2024 ANNUAL REPORT

Sphera Franchise Group S.A.

SPHERA

KFC

TACO BELL

SPHERA

TABLE OF CONTENTS

The individual and consolidated financial statements as of December 31st, 2024, presented on the following pages are audited and are prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

DISCLAIMER: Unless mentioned otherwise, the amounts in this report are expressed in '000 RON.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Annual Report
For financial period	01.01.2024 – 31.12.2024
Date of publishing	25.03.2025
According to	Annex 15 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Sphera Franchise Group S.A.
Fiscal code	RO 37586457
Trade registry number	J40/7126/2017
Registered office	Calea Dorobanților nr. 239, 2nd floor, Bucharest sector 1

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	581,990,100 RON
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Total number of shares	38,799,340
Symbol	SFG

CONTACT DETAILS FOR INVESTORS

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Website	www.spheragroup.com

LETTER FROM THE CEO

Dear Shareholders, Partners, Team Members,

We conclude 2024 with strong results for Sphera Franchise Group, marking another year that tested our resilience, adaptability, and professionalism. Throughout the year, we navigated an unpredictable economic and political landscape, yet we remained focused on executing our strategy and achieving new milestones.

Despite this complex climate, 2024 was our best year in history in terms of sales, EBITDA, and net profit. For the first time, we surpassed RON 1.5 billion in sales, with EBITDA increasing 20% in normalized terms and consolidated net profit rising by 22% compared to 2023. These achievements underscore our commitment to disciplined execution and long-term value creation.

Throughout 2024, we remained committed to our growth strategy, focusing on operational excellence, brand expansion, and financial control. We continued to grow our footprint, opening seven new restaurants, four of which were drive-thru units, reinforcing our commitment to accessibility and convenience. We also took a significant step in Sphera's expansion by adding Cioccolatitaliani to our portfolio.

This strategic move strengthens our position in several ways: expanding our reach beyond the QSR segment and broadening our customer base, diversifying our brand mix to enhance our resilience in the face of market fluctuations, strengthening our position in the Italian market and reinforcing our presence in a key region.

It also adds a profitable brand with expansion potential across multiple markets, fueling our long-term growth ambitions, while supporting our leading position in the Romanian restaurant industry and our vision of becoming a major player at the European level.

Despite our successes, 2024 was not without its challenges. The HoReCa sector continued to face systemic difficulties, particularly related to inflation and labor shortages.

While inflation declined compared to 2023, it remained above initial forecasts, impacting operational costs. Consumer purchasing power eroded, requiring us to navigate a delicate trade-off between maintaining competitive pricing and covering rising costs for raw materials and utilities. In this context, we remained cautious about price adjustments, mindful of the financial pressures faced by our customers.

Cost management remained a top priority. We worked diligently to ensure that our pricing remained accessible to customers while safeguarding our margins – a balancing act that requires careful maneuvering. We negotiated key supplier contracts with a firm yet fair approach to optimize costs, enhanced operational efficiencies across all brands and prioritized more profitable sales channels.

At the same time, we invested in our people to maintain stable, motivated teams, recognizing that our success is built on the strength of our workforce.

All these actions are directly translating to our solid results for 2024.

Looking ahead, 2025 brings continued uncertainty, yet we remain prepared and confident in our fundamentals. The postponement of certain fiscal measures due to extended election cycles has created further ambiguity for the business environment.

Both companies and consumers are bracing for potential regulatory changes, necessitating multiple contingency plans. Inflation has not yet stabilized at a sustainable level, though its downward trend gives us cautious optimism about cost dynamics. The geopolitical environment remains fragile, with the potential for significant global economic and political shifts.

In response, we will continue to operate with discipline and adaptability. Our supply chain strategy remains anchored in strong partnerships with key local suppliers, enabling us to navigate cost pressures effectively. We will drive further operational efficiencies across our portfolio by optimizing restaurant operations, refining processes, and leveraging technology.

Consumer insights and data analytics will guide our decision-making, ensuring that our offerings remain aligned with market trends and preferences.

We enter 2025 with a solid foundation, a proven strategy, and a dedicated team. While we anticipate another demanding year, our performance in 2024 has reinforced our confidence in our ability to adapt, innovate, and deliver value.

As each year, I would like to use this report, a testament to our resilience, to thank all our customers, employees, partners, and shareholders. On behalf of the whole management team, I would like to thank you for your continued trust and support. Together, we will navigate the challenges ahead and build an even stronger future for Sphera Franchise Group.

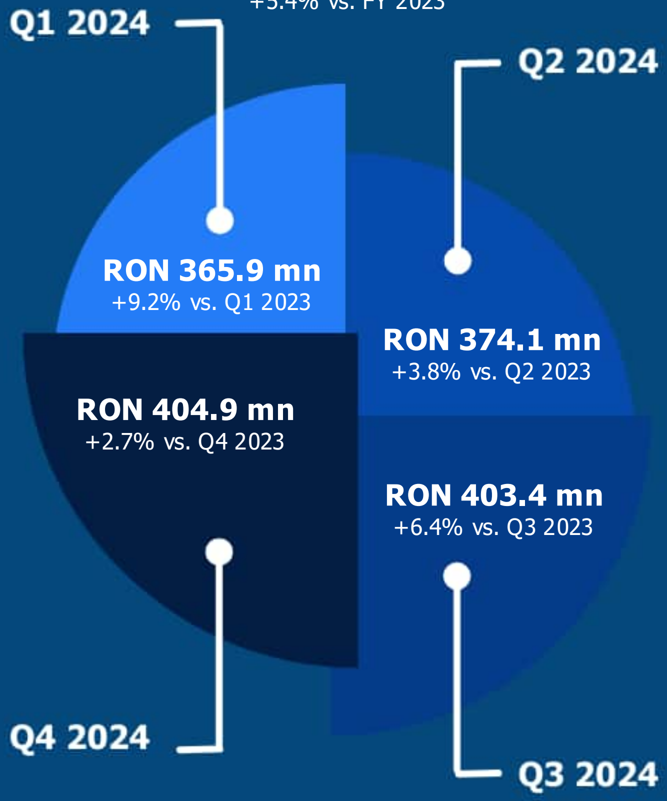
Calin Ionescu

CEO

KEY FINANCIAL HIGHLIGHTS

2024 Consolidated Sales

RON 1,548.4 mn
+5.4% vs. FY 2023



RON 1,333 mn +5.4% vs. 2023	**RON 191.7 mn** +4.3% vs. 2023	**RON 23.7 mn** +15% vs. 2023
KFC	Pizza Hut	TACO BELL
RON 1,348.1 mn +6.2% vs. 2023	**RON 108.4 mn** -5.9% vs. 2023	**RON 91.9 mn** +8.7% vs. 2023

#1 the best year in history in terms of sales, EBITDA and net profit	**25%** increase in normalized operating profit in 2024, to RON 130.4 mn driven by restaurant and G&A costs control	**20%** normalized EBITDA increase in 2024, to RON 176.9 mn	**22%** YoY increase in normalized net profit, to RON 97.2 mn in 2024
1.6pp decrease in the share of restaurant expenses in total sales, to 87.6% for 2024	**0.25** net debt / EBITDA ratio, the lowest level in history for the yearend	**63%** YoY increase in value traded of SFG shares in 2024	**65%** total return on SFG shares in 2024 vs. 16% for BET-TR index

DIRECTORS' REPORT

SPHERA

CORPORATE INFORMATION

Sphera Franchise Group SA together with its subsidiaries: US Food Network SA ('USFN'), US Food Network SRL Italy ('USFN Italy'), US Food Network SRL Moldova ('USFN Moldova'), California Fresh Flavors SRL ('Taco Bell'), American Restaurant System SA ('ARS') and Choco Franchise SRL form 'the Group'.

In 2017, ahead of listing on Bucharest Stock Exchange, the Group underwent reorganization that resulted in the establishment of Sphera Franchise Group S.A. as the legal parent company of US Food Network SA ('USFN Romania' or 'KFC Romania'), American Restaurant System SA ('ARS' or 'Pizza Hut'), US Food Network S.r.l. ('USFN Italy' or 'KFC Italy') US Food Network SRL ('USFN Moldova' or 'KFC Moldova') and California Fresh Flavors SRL ('CFF' or 'Taco Bell'). The purpose of the reorganization was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera renders to the benefit of the Group entities services such as management services, marketing support, development and project management, sales support, human resources, and other services.

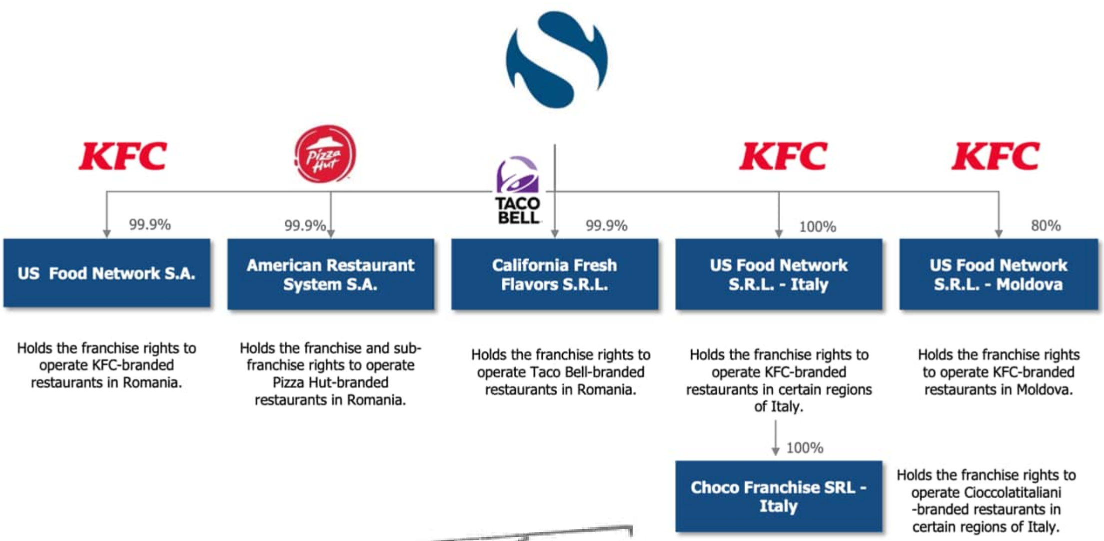
Sphera Franchise Group SA (the 'legal Parent", 'Sphera" or the „Group') was incorporated on May 16th, 2017, by the shareholders of USFN and ARS as a joint stock company and is registered at no. 239 Dorobanti Avenue, Bucharest, Romania.

GROUP STRUCTURE

Details of the Sphera's investments in controlled companies also representing the Group's consolidated subsidiaries as of December 31st, 2024, and December 31st, 2023, are as follows:

Company name	Incorporation	Field of activity	Control as of 31.12.2024	Control as of 31.12.2023
US Food Network SA	Romania	Restaurants	99.9997%	99.9997%
American Restaurant System SA	Romania	Restaurants	99.9997%	99.9997%
California Fresh Flavors SRL	Romania	Restaurants	99.9900%	99.9900%
US Food Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network S.r.l.	Italy	Restaurants	100.0000%	100.0000%
Choco Franchise SRL	Italy	Restaurants	100.0000%	-

The visual representation of the Group holding structure as of December 31st, 2024, is presented below:



Sphera has become the parent company of USFN and ARS on May 30th, 2017, following the contribution by shareholders of USFN and ARS of 99.9997% of the shares in the two companies in exchange for shares in Sphera Franchise Group. On June 8th, 2017 and June 14th, 2017, Sphera purchased the shares held by USFN in US Food Network SRL in the Republic of Moldova, and respectively US Food Network S.r.l. in Italy. In June 2017, Sphera set up the newest subsidiary of the Group, California Fresh Flavors, introducing in its portfolio the Taco Bell brand.

US Food Network SA (USFN), the subsidiary which operates the KFC franchise in Romania was incorporated in 1994 as a limited liability company and further has changed the organization form as joint stock company with registered office at no. 239 Dorobanti Ave., Bucharest, Romania. The Group owns 99.9% of the company's shares.

American Restaurant System SA (ARS) operating the Pizza Hut franchise was incorporated in 1994 as a joint stock company and is registered at no. 239 Dorobanti Ave., Bucharest, Romania. The Group owns 99.99% of the company's shares.

The Moldavian subsidiary, US Food Network SRL which operates the KFC franchise in Moldova, was incorporated in 2008 as a limited liability company and is registered at No. 45 Banulescu Bodoni Street, Chisinau, Republic of Moldova. The Group owns 80% of the company's shares.

The Italian subsidiary, US Food Network S.r.l operating the KFC franchise in Italy was incorporated in 2016 as a limited liability company and is registered at No. 5 Viale Francesco Restelli, Milano, Italy. The Group owns 100% of the company's shares.

California Fresh Flavors SRL ('Taco Bell') was set up in June 2017 and operates Taco Bell franchise in Romania. Sphera owns 99.99% of the company's shares. The company operates as a limited liability company and is registered at no. 239 Dorobanti Ave., Bucharest, Romania.

Choco Franchise SRL was incorporated in October 2024, and it holds the Cioccolatitaliani franchising rights for Italian and Romanian markets. The entity, which operates as a limited liability company, registered at No. 5 Viale Francesco Restelli, Milano, Italy, is fully owned by US Food Network S.r.l. from Italy.

SCOPE OF BUSINESS

The Group's franchised foodservice business was launched in 1994 with the opening of the first Pizza Hut location, which was followed by the opening in 1997 of the first KFC location, both in Bucharest. The Group operates quick service and takeaway restaurant concepts under the Kentucky Fried Chicken ('KFC") brand, spread across Romania (107 restaurants as of December 31st, 2024) as well as in the Republic of Moldova (3 restaurants) and in Italy (18 restaurants). The Group also operates a chain of pizza restaurants (28 restaurants as of December 31st, 2024 and one sub-franchise) under the Pizza Hut ('PH') brand, spread across Romania, and a chain of restaurants under the Taco Bell brand (16 restaurants as of December 31st, 2024).

Sphera Franchise Group's business is conducted through the following two segments:

- Quick-service restaurants - through KFC restaurants (in Romania, the Republic of Moldova and Italy), Taco Bell restaurants (in Romania) and Pizza Hut Express restaurants (in Romania);
- Full-service restaurants - through Pizza Hut restaurants in Romania.

Following the agreement with Gioia Group to develop the Cioccolatitaliani franchise on the Italian market, the brand will further expand into specialty food and beverage segment which will cover an artisanal dessert and café concept combining high-quality gelato, chocolate-based products, gourmet coffee, and Italian pastries. The Group plans to open its first Cioccolatitaliani location in Italy in 2025.

All restaurants operated by the Group provide delivery in partnership with aggregating platforms.

KFC, Pizza Hut and Taco Bell are all operated in a master franchise system, by companies owned by Sphera Franchise Group, the largest restaurant group in the full-service restaurant sector in Romania. A master franchise is a franchising contract in which the master franchisor hands over the control of the franchising activities in a specified territory to a person or entity, called the "master franchisee". Yum! is the master franchisor of Sphera Franchise Group.

As of December 31st, 2024, the Group had 5,117 employees, of which 4,605 were based in Romania, 404 in Italy, and 108 in the Republic of Moldova. All the brands from Sphera Franchise Group's portfolio provide customers with memorable experiences, excellent service and unique products prepared by passionate teams.

ABOUT THE BRANDS

KFC is a global chicken restaurant chain with more than 75 years old history of success and innovation. It all started with Colonel Harland Sanders, the cook, who created the famous recipe of 11 secret herbs and spices. Even today, all KFC restaurants follow it around the world, with real cooks breading and freshly preparing the delicious chicken by hand in more than 27,000 restaurants in over 145 countries and territories around the world.

In Romania, the first KFC restaurant was opened in Bucharest, back in 1997 by the Group. Today, KFC is the leading chicken restaurant chain in Romania in terms of both total sales and number of restaurants. As of December 31st, 2024, there were 107 KFC restaurants in Romania. In 2008, the Group opened the first KFC restaurant in the Republic of Moldova, and as of December 31st, 2024, the Group operated three restaurants (all in Chisinau). In 2017 the Group opened the first two restaurants in Italy. As of December 31st, 2024, there were 18 KFC restaurants operated by the Group in certain areas of Italy. Of all KFC restaurants operating in Romania, Italy and the Republic of Moldova, as of December 31st, 2024, 71 were food court locations (in malls or commercial centers), 24 were inline (street locations), and another 33 were Drive-Thru locations. In 2018, KFC Romania launched a delivery activity, which is now carried out in collaboration with food aggregator platforms.

In all KFC restaurants, the Group sells food and beverage products either individually or as part of a price-attractive bundle labeled "menu or box". Generally, the menus include three main components: a portion of a chicken-based product (burgers, wrappers or pieces of chicken meat), a medium-sized portion of French fries and a medium-sized non-alcoholic drink. For an additional price, our customers can choose to opt for the "Go Large" version of the menu, which consists of large portions of French fries and non-alcoholic drinks. A dipping sauce is also offered in some menu offers. Besides the menu and the box which are normally sized for one person, we also offer products, called Buckets, targeted for group consumption (up to four people). Buckets generally consist of a higher number of chicken meat pieces, and some include portions of French fries and non-alcoholic drinks.

PIZZA HUT is a global casual dine-in restaurant, founded more than 60 years ago in Wichita, Kansas, by the Carney brothers. Since then, it has grown to become the largest pizza company in the world with more than 19,000 restaurants in over 100 countries. Restaurants serve a diverse menu which includes pizza and pasta, salads as well as side dishes and desserts.

Pizza Hut was the first brand of the Group, to enter the Romanian market 30 years ago, this year, with the opening of its first location on Calea Dorobantilor in Bucharest and today is the largest casual dine-in restaurant chain in Romania in terms of both total sales and number of restaurants. On December 31st, 2024, there were

28 Pizza Hut restaurants across the major cities of Romania and 1 sub-franchised unit, consisting of Dine-In, Delivery and Express units located in malls, commercial centers or inline (street locations).

Pizza Hut restaurants primarily sell pizza (a wide range of classic and iconic recipes for the brand, on a variety of dough types, such as Pan, Classic, Cheesy Bites and Stuffed Crust) and other main-course products (such as burgers and pasta, or salads) as well as beverages (primarily non-alcoholic) and deserts.

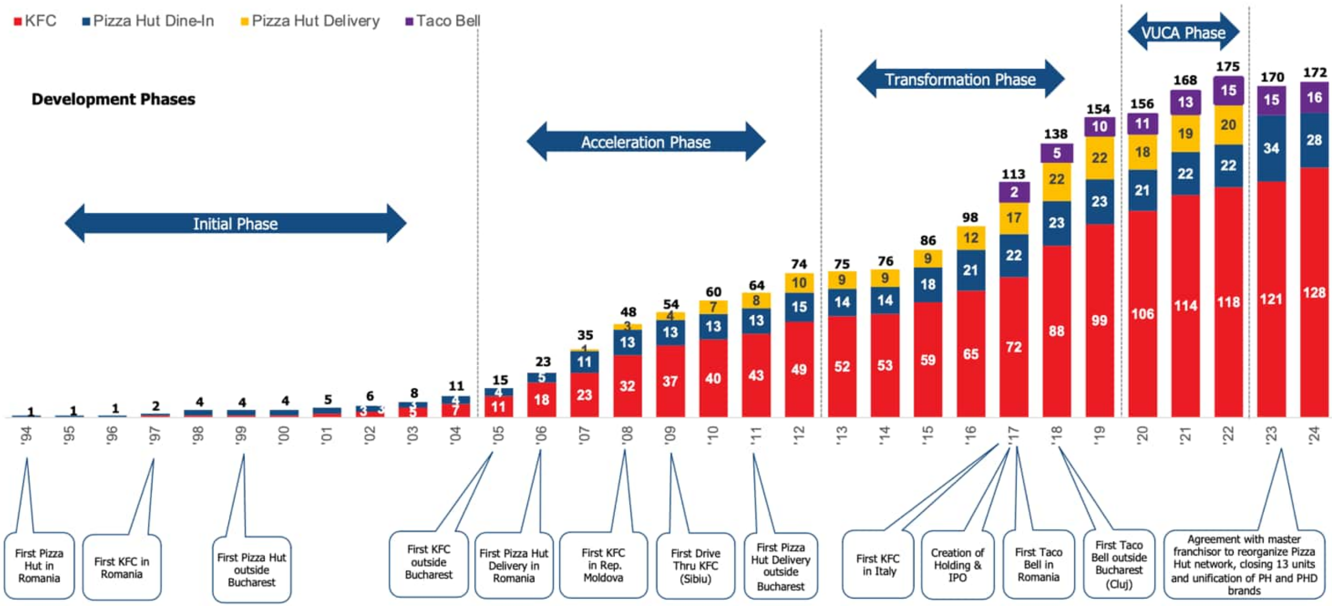
TACO BELL is the world's leading Mexican-inspired quick service restaurant (QSR), founded in California in 1962. Today, it has over 7,200 locations in more than 30 countries worldwide. The restaurants serve a variety of Mexican-inspired foods that include tacos, burritos, quesadillas, nachos, novelty and specialty items and a range of 'value menu' products. Sphera Group opened the first Taco Bell store in Bucharest, Romania, in October 2017. As of December 31st, 2024, the Group operated 16 Taco Bell restaurants, all of them based in commercial centers across big cities of the country.

