

## **The Remuneration Policy within the Sphera Group**

**Update 2021**

### **I. Preamble**

Sphera Franchise Group SA (hereinafter referred to as the “Company” or “Sphera”) has adopted a Remuneration Policy (hereinafter referred to as the “Remuneration Policy”) since the listing of the company in 2017, a policy approved by way of Decision no. 2/15.09.2017 of the Extraordinary General Meeting of the Shareholders, and which was applied throughout this period. It was designed to facilitate the fulfilment of the company’s medium-term development objectives, as set out in the issue prospectus and which essentially provided for doubling the company’s turnover by opening a number of restaurants each year between 2017 and 2022. In 2022, the multiannual strategy for the next period and consequently a revised Remuneration Policy shall be adopted. For this reason, the Board of Directors has adopted the solution of an update of the existing Remuneration Policy in order to comply with the new legal requirements. Consequently, this document includes only further details of the Remuneration Policy applied for four years within the company and does not constitute a substantial amendment or revision of the original policy.

The basis for updating this Remuneration Policy adopted by the Extraordinary General Meeting of the Shareholders of Sphera in 2017 are the legislative amendments recently introduced in the Romanian legislation, through the provisions of Law no. 158/2020 for the amendment, completion and repealing of certain legislative acts, as well as for the establishment of certain measures for the application of Regulation (EU) 2017/2.402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/UE and Regulations (EC) no. 1.060/2009 and (EU) no. 648/2012 (hereinafter referred to as, “Law no. 158/2020”).

### **II. Introduction**

The Remuneration Policy of the Sphera Group consisting of Sphera Franchise Group SA and its subsidiaries (hereinafter referred to as the “Group” or “Sphera Group”) established a set of rules regarding the remuneration structure of the managers of the Company and of the subsidiaries, in accordance with the shareholders’ interests, with the Company’s medium and long-term development objectives, with the best practice of this industry, as well as with the values and resources of the organisation.

The Company’s managers are: (i) the members of the Board of Directors and the members of the Advisory Committees within the Board of Directors, and (ii) the executive managers of Sphera Franchise Group SA and of their subsidiaries.

The Remuneration Policy takes into account the nature, size and complexity of the Company’s economic activity, the type of services it provides to customers and the customer

profile, the operational and investment strategies necessary to obtain the results approved by shareholders. At the same time, the Remuneration Policy takes into account the Company's available resources, the adequate management of the risks undertaken by its managers, the avoidance of conflicts of interest, loyalty, diligence and exclusive provision of the managerial activity within the Group, as well as the priority of protecting the shareholders' and the Group's interests. The market in which Sphera and its subsidiaries operate is highly competitive, so the purpose of this Policy is to attract, recruit, keep, recognise the effort and motivate experienced people as members of the Board of Directors and/or as members of the Group's management structures, in order to ensure a complex and growing business strategy and to ensure the continuity and profitability of the Group's business, as well as maximum returns for shareholders. The main responsibility for the endorsement, submission for approval and proper application of the Remuneration Policy belongs to the Board of Directors.

### **The Main Principle**

The main principle of the Remuneration Policy is to ensure motivation, operational continuity and the achievement of a maximum level of profitability, a retention plan and the attraction of professional skills, as well as the fair rewarding for the activity performance in accordance with plus the value created for shareholders and the Group.

### **The Structure of the Remuneration**

Sphera Franchise Group exercises the remuneration of its managers in two (2) types of remuneration, namely fixed and variable remuneration. While the fixed remuneration is established and is based on the competitive level of the market for similar positions in this industry and/or similar companies, the variable remuneration is established depending on the macroeconomic environment existing in that period and the specific objectives of each period and is granted following certain procedures in direct relation with the profitability and the results obtained in the current activity, with the requirements of continuity and sustainability of the company's activity, as well as with the company's resources at the time.

In the case of the executive management, the main principle aims at the continuity and profitability of the Group's business by achieving the annual and strategic objectives in the medium and long-term in the Company's current activity, while in the case of non-executive members of the Board of Directors is concerned the strategic component, the one of compliance with the ethical and legal rules and the one regarding the ongoing supervision of the achievement of the annual and strategic objectives in the medium and long-term in the Company's current activity by the executive management, as well as the compliance of the executive activity with the company's internal and external rules.

In both cases, the responsibility, loyalty and diligence towards the Group and towards the Company, towards the fundamental values of the Group, namely the legal, economic, professional, social and ethical values of the Group and towards its employees and collaborators represent an essential element in determining individual performance.

