

## **The Remuneration Policy within Sphera Franchise Group SA**

- approved by way of Resolution no. 1 of the Ordinary General Shareholders Meeting held on April 26<sup>th</sup>, 2024 -

### **I. Preamble**

Sphera Franchise Group SA (hereinafter referred to as, “the **Company**” or “**Sphera**”) has adopted a Remuneration Policy (“the **Remuneration Policy**”) since the listing of the company in 2017, a policy approved by 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.

The basis for reviewing 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 a 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 (“Law no. 158/2020”), the provisions of Law no. 24/2017 concerning the issuers of financial instruments and market operations, as republished, respectively.

### **II. General Aspects**

Sphera’s Remuneration Policy establishes a set of rules regarding the structure of the remuneration of the company’s managers, showing how it contributes to the Company’s business strategy, as well as to its sustainability and long-term interests.

The main objectives pursued by the Remuneration Policy, including, but not limited to, concern:

- The existence of a defined relationship between performance and remuneration;
- The individual contribution of the Company’s performance, by complying with and implementing the business strategy, culture and the corporate values, long-term interests of the Company;
- The measures taken to avoid conflicts of interest and other practices that may affect the business insights, reputation, and interests of the shareholders.

The Remuneration Policy takes into account the nature, size and complexity of the Company’s economic activity, the strategies and investment 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 and settlement of potential conflicts of interests, the loyalty, diligence and exclusive provision of the managerial activity within Sphera, as well as the priority in protecting the interests of the Company’s shareholders.

#### **The General Principles of the Remuneration Policy**

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 Sphera’s management structures, in order to increase the activity and ensure the continuity and profitability of the Company, 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 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 the added value created for shareholders and the Company.

### **The Scope**

This Remuneration Policy is applicable to the Company's managers, i.e. (i) to any member of the Board of Directors, as well as to (ii) any executive manager, in the case of the one tier management system, according to Law no. 31/1990, as republished, as amended and supplemented, including, in all cases in which he has been appointed, to the CEO, and, if there is such a position, to the Deputy CEO (hereinafter referred to as, collectively, "**the Company's Managers**" and/or, individually, "**the members of the Board of Directors**" and/or "**the Executive Managers**").

### **Definitions and Terms**

For the purposes of this Remuneration Policy, the terms and expressions below shall have the following meanings:

**"The Company"** - Sphera Franchise Group SA, a joint-stock company managed in a one tier system and operating in accordance with the laws of Romania, with the registered office in Romania, Bucharest, 239 Calea Dorobanti St., 2<sup>nd</sup> floor, office no. 4, Sector 1, registered at the Trade Register attached to the Bucharest Court under no. J40/7126/2017, with the Tax Identification Number 37586457;

**"The Board of Directors"** – the Board of Directors of Sphera Franchise Group SA.;

**"Director"** – member of the Board of Directors of Sphera Franchise Group SA;

**"Non-executive Director"** – member of the Board of Directors who does not have the capacity of executive manager of the Company within the meaning of art. 138<sup>1</sup> of Law no. 31/1990 on companies, as republished, as amended and supplemented;

**"Executive Director"** – member of the Board of Directors who is at the same time executive manager within the meaning of art. 138<sup>1</sup> of Law no. 31/1990 on companies, as republished, as amended and supplemented;

*On the date hereof, there are no Executive Directors within the Board of Directors of Sphera Franchise Group SA.;*

**"Executive Manager"** – the person(s) to whom has been delegated the management of the Company by the Board of Directors and who has/have concluded a mandate contract with the Company;

**"Clawback"** – the clause that provides the possibility for the Company to recover variable remunerations.

### **III. The Structure of the Remuneration**

The structure of the remuneration of the members of the Board of Directors and of the executive managers of the Company consists of a fixed remuneration, a variable remuneration, including all bonuses and other benefits in any form, that may be granted to the Company Managers. While the fixed remuneration is based on the competitive level of the market for similar positions with similar skills and responsibilities in the industry, the variable remuneration is established depending on the individual and team performance in the context of the macroeconomic environment existing in that period and is granted following certain procedures in direct relation with Sphera's economic and financial performances, with the requirements of continuity and sustainability of the Company's activity, as well as the Company's resources at the time.