CIOCCOLATITALIANI was founded in 2009 by the Ferrieri family and the brand found its definition in the word "Chocology," the art of mixing the best chocolate in the world with ice cream, pastry, and coffee. The Cioccolatitaliani product range includes a variety of items, such as artisanal ice cream prepared with different flavors and high-quality ingredients, chocolate lingos, pralines, and alternatives made from the renowned Cacao Fino de Aroma, as well as gourmet coffee, freshly baked Italian pastries, crepes, and waffles served with ice cream and various toppings.

Cioccolatitaliani currently operates a network of 43 units, most of them located in Italy, and several in the Balkans, Middle East and in North Africa. In 2023, Cioccolatitaliani catered to over 6 million customers, serving over 4.5 million cups of coffee, more than 350,000 chocolate lingos and over 3.7 million gelato cones. The Group estimates opening of the first Cioccolatitaliani store in Italy in 2025.

NETWORK EVOLUTION

The historical evolution of the network* rollout since 1994 until 2024 is presented below:



*This chart does not include one PHD sub franchise.

Ernst & Young Assurance Services S.R.L.
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In 2024, Sphera opened 7 new restaurants – six KFC locations, of which five new stores were inaugurated in Romania and one in the Republic of Moldova, and one Taco Bell store in Romania. Also, one KFC restaurant was reopened in Q1 2024 following 5-months renovations work. These new openings were offset by the closure of six Pizza Hut locations. Consequently, as of December 31st, 2024, Sphera Franchise Group operated 173 restaurants: 107 KFC restaurants in Romania, 3 in Moldova and 18 in Italy, as well as 28 Pizza Hut restaurants, 16 Taco Bell restaurants, and one Pizza Hut Delivery sub-franchise.

SHAREHOLDERS AND ISSUED CAPITAL

The share capital of Sphera Franchise Group SA on December 31st, 2024, was RON 581,990,100, divided into 38,799,340 ordinary shares with a nominal value of RON 15 per share (out of which 122,902 shares are owned by the Company). The share capital on December 31st, 2023, was the same.

The shareholders of Sphera Franchise Group SA as of December 31st, 2024, and December 31st,2023 are as follows:

Shareholder	**Percent of shares on 31.12.2024**	**Percent of shares on 31.12.2023**
Shaletia Ventures Ltd.	29.55%	0.00%
Tatika Investments Ltd.	-	29.55%
Computerland Romania SRL	20.53%	20.53%
Wellkept Group SA	17.07%	17.07%
Free-float	32.85%	32.85%

As at December 31st, 2024, Sphera Group held 122,902 own treasury shares, representing 0.317% of the share capital.

In accordance with the decisions of the General Meetings of Shareholders, the Group executed two buyback programs through market operations: one program was aimed at implementing the share option plan, while the other was focused on reducing the share capital by canceling the redeemed shares. As of December 31, 2024, the Group held a total number of 122,902 own treasury shares purchased in 2024 for these purposes.

The average buyback price was RON 38.9694 per share, with the full price paid for the buyback shares repurchased amounting to RON 4,789 thousand.

The buyback program for reduction of the share capital was ongoing as of 31 December 2024.

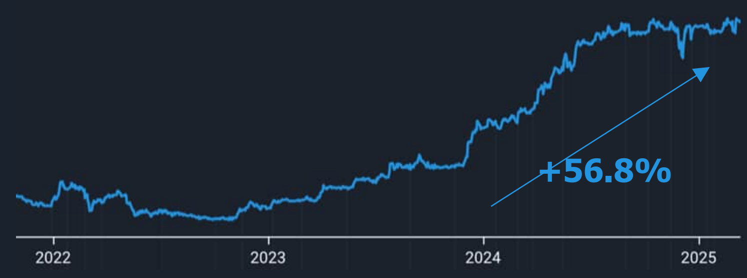
In 2024, the Group allocated 104,100 free shares (representing 0.268% of the share capital) with a total value of RON 2,037 thousand to the executive directors, for SOP related to 2021 and 2022.

ACTIVITY ON BUCHAREST STOCK EXCHANGE

Sphera Franchise Group's shares floated on the Main Market of the Bucharest Stock Exchange on November 9th, 2017, after a successful Initial Public Offering. Sphera Franchise Group is the first and the only foodservice operator listed on the Bucharest Stock Exchange.

Since September 24th, 2018, the shares of Sphera Franchise Group, available under 'SFG' symbol, are included in the main index of Bucharest Stock Exchange, BET, which is the benchmark index for the Romanian capital market. As of August 10th, 2023, SFG shares are included in the MSCI Frontier Markets Small Cap and MSCI Romania Small Cap indices and as of March 1st, 2025, in the FTSE Global Microcap index.

In 2024, investors traded 4,800,824 SFG shares (approx. 38% of the free float) with a total value of RON 174 million. In 2024, SFG shares were the 3rd top performer from the BET index, appreciating 56.8% and significantly outperforming the BET index, which grew 8.78%. The Total Return on SFG shares in 2024, including the dividends paid on June 6th, 2024, and November 7th, 2024, was 65%, versus 16.15% increase for the BET-TR index registered in the same period.



GOVERNANCE

The General Shareholder Meeting (GSM) is the highest governing body of Sphera Franchise Group. In 2024, the Company organized two GSMs:

GENERAL SHAREHOLDER MEETING FROM 26.04.2024

On March 25th, 2024, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 26th, 2024. During the OGSM, the shareholders approved the 2023 financial statements, the 2023 remuneration report and the 2024 budget. The shareholders also voted in favor of a payment of the gross dividend from the undistributed net profit of financial years 2022-2023. The ex-date for dividend payment was May 16th, 2024, and the payment date was June 6th. The shareholders also approved in the OGSM the monthly remuneration granted to the Board Members as well as the Share Option Plan (SOP) for Directors for the activity in 2023. In EGSM, the shareholders approved a credit facility of maximum EUR 3.5 million, share buyback of SFG shares for the implementation of SOP as well as the share buyback of SFG shares, with the purpose of cancelling them.

GENERAL SHAREHOLDER MEETING FROM 07.10.2024

On August 29th, 2024, the Board of Directors of Sphera Franchise Group convened the Ordinary General Meeting of the Shareholders for October 7th, 2024. During the OGSM, the shareholders approved a payment of the gross dividend amounting to RON 1.05 per share, from the undistributed net profit of financial year 2023. The ex-date for dividend payment was October 21st, 2024, and the payment date was November 7th, 2024.

MANAGEMENT OF THE GROUP

BOARD OF DIRECTORS

Company is managed by the Board of Directors whose members are appointed for a mandate of 4 years. As of December 31st, 2024, the Board of Sphera Franchise Group has 5 members.

The structure of the Board of Directors as of December 31st, 2024, was the following:

Name	Date of appointment	Title	Role	Number of SFG shares directly held on 31.12.2024
Lucian Hoanca	April 27th, 2023	Chairman of the BoD	Non-executive member	-
Georgios Vassilios Repidonis	April 27th, 2023	Vice-Chairman of the BoD	Non-executive member	-
Silviu Gabriel Carmaciu	April 27th, 2023	Member of the BoD	Non-executive member	-
Mihai Ene	April 27th, 2023	Member of the BoD	Non-executive member	-
Razvan Stefan Lefter	April 27th, 2023	Member of the BoD	Independent member	-

LUCIAN HOANCA

Born in 1957, Mr Hoanca is a non-executive member of the Board of Directors of Sphera Franchise Group since 2018, as well as the Chairman of the Board since October 2020. He is also chairman of the Group's Nomination and Remuneration Committee. Mr Hoanca graduated from the Faculty of Foreign Languages at the University of Bucharest, being licensed in philology. Since 1995, he has held management positions in various companies such as ANA Group, EUROM, Exclusiv Comp, Baneasa Developments, Wellkept Group, Tatika Investments, Parc Hotels.

Affiliated companies: TDL Consult SRL, Parc Hotels SA, Baneasa Developments SRL, Wellkept Group SA.

In the last 5 years, Mr Hoanca has not been banned by a court from serving as a member of the board of directors or supervisory board of a company. In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mr Hoanca is a member of the board of directors or supervisor. In the last 5 years, there have been no litigations or administrative procedures in which Mr Hoanca has been involved in the context of his activity within the issuer, as well as those regarding Mr Hoanca's ability to fulfil his duties within the issuer. There is no agreement, understanding or family connection between Mr Hoanca and another person due to whom he was appointed as the administrator of the company.

GEORGIOS-VASSILIOS REPIDONIS

Born in 1961, Mr Repidonis is a non-executive member of the Group's Board of Directors since 2019 and Vice-Chairman of the Board of Directors of the Group since February 2022. Mr Repidonis graduated from the Faculty of Planning and Economic Cybernetics within the Academy of Economic Studies in Bucharest. His professional career has been in the field of executive management, development projects, product marketing and accounting. Between 1994 - 1997 he was a shareholder, administrator, and General Manager of Comtra Intl

Distributor in Romania, and between 2004 - 2010 he was a shareholder and General Manager of El Greco restaurant in Bucharest. Mr Repidonis was also a shareholder and responsible for the development of the Romanian franchise of the Lacoste and Gant brands between 2001 and 2015.

Since 2008 he is a shareholder, administrator, and general manager of Cafe Nescafe cafes, and since 2015 he is general manager of Casa Doina restaurant in Bucharest. Mr. Repidonis is a member of the Board of Directors and an administrator at Baneasa Investments SA.

Affiliated companies: Casa Doina SRL, Dyonissos Group SRL, Debt Advisory and Management SRL, Baneasa Investments SA, Midi Development SRL.

In the last 5 years, Mr Repidonis has not been banned by a court from serving as a member of the board of directors or supervisory board of a company. In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mr Repidonis is a member of the board of directors or supervisor. In the last 5 years, there have been no litigations or administrative procedures in which Mr Repidonis has been involved in the context of his activity within the issuer, as well as those regarding Mr Repidonis's ability to fulfil his duties within the issuer. There is no agreement, understanding or family connection between Mr Repidonis and another person due to whom he was appointed as the administrator of the company.

GABRIEL- SILVIU CARMACIU

Born in 1980, Mr Carmaciu is a non-executive member of the Group's Board of Directors since May 2017. He is licensed in Economics, specializing in Finance, Banking and Accounting. He postgraduate courses in International Economic Relations, Security and National Defense; also graduated professional trainings in Banking, General Management, Coaching and Leadership, Financial Management.

He carried out various management roles in Banking Industry and Private Companies like Strategic and Treasury Management, Investments, Consulting and Services.

Affiliate companies: Computerland Romania SRL.

In the last 5 years, Mr Carmaciu has not been banned by a court from serving as a member of the board of directors or supervisory board of a company. In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mr Carmaciu is a member of the board of directors or supervisor. In the last 5 years, there have been no litigations or administrative procedures in which Mr Carmaciu has been involved in the context of his activity within the issuer, as well as those regarding Mr Carmaciu's ability to fulfil his duties within the issuer. There is no agreement, understanding or family connection between Mr Carmaciu and another person due to whom he was appointed as the administrator of the company.

RAZVAN-STEFAN LEFTER

Born in 1980, Mr Lefter is an independent, non-executive member of the Board of Directors of the Sphera Group since November 2018. He is also chairman of the Group's Audit Committee. He graduated from the Faculty of Finance, Insurance, Banking and Stock Exchanges at the Academy of Economic Studies in Bucharest and holds the title of CFA (Chartered Financial Analyst) awarded by CFA Institute since 2008. He is currently Managing Partner at RSL Capital Advisors, but also a member of the boards of directors of companies such as Mundus Services AD Bulgaria or Eurohold AD Bulgaria. He was also a member of the Boards of Directors or Supervisory Board of companies such as SIF Muntenia, Cemacon Zalau, CONPET Ploiesti, TeraPlast Bistrita. At the beginning of his career, Mr. Lefter held several positions at ING Bank, being among others an analyst at the bank's headquarters in the Netherlands, after which he was Senior Equity Sales Trader at EFG Eurobank Securities and Swiss Capital Romania.

Affiliated companies: RSL CAPITAL ADVISORS SRL, Eurohold AD Bulgaria, Mundus Services AD Bulgaria.

In the last 5 years, Mr Lefter has not been banned by a court from serving as a member of the board of directors or supervisory board of a company. In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mr Lefter is a member of the board of directors or supervisor. In the last 5 years, there have been no litigations or administrative procedures in which Mr Lefter has been involved in the context of his activity within the issuer, as well as those regarding Mr Lefter's ability to fulfil his duties within the issuer. There is no agreement, understanding or family connection between Mr Lefter and another person due to whom he was appointed as the administrator of the company.

MIHAI ENE

Mr. Ene was born in 1975 and has been a non-executive member of the Board of Directors since February 4, 2022. He graduated from the Faculty of Business and Tourism at the Academy of Economic Studies, later obtaining a Diploma in Hospitality Management at Ecole Hoteliere de Lausanne in Switzerland. Over time, he has participated in numerous courses and programs for professional development and specialization. He is currently General Manager and Chairman of the Board of Directors of Practic SA and member of the Board of Directors of Universal SA. In the past, he was also part of the boards of directors of Obor Market & Trade Center, Universal SA, and at the beginning of his career, for a long time, he worked in the hotel sector, holding positions from Front Desk Officer to Deputy General Manager.

Affiliated companies: Practic SA, Universal SA.

In the last 5 years, Mr Ene has not been banned by a court from serving as a member of the board of directors or supervisory board of a company. In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mr Ene is a member of the board of directors or supervisor. In the last 5 years, there have been no litigations or administrative procedures in which Mr Ene has been involved in the context of his activity within the issuer, as well as those regarding Mr Ene's ability to fulfil his duties within the issuer. There is no agreement, understanding or family connection between Mr Ene and another person due to whom he was appointed as the administrator of the company.

CONSULTATIVE COMMITTEES

The Board of Directors established an Audit Committee and a Nomination and Remuneration Committee. Both the Audit Committee and the Nomination and Remuneration Committee comprises of three members of the Board, of which one is elected chairman. The latest elections for the members of the Committees took place on May 12th, 2023.

The members of the Audit Committee as of December 31st, 2024, were:

- Razvan-Stefan Lefter – Chairman;
- Mihai Ene – member;
- Georgios-Vassillios Repidonis – member.

The members of the Nomination and Remuneration Committee as of December 31st, 2024, were:

- Lucian Hoanca – Chairman;
- Gabriel-Silviu Carmaciu – member;
- Georgios-Vassillios Repidonis – member.

EXECUTIVE MANAGEMENT

The Board of Directors delegates the management of the Company to managers who fulfil their functions based on mandate contracts.

There were no changes to the Executive Management team in the course of 2024. However, in the meeting of the Board of Directors held on October 24th, 2024, the Board of the Group took a decision to extend the mandate of Mr. Valentin Budes as CFO of the Company, the new mandate being valid until February 8th, 2028, as well as the mandate of Mrs. Monica Eftimie as Marketing Director, the new mandate being valid until July 1st, 2028. The mandate of Mrs. Monica Eftimie will also be suspended for a period of 10 months starting from December 11th, 2024, during this period Mrs. Eftimie being on parental leave.

The biographies of the executive team of Sphera Franchise Group are available below.

CĂLIN IONESCU, CHIEF EXECUTIVE OFFICER

Date of most recent appointment: May 1st, 2023

Born in 1969, Mr. Calin Ionescu has been the Chief Executive Officer (CEO) since October 2020 and the Chief Operating Officer of the Sphera Franchise Group (COO) since August 2017. Mr. Ionescu studied Marketing and Management at the Romanian-American University of Bucharest. His activity in the field of restaurants started in 1994, with the opening of the first Pizza Hut restaurant managed by ARS (Romania).

Mr. Ionescu held various positions in operations, from Restaurant Manager to General Manager, and in 2012 he was promoted to the position of Group Chief Operating Officer. Throughout this period, he actively participated in the process of expanding KFC and Pizza Hut in Romania and the Republic of Moldova, and in 2016, he laid the foundations for the development of KFC in northeastern and northwestern Italy. Under his supervision, the performance of the KFC and Pizza Hut brands in Romania was consistently in the top three countries according to the operational performance standards of Yum!.

Number of SFG shares held as of 31.12.2024: 42,000 shares.

VALENTIN BUDES, CHIEF FINANCIAL OFFICER

Date of most recent appointment: October 24th, 2024

Born in 1983, Mr. Budeș is the Chief Financial Officer (CFO) of Sphera Franchise Group since May 2019. Valentin Budeș attended the Faculty of Economic Studies in Foreign Languages, French section, at the Academy of Economic Studies in Bucharest and holds a master's degree in "International Accounting" from same university.

Mr. Budeș is a senior member of the Association of Chartered and Certified Accountants (ACCA) and holds a certification in risk management issued by the Institute of Internal Auditors of the United States of America. In Romania, Valentin Budes is a CECCAR member, an accounting expert, and an insolvency practitioner, being a UNPIR member.

Before working in the field of restaurants, Valentin Budeș worked in the field of financial consulting at KPMG Romania; the financial division within the telecommunications companies of the Telekom Romania group (Cosmote, Telemobil, Germanos and Nextgen); and before joining the Sphera Franchise

Group he was responsible for approximately 3 years for the financial activities of the Medicover Romania Group.

Number of SFG shares held as of 31.12.2024: -

MONICA EFTIMIE, CHIEF MARKETING OFFICER

Date of most recent appointment: October 24th, 2024

Born in 1979, Mrs. Eftimie has been the Group's Director of Marketing (CMO) since August 2017. She is a graduate of Northwestern University and has a master's degree in business administration from Georgetown University.

Since 2013, she has been the Marketing Director of ARS (Romania) and USFN (Romania), and in this capacity she coordinated the marketing activities for the brands KFC, Pizza Hut, Pizza Hut Delivery and developed and implemented local marketing campaigns for these brands. Mrs. Eftimie also held the position of Marketing Director in the company that operates the Paul brand in Romania.

With over 10 years of experience in the food industry, Mrs. Eftimie started her marketing career with internships at Accor Group (France) and Saatchi & Saatchi Advertising. She later developed complex marketing campaigns for some of the most well-known names in the food industry.

Number of SFG shares held as of 31.12.2024: -

None of the members of executive team were in the past 5 years forbidden by the court to fulfil the position of a Member of a Board of Directors or Supervisory Board. In past 5 years, there were no cases of insolvency, liquidation, bankruptcy, or special administration of companies where the executive members sat on the Board of Directors or Supervisory Board. None of the executive managers carries professional activity which would compete with that of the issuer.