Thus, the Remuneration Policy distinguishes mainly between (i) the remuneration system with the fixed component and the variable annual component depending on performance applicable to the executive management and (ii) the fixed component and the variable component depending on the number of meetings of the Advisory Committees of the Board of Directors, applicable to the non-executive members of the Board of Directors. The non-executive members of the Board of Directors do not receive a variable component related to the achievement of the budget.

## **The Variable Remuneration in Shares**

Sphera may grant to the executives up to 50% of the variable component in the form of shares or stock options. The procedure for allocating and calculating the annual value must be approved by the General Meeting of the Shareholders of Sphera.

### **III. The Remuneration of the Board of Directors**

The Members of the Board of Directors receive a fixed, monthly allowance, amounting to EUR 4,000 net, according to the last decision of the Ordinary General Meeting of the Shareholders no. 1 dated 28.04.2021. To this is added a variable remuneration in the form of a meeting allowance amounting to EUR 300 net for the directors who are also members of the two Advisory Committees of the Board of Directors, namely the Audit Committee and the Nomination and Remuneration Committee, but the aggregate of which cannot exceed annually the amount of EUR 1,800 net. Currently, 4 members of the Board of Directors are also members of an Advisory Committee, and one member of the Board of Directors is a member of 2 Advisory Committees.

The remuneration actually paid to the members of the Board of Directors is presented annually in the Remuneration Report.

### **IV. The Remuneration of the Members of the Executive Management**

The members of the executive management are the following managers, to whom the executive management has been delegated by the Board of Directors: the Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer, the Chief Development Officer, and the Chief Marketing Officer of Sphera, as well as the General Managers of the subsidiaries.

The officers/managers mentioned in the previous section also benefit, according to the Remuneration Policy adopted in 2017, and also according to the mandate agreements concluded with the company from a remuneration consisting of two (2) components: (i) fixed and (ii) variable, to which are added (iii) the benefits consisting of: car, annual benefit estimated at EUR 6,000 gross, daily travel allowance representing the equivalent of EUR 50 for travels abroad, EUR 25 for travels in the country, respectively, mobile phone with an assigned plan, medical and liability insurance, laptop/desktop, as appropriate.

The fixed component is established by direct negotiation upon the conclusion of the mandate contracts. The level of the fixed component paid each year can be found in the Remuneration Report.

The variable annual component shall not exceed 50% of the fixed annual component (the gross amount), except for the Chief Executive Officer who shall benefit of 60%.

50% of the annual gross variable remuneration may be granted in shares and shall be granted to the managers within 2 years from the end of the financial year and the achievement of the annual budgeted objectives and the criteria stipulated in the Remuneration Policy, having to hold these shares for a period of 1 year from the date of acquisition.

The annual level of the variable component is established by the Board of Directors, upon the recommendation of the Nomination and Remuneration Committee, after the approval of the financial statements of the previous year according to the following criteria:

- The variable remuneration is equal to 50% of the gross amount of the fixed remuneration, except for the General Manager who is entitled to 60%;
- The variable remuneration shall consist of the cash component (50%) and the shares component (50%) of the gross amount.

The main performance criteria are calculated by establishing the degree of achievement of the budget for the reference year approved by the Ordinary General Meeting of the Shareholders:

1. Normalised EBITDA, 40% share;
2. Adjusted net profit (adjusted with any: impairment, other risk provisions, normalised elements cascaded from EBITDA), 40% share;
3. Total sales, 20% share.

The performance criteria are valid for the financial years: 2021, 2022 and 2023 (pro-rata to the term of office).

The payment of the variable remuneration is made proportionally with the weighted percentage of fulfilment of the performance criteria (unconditioned by the individual level of fulfilment, min. 85% and max. 110%).

Conditions to be met when granting the variable component of remuneration:

- The person concerned must be employed when granting the right;
- The variable remuneration is granted until the 31<sup>st</sup> of May of the current year for the previous year contingent on the unreserved approval/qualified opinion of the financial statements;
- For the variable component in shares, the retention condition (the sales ban) is of 1 calendar year.

The clawback clause applies to the entire variable remuneration and shall be pro-rata with the negative influence of the adjustment of the performance criteria.

Limits on meeting the performance criteria and granting the variable remuneration:

- 1 The variable remuneration shall not be granted up to 85% of the weighted fulfilment of the criteria.
- 2 The variable remuneration is granted up to a threshold of 110% of fulfilment of the performance criteria.