The remuneration actually paid to all members of the Board of Directors and to executive managers, as well as any benefits shall be presented annually in the Remuneration Report, subject to the vote of the Company's shareholders.

## **THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS**

In the case of the members of the Board of Directors, the basic principles for remuneration aim at:

- The strategic component, as proposed to the shareholders by them;
- The component of supervision/control and ongoing monitoring of the management decision-making process and the fulfilment of the annual and strategic objectives in the Company's current activity by the executive management;
- The component of compliance with the ethical and legal rules.

The members of the Board of Directors are elected for a maximum period of four (4) years, unless a director is appointed following a vacancy of a member position on the Board of Directors, in which case the director in question is appointed only for the remaining term, from the moment of his/her appointment to the vacant position and until the end of his/her predecessor's term of office.

The members of the Company's Board of Directors, including the chairperson, benefit from a **fixed** and an **additional remuneration**, the latter in the form of a meeting remuneration for attending the advisory committees of the Board of Directors, whose levels are approved annually by the Ordinary General Meeting of the Shareholders.

The members of the Board of Directors benefit from professional liability insurance, according to the legal provisions in force.

## **THE REMUNERATION OF THE COMPANY EXECUTIVE MANAGERS**

Within the meaning of the law, as well as in this Remuneration Policy, the executive manager of the company is the person to whom the company's management duties have been delegated, pursuant to art. 143(1) of Law no. 31/1990 on companies, as republished, as amended and supplemented.

The mandate contracts are concluded by the Company with the executive managers for a period of 4 (four) years, based on the negotiation in good faith.

The mandate contracts may be terminated in one of the following ways:

- By unilateral termination by the executive manager of the mandate contract, by sending a written notification to the Company, provided that a notice period of 3 (three) months is observed;
- By reaching the deadline;
- By the express agreement of the parties, establishing the effective date of termination;
- As a result of the termination upon the Company's initiative ("**termination with grounds**") and with immediate effect;
- As a result of the unilateral termination given by the Company, with a compensation representing the net equivalent of the monthly remuneration for 6 (six) calendar months;
- In any other cases provided for by law.

In the case of the executive managers' remuneration, the basic criterion aims at the continuity and profitability of Sphera's business by fulfilling the annual objectives approved by the shareholders within the revenue and expenditure budget and the long-term strategic ones, prepared under the

guidance of the Board of Directors, at the proposal of the executive management and approved by the shareholders at certain intervals.

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

**The remuneration of the executive managers consists of a fixed monthly remuneration and a variable remuneration, based on the fulfilment of the performance criteria established by the Board of Directors, as mentioned below.**

The executive managers' fixed remuneration is established by direct negotiation upon the conclusion of the mandate contracts. The level of the fixed component paid each year is found in the Remuneration Report.

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

**The variable remuneration in cash and on the basis of shares** (granted based on the Stock Option Plan, within the meaning of the legislation in force and which shall be subject for approval purposes to the shareholders at a later date), is also established by negotiation and **may not exceed 100% of the annual fixed component (gross amount).**

**If, in the course of a financial year, the mandate contract of a Manager is terminated by reaching the deadline, by unilateral denunciation by the Company or as a result of unilateral denunciation by the Manager, the Manager is entitled to receive the variable remuneration in cash and on share basis in proportion to the period in the financial year in which he exercised the duties of Manager even if on the date of (a) the evaluation, (b) the determination of the variable remuneration due, (c) the allocation of the options, (d) the exercise of the options or (e) the acquisition of the shares no longer has the capacity of Manager; in such a case the acquisition of the shares will be fully realized within 12 months from the exercise of the option.**

**A percentage between 50 and 75% of the variable remuneration shall be granted in the form of shares within the Stock Option Plan.**

The conditions for granting the variable remuneration on the basis of shares shall be detailed within the Stock Option Plan approved by the shareholders.