CONSOLIDATED FINANCIAL RESULTS[1]

In 2024, Group sales rose by 5.4% YoY, totaling RON 1,548.4 million – first time in history that the restaurant sales overpassed RON 1.5 billion mark within a year – with additional restaurant income of RON 2.3 million from recycled oil sales, sub-franchise fees, and other miscellaneous income. Most of the revenue was generated in Romania (RON 1,333 million, or 86.1% of total sales, up 5.4% YoY), followed by Italy (RON 191.7 million, 12.4% of total sales, up 4.3% YoY), and the Republic of Moldova (RON 23.7 million, 1.5% of total sales, up 15% YoY). By brand, KFC led with sales of RON 1,348.1 million (87.1% of total sales, up 6.2% YoY), Pizza Hut contributed RON 108.4 million (7% of total sales, down 5.9% YoY), while Taco Bell generated RON 91.9 million (5.9% of total sales, up 8.7% YoY).

Restaurant expenses for 2024 reached RON 1,356 million, a moderate, 3.5% YoY increase, due to efficient cost control management, thus reducing their share of total sales by 1.6 percentage point (pp), from 89.1% for 2023, to 87.6% for 2024. All expense categories saw single-digit growth, except for depreciation and amortization, which decreased by 2.7% YoY to RON 43.3 million, driven mainly by ARS network streamlining.

Despite a 5.4% YoY increase in restaurant sales, food and material costs rose only 0.9% compared to 2023, reaching RON 483.6 million, thanks to negotiation efforts and cost controls, reducing this category's weight in total sales by 1.4 pp, down to 31.2%.

Efforts to support and retain employees are reflected in a 5.8% YoY rise in payroll and employee benefits, totaling RON 344.1 million in 2024, aligned with labor market trends, and were the biggest contributor to the overall increase in restaurant expenses. Rent expenses increased by 5.1% YoY to RON 109.6 million, due to variable rent structures tied to sales growth. Royalties grew by 5.8% YoY to RON 93 million, aligned with the topline growth. Advertising expenses also rose by 5.8% YoY, to RON 79.8 million, again aligned with the restaurant sales growth registered YoY. Other operating expenses reached RON 202.6 million, up 5.1% YoY, mainly due to a 7.1% YoY increase in third-party costs, especially food aggregator commissions.

Summary of Consolidated Financial Statements for FY (excluding IFRS 16 Impact):

Data in RON'000	2024A	2023A	Y/Y % 2024/2023	% of Sales 2024A	% of Sales 2023A	Δ%
Restaurant sales	**1,548,382**	**1,469,172**	**5.4%**			
Other restaurant income	**2,280**	**-**	**-**			
Restaurant expenses	**1,355,965**	**1,309,595**	**3.5%**	**87.6%**	**89.1%**	**-1.6%**
Food and material	483,551	479,405	0.9%	31.2%	32.6%	-1.4%
Payroll and employee benefits	344,065	325,207	5.8%	22.2%	22.1%	0.1%
Rent	109,605	104,287	5.1%	7.1%	7.1%	0.0%
Royalties	93,014	87,935	5.8%	6.0%	6.0%	0.0%
Advertising	79,750	75,351	5.8%	5.2%	5.1%	0.1%
Other operating expenses	202,633	192,872	5.1%	13.1%	13.1%	0.0%
Depreciation and amortization	43,346	44,537	-2.7%	2.8%	3.0%	-0.2%
Restaurant operating profit	**194,698**	**159,577**	**22.0%**	**12.6%**	**10.9%**	**1.7%**
General & Admin expenses	64,274	62,655	2.6%	4.2%	4.3%	-0.1%
Operating profit	130,424	96,923	34.6%	8.4%	6.6%	1.8%
Normalized operating profit[1]	**130,424**	**104,624**	**24.7%**	**8.4%**	**7.1%**	**1.3%**
Finance costs	10,393	11,772	-11.7%	0.7%	0.8%	-0.1%
Finance income	564	1,239	-54.5%	0.0%	0.1%	0.0%
Profit before tax	**120,596**	**86,389**	**39.6%**	**7.8%**	**5.9%**	**1.9%**
Income tax expense	23,410	14,410	62.5%	1.5%	1.0%	0.5%
Profit for the period	97,185	71,979	35.0%	6.3%	4.9%	1.4%
Normalized Profit for the period[1]	**97,185**	**79,680**	**22.0%**	**6.3%**	**5.4%**	**0.9%**
EBITDA	176,892	145,290	21.8%	11.4%	9.9%	1.5%
Normalized EBITDA[2]	**176,892**	**147,937**	**19.6%**	**11.4%**	**10.1%**	**1.4%**

[1] Starting 1 January 2019, Sphera Franchise Group applies IFRS 16 'Leases' standard that sets out the principles for the recognition, measurement, presentation, and disclosure of leases. When analyzing the performance of the Group, the management's focus is on the financial results that exclude the impact of IFRS 16. **Therefore, the basis for the financial analysis on the following pages are the results excluding IFRS 16**. Nonetheless, for most of the tables below are provided financial results both including, as well as excluding the impact of IFRS 16. For more information on the impact of IFRS 16 Leases on the consolidated financial statements of Sphera, please refer to the Consolidated Financial Statements.

Summary of Consolidated Financial Statements for FY – results and evolution presented with and without IFRS 16 impact

Data in RON'000	2024A	2024A	2023A	2023A	Change (%)	
	1	2	1	2	2024/2023 (1)	2024/2023 (2)
Restaurant sales	**1,548,382**	**1,548,382**	**1,469,172**	**1,469,172**	**5.4%**	**5.4%**
Other restaurant income	**3,286**	**2,280**	**-**	**-**	**-**	**-**
Restaurant expenses	**1,344,149**	**1,355,965**	**1,298,263**	**1,309,595**	**3.5%**	**3.5%**
Food and material	483,551	483,551	479,405	479,405	0.9%	0.9%
Payroll and employee benefits	344,065	344,065	325,207	325,207	5.8%	5.8%
Rent	33,863	109,605	34,644	104,287	-2.3%	5.1%
Royalties	93,014	93,014	87,935	87,935	5.8%	5.8%
Advertising	79,750	79,750	75,351	75,351	5.8%	5.8%
Other operating expenses	202,633	202,633	192,503	192,872	5.3%	5.1%
Depreciation and amortization	107,273	43,346	103,218	44,537	3.9%	-2.7%
Restaurant operating Profit	**207,519**	**194,698**	**170,909**	**159,577**	**21.4%**	**22.0%**
General & Admin expenses	63,338	64,274	61,976	62,655	2.2%	2.6%
Operating profit	144,181	130,424	108,933	96,923	32.4%	34.6%
Normalized operating profit[1]	**144,181**	**130,424**	**116,634**	**104,624**	**23.6%**	**24.7%**
Finance costs	25,499	10,393	26,177	11,772	-2.6%	-11.7%
Finance income	564	564	1,239	1,239	-54.5%	-54.5%
Profit before tax	**119,246**	**120,596**	**83,995**	**86,389**	**42.0%**	**39.6%**
Income tax expense	21,859	23,410	12,248	14,410	78.5%	62.5%
Profit for the period	97,387	97,185	71,747	71,979	35.7%	35.0%
Normalized Profit for the period[1]	**97,387**	**97,185**	**79,449**	**79,680**	**22.6%**	**22.0%**
EBITDA	257,717	176,892	219,168	145,290	17.6%	21.8%
Normalized EBITDA[2]	**257,717**	**176,892**	**221,815**	**147,937**	**16.2%**	**19.6%**

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

[1] In 2023, net profit was normalized to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the closing of KFC restaurants in Romania (RON 0.9m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m, out of which RON 2.2m YUM costs and RON 0.1m other closing costs), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in 2024.

[2] EBITDA was normalized for 2023 to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in 2024.

Restaurant operating profit rose by 22% YoY, from RON 159.6 million in 2023 to RON 194.7 million in 2024, driven by strong performances from the KFC and Taco Bell brands. KFC Romania ("USFN Romania") contributed RON 161.4 million (+16.1% YoY) to restaurant operating profit, Taco Bell ("CFF") added RON 9.5 million (+60.3% YoY), and KFC Moldova ("USFN Moldova") contributed RON 4.3 million (+14.8% YoY). KFC Italy ("USFN Italy") recorded a restaurant operating profit of RON 18.1 million, a slight decline of 5.7% YoY mainly due to increase in payroll cost as a result of alignment to labor market. Notably, Pizza Hut ("ARS") showed significant improvement, going from restaurant operating loss of RON 8.7 million (on a normalized basis RON 2.3 million loss) for 2023, to a restaurant operating profit of RON 0.9 million for 2024, proving the efficiency of the network optimization measures implemented as of the end of 2023.

Breakdown of Consolidated Results by Group companies – 2024 (excluding IFRS 16 impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CHOCO	CFF	SFG	Cons. Adj.	SFG Cons
Restaurant sales	**1,132,713**	**108,409**	**23,672**	**191,748**	**-**	**91,875**	**42,479**	**(42,514)**	**1,548,382**
Dividend revenues	**-**	**-**	**-**	**-**	**-**	**-**	**94,025**	**(94,025)**	**-**
Other restaurant income	**1,496**	**779**	**-**	**-**	**-**	**106**	**11**	**(111)**	**2,280**
Restaurant expenses	**972,804**	**108,238**	**19,331**	**173,684**	**-**	**82,437**	**-**	**(530)**	**1,355,965**
Food and material	364,928	29,573	8,754	51,332	-	28,964	-	-	483,551
Payroll and employee benefits	244,232	30,241	3,999	45,787	-	19,806	-	-	344,065
Rent	75,231	10,143	1,242	16,212	-	6,778	-	-	109,605
Royalties	68,063	6,504	1,425	11,492	-	5,530	-	-	93,014
Advertising	56,956	6,019	875	11,646	-	4,723	-	(469)	79,750
Other operating expenses	136,261	22,020	2,665	28,533	-	13,110	-	44	202,633
Depreciation	27,133	3,738	371	8,682	-	3,526	-	(105)	43,346
Restaurant operating profit	**161,405**	**950**	**4,341**	**18,064**	**-**	**9,543**	**136,515**	**(136,121)**	**194,698**
G&A expenses	38,791	7,244	597	11,436	3	3,678	46,569	(44,044)	64,274
Operating profit/(loss)	**122,614**	**(6,294)**	**3,744**	**6,628**	**(3)**	**5,866**	**89,946**	**(92,077)**	**130,424**
Finance costs	7,846	1,549	168	3,511	17	1,277	3,420	(7,394)	10,393
Finance income	5,575	4	-	52	-	-	2,327	(7,394)	564
Profit/(Loss) before tax	**120,343**	**(7,838)**	**3,577**	**3,170**	**(20)**	**4,589**	**88,853**	**(92,077)**	**120,596**
Income tax expense/ (credit)	20,149	(182)	445	2,028	-	805	165	-	23,410
Profit/(Loss) for the period	100,195	(7,657)	3,132	1,142	(20)	3,783	88,688	(92,077)	97,185
Normalized Profit/(Loss) for the period	**100,195**	**(7,657)**	**3,132**	**1,142**	**(20)**	**3,783**	**90,853**	**(94,242)**	**97,185**
EBITDA	151,193	(1,943)	4,164	15,405	(3)	9,669	90,601	(92,194)	176,892
Normalized EBITDA[1]	**151,193**	**(1,943)**	**4,164**	**15,405**	**(3)**	**9,669**	**92,766**	**(94,359)**	**176,892**

[1] At individual level, normalized EBITDA for 2024 excludes the impairment loss for the investment in ARS (2,165) registered in SFG.

General and administrative (G&A) expenses increased by 2.6% YoY in 2024, below the inflation rate. Considering the modest YoY growth, as a share of sales, the G&A expenses decreased slightly, from 4.3% in 2023 to 4.2% in 2024.

	Data in RON '000				Change (%)		Percentage of sales			
	2024A (1)	2024A (2)	2023A (1)	2023A (2)	2024/ 2023 (1)	2024/ 2023 (2)	2024A (1)	2024A (2)	2023A (1)	2023A (1)
General and administration (G&A) expenses	**63,338**	**64,274**	**61,976**	**62,655**	**2.2%**	**2.6%**	**4.1%**	**4.2%**	**4.2%**	**4.3%**
Payroll and employee benefits	44,997	44,997	42,839	42,839	5.0%	5.0%				
Third-party services	8,278	8,278	7,201	7,201	15.0%	15.0%				
Depreciation and amortization	6,263	3,122	7,017	3,830	-10.7%	-18.5%				
Rent	227	4,303	232	4,098	-2.2%	5.0%				
Banking charges	637	637	748	748	-14.8%	-14.8%				
Transport	1,474	1,474	1,397	1,397	5.6%	5.6%				
Other*	1,462	1,462	2,541	2,541	-42.5%	-42.5%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.
**Other expenses include maintenance & repairs, smallware, insurance, phone & postage, miscellaneous expenses.*

Due to steady increase in the turnover, paired with the continuous cost control across both restaurant and G&A expenses, consolidated operating profit increased in 2024 by 34.6% YoY to RON 130.4 million.

Net finance costs decreased by 6.7% YoY, from RON 10.5 million in 2023 to RON 9.8 million in 2024, primarily due to loan repayments in 2023, resulting in a gross profit of RON 120.6 million, a 39.6% YoY increase. Income tax expense rose by 62.5% YoY to RON 23.4 million, mostly because USFN Romania became an income taxpayer in the course of 2024, resulting in the net profit for 2024 amounting to RON 97.2 million. This is a 35% YoY increase on a comparative basis and a 22% YoY increase on a normalized basis.

The main contributor to the net result in 2024 was USFN Romania, with a net profit of RON 100.2 million (+16.7% YoY), followed by CFF with RON 3.8 million (+496.3% YoY), USFN Moldova with RON 3.1 million

(+11.7% YoY), and USFN Italy with RON 1.1 million (-62% YoY). ARS result improved significantly, as it more than halved its net loss YoY, from RON 17.2 million in 2023, to RON 7.7 million in 2024.

EBITDA also show a positive evolution, rising from RON 147.9 million on a normalized basis in 2023 to RON 176.9 million in 2024, marking a 19.6% YoY increase. This improvement is largely due to effective cost-control measures, which enhanced operating profit. EBITDA margins varied by brand: USFN Moldova led with a margin of 17.6%, followed by USFN Romania at 13.3%, CFF at 10.5%, and USFN Italy at 8%. ARS improved its EBITDA margin with almost 3pp, reaching -1.8% for 2024.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In terms of consolidated statement of financial position, out of total assets, 81% represent non-current assets, an increase of 10.89% YoY, mainly as a result of opening new restaurants. Current assets have increased by 15.34% YoY, reaching RON 151.3 million, mainly due to the increase in the cash position, a 18% increase YoY reaching RON 116 million, mainly connected with the increase in revenues; also trade and other receivables have increased by 25% (mainly due to increase in other debtors, tax receivables and medical leave) to RON 12.6 million; also inventories (mainly raw materials) have increased by 10% to RON 16.3 million.

Consolidated total equity increased by 8.7% YoY, to RON 155 million, as a result of a 36% increase YoY in the net profit registered by the Group.

Consolidated total liabilities increased by 12.5% YoY to RON 628.6 million, out of which 51% were accounted for finance lease liabilities that increased by RON 55.3 million as a result of opening new restaurants.

A summary of consolidated financial position as of ended December 31st, 2024 and December 31st, 2023, is presented below:

Data in RON'000	31-Dec-24	31-Dec-23	Δ '24/'23
Non-current assets Total	**632,258**	**570,152**	**10.89%**
Other non-current assets	338,979	330,615	2.53%
Right-of-use assets	293,279	239,537	22.44%
Current assets Total	**151,286**	**131,164**	**15.34%**
Total assets	**783,544**	**701,316**	**11.72%**
Total equity	**154,987**	**142,616**	**8.67%**
Total non-current liabilities	**357,781**	**309,863**	**15.46%**
Other non-current liabilities	99,351	98,019	1.36%
Lease liabilities (IFRS 16)	258,430	211,844	21.99%
Total current liabilities	**270,776**	**248,837**	**8.82%**
Other current liabilities	205,925	192,794	6.81%
Lease liabilities (IFRS 16)	64,851	56,043	15.72%
Total liabilities	**628,557**	**558,700**	**12.50%**
Total equity and liabilities	**783,544**	**701,316**	**11.72%**

STANDALONE FINANCIAL RESULTS

Sphera Franchise Group's individual revenues include dividend income from subsidiaries (US Food Network SA US Food Network SRL and US Food Network S.r.l) and revenues from services rendered. Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established which is generally when shareholders approve the dividend.

Revenues from services refer to management and support services provided to its subsidiaries, such as: marketing, development and project management, services for restaurants network expansion, sales support, human resources, and other services. For calculating the price of services rendered, the Company applies a mark-up to cost of service, determined based on benchmark analysis as requested by transfer pricing legislation.

Net profit for 2024 was RON 88.7 million (2023: RON 65.7 million), the increase being mainly determined by the 35% increase in revenue from dividends.

Details of the investments in subsidiaries as at December 31st, 2024 and December 31st, 2023, respectively, are as follows:

Data in RON'000

Company	Share interest percent	31 December 2024			31 December 2023		
		Investment at cost	**Accumulated impairment loss**	**Carrying value**	**Investment at cost**	**Accumulated impairment loss**	**Carrying value**
US Food Network SA (Romania)	99.9997%	520,013	-	**520,013**	519,704	-	**519,704**
American Restaurant System SA (Romania)	99.9997%	114,568	66,844	**47,724**	114,452	64,679	**49,773**
California Fresh Flavors SRL (Romania)	99.9900%	16,528	-	**16,528**	16,528	-	**16,528**
US Food Network SRL (Moldova)	80.0000%	1,735	-	**1,735**	1,735	-	**1,735**
US Food Network SRL (Italy)	100.0000%	77,899	-	**77,899**	77,899	-	**77,899**
Total		**730,743**	**66,844**	**663,899**	**730,318**	**64,679**	**665,639**

In 2024, the Company increased the investment in USFN with the amount of RON 309 thousand and the investment in ARS with the amount of RON 116 thousand, representing the value of its own treasury shares that are to be granted to the management of subsidiaries, as part of the share-based payment program.

As of December 31st, 2024, the Company assessed whether there are indicators of impairment for its cost of investment in subsidiaries and further to the analysis performed no impairment resulted for investments in US Food Network SA, US Food Network SRL (Moldova), US Food Network SRL (Italy) and California Fresh Flavors SRL. For ARS, there was a decrease of the investment's recoverable amount of additional RON 2.2 million for which the Company recognized an impairment loss in the financial statements as at and for the year ended 31 December 2024.

In regards the financial position, the main elements of the balance sheet as of 31 December 2024 are detailed below.

FY Standalone Financial Statements

Data in RON'000	2024	2023	Δ'24/'23
Dividend revenues	94,025	73,003	28.80%
Revenue from service contracts with related parties	42,479	40,779	4.17%
Other income	18	29	-37.93%
Payroll and employee benefits	35,892	34,433	4.24%
Impairment loss of investments in subsidiaries	2,165	4,369	-50.45%
Other expenses	8,293	7,686	7.90%
Operating profit	90,172	67,323	33.94%
Financial result	1,287	1,422	-9.49%
Profit before tax	88,885	65,901	34.88%
Income tax expense	165	244	-32.38%
Profit for the period	**88,720**	**65,657**	**35.13%**

On the balance sheet, besides cash, current assets refer to amounts invoiced to related parties for management and support services of RON 20.8 million (31 December 2023: RON 17.8 million), dividends to be received RON 1.1 million (31 December 2023: RON 21.1 million), other receivables (cash paid to broker for the acquisition of treasury shares) of RON 1.6 million (31 December 2023: 0).

Non-current assets comprise mainly net investments in subsidiaries of RON 663.9 million (31 December 2023: RON 665.6 million) and loans and related interest granted to the subsidiaries of RON 37 million (31 December 2023: 30.2 million). As at 31 December 2024, these loans and related interest granted to the subsidiaries were presented as long term receivables following the prolongation of the contracts in 2023.

Other non-current assets refer to property, plant and equipment and intangible assets of RON 1.9 million (31 December 2023: RON 2.2 million), right-of-use assets of RON 4.1 million (31 December 2023: RON 4.6 million), deferred tax asset recognized for the fiscal loss carried forward RON 0.1 million (31 December 2023: RON 0.2 million).