This Remuneration Policy is valid for a period of 2 years from the date of its approval by the shareholders until the expiry of the current terms of office of executive manager and directors.

The performance criteria shall be established by the Board of Directors together with the preliminary budget, except for the financial years 2021, 2022 and 2023 (pro-rata with the duration of the terms of office of the members of the Executive Management) communicated under this Remuneration Policy and shall apply according to the results actually obtained during the financial year and through the benchmarking with the objectives budgeted and approved by the Ordinary General Meeting of the Shareholders for each criterion [*i.e. for the financial years 2021, 2022 and pro-rata for 2023: normalised EBITDA, 40% share; adjusted net profit (adjusted with any: impairment, other risk provisions, normalised elements cascaded from EBITDA), 40% share; total sales, 20% share*] and related to that financial year.

## V. **The Mandate Agreements – duration, notice period, termination conditions and payments related to termination**

The mandate agreements are concluded by the Company with each of the executive managers, having a duration of 4 (four) years, with the possibility of extension for terms to be established by the Board of Directors and also subject to the appointment and approval of the competent statutory body, based on the good faith negotiation of the new terms and conditions.

The mandate contracts may be terminated in one of the following ways: **(i)** by reaching the term, **(ii)** by the express agreement of the parties, establishing the effective date of termination; **(iii)** as a result of the termination upon the Company's initiative (the "*termination on grounds*") and with immediate effect; **(iv)** as a result of the termination for convenience originating from the Company, with a compensation representing the net equivalent of the monthly remuneration for a maximum of 6 calendar months; **(v)** any other cases provided for by law.

In all cases of termination of the mandate contracts, other than the termination upon the company's initiative (*i.e. termination on grounds*), a transition period of at least 3 (three) months shall be ensured for the transfer of responsibilities.

## VI. **Exemptions from the Provisions of the Remuneration Policy, within the Power of Approval of the Board of Directors**

- a. The granting of the variable remuneration without the application of financial criteria;

If exceptional economic circumstances occur during the relevant year (*e.g. an economic crisis, Force Majeure events, major legislative changes, etc.*), which render the application of financial criteria impossible under conditions of low predictability of the economic developments, and, therefore, of variations in the approved budget, the Board of Directors may only grant variable remuneration up to its maximum level on the basis of a proposal from the Nomination and Remuneration Committee, and the decision shall be justified by a detailed description of the circumstances which disallow the application of the financial criteria, as well as arguments proving that the granting of the variable remuneration does not jeopardise the continuity and sustainability of the company activity under conditions of a lack of predictability of the economic environment.

- b. The non-granting of the variable remuneration regardless of the fulfilment of the criteria;

If, despite meeting the financial criteria, the Group does not have enough resources to continue its business in good conditions, the Board of Directors may suspend the granting of the variable remuneration for that year, but only subject to providing a justification for such a decision and subject to clearly indicating the reasons leading to the suspension of its granting. The suspended variable remuneration shall be granted as additional variable remuneration during future financial years and on the basis of the financial resources available for its granting.

- c. The exceeding of the maximum variable remuneration level, other than the one shown in the calculation grid;

In case of an executive's exceptional commitment and contribution to the achievement of Group objectives, the Board of Directors may decide on exceeding the maximum ceiling in force for the variable annual remuneration by a maximum of 50%, but only once during a term of office, subject to providing a justification for such a decision, by specifically indicating the reasons leading to its adoption.

- d. Other exemptions from the provisions of the Remuneration Policy;

In any other cases, the Board of Directors may not grant exemptions from the Remuneration Policy unless there is explicit approval from the General Meeting of the Shareholders.

## **VII. The Development, Endorsement and Approval of the Remuneration Policy**

The Remuneration Policy is developed by the Nomination and Remuneration Committee of Sphera, which submits it, as a recommendation, to the Board of Directors for discussion, and the final form is proposed for approval purposes to the Ordinary General Meeting of the Shareholders of Sphera. Once approved by the Ordinary General Meeting of the Shareholders of Sphera, the Remuneration Policy becomes applicable. If the Ordinary General Meeting of the Shareholders of Sphera does not approve the Remuneration Policy, the Board of Directors will continue implementing the current policy and will have to propose another form in relation thereto, i.e. one that takes into account the opinions expressed in writing by the shareholders, which shall be submitted to the next Ordinary General Meeting of the Shareholders of Sphera for approval purposes.