The Stock Options Plan shall include at least the following conditions:

- The period of at least 1 year or equivalent stipulated in the Romanian tax legislation, between the moment of granting the right and the moment of exercising it (purchase of stock options);
- acquisition of the shares for which the option was exercised to be realized in three annual installments over a period of 3 years if on the date on which the transfer must be made, the Company does not hold the shares for which the entitled Managers have exercised the options, the Company will pay the Managers the cash equivalent (gross value) of the shares that cannot be transferred to the Managers; to establish the cash equivalent, the average market price of the shares issued by the Company for the 12-month period prior to the date on which the shares should have been transferred to the Manager will be taken into account;

if in the period between the date of granting the options and the date on which the ownership of the shares is transferred to the entitled Managers, the Company registers corporate events with an impact on the structure of the share capital or on the market price of the shares, the conversion rate between options and shares, respectively the number of shares due 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.

**The financial and non-financial performance criteria** for the variable remuneration in cash and on the basis of shares **are as follows:**

**FINANCIAL CRITERIA:**

- The Company's consolidated EBITDA;
- The Company's consolidated NET PROFIT;
- The Company's consolidated Sales;
- The Company's consolidated FREE CASH FLOW.

**The share of all financial criteria is 90% of the maximum value of the variable remuneration provided for said year, and the relative share of each criterion is equal and represents 25%.**

**The target values of the financial performance criteria are established every year by the Board of Directors and are approved by the shareholders by approving the annual budget.**

**Non-FINANCIAL CRITERIA:**

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

**The share of all non-financial criteria is 10% of the maximum value of the variable remuneration provided for that year, and the degree of their fulfilment is established by the Nomination and Remuneration Committee by way of an individual assessment procedure of each executive manager. There are no target values for these criteria, but a score is given on a scale from 1 to 10 following the assessment.**

The variable remuneration is granted until 31 May of the current year for the previous year, conditioned by the cumulative fulfilment of the following elements: (i) the approval of the annual financial statements and (ii) the fulfilment of the granting conditions, as defined and approved within the Stock Option Plan. The level of variable remuneration due to each Manager is approved by the Board of Directors based on the recommendation of the Remuneration Committee after evaluating the fulfillment of all performance indicators established for the evaluated performance period.

**The clawback option** applies to the entire variable remuneration. In case of reclassification or subsequent amendment of the annual financial statements, the Company shall have the right to recover the right granted for those results. In case of fraud/cessation (i.e. termination) of the mandate with qualified cause/opinion of the financial auditors, the company has the right to recover the entire amount granted as variable remuneration, regardless of the period between payment and discovery.

At the same time, **the Company has the right to withdraw, in full or in part**, the variable remuneration granted to an executive manager and/or to request the total or partial reimbursement of the payments that have already been made and correspond to the following events/deeds:

- In case of a governed criminal or civil sanction if said executive manager is directly responsible for the deeds that were likely to attract the Company's liability;
- In case of a proven fraud in which said executive manager was directly involved, in connection with the activity carried out within the Company;
- If the assessment of the performance of said executive manager is based on information that later prove to be significantly erroneous.

The executive managers benefit, in addition to the two components of the above remuneration, also from the work car, daily allowance for travel abroad and in the country, mobile phone with an assigned plan, medical insurance and professional liability insurance, laptop/desktop, as the case may be. The limit amounts for each of these benefits shall be set by the Board of Directors and shall be updated whenever necessary and shall be published in the next Remuneration Report.