Current and non-current liabilities are mainly in relation to the lease liabilities from lease of office premises and administrative vehicles, the bank loan and loan from one of its subsidiaries, US Food Network SA.

Data in RON'000	31-Dec 2024	%	31-Dec 2023	%
Assets				
Non-current assets	706,994	95%	702,814	94%
Current assets	36,630	5%	42,286	6%
Total assets	**743,624**	**100%**	**745,100**	**100%**
Total equity	**691,991**	**93%**	**687,674**	**92%**
Non-current liabilities	33,895	5%	40,056	5%
Current liabilities	17,738	2%	17,370	2%
Total liabilities	**51,633**	**7%**	**57,426**	**8%**
Total equity and liabilities	**743,624**	**100%**	**745,100**	**100%**

Ernst & Young Assurance Services S.R.L.
2 8. MAR. 2025
Signed for identification
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MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group, based on the audited consolidated result as of December 31st, 2024, are presented below, together with the audited FY 2023 ratios. All the ratios are calculated including IFRS 16 impact.

Financial data in RON '000	FY 2024 (Audited)		FY 2023 (Audited)	
Current ratio				
Current assets / Current liabilities	151,286 / 270,776	= 0.56	131,164 / 248,837	= 0.53
Debt to Equity ratio				
Interest-bearing debt (long term) / Equity	350,622 / 154,987	= 226%	303,299 / 142,616	= 213%
Interest-bearing debt (long term) / Capital employed	350,622 / 505,609	= 69%	303,299 / 445,915	= 68%
Trade receivables turnover (days)				
Average receivables / Turnover	11,412 / 1,548,382	= 2.65	15,721 / 1,469,172	= 3.85
Fixed asset turnover				
Turnover / Net fixed assets	1,548,382 / 602,201	= 2.57	1,469,172 / 536,973	= 2.74

Notes: Annualized values, based on the ASF methodology.

BRAND & SALES PERFORMANCE

MARKET SHARE

KFC holds a strong position in the Romania's quick-service restaurant (QSR) sector. According to the latest available data, for 2023, it is the second player in the chained QSR segment with a 20.4% market share and leads the QSR, chicken category segment. The brand had 92% brand awareness among Romanian QSR customers as of December 2023, maintaining high levels of customer consideration and recommendation.

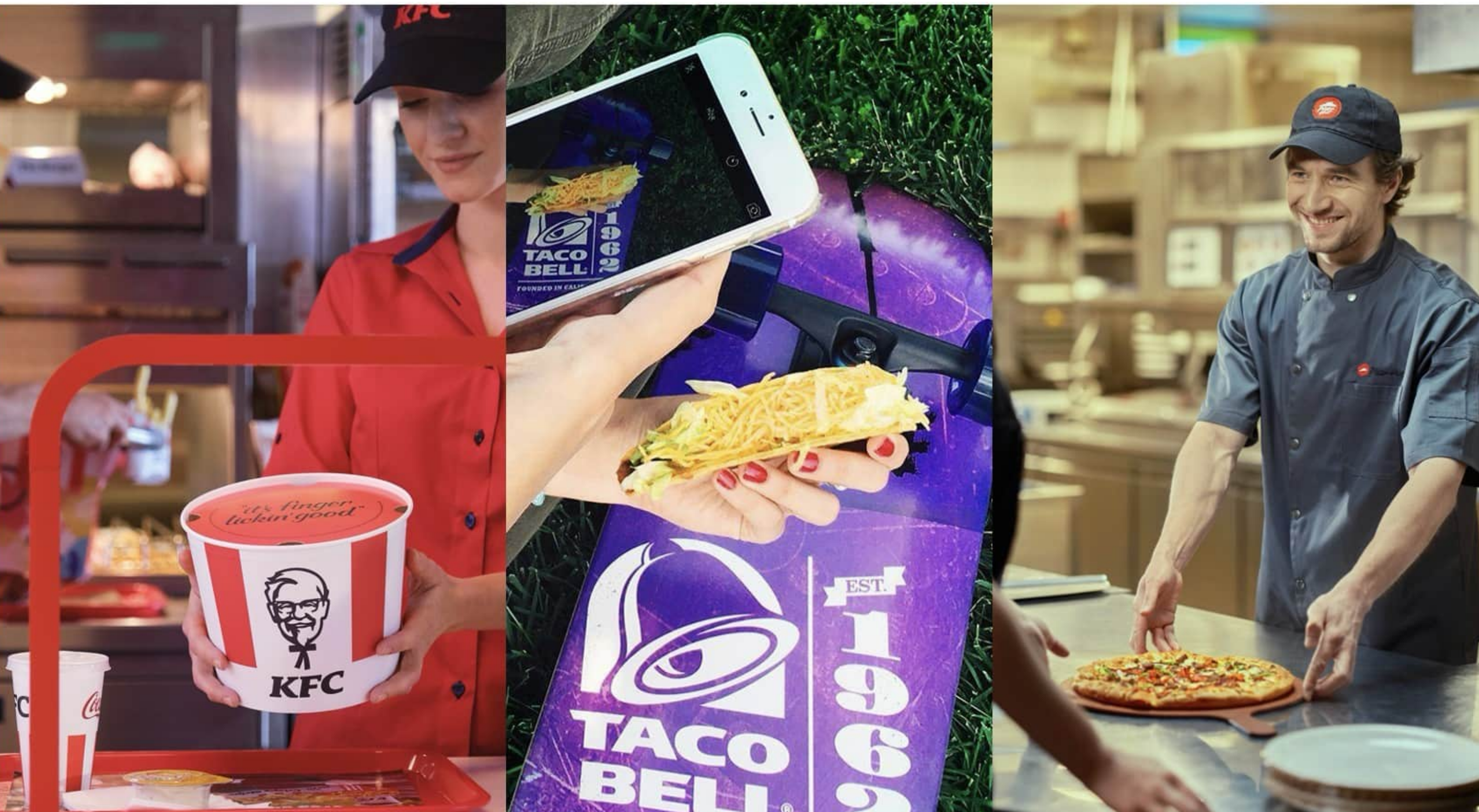
KFC is recognized for its superior taste, a key factor in its success. It ranks highest for taste-related attributes, including 'best tasting chicken', 'freshest ingredients', 'high quality food', and 'food is freshly prepared'. Key products include Crispy Strips, Garlic Sauce, Smart Menu, Crispy Sandwich, Hot Wings, and Buckets, which are central to its identity and customer appeal.

The brand has also been the most awarded in the QSR category at the Effie Awards, celebrating effective marketing campaigns. This accolade underscores KFC Romania's effective engagement strategies and its significant contribution to the Sphera Franchise Group's success.

Pizza Hut stands as a leading entity in the Romanian pizza chain segment, holding a dominant position with nearly 1.9% of the market share, based on the latest available data, for 2023, from the total food service category value in 2023. This accomplishment is supported by its status as the brand with the highest awareness in the pizza category, boasting 77% aided brand awareness among Romanian quick service customers as of December 2023.

Taco Bell has established itself as the largest Mexican food chain in Romania, capturing 1.5% of the market share from the total food service sector based on the latest available data, for 2023. This position is part of its strategic growth under the Sphera Franchise Group. The brand has seen a significant increase in brand recognition, with aided awareness reaching 55% among Romanian consumers as of December 2023.

Taco Bell stands out in the competitive landscape as the third most distinctive brand in the quick service restaurant (QSR) market, demonstrating its strong brand identity and consumer appeal. Additionally, Taco Bell differentiates itself by actively engaging with its customer base through a loyalty program. This program rewards the chain's most loyal fans and is accessible via a mobile app, enhancing the customer experience.

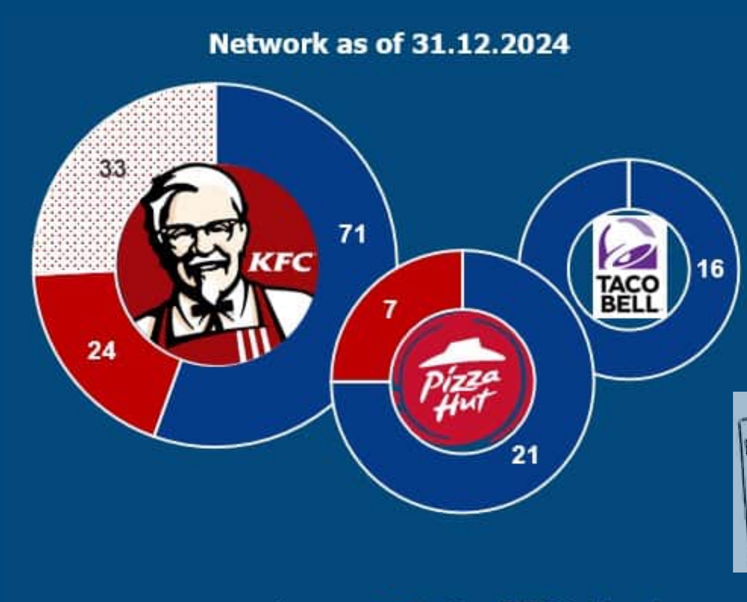


BRAND & MARKETS PERFORMANCE

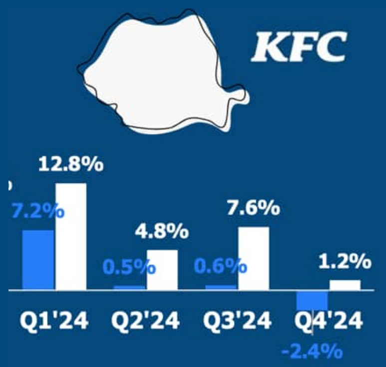
In 2024, Romania contributed RON 1,333 million to the turnover, accounting for 86.1% of total sales, with revenues increasing 5.4% YoY. Italy generated RON 191.7 million (12.4% of total revenues), marking a 4.3% YoY growth. Meanwhile, the Republic of Moldova contributed RON 23.7 million (1.5% of revenues), achieving a 15% increase in sales.

In 2024, KFC recorded a 6.2% revenue increase, reaching RON 1.348 billion in sales, while Taco Bell grew by 8.7% to RON 91.9 million. Pizza Hut's sales declined by 5.9% to RON 108.4 million, reflecting the ongoing network reorganization program, which formally began in Q3 2023. This initiative aimed to optimize costs, enhance brand agility, and improve profitability, with results materializing in 2024, demonstrating the strategy's effectiveness. Notably, Pizza Hut's net loss significantly improved in 2024, further validating the impact of these measures. Overall, four out of five companies delivered a positive net result, underscoring the success of the management's strategy. This approach focused on strengthening KFC's presence in Romania and Moldova while turning KFC Italy and Taco Bell profitable.

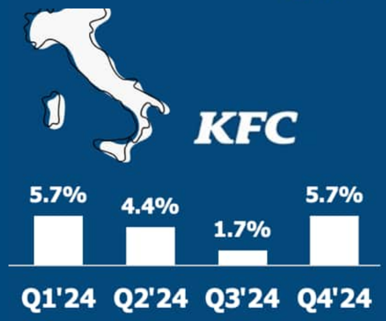
In 2024, Sphera opened seven new restaurants – six KFC locations, of which five new stores were inaugurated in Romania and one in the Republic of Moldova, and one Taco Bell store in Romania. These new openings were offset by the closure of six Pizza Hut locations.



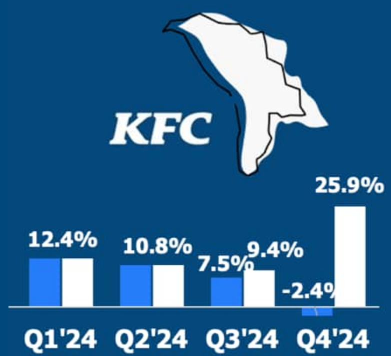
KFC ROMANIA continued to be the high performer in 2024, generating over two-thirds of total Group turnover. The restaurant sales of KFC Romania overpassed the RON 1 billion mark for the second time in history, growing 6.4% YoY, to RON 1.13 billion. In 2024, Sphera opened 5 new KFC restaurants Romania, driving the all stores growth. In 2024, USFN Romania generated RON 161.4 million (+16.1% vs. 2023) in the restaurant operating profit, RON 151.2 million in EBITDA, generating an 13.3% EBITDA margin – second highest within the Group, and a profit of RON 100.2 million (+16.7% vs. 2023).



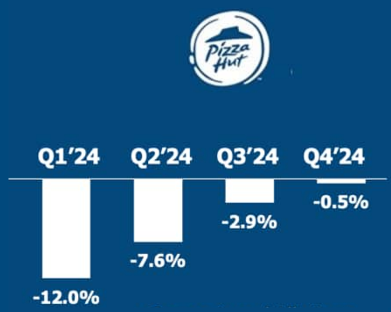
KFC ITALY grew sales 4.3% in 2024, to RON 191.7 million. This indicates a stable growth in customer demand amidst a competitive and mature market. USFN Italy closed 2024 with restaurant operating profit of RON 18.0 million (vs. restaurant operating profit of RON 19.2 million in 2023), EBITDA of RON 15.4 million and an EBITDA margin of 8.0%. In terms of profitability, the Italian operations generated in 2024 a net profit of RON 1.1 million, reflecting a tough market environment in Italy.



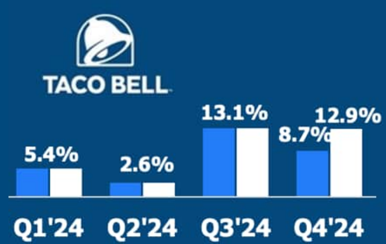
KFC MOLDOVA, with smallest footprint of all the brands, of just 3 units based in Chisinau, showed remarkable growth, with an 15% increase in sales YoY, to RON 23.7 million. This performance demonstrates the brand's growing appeal in the Moldovan market, where consumer demand for KFC's offerings is on the continuous rise. USFN Moldova closed 2024 with a restaurant operating profit of RON 4.3 million, a positive EBITDA of RON 4.2 million and a net result of RON 3.1 million. It is relevant to mention that USFN Moldova generated the highest EBITDA margin of all the Group companies, of 17.6%.



PIZZA HUT saw a 5.9% YoY decrease in sales, down to RON 108.4 million, driven by Pizza Hut's network reorganization program initiated in 2023 with the aim to optimize costs, increase the agility of the brand and improve profitability indicators. Pizza Hut ended 2024 with restaurant operating profit of RON 950K (vs. RON 8.7 million loss in 2023), negative EBITDA of RON 1.9 million and a net loss of RON 7.7 million, a significant improvement of RON 3 million in profitability (on a normalized basis) versus 2023.



TACO BELL, the youngest brand in Sphera Franchise Group's portfolio, continued to resonate with younger customers, increasing sales 8.7% YoY, to RON 91.9 million. This continued growth, which accelerated in the second half of 2024, highlights the increasing popularity of Taco Bell's offerings and its successful expansion strategies, which allowed the Company to reach 16 units across Romania. The brand's performance indicates a strong consumer appetite for its unique menu and dining experience. Similar to KFC Italy, Taco Bell had a very good year, registering net profit of RON 3.8 million in 2024, versus a net profit of RON 0.6 million in 2023, and an EBITDA of RON 9.7 million, a 10.6% margin.



■ Same store ■ All store

DELIVERY

In terms of sales for delivery, those remained at constant levels throughout 2024, reflecting the post-pandemic realities. Peak in the demand for delivery was recorded in Q1 2024, reflecting a general trend that is particularly pronounced during the winter months, reflecting the customers' preference for the comfort and convenience of having their favorite meals delivered right to their doorstep.

The total value of sales for delivery in 2024 reached RON 280.8 million, amounting to 18.1% of total sales. The value of sales for delivery increased 8.8% versus 2023, reflecting clients desire for Group’s brands matched with the need for convenience. Out of that amount, own deliveries – meaning the Group’s own delivery sales channel amounted to RON 24.3 million, 8.6% of total delivery sales.

The distribution of these delivery sales across the brands remains consistent, with Pizza Hut leading the way, having 36% share of the delivery orders in 2024, stable compared to the year prior. For KFC Romania, sales for delivery in 2024 amounted to 17% (stable vs. 2023), 25% for Taco Bell (1pp decrease vs 2023), 32% for KFC Moldova (2pp decrease vs 2023) and 9% for KFC Italy, (2pp decrease vs 2023).

Sales by entity		Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
USFN RO	delivery	18%	16%	16%	17%	18%	17%	16%	17%
	non-delivery	82%	84%	84%	83%	84%	83%	84%	83%
ARS	delivery	36%	34%	35%	36%	36%	38%	35%	36%
	non-delivery	64%	66%	65%	64%	64%	62%	65%	64%
CFF	delivery	30%	28%	23%	24%	27%	26%	25%	23%
	non-delivery	70%	72%	77%	76%	73%	74%	75%	77%
USFN IT	delivery	8%	7%	6%	8%	9%	8%	8%	12%
	non-delivery	92%	93%	94%	92%	91%	92%	92%	88%
USFN MD	delivery	31%	30%	30%	31%	32%	33%	34%	30%
	non-delivery	69%	70%	70%	69%	68%	67%	66%	70%
All	delivery	19%	17%	16%	18%	19%	18%	17%	18%
	non-delivery	81%	83%	84%	82%	81%	82%	83%	82%

Collaboration with local food aggregators, Glovo, Tazz and Bolt in Romania; Glovo, Deliveroo, Just Eat and UBER Eats in Italy; Straus and iFood in the Republic of Moldova continued in 2024. However, to optimize operational costs while still maintaining a high level of service and connection with our customers, Sphera Franchise Group made a strategic decision to outsource our own delivery fleet to trusted partners. This shift allows the Group to focus on what the Group does best – preparing and serving meals to customers – while leveraging the expertise of our partners for delivery logistics. All in all, in 2024, 8.6% of sales for delivery were fulfilled using Sphera's own delivery channel, a decrease from 9.9% in 2023. These changes are part of our ongoing efforts for the Group adapt and thrive in a dynamic market, ensuring that the portfolio brands continue to meet and exceed our customers' expectations.

The management considers the progress made in the digital area between 2020-2024 as crucial for the future and for gaining new clients, including advancements in delivery services, which have streamlined online ordering, optimized delivery logistics, and enhanced customer experience through seamless digital integration. This translated in customer retention, resulting in higher revenues due to widespread availability of the Group’s products. Moreover, with the switch to digital services, it is now easier than ever to better track customers’ preferences and better understand their behavior and critical decision drivers. With OOH and traditional advertising, the capability of brands to understand customer behaviors are limited and less precise. Digital services help track the full customer journey – from the moment they click on the ad, open the website, place the order and whether they come back in the future, making the conversion much easier to track. This approach was especially helpful in the past 4 years as it helped assess the effectiveness of the campaigns in real-time and when necessary, adjustments were made daily to bring better results.

DIVIDENDS

Data in RON'000

	2024	2023
Dividends declared during the period:		
To shareholders of Sphera Franchise Group SA	81,443	44,886
To non-controlling interests	561	393
Total dividends declared during the period	**82,004**	**45,279**
Total dividends declared per share SFG (RON/share)	**2.1000**	**1.1600**
Dividends paid during the period:		
To shareholders of Sphera Franchise Group SA	81,443	64,887
To non-controlling interests	561	393
Total dividends paid during the period	**82,004**	**65,280**

On April 26th, 2024, the Ordinary General Meeting of the Shareholders of Sphera Franchise Group approved the dividend distribution from the undistributed net profit of 2022-2023, with a gross dividend per share being set at RON 1.05. The payment date was June 6th, 2024.

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On October 7th, 2024, the Ordinary General Meeting of the Shareholders of Sphera Franchise Group approved the dividend distribution from the undistributed net profit of 2023, with a gross dividend per share being set at RON 1.05. The payment date was November 7th, 2024.

For the year ended 31st December 2024, the Board of Directors has proposed to the shareholders' approval, the following allocation of the net profit of Sphera Franchise Group SA in amount of RON 88.72 million:

- Setting up the legal reserves in accordance with the statutory regulations in amount of RON 4.4 million.
- Covering the loss related to the acquisition of treasury shares of RON 487 thousand.
- Allocation of undistributed profit of RON 83.8 million to retained earnings.