Sphera shall put the Remuneration Policy to the vote at the Ordinary General Meeting of the Shareholders after each significant amendment and, in any case, at least once every four years.

### **The Nomination and Remuneration Committee**

Sphera's Nomination and Remuneration Committee has the following duties in connection with the Remuneration Policy:

- It assesses Sphera's Remuneration Policy on an annual basis and, where appropriate, it proposes its revision, whenever necessary, with an obligation to include a description and an explanation for any significant Policy changes and how shareholders' votes and views are taken into account within it;
- It makes recommendations to the Board of Directors regarding the remuneration of Group directors and executive managers;
- It supervises the implementation of the Remuneration Policy within Sphera.

The Nomination and Remuneration Committee consists of 3 (three) members appointed from among the members of the Board of Directors by vote, and the term of office for Board members is valid for the duration of their appointment as directors of Sphera.

### **The Board of Directors**

The Board of Directors has the following responsibilities in terms of remuneration:

- It endorses and further recommends the Remuneration Policy to be submitted to the Ordinary General Meeting of the Shareholders of Sphera for approval purposes and reviews and/or updates it if and whenever necessary, in compliance with the regulations in force, on

the basis of the recommendations made by the Nomination and Remuneration Committee, in order to ensure its consistency with the corporate governance principles and legal requirements;

- It recommends the monthly remuneration for the members of the Board of Directors, as well as the additional one for the members of the Advisory Committees;
- It recommends and determines the level of the fixed and variable remuneration of Group executive managers and establishes performance criteria, based on the recommendation of the Nomination and Remuneration Committee.

## VIII. The Remuneration Report

Sphera draws up an annual Remuneration Report giving an overview of remuneration, including all benefits, regardless of their form, either granted or due during the past financial year to executive managers and Board members individually, including those newly recruited and former managers, in accordance with the Remuneration Policy.

The Remuneration Report shall contain, where appropriate, the following information on the remuneration of each executive manager and/or Board member:

- a) The total remuneration broken down by components, the relative proportion of the fixed and variable remuneration, an explanation of how the total remuneration meets the Remuneration Policy adopted, including how it contributes to the issuer's long-term performance, and information on how the performance criteria have been applied;
- b) The annual changes in remuneration, the issuer's performance and the average remuneration based on the full time equivalent of the issuer's employees who are not managers at least for the past five prior financial years, presented together in a manner that allows comparison;
- c) Any remuneration received from any entity belonging to the same group;
- d) The number of shares and share options granted or offered, as well as the main conditions for exercising related rights, including the exercise price and date, together with any changes related thereto;
- e) Information about the use of the variable remuneration recovery possibility;
- f) Information about any deviation from the procedure for the implementation of the Remuneration Policy referred to in art. 92<sup>1</sup>(8)-(12) and about any exemptions granted in accordance with art. 92<sup>1</sup>(6), including explanations regarding the nature of the exceptional circumstances and the indication of the specific elements from which the relevant exemption has been granted.

The first Remuneration Report according to these provisions shall be published in 2022 with reference to 2021.

The **Remuneration Report** for the latest financial year **shall be put to the vote at the Ordinary General Meeting of the Shareholders, and the shareholders' opinion** resulting from the vote **shall be advisory**. In the next Remuneration Report, Sphera shall explain how the shareholders' vote has been taken into account.

Sphera shall make the Remuneration Report available to the public on its website, free of charge, for a period of 10 years, and the executive management shall have a collective responsibility to ensure that the Remuneration Report is prepared and published in accordance with legal requirements.

**IX. The Sustainability of the Remuneration Policy**

In order to ensure the sustainability of Sphera’s Remuneration Policy, the limit for all company costs in relation to the payment of fixed and variable annual remuneration shall be no more than EUR 2 million a year and no more than 1.5% of the net sales of company subsidiaries during that year. The two criteria shall be met cumulatively, and if, following a circumstantial decrease due to extremely unfavourable conditions, the percentage of the sales represents an amount lower than the nominal limit of company costs in relation to remuneration payments, then the payment of the variable remuneration may be suspended based on a decision of the Board of Directors.

**X. The Application of the Remuneration Policy at Subsidiary Level**

Within three months of the approval of the Remuneration Policy by the General Meeting of the Shareholders, the Board of Directors shall adopt the necessary decisions for its application at the level of the subsidiaries by measures corresponding to the legal requirements and the economic and financial situation of each individual subsidiary.

\*\*\*\*\*