**IV. Temporary Exemptions, under Exceptional Circumstances, 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 and non-financial criteria;

If exceptional circumstances occurred during the reference year (*e.g. economic crisis, Force Majeure cases, major legislative changes, etc.*), which render the application of financial and non-financial criteria impossible under conditions of low predictability of the economic developments, and, therefore, of variations in the approved revenues and expenditure budget, the Board of Directors may only grant variable remuneration up to 50% of the maximum level, and the decision shall be justified by a detailed description of the circumstances which disallow the application of the financial and non-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 lack of predictability of the economic environment.

- b. The deferment of the payment of the variable remuneration regardless of the fulfilment of the criteria;

If, despite meeting the financial and non-financial criteria, the Company does not have enough resources to continue its business in good conditions, to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability, respectively, the Board of Directors may defer the payment of the variable remuneration for that year, but only subject to providing a justification for such decision and subject to clearly indicating the reasons leading to the deferment of its payment. The deferred variable remuneration shall be paid during the future financial years until the expiry of the mandate contract(s) of the executive manager(s) and on the basis of the financial resources available for its granting.

For any other situations, the Board of Directors may not depart from the Remuneration Policy except with the express approval of the Ordinary General Meeting of the Shareholders.

**V. 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 subject for approval purposes to the Ordinary General Meeting of the Shareholders of the Company. Once approved by the Ordinary General Meeting of the Shareholders of Sphera, the Remuneration Policy becomes applicable and mandatory. 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 the Board of Directors will have to propose another form in relation thereto, which shall be submitted to the next Ordinary General Meeting of the Shareholders of Sphera for approval purposes. The shareholders are encouraged to submit written proposals to the Company, in order to harmonise them with the Remuneration Policy subsequently proposed for approval.

The Company 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 the Company's 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 Committee members is valid for the duration of their appointment as members of the Board of 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 proposes to the Annual Ordinary General Meeting of the Shareholders of Sphera the level of fixed and additional remuneration for the members of the Board of Directors;
- It determines the level of the fixed and variable remuneration of the Company executive managers and established the performance criteria, based on the recommendation of the Nomination and Remuneration Committee.

## **VI. 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 members of the Board of Directors 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 member of the Board of Directors:

- 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 Company's long-term performance, and information on how the performance criteria have been applied;
- The annual changes in remuneration, the Company's performance and the average remuneration based on the full time equivalent of the Company's employees who are not managers at least for the past five prior financial years, presented together in a manner that allows comparison;
- Any remuneration received from any entity belonging to the same group;

- 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;
- Information about the use of the variable remuneration recovery possibility;
- Information about any deviation from the procedure for the implementation of the Remuneration Policy referred to in art. 106(8)-(12) and about any exemptions granted in accordance with art. 106(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 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 may, at its sole discretion, keep it available for a longer period, provided that it no longer contains the personal data of the managers. The Company's managers, who act within the limits of their scope of powers conferred by the applicable rules, have the collective responsibility to ensure that the Remuneration Report is prepared and published in accordance with the requirements of Law no. 24/2017, as republished. The Company's managers are liable for the violation of their responsibilities, in consideration of the above.

## **VII. The Review and Sustainability of the Remuneration Policy**

This Remuneration Policy shall be subject to a review and update process whenever the situation of the Company or external circumstances so require, as well as in other situations indicated and/or in accordance with the applicable legal framework.

In order to ensure the sustainability of the Company's Remuneration Policy, the limit for all company costs in relation to the payment of fixed and variable annual remuneration of the managers shall be no more than 1.5% of the net sales recorded by Sphera at consolidated level during that year. If, following a short-term decrease due to exceptional conditions, the percentage of sales is less than the nominal limit of the Company's costs with the remuneration payments, then the payment of variable remuneration may be temporarily deferred by way of decision of the Board of Directors, according to Chapter IV, letter b) above.

This Remuneration Policy shall enter into force and take effect from the date of approval by the Ordinary General Meeting of the Shareholders of Sphera.

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