Also, the Board of Directors has proposed to the shareholders' approval the distribution of a gross dividend per share of RON 1.09 per share from the undistributed profit of 2023 and 2024 of Sphera Franchise Group SA.

As of December 31st, 2024, the value of the retained earnings of Sphera Franchise Group SA has reached the value of RON 92.8 million, as presented in the separate financial statements.

The shareholders can access the Group's dividend policy at the following link.

KEY FACTORS AFFECTING GROUP’S RESULTS

The Group’s results of operations have been and are expected to continue to be affected by a number of key factors.

General economic environment in the markets

The results of the Group can be directly affected by economic conditions, especially employment levels, inflation, real disposable income, consumption, access to consumer credit, consumer confidence, applicable taxes, and consumer's willingness to spend money in the markets and geographic areas in which it operates. In an unfavorable economic environment with a decrease in disposable income, the Group’s customers may reduce the frequency with which they dine out or order-in or may choose more inexpensive dining options. This risk continues to be significant for 2024 due to the continued heightened inflation as well as energy costs. A decrease in disposable income may affect the customer traffic, frequency, average ticket size as well as the Group's ability to pass the cost increases onto its customers. Nonetheless, this trend is offset by the overall affordability of the Groups products, which may also lead to the Group attracting new clients, amongst the customers who may substitute more expensive dining options with Group's products.

Competitive landscape

The restaurant industry's competitive nature means that the Group constantly faces the challenge of new entrants with innovative offerings. The Group competes against international chains, as well as many national, regional, and local businesses in the quick-service, casual dine-in and delivery/takeaway restaurant sectors not only for customers, but also for management and store employees, suitable real estate sites and qualified sub-franchisees. This competition can influence product demand, prices, wages, and rental costs, potentially reducing profitability. Maintaining service quality, introducing new menu items, and staying abreast of industry trends are essential to retain and grow the customer base, but might not be sufficient when facing a strong competitor.

Political uncertainty and legislative volatility in Romania

Romania’s current political instability, characterized by governmental changes, challenges in governance, and increasing populist rhetoric, presents a significant risk to the Group’s operations. The prolonged political uncertainty, exacerbated by legal disputes over election results, has contributed to unpredictability in policymaking, fiscal decisions, and economic stability.

One of the key risks arising from this situation is the potential for abrupt regulatory shifts, particularly in taxation, labor laws, and business compliance requirements. Unpredictable legislative changes may increase operational costs, impose new financial burdens, or introduce restrictive measures that impact the Group’s ability to adapt quickly. For example, changes to VAT rates or corporate taxation structures could directly affect profitability, while modifications to labor regulations might increase wage expenses or complicate hiring processes.

Furthermore, political instability can negatively impact consumer confidence and economic sentiment, leading to reduced discretionary spending and affecting demand for the Group’s products. In a scenario where uncertainty persists, the restaurant industry may experience fluctuations in customer traffic, particularly in urban centers where economic activity is more closely tied to investor confidence and business sentiment.

The Group continues to monitor political developments and maintains a flexible operational strategy to mitigate potential disruptions. However, sustained instability in Romania’s political landscape could pose long-term challenges, influencing both market conditions and the overall business environment.

Political and military instability in the region

Political and military instability in the region such as the invasion of Ukraine by the Russian Federation and the subsequent war in Ukraine, can lead to deeply unfavorable economic conditions, social unrest or, in the worst case, military confrontations in the region. The effects are largely unpredictable but may include a decrease in investment, significant currency fluctuations, increases in interest rates, reduced credit availability, trade, and capital flows, and increases in energy prices. These effects and other unforeseen adverse effects of the crises in the region could have a significant negative effect on the Group's business, prospects, results of operations and financial position.

Supply chain disruptions

The Group needs to ensure frequent deliveries of fresh agricultural products and foodstuffs. The Group cannot rule out the risk related to delivery deficits or interruptions caused by factors such as geopolitical conflicts, unfavorable weather conditions, lockdowns, changes in legal regulations or withdrawing some foodstuffs from trading. The demand for certain products paired with a limited supply may lead to difficulties in obtaining them as well as price increases, thus having an adverse effect on the Group's results. As it was following the Brexit, where there was a risk that the prices of supplies might increase due to the UK leaving the EU, the Group's procurement division is constantly analyzing alternative suppliers and is prepared to switch to alternative providers if there might be such need.

Supplier price fluctuations

A critical risk that Sphera Franchise Group faces relates to the fluctuations in the prices of key inputs, including raw materials and energy. These fluctuations can directly impact the Group's gross margin, potentially affecting its financial stability and profitability. Although the Group engages with multiple suppliers to mitigate this risk and ensure a stable supply chain, market conditions such as supply shortages, geopolitical tensions, inflation, or unexpected global events can still lead to significant variations in costs.

The nature of the restaurant industry often makes it challenging to immediately pass on increased costs to consumers without risking customer dissatisfaction or loss of competitive edge. The timing and feasibility of adjusting menu prices in response to supplier cost increases are critical factors. There may be a lag in implementing these changes due to the need to balance maintaining customer loyalty and covering increased costs. In some cases, transferring the full extent of these costs to the end consumer might not be feasible without affecting demand for the Group's services.

Price risk

Cost of sales represents the most significant expense of the Group. Gross margin is affected by a number of factors, like movements in the cost of sales (including with respect to the prices of raw materials, or energy prices), the extent to which the Group can negotiate favorable prices and rebates from suppliers as well as the mix of products that it sells from time to time. The Group seeks to procure its principal inputs from multiple suppliers, in the event that the Group's primary suppliers cannot deliver the components in the contracted amounts and specifications, the Group's requirements exceed the Group's minimum contracted amounts, or the Group is subjected to unanticipated price increases. Prices of the Group's raw materials are generally set by market conditions and the Group is not always able to pass these changes along to the Group's customers, particularly in the short term. The Group seeks to manage factors which put pressure on the Group's gross margin. For example, the Group maintains relationships with additional suppliers.

Fiscal regulatory shifts

Sphera Franchise Group operates in a complex regulatory landscape that spans multiple countries, including Romania, Italy, and the Republic of Moldova. This international presence subjects the Group to a variety of fiscal regimes, each with its own set of tax laws and regulatory requirements. The risk associated with sudden and unexpected changes in fiscal codes and regulations represents a significant challenge to the Group's operations.

Unpredictable alterations in tax laws, such as changes in corporate income tax rates, VAT, or payroll taxes, can have a direct impact on Sphera's operational costs and profitability. Additionally, shifts in enforcement practices or the introduction of new fiscal obligations can increase the Group's tax burden. These changes may come with little warning, making it difficult for the Group to adjust its financial planning and pricing strategies in a timely manner.

The variability and unpredictability of fiscal regulatory shifts can disrupt Sphera's business planning processes, compounding the challenge of forecasting future earnings. The ability to reliably predict financial outcomes is crucial for strategic decision-making, investment planning, and maintaining investor confidence. Sudden changes in fiscal policy can erode this predictability, affecting the Group's strategic direction and potentially leading to volatility in its financial performance.

Labor costs

Cost of labor represents the second most important expense for the Group and was the fastest growing expense item at restaurant level over the past years. It is expected for the personnel costs to grow proportionally with the growth of the number of the restaurants and the restaurant revenue. Factors that influence fluctuations in the labor costs include minimum wage and payroll tax legislation, the frequency and severity of labor-related claims, health care costs, the performance of restaurants, new openings and whether new employees are fixed overhead costs or are restaurant hires.

Labor shortages

The hospitality and restaurant industry (HoReCa sector) are inherently labor-intensive, making Sphera Franchise Group heavily reliant on a consistent supply of manpower to operate efficiently. Labor shortages pose a significant risk to the Group's ability to maintain high levels of service quality. Insufficient staffing can lead to decreased customer satisfaction and potentially reduce sales. To combat labor shortages and attract necessary talent, the Group may be compelled to offer higher wages, which can further inflate operational costs and impact profitability.

One of the strategies the Group has adopted to mitigate this risk involves recruiting employees from abroad, such as from Sri Lanka. While this approach can provide a temporary relief to labor shortages, it also introduces additional challenges and costs, including but not limited to, visa processing, accommodation, and adaptation to local labor laws and practices.

Consumer preferences

Consumer preferences in the quick-service, casual dine-in and delivery/takeaway foodservice segments are affected by a range of factors, including consumer tastes, national, regional, and local economic conditions, and demographic trends. For instance, prevailing health or dietary preferences may cause consumers to avoid fast-food products or pizza products offered by the Group in favor of foods that are perceived to be healthier. Changes in consumer preferences can significantly impact demand for the Group's products, but this impact may be somehow limited by exposure to multiple segments of the foodservice sector.

The Group seeks to maintain the appeal of its products to customers through product innovation, characterized by frequent introduction of new product offerings, and the consumer reaction to new product launches can affect the Group's sales. Accordingly, the Group's results of operations are affected by the Group's success against the Group's competitors in the quick-service, casual dine-in and delivery/takeaway foodservice segments, which is dependent on a variety of factors, including the comparative attractiveness and taste of the Group's products, perceived product and service quality and the availability of comparable products from its competitors. The pricing of the Group's products, and in particular, the timing and terms of specially-priced offers to customers, can have a significant impact on both the volume of the Group's sales and the Group's margins, as well as the Group's market share against competitors.

Marketing and advertising activities

The Group's marketing and advertising activities are an essential part of attracting new customers as well as retaining existing customers. Marketing is particularly important for the Group to communicate its product innovation and price promotion programs to customers and to reinforce the Group's brand awareness, build the Group's image and drive customer volumes. According to the franchise agreements signed so far, the Group is obliged to spend at least 5% of its restaurant sales on marketing and advertising activities.

The effectiveness of the marketing and advertising activities can vary from one year to another and from one campaign to another, depending on the products under promotion, the quality of our communication as well as on the ability of our employees to communicate to customers the ongoing campaigns and promote trade-up products. The Group monitors closely the expenditure and frequency of marketing and advertising campaigns by the Group's competition and seeks to maintain a relatively constant presence in the market.

Product liability claims and health pandemics

Product liability claims and health pandemics, especially poultry-related, could harm consumers' confidence in the safety and quality of our products The Group may be involved in product liability claims typical for the food industry, such as product alteration or injury following consumption.

Also, incidents of health pandemics, food-borne illnesses or food tampering could force the Group to close several restaurants for an undetermined period. Widespread diseases such as avian influenza, the H1N1 influenza virus, e-coli, or hepatitis A generally affecting the population may cause customers to avoid certain products, resulting in lack of confidence from customers in the products offered by the Group, especially in poultry food. What is more, even if such poultry-related health pandemics would not affect the products provided by the Group, but by other restaurants, still a direct impact can be produced over consumers, who might avoid poultry products irrespective of who is offering them. This would result in a decrease in the number of clients for the Group's restaurants.

Furthermore, the Group's reliance on third-party food suppliers and distributors increases the risk of food-borne illness incidents to all the Group's restaurants that are served by the respective suppliers and distributors. Power outages and other issues beyond the Group's control can result in costly spoilage or contamination of food. Also, any media news or reports of inspection authorities released to the public identifying unsanitary preparation or preservation of food products in restaurants that are not related to the Group or that are not under the Group's control may change the perception of its customers about the quality of the products in restaurants in general. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid.

As the core business is the operation of restaurants, the Group depends on consumer confidence in the quality and safety of food products offered in our restaurants. While the Group maintains high standards for the quality of food products and dedicates substantial resources to ensure that these standards are met, the spread of these illnesses is often beyond its control and the Group cannot assure that food-borne diseases will not occur, as a result of consumption of its products. Product liability risks are currently not covered by product liability insurance.

All the above could, with immediate effect, result in significantly reduced demand for our food, reduced guest traffic, severe declines in restaurant sales and financial losses as well as significant reputational damages and legal claims of aggrieved guests, even if we were ultimately deemed not to be responsible for the issue or our liability was limited. A decrease in customer confidence in the Group's products as a result of real or perceived public health concerns or negative publicity may have a material adverse effect on our business, results of operations and financial condition.

Product safety and public perception

The integrity of Sphera's offerings is paramount. Potential risks such as food-borne illnesses, product liability claims, and health pandemics pose significant threats to consumer trust. The Group's dependence on third-party suppliers for ingredients amplifies these risks, as any negative event, even indirectly linked to the Group, can swiftly alter public perception. Media reports play a pivotal role in shaping these perceptions, and adverse coverage can lead to long-lasting damage to the Group's reputation.

Dependency on the franchisor

Sphera manages KFC (in Romania, Italy and Moldova) and Pizza Hut and Taco Bell (in Romania), as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by Sphera depend on the franchisors' decisions or on their agreement. The duration of the franchising agreements related to the KFC, Pizza Hut and Taco Bell brands is 10 years. Sphera has the option of extending this period for the next 10 years if it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuing and marketing fees, and further the renewal fees. Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period. In the case of KFC restaurants, the first period commenced in 1997, the first Pizza Hut restaurant opened on the Romanian market in 1994, while for Taco Bell, the first period commenced in 2017 with the opening of the first restaurant of this brand. Sphera and Yum! are constantly in touch with respect to current and further cooperation.

Sustainability concerns

As global attention increasingly turns towards sustainability, the expectations from consumers and stakeholders for restaurants to adopt sustainable practices have intensified. Sphera actively evaluates its supply chain, operational methodologies, and waste management procedures to align with sustainable business practices. However, these efforts may still fall short of stakeholder expectations, potentially leading to criticism or backlash. The evolving nature of what is considered "sustainable" necessitates ongoing adjustments and improvements, which may challenge the Group's resources and commitment.

New technologies

The integration of advanced technology solutions is transforming the dining experience and operational efficiencies within the food service industry. Sphera faces the risk of falling behind its competitors if it fails to adapt to these changes promptly. Late adoption of technology not only diminishes competitiveness but can also lead to increased operational costs in the long run. Moreover, the rise of automation and digital solutions may displace jobs, potentially causing employee dissatisfaction and affecting the Group's brand image and employee relations.

Cybersecurity threats

With the expansion of digital operations, including online ordering and digital payment systems, the Group is increasingly exposed to cybersecurity risks. Cyberattacks, data breaches, and technological failures can severely impact the Group's reputation, leading to a loss of consumer trust and financial losses. The potential inadequacy of cybersecurity measures could leave the Group vulnerable to these threats, emphasizing the need for robust and proactive cybersecurity strategies.

Regulatory oversight and consumer protection risks

Sphera Franchise Group operates in a highly regulated industry where compliance with food safety, hygiene, and consumer protection standards is essential. Regulatory bodies conduct routine and unannounced inspections of restaurants to ensure compliance with health, safety, and operational requirements. While the Group maintains strict internal controls, the possibility of isolated irregularities being identified during inspections cannot be fully eliminated. Even if such findings are minor, isolated, or quickly remedied, their public disclosure, particularly through media coverage or social media amplification, can disproportionately impact the company’s reputation. The risk is heightened in an environment where negative reports, even if unverified or exaggerated, can spread rapidly, influencing public perception and customer trust.

Instances of one-off violations or subjective interpretations of regulatory requirements may be mediatized, creating the impression of systemic issues where none exist. This can lead to short-term declines in customer traffic, negative brand association, or increased scrutiny from regulatory bodies, requiring additional resources to address public and stakeholder concerns. To mitigate these risks, Sphera Franchise Group maintains robust internal quality control procedures, ongoing staff training, and regular independent audits to ensure full compliance with all regulatory requirements.

Fake news

The nature of the Group’s business, the industry in which it operates as well as the international presence of all the restaurants that the Group operates, can expose the Sphera to claims related to defamation, dissemination of misinformation or news hoaxes (also referred to as ‘fake news’), or other types of content that can harm, temporarily or on a long-term, the reputation of the business on one or more of the markets where Sphera operates. Our Group’s or our brands may also be negatively affected by the actions or statements of different individuals, acting under false or inauthentic identities, that can disseminate information that is deemed to be misleading or intending to manipulate opinions about our Group, the brands or the products that we serve in the restaurants. Any such situation can potentially lead to a decline in the willingness of the customers to buy products from one or all the brands operated by the Group, thus leading to the decline in sales, as well as a decline in the price of the financial instruments issued by the Group.

Financial risks

The Group is exposed to several financial risks in connection with its activities, including market risk (interest rate risk, foreign exchange rate risk), risk related to financial liquidity, and, to a limited extent to credit risk. The Group’s senior management oversees the management of these risks, setting up the appropriate financial risk governance framework for the Group and ensures the Group’s financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Interest rates on the Group's debt finance are variable. Changes in interest rates impact primarily loans and borrowings by changing their future cash flows (variable rate debt). Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favorable to the Group over the expected period until maturity. The Group does not hedge its interest rate risk.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities, as the financing contracted by the Group is Euro based. Most revenues and expenses, trade and other receivables and payables is in RON. The Group monitors the currency risk by following changes in exchange rates and, if needed, revises the structure of the debt financing. The Group does not have formal arrangements to mitigate its currency risk.

Credit risk

The Group is not significantly exposed to credit risk as most of its sales are on a cash basis. The Group's credit risk is primarily attributed to trade and other receivables and balances with banks, including the cash in transit with the banks or in transit with food aggregating platforms.

The Group invests cash and cash equivalents with highly reliable financial institutions. The Group has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2024 or up to the date of the financial statements. Also, the food aggregating platforms the Group collaborates with are reputable commercial partners, part of international group of companies.

Liquidity risk

The Group has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained, and that further financing is available from guaranteed funds from credit lines.

INTERNAL CONTROL

Sphera Group has implemented an internal control system, which includes activities implemented in order to prevent or detect undesirable events and risks such as fraud, errors, damages, noncompliance, unauthorized transactions, and misstatements in financial reporting.

The existence of a control environment forms the basis for an effective internal control system. It consists of the definition and adherence to group-wide values and principles (e.g., business ethics) and of organizational measures (e.g., clear assignment of responsibility and authority, commitment to competence, signature rules and segregation of duties).

Sphera's internal control system covers all areas of the Group's operations with the following main goals:

- Compliance with the applicable laws and internal regulations;
- Reliability of financial reporting (accuracy, completeness and correctness of the information);
- Prevention and detection of fraud and error;
- Protection of the Group's resources against losses due to waste;
- Effective and efficient business operations.

In order to achieve these goals, the management of the Group follows, inter alia, the below principles and approaches:

- Ensures a commitment to integrity and ethical values by demonstrating through the Board of Directors' and management's directives, actions and behavior the importance of integrity and ethical values to support the functioning of the system of internal control;
- The Board of Directors demonstrates independence from management and exercises oversight for the development and performance of internal control;
- Establishes, with Board of Directors oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of the objectives by maintaining job descriptions, defining roles and reporting lines, defining the role of internal audit;
- Ensures and demonstrates a commitment to attract, develop and retain competent individuals in alignment with the objectives of the Group by establishing required knowledge, skills and expertise, selecting appropriate outsourced service providers when needed, evaluating competence and behavior, evaluating the capacity of finance personnel;
- Holds individuals accountable for their responsibilities in the pursuit of the objectives of the Group by developing balanced performance measures, incentives and rewards and linking compensation and other rewards to performance;
- Specifies objectives with clarity to enable the identification and assessment of risks related to objectives by identifying financial statement accounts, disclosures and assertions, reviewing and updating understanding of applicable standards, considering the range of Group's activities;
- Identifies risks to the achievement of the Group's objectives and analyzes risks as a basis for determining how the risks should be managed;
- Considers the potential for fraud in assessing risks to the achievement of objectives by considering fraud risk in the internal audit plan;
- Identifies and assesses changes that could significantly impact the system of internal control by assessing change in the external environment, CEO and senior executive changes;
- Selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives at acceptable levels by considering processes, risks and controls in the internal audit plan, identifying incompatible functions, considering alternative control activities to the segregation of duties;
- Selects and develops general control activities over technology to support the achievement of objectives by the means of recently implemented ERP, administering security and access, configuring IT to support the complete, accurate and valid processing of transactions and data;
- Develops control activities through policies and procedures that establish what is expected by developing and documenting policies and procedures;
- Obtains or generates and uses relevant, quality information to support the functioning of internal control.

