option; or
- (c) any securities (or other assets) acquired or designated as a result of holding the Shares (or other securities or assets) referred to in paragraph (b) above.

#### **9. Exceptional events**

In the event of the death of an Eligible Director on or before the expiration of a period of 12 months from the Grant Date, the number of Shares that will result from the exercise of the Option shall be calculated on the basis of the formula:  $N \times (X/365)$  where:

$N$  = the number of Shares to which the Eligible Directors would have been entitled if the death had not occurred on or before the expiration of the 12-month term;

$X$  = the number of days between the Grant Date and the date of death.

In the event of the death of an Eligible Director as aforesaid, the successors will be able to exercise the option on the number of Shares resulting from the application of the above formula within 12 months from the date of death; The option will not be exercised after the expiration of this term.

The above provisions also apply if the mandate contract of an Eligible Director ceases, after the Grant Date, for any of the following reasons ("Personal Events"):

- (a) injury;
- (b) sickness,
- (c) disability, in which case the Option may be exercised (according to the formula above) within 90 days of the occurrence of the relevant event.

Notwithstanding the provisions of Section 4, in all cases described in this Section, Sphera shall require the Central Depositary S.A. to effect the transfer of Shares pursuant to the exercise of the Option as aforesaid for all Shares for which the Option has been exercised (without installments) within a reasonable time after the Option Exercise Date.

#### **10. Convert Options to Cash**

If on any Vesting Date the Company does not hold a total number of its own Shares at least equal to the number of Shares allocated to the Eligible Directors for that installment following the exercise of the Option, Sphera shall pay to each Eligible Director an amount (gross) calculated according to the following formula:  $S = N \times P \text{ RON}$

where:



S = the amount of cash due to each Eligible Director

N = the number of Shares to which each Eligible Director would have been entitled on the relevant Vesting Date  
P= the average market price of the shares issued by Sphera for the 12-month period immediately preceding the relevant Vesting Date;

The amount (S) net of any withholding taxes will be paid by Sphera to each Eligible Director within 2 (two) months from the respective Vesting date.

### **11. Special provisions**

If during the period between the Option Grant Date and any Vesting Date, the Company experiences corporate events impacting the share capital structure or the market price of the Shares, the conversion rate between Options and Shares, i.e. the number of Shares transferred on each Vesting Date, will be automatically adjusted according to the type of corporate event and the specific automatic adjustment algorithm used by the Bucharest Stock Exchange and the Central Depository.

### **12. Applicable Law and Jurisdiction.**

The Plan and any dispute or claim arising out of or in connection with it shall be governed by and construed in accordance with Romanian law. Any dispute in connection with this Plan shall be subject to the jurisdiction of the competent Romanian courts.

### **13. Costs**

The Company shall bear all costs involved in the implementation of the Plan for the Eligible Directors, except for those that fall exclusively under the responsibility of the Eligible Directors.