Policies and practices that represent the Group's competence standards for financial reporting positions are used as a basis for human resources and employee compliance activities, which include:

- Selecting and interviewing candidates;
- Performing background/reference checks;
- Setting certification expectations.

Senior management evaluates the capacity of personnel who are involved in recording and reporting financial information, and in designing and developing financial reporting systems including underlying IT systems. Senior management assesses the department's ability to identify issues and stay abreast of technical financial reporting developments. Considerations when assessing the adequacy of staffing levels and competence of financial reporting personnel include the extent of technical skills and nature required and the number of personnel dedicated to financial reporting.

The Board of Directors including the Audit Committee (the 'Board') oversees management's performance of internal control and retain objectivity in relation to management. The board monitors the functioning of internal controls by performing periodical analysis on the profit and loss accounts, execution of the budget, internal and external audit reports. The board demonstrates an appropriate level of skepticism of management's assertions and judgments that affect financial reporting. In particular, the Audit Committee seeks clarification and justification of the Group's process for:

- Selecting and implementing accounting policies;
- Determining critical accounting estimates;
- Making key assumptions used in the application of technical accounting and reporting matters;
- Evaluating other risks facing the Group, with the potential impact on financial reporting.

Deficiencies in the implementation or functioning of internal controls are noted in the internal audit reports and are presented to the management, with the purpose of issuing the corrective actions. The internal audit assessments include the evaluation of the internal control systems, and evaluation whether:

- Risks relating to the achievement of the Group's strategic objectives and also the risks related to day-to-day operations are appropriately identified and managed;
- The actions of the Group's directors, employees, and contractors are in compliance with the Group's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations are consistent with established goals;
- Operations are being carried out efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Group;
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Internal control process is carried out by personnel at all levels.

COMMITMENTS AND CONTINGENCIES

Lease commitments

The Group has entered into several lease agreements for restaurants that are going to be opened in the next period. The estimated value of the future lease payments for right-of-use assets is of RON 6,4 million for a 10-year contractual period related to two new restaurants which will be open during 2025 and for which the rent agreement was signed at the reporting date.

Other commitments

The Group restaurants are operating under franchise agreements with YUM! and its subsidiaries. In accordance with these agreements, the Group is committed to maintain the identity, reputation, and high-quality standards of each brand, and to develop the restaurants network. For the year 2025, the Group has no development agreements in place. Nevertheless, the Group will continue the network development, with plans to open new KFC units, in Romania, Italy and Moldova and new units Taco Bell in Romania.

Climate change

In the current context, all companies face risks and opportunities derived from the climate and are having to make strategic decisions in this area adapted to the nature of their business, as well as to their footprint on the environment.

Sphera Group has started the process of implementing the TCFD (taskforce climate-related financial disclosures) recommendations to improve risk identification process, assessment, mitigation, management and reporting procedures on climate changes. Currently, plastic consumption, energy and carbon footprint management are the main climate related objectives monitored by the Group.

Bank letter of guarantees

The Group has issued bank letters of guarantee in favor of suppliers as at December 31st, 2024 in amount of RON 23.7 million (31st December 2023: RON 17.7 million).

Other contingencies

Taxation

The interpretation of the text and practical implementation procedures of the tax regulations could vary, and there is a risk that certain transactions could be viewed differently by the tax authorities as compared to the Group's treatment.

The tax legislation, especially in Romania, was subject to significant changes and contradictory interpretations, which may apply retroactively. Moreover, in practice, the tax authorities can take a strong approach and assess additional tax liabilities and related late payment penalties based on their individual interpretations of the tax legislation. As a result, penalties and delayed payment interest could result in a significant amount payable to the state.

Contingent liabilities may arise in relation to additional tax assessments that may be imposed by the tax authorities as a result of reviews performed. Corporate tax returns can be subject to review by tax authorities within a 5-year period in Romania and Italy and a 4-years period in Republic of Moldova.

Recently, there has been an increase in audits carried out by the tax authorities.

Transfer pricing

According to the applicable relevant tax legislation in the countries in which the Group operates, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the 'arm's length principle'). It is likely that transfer pricing reviews will be undertaken in the future to assess whether the transfer pricing policy observes the 'arm's length principle' and therefore no distortion exists that may affect the taxable base of the taxpayers.

The Group has prepared transfer pricing files.

Legal proceedings

During the period, the Group was involved in a small number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of Management, based on legal advice, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group, and which have not been accrued or disclosed in these consolidated financial statements.

In 2019, USFN, alongside the owner of the building where one of the KFC drive-through restaurant is operating, has been sued by a third party acting as plaintiff in connection with utilities pipes (electrical, gas and water) [sub]crossing plaintiff's plot in absence of a pre-agreement. Plaintiff requests from USFN and the landlord, inter alia, payment of liquidated damages in amount of approx. RON 705 thousand. To date, the court file is in progress. However, US Food Network SA submitted a call for guarantee against the landlord and, therefore, in case USFN will be held primarily accountable by the Court with regards to the liquidated damages, then USFN will be able to claim the payments from the landlord. The call for a guarantee has been admitted in principle. Further, the evidence is still analyzed by the Court and the Group cannot anticipate on the manner the Court may rule. Based on lawyer confirmation it is more probable than not to have a favorable decision and no provisions have been recorded for this matter.

ENVIRONMENTAL MATTERS

As of December 31st, 2024, the Company incurs no debts relating to anticipated costs relating to environmental aspects. The Company does not consider that costs relating to environmental aspects are significant.

Chairman of the Board of Directors
Lucian Hoanca

L.S.

CORPORATE GOVERNANCE

SPHERA

BVB CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

PROVISION OF THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE[1]	COMPLIANT	PARTIALLY COMPLIANT	COMMENT
Section A - Responsibilities			
A.1. All companies shall have Internal Rules for the Board of Directors (the 'Board'), which shall include the terms of reference/responsibilities of the Board and the key management functions of the Company, and which shall apply, inter alia, the General Principles of this Section.	X		As of May of 2017 (since its establishment), Sphera Franchise Group has been managed as a unitary system by a Board of Directors, which has delegated the management of the day-to-day activity of the Company to the Chief Executive Officer and the Executives. The structure and principles of corporate governance of the Company, as well as the powers and responsibilities of the General Shareholders' Meeting, of the Board of Directors, of the Chief Executive Officer, and of the Executives, are described in the Articles of Association of the Company, the Rules and Procedures of the General Shareholders' Meeting (GSM), the Internal Rules of operation of the Board of Directors, as well as other relevant documents.
A.2. Provisions for the management of conflicts of interest shall be included in the Rules of the Board. In any event, Board members shall notify the Board of any conflicts of interest that have arisen or may arise and shall refrain from taking part in the discussions (including by non-attendance, unless the failure to attend prevents the establishment of the quorum) and from voting for passing a resolution on the issue giving rise to the relevant conflict of interest.	X		Board members have, under the law, duties of care and loyalty to the Company, stipulated not only in the Articles of Association of the Company, but also in other internal regulations of the Company. The Company has also implemented internal regulations on the ways to address situations of conflicts of interest.
A.3. The Board shall consist of at least 5 (five) members.	X		The Board consists of 5 (five) members elected by the Ordinary General Shareholders' Meeting (OGSM), in accordance with the provisions of the Companies Act and the Articles of Association of the Company.
A.4. Most Board members shall not have an executive function. In the case of companies in the Premium		X	The governance of Sphera Franchise Group is achieved through a unitary system in which the Board ensures the Company management, and the day-

[1] The Statement summarizes the principles of the Corporate Governance Code; the full version of the Code may be read on the website of the Bucharest Stock Exchange: www.bvb.ro.

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Category, no less than two non-executive members of the Board shall be independent. Each independent Board member shall issue a statement at the time of nomination thereof for election or re-election, and whenever any change arises in the status thereof, indicating the elements on the basis of which the same is to be deemed independent in terms of character and judgment.			to-day management is delegated to the Chief Executive Officer and the Executives. The Board consists of 5 (five) members, out of which all of them are non-executive members. On the occasion of each (re)appointment of a Board member, the Company performs an assessment of the independence of its members on the basis of the independence criteria set out in the Corporate Governance Code (which are essentially similar to those laid down in the Companies Act), consisting of an individual assessment conducted by the relevant Board member, followed by an external assessment. Moreover, in view of the preparation of the Corporate Governance Report of the Annual Report, the Company reconfirmed with all Board members their independence or non-independence on December 31st, 2024. This assessment showed that, in 2024 one Board member met all the criteria of independency set out in the Corporate Governance Code. Information on the independence of the Board members is available at the Company's headquarters.
A.5. Any other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of companies and non-profit institutions, shall be disclosed to the shareholders and prospective investors prior to nomination and during the term of office thereof.	x		Information on the permanent professional commitments and obligations of the Board members, including executive and non-executive positions within companies and non-profit institutions, can be found in the CVs of the Board members, available at the Company headquarters, as well as are included in this report.
A.6. Any member of the Board shall present the Board with information on any relation with a shareholder holding, either directly or indirectly, shares representing more than 5% of all voting rights.	x		The Board members and the Executives have, under the law, duties of care and loyalty to the Company, stipulated in the Articles of Association of the Company and in other internal regulations of the Company. The Company has also implemented internal regulations on the ways to address situations of conflicts of interest.
A.7. The Company shall appoint a Secretary of the Board to be in charge of supporting the activity of the Board.	x		The Company has a General Secretary who supports the Board activities.
A.8. The Corporate Governance Statement shall stipulate whether a Board assessment has taken place		x	The Company has a Board Self-assessment Guide that stipulates the purpose, criteria and frequency of such an assessment. Based on this guide, the Board

under the direction of either the Chairperson or the Nomination Committee and, if so, shall summarize the key measures and the resulting changes. The Company shall have a policy/guide regarding Board assessment, including the purpose, criteria and frequency of the assessment process.			conducted a self-assessment process for the financial year of 2024 under the direction of the Chairperson of the Board.
A.9. The Corporate Governance Statement shall contain information on the number of Board and Committee meetings over the past year, the participation of the directors (in person and in default) and a Report by the Board and Committees on their activities.	X		The Company executives shall meet at least once a week and the Board shall meet whenever necessary, but at least once every three months. During 2024, 21 Board meetings took place, of which 4 were by electronic means (e-board). Of the 17 with physical presence, 16 were full attendance and 1 with partial attendance (4/5). There were additionally 7 meetings of the Audit Committee, 6 with full attendance and 1 with partial attendance (2/3), and 3 meetings of the Nomination & Renumeration Committee, all with full attendance.
A.10. The Corporate Governance Statement shall include information on the exact number of independent members of the Board.	X		The assessment of the Board members' independence based on the independence criteria set out in the Corporate Governance Code (which are essentially similar to those provided for by the Companies Act) showed that, in 2024, one (1) Board member met all the criteria of independence provided for by the Corporate Governance Code and thus one Board member of Sphera Franchise Group is independent.
A.11. The Board of companies in the Premium Category shall set up a Nomination Committee, consisting of non-executive members, to direct the nomination of any new Board members and to submit recommendations to the Board. Most members of the Nomination Committee shall be independent.		X	The members of the Board are appointed by the Ordinary General Shareholders' Meeting, on the basis of a transparent proposal procedure and by the majority of the shareholders' votes, as laid down in the Company Articles of Association and the applicable laws. Before holding the Ordinary General Shareholders' Meeting, the candidates' CVs are available for consultation by the shareholders, and the shareholders can supplement the list of candidates for Board membership. The Company has a Nomination & Remuneration Committee composed of 3 (three) members, elected by the Board from among its members, and one of the members of the Nomination Committee is elected as the Chair. The main role of the Nomination Committee is to submit recommendations concerning the nomination of candidates for appointment to the Board. In the perspective of the Corporate Governance Code, the Nomination Committee does not fully comply with the compliance requirements, which

			places the company in the area of "partial compliance" as most of the nominating committee members are not independent, but all are non-executive members.
Section B – The risk management and internal control system			
B.1. The Board shall set up an Audit Committee, in which at least one member shall be independent and non-executive. Most members, including the Chair, shall have proven appropriate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee shall have proven adequate experience in auditing or accounting. In the case of companies in the Premium Category, the Audit Committee shall consist of at least three members and most members of the Audit Committee shall be independent.	X		The Board of Sphera Franchise Group has set up an Audit Committee composed of part of its members. Therefore, the members of the Audit Committee are all non-executives. In 2024, the Audit Committee was made up of three members of the Board, out of which one member, the Chairman, met all the criteria of independence set out in the Corporate Governance Code. The Audit Committee includes members with proper certifications corresponding to the functions and responsibilities held in the Audit Committee, and one member also has the necessary certifications in the financial, auditing and accounting area.
B.2. The Chair of the Audit Committee shall be an independent non-executive member.	X		As members of the Board, all members, including the Chair of the Audit Committee, are non-executive. The Chair of the Audit Committee is independent.
B.3. As part of its responsibilities, the Audit Committee shall carry out an annual assessment of the internal control system.	X		The Terms of Reference for the Audit Committee detail the role and duties of the Audit Committee, which primarily consist of: (i) Reviewing and revising the individual and consolidated annual financial statements and the profit sharing proposal; (ii) Reviewing and submitting recommendations on the appointment, re-appointment or revocation of the external independent financial auditor for approval thereof by the Ordinary General Shareholders' Meeting; (iii) Carrying out an annual assessment of the internal control system, taking into account the effectiveness and purpose of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Audit Committee, the promptness and effectiveness with which the executive management addresses any deficiencies or weaknesses identified as a result of the internal control and the submission of relevant
B.4. The assessment shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board Audit Committee, the promptness and effectiveness with which the executive management addresses any deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board.	X		
B.5. The Audit Committee shall assess any conflicts of	X		

interest in connection with the transactions of the Company and its subsidiaries with related parties.			reports to the Board; (iv) Assessing any conflicts of interest in connection with the transactions of the Company and its subsidiaries with related parties; (v) Assessing the effectiveness of the internal control and risk management systems; (vi) Monitoring the application of the legal standards and generally accepted internal audit standards; (vii) Receiving, on a regular basis, a summary of the main findings of the audit reports, as well as other information on the activities of the Internal Audit Department and assessing the reports of the internal audit team; (viii) Reviewing and revising the transactions with related parties that exceed or are expected to exceed 5% of the Company net assets from the previous financial year, prior to their submission to the Board for approval purposes, in accordance with the Policy on Related Party Transactions.
B6. The Audit Committee shall assess the effectiveness of the internal control and risk management systems.	x		
B.7 The Audit Committee shall monitor the application of the legal standards and generally accepted internal audit standards. The Audit Committee shall receive and assess the reports of the internal audit team.	x		
B.8. Whenever the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by regular reports (at least annual reports) or ad hoc reports to be subsequently submitted to the Board.	x		The Audit Committee regularly presents the Board with reports on the specific issues that have been assigned to it.
B.9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with the shareholders and affiliates thereof.	x		The Company grants equal treatment to all its shareholders. Related party transactions are treated objectively, in accordance with the usual industry standards, and the applicable laws and corporate regulations. Sphera Franchise Group submits regular reports on related party transactions to the Financial Supervisory Authority and the Bucharest Stock Exchange. These reports are reviewed by an independent financial auditor in accordance with the relevant legislation in force.
B.10. The Board shall adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close ties, whose value is equal to or greater than 5% of the Company net assets (according to the latest financial report), is approved by the Board	x		The Company has adopted the key principles for reviewing, approving, and publishing transactions with related parties in accordance with the applicable regulations and Company corporate documents, including the fact that Company transactions with related parties that exceed or are expected to exceed, either individually or in aggregate, an annual value of 5% of the

following a binding opinion of the Board Audit Committee and is properly disclosed to the shareholders and prospective investors to the extent that such transactions fall within the category of events subject to reporting requirements.			Company net assets from the previous financial year, shall be approved by the Board, based on the opinion of the Audit Committee.
B.11. Internal audits shall be performed by a structurally separate division (the Internal Audit Department) within the Company or by hiring an independent third party.	X		The Internal Audit function is established within the Company.
B.12. In order to ensure the fulfilment of the primary functions of the Internal Audit Department, functionally speaking, it shall report to the Board by means of the Audit Committee. For administrative purposes and as part of the responsibilities of the management to monitor and reduce risks, it shall report directly to the Chief Executive Officer.	X		The Internal Audit function reports functionally to the Board by means of Audit Committee and to the CEO for administrative purposes.
Section C – Fair reward and motivation			
C.1. The Company shall publish the Remuneration Policy on its website and shall include a statement on the implementation of the Remuneration Policy in the Annual Report during the annual period under review. Any key change in the Remuneration Policy shall be published on the Company website in a timely manner.	X		The Company has a Remuneration Policy in place adopted by way of OGSM Resolution no. 1 of August 11th, 2022, and consistently applies the remuneration principles with respect to the Company's managers, i.e. (i) to any member of the Board of Directors, as well as to (ii) any executive manager. These basic remuneration principles are listed in the Corporate Governance Report.
Section D – Adding value by way of the investor relations			
D.1. The Company shall organize an Investor Relations Service - indicating to the general public the officer(s) in charge or the relevant organizational unit. In addition to the information required by law, the Company shall include on its website a section dedicated to Investor Relations, in both Romanian and English, with all the relevant information of interest to investors, including: • The main corporate regulations: Articles of Association, the procedures regarding the	X		All the information as specified by the D1 provision is provided on the issuer's website.

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General Shareholders' Meetings (GSM); • The professional CVs for the members of the Company management bodies, other professional commitments of the Board members, including executive and non-executive positions in the Boards of Directors of companies or non-profit institutions; • Current and regular reports (quarterly, half-yearly and annual); • Information on the General Shareholders' Meetings; • Information on the corporate events; • The name and contact details of a person who can provide relevant information, on request; • Company presentations (e.g., investor presentations, quarterly result presentations, etc.), financial statements (quarterly, half-yearly, annual), Audit Reports, and Annual Reports.			
D.2. The Company shall have a policy on the annual distribution of dividends or other benefits to the shareholders. The principles of the policy of annual distribution to the shareholders shall be published on the Company website.	x		The Company Dividend Policy is published on the Company website in the Corporate Governance section, Policies and Documents subsection.
D.3. The Company shall adopt a policy regarding forecasts, whether they are made public or not. Forecasts mean quantified conclusions of various studies aimed at determining the overall impact of a number of factors for a future period (the so-called assumptions): by its nature, a forecast has a high level of uncertainty, and the actual results can vary significantly from the original forecasts. The Forecast	x		The Company has a Forecast Policy, which is published on the Company website in the Corporate Governance section, Policies and Documents subsection.

SPHERA KFC Pizza Hut TACO BELL

Policy shall determine the frequency, period considered and content of the forecasts. If published, the forecasts may only be included in the annual, half-yearly or quarterly reports. The Forecast Policy shall be published on the Company website.			
D.4. The rules of the General Shareholders' Meetings shall not limit the participation of shareholders in the general meetings or the exercise of their rights. Any amendments to these rules take effect, at the earliest, starting with the next Shareholders' Meeting.	X		Information on the organization of the General Shareholders' Meetings is mentioned in the Company Articles of Association, as well as the Corporate Governance Report, in brief. Since 2017, Sphera Franchise Group has in place a Shareholders Meeting Procedure and publishes detailed convening notices for each GSM, describing in detail the procedure to be followed during each GSM. In order to welcome the exercise of shareholders' rights and to ensure total transparency on corporate events, starting with April 2022 OGSM meeting, Sphera concluded a partnership with eVote through which it facilitated shareholders' access to general shareholders meetings through a online platform. Thus, the Company ensures that the General Shareholders' Meetings are properly managed and organized, and the shareholders' rights are respected.
D.5. Independent financial auditors shall be present at the General Shareholders' Meeting when their reports are presented at these meetings.	X		The independent financial auditors participate in the Ordinary General Shareholders' Meetings where the individual and consolidated annual financial statements are subject to approval.
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.		X	The information about the internal controls and significant risk management system is provided in the Annual Report. Shall the question related to the internal control and significant risk management system be asked during the annual meeting, the question will be addressed by the Board.
D.7. Any specialist, consultant, expert, or financial analyst may take part in Shareholders' Meetings on the basis of a prior invitation from the Chairperson of the Board. Accredited journalists may also attend General Shareholders' Meetings, unless otherwise decided by the Chairperson of the Board.	X		The GSM Rules and Procedures provide for the possibility for any specialist, consultant, expert, financial analyst or accredited journalist to participate in the GSM on the basis of a prior invitation from the Chairperson of the Board.
D.8. The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors that influence change in terms of sales levels, operating profit, net profit and other	X		The quarterly and half-yearly financial reports include information in both Romanian and English on the key factors that cause changes in terms of sales levels, operating profit, net profit and other relevant financial indicators, from one quarter to the next, and from one year to the next.

relevant financial indicators, from one quarter to the next, and from one year to the next.			
D.9. A Company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions shall be published in the Investor Relations section of the Company website at the time of the meetings/teleconferences.	x		Sphera Franchise Group holds individual meetings and teleconferences with financial analysts, investors, brokers, and other market specialists on a quarterly basis to present the financial elements which are relevant to the investment decision. The company holds a total of six results calls during the year – 4 quarterly calls in English, and 2 half-yearly calls in Romanian (on top of same calls in English, to ensure equal access to information and to the management to all the stakeholders). Investor presentations, updated on a quarterly basis, are made available at the time of the meetings/teleconferences and on the Company website, in the Investor Relations section.
D.10. If a Company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and deems their impact on the Company innovation and competitiveness to be part of its mission and development strategy, it will publish its policy on its activity in this field.	x		Sphera Franchise Group carries out various activities related to social and environmental responsibility. For further details, please also go to the section of the Annual Report on the Consolidated Non-financial Statement.

DECLARATION FROM THE MANAGEMENT

According to the best information available we confirm that the individual and consolidated financial information included here offer the real and accurate situation on the company's financial position on December 31st, 2024, on the financial performance and cash-flow, according to financial and accounting standards applicable to date, and that the Annual Report for the period of January 1st, 2024 to December 31st, 2024 transmitted to the market operator, Bucharest Stock Exchange and to the Financial Supervisory Authority presents accurate and complete information about the company.

Chairman of the Board of Directors
Lucian Hoanca

L.S.

SUSTAINABILITY STATEMENT

SPHERA

Table of contents

1 ESRS 2 – General disclosures

1.1 Basis of preparation

1.1.1 General basis for preparation of sustainability statements

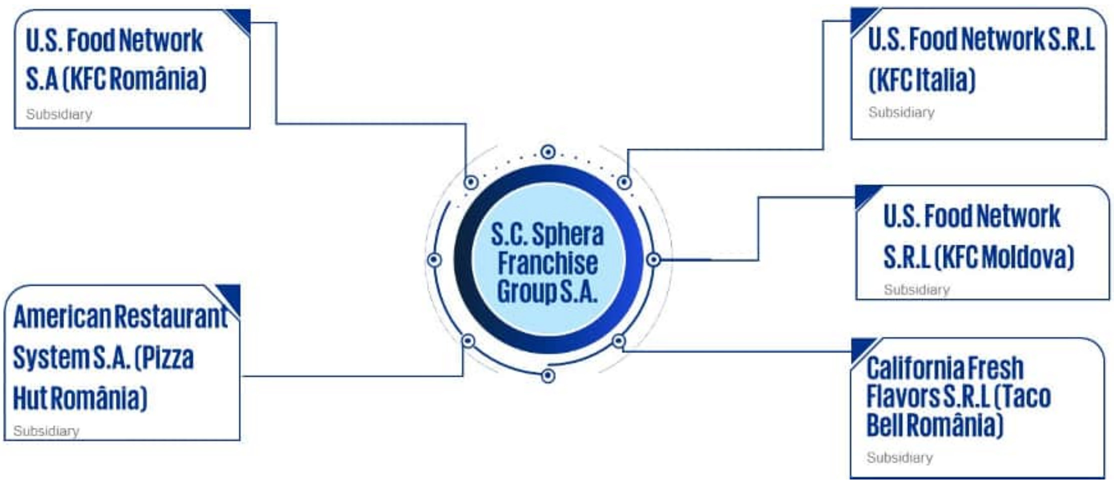
Sphera Group, comprising Sphera Franchise Group S.A. and its five subsidiaries: U.S. Food Network S.A. (KFC Romania), American Restaurant System S.A. (Pizza Hut Romania), U.S. Food Network S.R.L. (KFC Italy), U.S. Food Network S.R.L. (KFC Moldova), and California Fresh Flavors S.R.L. (Taco Bell Romania), presents its Sustainability Statement prepared in accordance with the European Sustainability Reporting Standards (ESRS), as set out in Annex I to Delegated Regulation (EU) 2023/2772 of 31 July 2023, supplementing EU Directive 2013/34 of the European Parliament and of the Council, as transposed into local legislation by Ministerial Order No. 85/2024.

This Sustainability Statement also includes the disclosures required under Article 8 of the EU Taxonomy Regulation (Regulation (EU) 2020/852).

Sphera Group's ("the Group", "Sphera") Sustainability Statement has been prepared on a consolidated basis, covering the reporting period 1 January – 31 December 2024, in alignment with the Group's financial reporting period.

The reporting boundary of the Sustainability Statement is consistent with the consolidation perimeter of the Group's consolidated financial statements in Romania, Italy, and the Republic of Moldova, unless otherwise specified in this document.

There are no subsidiaries of the Sphera Group that are exempt from individual or consolidated sustainability reporting.



As of 2024 reporting year, sustainability-related information (alternatively referred to as "sustainability" in the context of reporting) is integrated into the dedicated Sustainability Statement section of the Annual Report.

Ernst & Young Assurance Services S.R.L.
2 8. MAR. 2025
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In preparing this Sustainability Statement in accordance with the European Sustainability Reporting Standards (ESRS), Ernst & Young Assurance Services SRL has performed a limited assurance engagement on the Sustainability Statement, in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)).

The Sustainability Statement is not limited solely to the Group's own operations but also includes relevant information from the value chain, both upstream and downstream. The double materiality assessment covered the evaluation of impacts, risks, and opportunities associated with the Group's own operations, products and services, as well as its business relationships.

The upstream value chain includes direct suppliers (tier 1), who deliver food products, packaging, and equipment in accordance with the quality standards set by Yum!, as well as lower-tier suppliers (tier 2), such as poultry farms, potato growers, and packaging manufacturers. These suppliers play a critical role in ensuring the continuity and sustainability of supply.

The downstream value chain involves product distribution and interaction with customers.

The Group's policies and actions are applied to both direct suppliers and the extended value chain to ensure compliance with sustainability and safety standards, and through its due diligence processes, Sphera Group monitors supplier compliance with its sustainability policies.

On the downstream side, the Group focuses on increasing the use of recyclable packaging and reducing the environmental impact of its products.

For suppliers, the Group implements a set of policies aimed at promoting sustainable and responsible practices in the supply chain. These include the Supplier Code of Conduct, which sets fundamental standards for quality, ethics, and sustainability; the Human Rights Policy in the Supply Chain, which ensures respect for fundamental labor rights and worker protection throughout the value chain; and the Sustainable Animal Protein Policy, which promotes responsible sourcing of animal-based products in line with animal welfare standards.

To support sustainability initiatives, the Group has also implemented a Genetically Modified Organisms (GMO) Food Policy, which aims at transparency and legal compliance, and a Paper-Based Packaging Procurement Policy, which encourages the use of recyclable and renewable materials. In addition, the Animal Welfare Policy reinforces the Group's commitment to the ethical treatment of animals within the supply chain, while the Sustainable Packaging Policy supports the reduction of environmental impact.

In customer relations, Sphera Group implements a Complaint Resolution Procedure, ensuring prompt and effective handling of customer feedback, thereby contributing to increased customer satisfaction and loyalty.

The Sustainability Statement also includes other relevant data related to the value chain, such as the use of sustainable materials and actions aimed at impact reduction, as presented in the relevant chapters of this document.

Extended disclosures are included only for the relevant parts of the value chain, where impacts and risks are identified as material. The report does not detail every actor in the value chain but focuses on information relevant to the company and its stakeholders.

Sphera Group has not applied the exemption to omit information that could qualify as intellectual property, know-how, or innovation results. However, in accordance with ESRS 1, section 7.7, the Group has decided to omit the disclosure of the employee turnover rate, considering this information to be sensitive in terms of competitivity. Considering the dynamics of the labor market and the high level of industry competition, disclosing this indicator could place the Group at a competitive disadvantage. This indicator will be included in a future report, once it is also publicly disclosed by other industry competitors in Romania.

Sphera Group has not made use of the exemption to withhold information on impending developments or matters under negotiation, as permitted by Article 19a(3) and Article 29a(3) of EU Directive 2013/34.

1.1.2 BP2- Disclosures in relation to specific circumstances

2024 marks the final year covered by the 2020–2024 Sustainability Strategy. This Sustainability Statement references the strategic goals and targets included in that document.

However, during 2024, Sphera Group developed a new Sustainability Strategy for the 2025–2030 horizon, which is scheduled for approval and publication in 2025.

For the preparation of the Sustainability Statement, Sphera Group applied short-, medium-, and long-term time horizons as defined in ESRS 1. For the purposes of this report, the time horizons are defined as follows: short-term – 1 year, medium-term – up to 5 years, long-term – more than 5 years. This classification is based on section 6.4 of the standard.

Regarding the indicators that include upstream and/or downstream value chain data estimated using indirect sources (e.g., industry averages or proxies), the Group acknowledges the importance of transparency and accuracy. Where applicable, the underlying assumptions and rationales used for measurement have been clearly defined to ensure clarity and transparency in the reporting of quantitative indicators and monetary values.

For Scope 3 greenhouse gas (GHG) emissions, we use primary data from our suppliers whenever possible. When primary data is unavailable, we rely on recognized sources and follow GHG Protocol-compliant methodologies to ensure a high level of accuracy in reported emissions.

Another area where data is estimated involves the reporting of waste volumes managed in connection with our operations in Italy and Moldova. Due to operational constraints related to local waste management providers, who do not issue official weighing records, exact quantities cannot be collected. As a result, our teams in Moldova and Italy conducted sample-based measurements of waste delivered and subsequently extrapolated the data to estimate the total waste generated by the entire network in Italy and Moldova in 2024. This estimation was based on restaurant floor area and sales levels.

Another estimation relates to the volume of water withdrawn in Italy, where direct monitoring is not possible since most restaurants are located in shopping centers and water billing is based on leased area. Water consumption was estimated based on utility bills from three restaurants with direct supplier contracts, as well as on the Group's proportional leased area compared to the total consumption reported by shopping centers.

Additionally, the methodology proposed and applied by franchisor Yum! Brands was used for determining water consumption, which assumes that water usage in the Group's restaurants and offices represents approximately 15% of the total withdrawn volume.

Beginning with the 2024 reporting period, Sphera Group's Sustainability Statement has been prepared for the first time in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). In previous reporting periods, the Group prepared its reports in alignment with the Global Reporting Initiative (GRI) standards.

The transition to ESRS-based reporting has expanded the scope of information and data disclosed and introduced new methodologies for evaluating previously reported indicators. However, no material changes were identified in the preparation and presentation of information compared to previous periods.

Likewise, no material errors were identified in prior sustainability reports.

The subsidiaries of Sphera Group operate in the restaurant industry, including quick service restaurants (QSR) and casual dining restaurants, under the KFC, Pizza Hut, and Taco Bell brands. In this context, sustainability reporting will incorporate, alongside ESRS-mandated information, industry-specific indicators in accordance with the SASB Standards for the Restaurant Industry. These indicators will be integrated into the Sustainability Statement within the corresponding chapters, structured according to ESRS requirements – environmental indicators in the Environmental chapter, social indicators in the Social chapter, and governance indicators in the Governance chapter.

Sphera Group also integrates other applicable industry standards into its operational processes, particularly through the implementation and maintenance of ISO certifications. In Romania, all KFC, Pizza Hut, and Taco Bell restaurants are certified under ISO 22000:2018, demonstrating the Group's commitment to food safety and continuous improvement. These certifications are periodically verified through third-party external audits. In Italy and Moldova, KFC restaurants are currently not certified under this standard.

Additionally, Sphera conducts regular testing through an accredited laboratory certified under ISO 17025:2018 to ensure the quality of the water used in all its restaurants in Romania, in compliance with the standards established by RENAR.

1.2 Governance

1.2.1 GOV-1: The role of the administrative, management and supervisory bodies

Sphera Group is governed by a Board of Directors and by the General Meeting of Shareholders (GMS), whose responsibilities and operating procedures are defined by the Articles of Association and Law No. 31/1990 on companies. The Board of Directors defines the Group's main directions of activity and development, approves business plans within the limits established by the GMS, and holds responsibilities regarding sustainability, including the integration of environmental, social, and governance (ESG) aspects into the company's strategy and operations. All communications to the Board of Directors, including those related to conflicts of interest, are carried out through the Chief Executive Officer or through the Secretary of the Board. The five non-executive members of the Board of Directors have delegated the management of the company to the executive directors and the Chief Executive Officer, who assume their roles under mandate agreements concluded with Sphera Group. The members of the Board of Directors are appointed by the General Meeting of Shareholders (GMS) for four-year terms.

There are no employee representatives within the administrative, management, and supervisory bodies. However, each company within Sphera Group has one or more employee representatives, who are consulted in specific situations. Thus, the companies within the Group have the following representatives: Sphera Franchise Group: 1 representative, US Food Network S.A.: 3 representatives, American Restaurant System S.A.: 2 representatives, California Fresh Flavors: 1 representative. These representatives are not part of the Board of Directors or the management team, but they are consulted and involved by the management team whenever decisions are made that could have a significant impact on employees, such as working conditions or other aspects related to their rights and interests.

The members of the Board of Directors and the executive team have business experience relevant to the nature of the Group's operations. They hold expertise in areas such as operational management, business development, financial markets, and the implementation of sustainability strategies, accumulated across various industries, including the restaurant and financial sectors. Their experience covers all geographical locations in which the Group operates – Romania, Italy, and the Republic of Moldova.

The executive management team consists of three members. The executive coordination of Sphera Group is ensured by the Chief Executive Officer, who receives this responsibility from the Board of Directors. The Chief Executive Officer oversees three levels of management, manages corporate plans, and monitors the performance of the subsidiaries and the Group as a whole. He is actively involved in the management of financial and budgetary operations, the implementation of business development plans, and the optimization of resource management. He also facilitates interaction with all stakeholders, ensuring the involvement of senior management in strategic direction and the achievement of the company's annual objectives, including those related to sustainability.

The Chief Executive Officer (Călin Ionescu) has over 30 years of experience in operational and strategic management, coordinating the activities of the entire Group to achieve both annual and long-term objectives. The Chief Financial Officer (Valentin Budeș) has 20 years of experience in the financial field and is responsible for the Group's budgeting and financial control, thus ensuring its financial sustainability. With over 14 years of experience in the field, the Chief Marketing Officer (Monica Eftimie) contributes to business development through the design and implementation of marketing strategies.

Sphera Group Management Structure

As of 31 December 2024, the Board of Directors of Sphera Group is composed of five members, all holding non-executive positions, of which one is independent, representing 20% of the composition. Regarding gender diversity, the Board is composed exclusively of male members, resulting in 0% female representation. In contrast, the executive team includes one female member, who holds the position of Chief Marketing Officer, representing 33.33% of the total executive team.

As of 31 December 2024, the five members of the Board of Directors were:

Name	Executive/non-executive	Independent	Gender	Role
Lucian Hoancă	Non-executive	No	Male	Chairman
Georgios Vassilios Repidonis	Non-executive	No	Male	Vice-Chairman
Mihai Ene	Non-executive	No	Male	Member
Gabriel-Silviu Cârmaciu	Non-executive	No	Male	Member
Răzvan Ștefan Lefter	Non-executive	Yes	Male	Member

As of 31 December 2024, the composition of the executive team was as follows:

Name	Gender	Role
Calin Ionescu	Male	Chief Executive Officer
Valentin Budeș	Male	Chief Financial Officer
Monica Eftimie	Female	Chief Marketing Officer

The Board of Directors has two Advisory Committees: the Audit Committee and the Nomination and Remuneration Committee. Each committee is chaired by a designated Chairperson and is composed of three members of the Board of Directors. The Audit Committee operates in accordance with the Company's Articles of Association, the Rules of Procedure of the Board of Directors, and applicable legislation, holding specific responsibilities in the areas of financial audit, financial reporting, and internal audit. It oversees policies related to conflicts of interest and evaluates significant transactions. Similarly, the Nomination and Remuneration Committee is responsible for reviewing the Company's remuneration policy, setting eligibility criteria for executive directors, selecting candidates for the Board of Directors, and succession planning for executive directors holding mandate agreements.

Composition of the Advisory Committees:

Audit Committee	Nomination and Remuneration Committee
Răzvan-Ștefan Lefter (Chairman)	Lucian Hoancă (Chairman)
Mihai Ene	Georgios Vassilios Repidonis
Georgios Vassilios Repidonis	Silviu-Gabriel Cârmaciu

As of 31 December 2024, all members of the Advisory Committees were male.

Within Sphera Group, the Board of Directors is responsible for overseeing environmental, social, and governance (ESG) matters. This includes the ESG Committee, which is led by the Chief Executive Officer and composed of the ESG Director, Chief Financial Officer, Chief Operating Officer, Chief Marketing Officer, Development Director, Human Resources Director, Legal Director, Quality and Food Safety Manager, Communication and Social Responsibility Manager, the General Managers of the subsidiaries, and the Procurement Director.

As of 31 December 2024, the number of Board members by age group is as follows:

Age group	Number
Under 30 years old	0
Between 30-50 years old	3
Over 50 years old	2

As of 31 December 2024, the number of executive team members by age group is:

Age group	Number
Under 30 years old	0
Between 30-50 years old	2
Over 50 years old	1

To manage ESG impacts, risks, and opportunities, the ESG Governance and Reporting Policy of Sphera Franchise Group and its subsidiaries defines the roles and responsibilities of the administrative, management, and supervisory bodies. The Board of Directors oversees the establishment of strategic guidelines and their review, the development of action plans, risk assessment and monitoring, annual budgets, business plans, the setting and monitoring of performance indicators, supervision of major capital expenditures, acquisitions and divestments, and the analysis of progress in relation to the Group's commitments and objectives. Sphera's management monitors sustainability progress through periodic reporting.

Responsibility for overseeing environmental, social, and governance (ESG) matters lies with the Board of Directors of Sphera Group, which plays a key role in integrating ESG considerations into the Group's strategy and operations. These responsibilities are also extended to the ESG Board, which supports the implementation and coordination of sustainability initiatives.

Responsibility for overseeing impacts, risks, and opportunities is assumed by the Board of Directors of Sphera Group, supported by two advisory committees – the Audit Committee and the Nomination and Remuneration Committee – as well as by the ESG Board, which includes the ESG Director, Chief Financial Officer, Operational Directors, Chief Marketing Officer, Human Resources Director, and Legal Director. At the executive level, the Chief Executive Officer (CEO) coordinates the implementation of strategies and decisions related to impacts and risks, together with the ESG Director and the rest of the management team, which includes the Chief Financial Officer, Operational Directors, Chief Marketing Officer, Human Resources Director, and Legal Director.

In terms of applying controls and specific procedures for managing impacts, risks, and opportunities, the ESG Board works closely with relevant internal departments such as human resources, legal, finance, operations, and procurement. In addition, cross-functional working groups are formed to integrate the necessary control measures into operational processes.

For example, to manage environmental impacts, risks, and opportunities, the ESG Board works with the operational team to assess and reduce emissions and to monitor resource consumption. For social impacts, risks, and opportunities, the human resources department develops diversity and inclusion programs, which are communicated and discussed with the relevant members of the ESG Board, depending on their specifics. A similar approach is followed with the procurement department to monitor and manage ESG impacts, risks, and opportunities across the supply chain.

The Board of Directors is informed at least once a year about key issues and areas of interest through the Audit Committee. The ESG strategy, which includes Sphera Group's ESG objectives and targets, is approved by the Board of Directors. It is developed based on the material topics identified through the double materiality assessment and integrates initiatives aimed at managing ESG impacts, risks, and opportunities. Progress toward strategic objectives is monitored and reported to the Board of Directors at least annually and whenever the Board requests additional information.

The ESG Board is led by the Chief Executive Officer and includes the ESG Director, Chief Financial Officer, Chief Operating Officer, Chief Marketing Officer, Development Director, Human Resources Director, Legal Director, Quality and Food Safety Manager, Communication and Social Responsibility Manager, General Managers of the subsidiaries, and the Procurement Director.

To integrate various sustainability topics into the Group's strategy and plans, and to implement these plans when needed, cross-functional working groups are formed, involving employees from the food safety, human resources, supply chain, development, communication, and legal teams.

Periodic reporting is the main mechanism through which Sphera's management monitors sustainability progress.

The administrative, management, and supervisory bodies within Sphera Group ensure the development and updating of the competencies needed to oversee sustainability matters through training and access to relevant expertise. In 2024, the entire operational team – including executive management and responsible directors – participated in ESG themed training sessions, which addressed the new CSRD reporting requirements, legislative updates, and sustainability-related regulations relevant to Sphera Group's field of activity.

The Board of Directors consists of five members appointed by the ordinary general meeting of shareholders. The Board of Directors is responsible for carrying out all acts necessary and useful for achieving Sphera Group's corporate purpose, including the management of any subsidiaries or investments of the Group, with the exception of responsibilities that are by law assigned to the general meetings of shareholders.

The responsibilities of the Board of Directors related to business conduct include:

- Defining the main directions of activity and development of the Group.
- Establishing accounting policies, the financial control system, and approving financial planning.
- Preparing the annual report, approving the financial statements, and preparing the business plan and the revenue and expenditure budget.
- Organizing the general meetings of shareholders and implementing their decisions.
- Performing the duties delegated by the general meeting of shareholders, such as the implementation of key strategic and operational decisions.

Mr. Hoancă, non-executive member of the Board of Directors of Sphera Franchise Group since 2018 and Chairman of the Board since October 2020, has managerial experience and leadership skills acquired through executive positions held in various companies since 1995.

Mr. Repidonis, non-executive member of the Board of Directors since 2019, has experience in executive management, project development, product marketing, and accounting. A graduate of the Faculty of Economic Cybernetics and Planning at the Bucharest University of Economic Studies, Mr. Repidonis has held leadership positions, including shareholder, sole director, and General Manager of Comtra Intl Distributor in Romania between 1994 and 1997, and General Manager of the El Greco restaurant in Bucharest between 2004 and 2010.

Mr. Ene, non-executive member of the Board of Directors since 4 February 2022, has experience in business and hospitality management. He graduated from the Faculty of Business and Tourism at the Bucharest University of Economic Studies and earned a degree in hospitality management from the École hôtelière de Lausanne, Switzerland. Throughout his career, he has attended numerous professional development courses and programs, further strengthening his industry expertise.

Mr. Lefter has experience in finance and investment. Holding a degree in Finance and a CFA designation, Mr. Lefter has a strong understanding of financial markets and investment strategies.

Mr. Cârmaciu has experience in finance and strategic management, with a bachelor's degree in economics and specializations in Finance, Banking, and Accounting, along with postgraduate studies in International Economic Relations and National Security and Defense. His qualifications are complemented by various professional certifications in banking, general management, coaching and leadership, and financial analysis and assessment. His professional background includes leadership roles in multiple banking areas, such as credit and risk, treasury, commercial development, customer relationship management, and anti-money laundering.

1.2.2 GOV -2: Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies

The Board of Directors is informed by the ESG Board on an annual basis and whenever significant changes arise from the legislative framework or from the activities of the companies within the group that could lead to changes in material sustainability-related impacts, risks, and opportunities. The ESG Board ensures that reporting is periodically updated and remains relevant for the evaluation and management of ESG risks and opportunities.

The Board of Directors takes into consideration the material impacts, risks, and opportunities when overseeing the Group's strategy, major decisions, and risk management processes. In making major decisions, the Board evaluates trade-offs associated with the identified impacts, risks, and opportunities, such as the balance between investments required for sustainability initiatives and financial objectives. Decisions regarding major transactions are assessed from the perspective of associated risks and opportunities, taking into account the impact on stakeholders and the alignment with the Group’s ESG strategy. The ESG Board and the executive teams collaborate with the Board of Directors to provide detailed information and to ensure that all major strategic decisions are well-informed and substantiated.

Based on the double materiality assessment, during 2024, Sphera Group also developed a new ESG strategy for the 2025–2030 period. During the development process of the ESG strategy, the governance bodies evaluated how the impacts, risks, and opportunities identified through the materiality assessment could influence both business and sustainability objectives.

During the reporting period, the administrative, management, and supervisory bodies addressed the topics presented in the table below:

Activity	Description of the topic addressed	Responsible governance, management, and supervisory bodies	Frequency
Approval of material topics following the Double Materiality Assessment	Discussion of the list of material environmental impacts, social risks, and identified opportunities	ESG Board	Annual
Development of the 2025–2030 Sustainability Strategy	Discussion of the draft Sustainability Strategy	ESG Board	Annual
Development of social initiatives to support local communities	Approval of the CSR plan	Board of Directors, CSR Team	Annual

All material impacts, risks, and opportunities identified by Sphera Group and included in this report under each topical standard were analyzed by the ESG Board during several meetings held in 2024. These topics were addressed both during the double materiality assessment process and in the development of the ESG Strategy, initiated in the fourth quarter of 2024.

These aspects are included in the Group's updated ESG strategy and will be validated and integrated into strategic decisions through the active involvement of the governance and supervisory bodies.

1.2.3 GOV-3: Integration of sustainability-related performance in incentive schemes

Sphera Group's Remuneration Policy includes a fixed component and a variable/supplementary component for the Group's executive directors.

The variable remuneration is based on both financial and non-financial performance criteria, ensuring that the benefits granted to management are aligned with both immediate financial performance and long-term sustainability and social responsibility objectives.

Performance is assessed in relation to financial criteria such as EBITDA, net profit, revenue, and free cash flow – as detailed in the Remuneration Policy – as well as non-financial criteria that reflect social impact and sustainability orientation.

Financial criteria account for 90% of the maximum value of variable remuneration, while non-financial criteria represent 10% of the maximum value of the variable remuneration calculated for the respective year. Non-financial criteria include, for example, environmental aspects, safety, employee engagement, and outcomes achieved in managing strategic projects (business development, recovery management, process and franchise contract optimization, and expansion into new markets and products).

The degree of achievement is determined by the Nomination and Remuneration Committee, based on an individual evaluation of each director. For the 2024 reporting year, no specific percentage was allocated to sustainability criteria.

Climate-related considerations, including specific targets for the reduction of greenhouse gas (GHG) emissions, are not yet clearly defined within these criteria. The Group intends to develop a decarbonization plan during the upcoming strategic period, and with its implementation, it plans to more clearly integrate climate-related considerations into the performance evaluation of management and the Remuneration Policy. This initiative will enable a direct alignment of variable remuneration with specific GHG emissions reduction objectives. The Board of Directors does not receive variable remuneration.

The remuneration of the members of the Board of Directors is approved annually by the Ordinary General Meeting of Shareholders (OGMS) and consists of a fixed allowance for participation in the meetings of the Board of Directors and an additional allowance for participation in the meetings of the committees, in the amounts approved by the OGMS. The members of the Board of Directors do not benefit from variable remuneration, incentives or bonuses. As regards the executive management team, the remuneration consists of a fixed and a variable component, the latter being based on the fulfillment of the performance criteria established by the Board of Directors. The Remuneration Policy was adopted by Resolution No. 1 of the Ordinary General Meeting of Shareholders dated 11 August 2022, with the latest update on 26 April 2024, and is available on Sphera Group's website.

1.2.4 GOV-4: Statement on due diligence

Sphera Group's due diligence process is structured to identify, prevent, mitigate, and manage actual and potential negative impacts on people and the environment. It is integrated into the Group's governance structure and applied both across its own operations and throughout the value chain. This process is guided by the Group's Code of Ethics, which sets out principles for responsible business practices, regulatory compliance, and respect for human rights, as well as by the Supplier Code of Ethics, which outlines clear requirements for business partners.

The ESG Board oversees the implementation of the due diligence process and periodically reviews relevant risks and opportunities, while the procurement department plays an active role in supplier evaluation and in monitoring compliance with sustainability criteria. For value chain suppliers, responsibilities are shared with the franchisor Yum! for certain suppliers, and managed directly by the Group for others.

For suppliers managed by Yum!, the due diligence process is conducted by the franchisor, which ensures supplier selection and monitoring in accordance with international standards on ethics and sustainability. For suppliers managed directly by Sphera Group, the due diligence process includes assessing compliance with the Supplier Code of Ethics and analyzing potential environmental and social impacts. In addition, regular monitoring and ongoing engagement with suppliers ensure their alignment with the Group's requirements and stakeholder expectations. The Group implements measures to address identified impacts, including remediation plans or the replacement of suppliers that fail to meet sustainability requirements.

Monitoring of material impacts and the integration of corrective measures are reflected in several areas of the sustainability report, as follows:

- Environmental impacts (Environmental chapter): Resource management, climate change, waste, and packaging. The Group implements measures to optimize resource consumption (water, energy), ensure responsible waste management, and use sustainable packaging. These aspects are monitored through specific indicators and internal reporting mechanisms.
- Impacts on employees and working conditions (Social chapter – S1): The Group ensures a safe and fair working environment by implementing occupational health and safety

standards, respecting fundamental employee rights, providing social benefits, and applying fair recruitment and professional development policies.

- Impacts on consumers and end users (Social chapter – S4): Food safety, consumer health, and nutrition. The Group maintains strict standards for food safety, using rigorous procedures for product quality control and monitoring, in accordance with national and international regulations.
- Governance and business ethics (Governance chapter): Business integrity, transparency, and compliance. The Group integrates principles of ethics and compliance across all its processes, ensuring transparency in business relations.

Basic elements of the due diligence process	Paragraphs in the Sustainability Statement
a) Integrating due diligence in governance, strategy and business model	ESRS 2 GOV-1: Management responsabilities ESRS 2 GOV-2: Information provided to the administrative, management and supervisory bodies of the undertaking and the sustainability aspects addressed by them; ESRS 2 GOV-3: integrating sustainability-related performance into incentive systems; ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with the strategy and business model.
b) Involvement of affected stakeholders in all key stages of due diligence	ESRS 2 GOV-2; ESRS 2 SBM-2: Stakeholders' interests and views; ESRS 2 IRO-1; ESRS 2 MDR-P; Specifically, for the themes identified as material in 2024, detailed information is included in each thematic ESRS: presentation of stakeholder engagement throughout the due diligence process.
c) Identification and assessment of negative impacts	ESRS 2 IRO-1 ESRS 2 SBM-3 ESRS thematic.
d) Taking steps to address those negative impacts	The Group implements measures to reduce the negative impact of its activities as described in detail for each material topic identifed: Thematic ESRS, including ESRS 2 MDR-A: reflecting the range of actions through which impacts are managed.
e) Tracking the effectiveness of these efforts and communication	Thematic ESRS, including ESRS 2 MDR-M and ESRS 2 MDR-T: on indicators and targets.

1.2.5 GOV-5: Risk management and internal controls over sustainability reporting

Sphera Group has implemented a risk management and internal controls system to ensure compliance with national and international requirements. Risk assessment is carried out based on a methodology that prioritizes risks according to their potential impact on the company's operations. Risks are classified into categories such as business risks (regulatory non-compliance, reputational risk) and operational risks (food safety, environmental risk).

Within Sphera Group, financial and non-financial risks are identified and managed both at the subsidiary level and at the Group level, by department managers, top management, and ultimately the Board of Directors.

Sphera Group's organizational structure includes an Internal Audit Manager, who reports functionally to the Audit Committee of the Board of Directors and administratively to the Chief Executive Officer (CEO), in relation to the responsibilities of identifying and mitigating risks. Among their responsibilities are supporting department managers, top management, and the Board of Directors in risk management, identifying risks and opportunities at the Group level, verifying and reporting the implementation status of action plans, and preparing an Annual Audit Plan.

The Internal Audit Manager also periodically updates a Group-wide risk mapping, categorizing risks into strategic, financial, operational, and compliance risks. All these types of risks are periodically evaluated by Sphera Group's top management.

During 2024, the internal audit plan did not include any sustainability-related topics.

In 2023, Sphera Group developed a Risk and Opportunity Assessment based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The identified risks and opportunities were integrated into the double materiality analysis and into the Group's Sustainability Strategy for the 2025–2030 period.

Sphera Group has implemented internal control processes to ensure the quality and compliance of its sustainability reporting. These include verification and data validation mechanisms at the departmental level. To ensure data accuracy, Sphera Group applies the "four-eyes principle", which involves additional checks prior to data consolidation to ensure the completeness and integrity of information, as well as monitoring compliance with reporting requirements.

Sphera Group has not yet developed a formal procedure and methodology for the identification and management of risks related to sustainability reporting. However, the Group acknowledges the need to develop such a formal procedure and methodology. As part of the 2025–2030 Strategic Period, the Group aims to establish a dedicated formal procedure for this purpose.

1.3 Strategy

1.3.1 SBM-1 – Strategy, business model and value chain

Sphera Group is the only company in the HoReCa sector in Romania listed on the Bucharest Stock Exchange and included in the main index of the exchange, BET. The company, Sphera Franchise

Group S.A., has been listed since 2017 under the symbol "SFG" and operates in three markets: Romania, the Republic of Moldova, and Italy. Sphera Franchise Group S.A. provides management, marketing, sales, and human resources services to the other entities within the Group that operate in the HoReCa sector.

The Group operates quick service restaurants (KFC in Romania, Moldova, and Italy; Taco Bell in Romania) and casual dining restaurants (Pizza Hut in Romania). All restaurants accept online orders, either through their own platforms or through partner platforms; however, delivery to the customer is carried out exclusively by external partners.

In 2024, 86% of total revenue was generated in Romania, through the KFC, Pizza Hut, and Taco Bell brands. For these, the Group implements digitalization initiatives and expands the product offering to reflect local preferences. The focus is on increasing accessibility, diversifying sales channels, and enhancing online presence, all integrated with menus that combine local tradition with global trends.

	2023	2024
Total number of employees	5,096	5,117
Total number of employees in Romania	4,597	4,605
Total number of employees in Italy	418	404
Total number of employees in Moldova	81	108
Total revenue (RON)	1,469,171,970.24	1,550,662,575
Revenue by material ESRS[1] sectors	N/A	N/A
Revenue from fossil fuels (coal, oil, and natural gas)	N/A	N/A
Revenue from coal	N/A	N/A
Revenue from oil	N/A	N/A
Revenue from natural gas	N/A	N/A
Revenue from economic activities aligned with the fossil gas taxonomy	N/A	N/A
Revenue from chemicals	N/A	N/A
Revenue from controversial weapons	N/A	N/A
Revenue from tobacco cultivation and production	N/A	N/A

The cost structure and revenue of business segments for Sphera Group are presented in the consolidated financial statements, in accordance with IFRS 8 requirements, and can be consulted in Note 26 of the financial report.

By the nature of our operations, we are committed to delivering safe and high-quality food products, positively impacting the communities where we operate, and acting responsibly. The sustainability strategy and business strategy are integrated, based on the belief that economic success is inseparable from social commitment and environmental responsibility. The ESG

[1] It generates more than 10% of the company's revenue and or is related to significant actual impacts or potential significant negative impacts to the company.

impacts, risks, and opportunities for Sphera Group are closely linked to the business model and value chain. Among the identified risks are the volatility of raw material costs, the impact of legislation on operational costs, and climate risks that may affect supply. Opportunities include resource consumption efficiency, implementing sustainable packaging solutions, and diversifying menus to attract sustainability-conscious customers. These aspects are integrated into the business strategy through initiatives aimed at reducing the carbon footprint and collaborating with sustainable suppliers.

Sphera Group's value chain includes:

- Upstream sourcing, which involves relationships with direct suppliers – those entities with which Sphera Group directly collaborates for the purchase of food products, packaging, or equipment necessary for operations. Extended suppliers refer to partners in the value chain who do not interact directly with Sphera Group but contribute to the provision of raw materials or components used in final products.
- Downstream, product distribution to customers is carried out through two sales channels: in-restaurant service and home delivery.

All restaurants accept online orders, either through proprietary platforms or external partners. Delivery to customers is carried out exclusively by logistics partners.

The implementation of modern technological solutions contributes to streamlining operational processes, reducing resource consumption, and improving customer experience. By maintaining jobs and supporting the local economy, Sphera Group plays an active role in the development of the communities where it operates.

The ESG impacts, risks, and opportunities are mostly linked to these elements of the value chain, and the sustainability strategy and Group policies are focused on addressing the material topics arising from them.

This approach aligns with the policies established by our franchisor, Yum! Brands, which promotes animal welfare, the elimination of unnecessary packaging, the transition to sustainable materials, improvement of recycling systems, and investment in circularity.

Throughout 2024, Sphera Group continued to implement the 2024 Sustainability Strategy, centered on four essential pillars: Responsible Business, Safe and Quality Products, Environmental Protection, and People and Communities.

At the end of 2024, we also initiated the development of a new ESG strategy for the 2025–2030 period, which is currently under review and approval, and reflects the requirements of the European Sustainability Reporting Standards (ESRS) and emerging sustainability priorities.

The UN Sustainable Development Goals that Sphera Group aims to contribute to:

Mapping of the pillars in the Sustainability Strategy and the SDGs to which Sphera Group contributes

Pillar in the Sustainability Strategy	Categories of Material Topics	Sustainable Development Goals	ESG Pillars
Business	• Corporate culture • Bribery and corruption • Supplier relationship management, including payment practices • Corporate culture • Confidentiality		Governance
Products	• Animal welfare • Access to quality information		Governance, Environmental, Social

	• Responsible marketing practices		
Environment	• Greenhouse gas emissions / Climate change • Resource circularity • Water management • Food and packaging waste management • Energy management		Environmental
People and community	• Labor practices • Employee health and safety • Inclusion, diversity, and equal opportunities • Employee development and future skills • Confidentiality		Social

Below is an overview of the progress made in 2024 in relation to the targets set in our 2025 strategy.

Objectives	Targets	2024 Progress
Governance responsibility		
Responsible suppliers Ensuring all our requirements are met and working closely with suppliers to maintain high standards.	Audit core product suppliers in line with the Code of Conduct and Sustainability Approach by 2025.	In 2024, all our poultry meat suppliers underwent a rigorous verification process through an annual audit dedicated to animal welfare, to ensure compliance with the ethical and responsibility standards of the industry.
Environmental responsibility		
Energy efficiency Reduce energy consumption and the organization's carbon footprint.	100% energy-efficient lighting (LED) – by 2024.	The Group's objective to implement energy-efficient lighting (LED lighting) in all restaurants was achieved, with 100% implementation completed in 2024.
Social responsibility		

Human rights Become an "employer of choice" by ensuring a non-discriminatory work environment, diversity, and inclusion.	2% of staff hired to come from vulnerable communities, people with disabilities, and individuals of diverse nationalities[2] – by 2024.	In 2024, 5.39% of the total employees were people with disabilities and individuals of diverse nationalities.
Employee satisfaction and well-being	80% internal promotion rate for managerial roles in restaurants – by 2025.	In 2024, we achieved an internal promotion rate of 88% for managerial roles at KFC Romania and 100% for Taco Bell and Pizza Hut. We continue to run skill development programs and closely monitor internal talent potential.

Sphera Group's Sustainability Strategy for the 2020–2024 period was based on four main pillars: Responsible Business, Safe and Quality Products, Environmental Protection, and People and Communities. At the end of 2024, the Group initiated the development of a new ESG Strategy for the 2025–2030 strategic period, which will be adapted to address current and future challenges, such as climate change, efficient resource management, compliance with emerging legislative requirements, and enhanced corporate transparency.

The strategy for the 2025–2030 period has not yet been approved, and further details about it will be presented in the Group's future Sustainability Statement.

1.3.2 SBM-2 – Interests and views of stakeholders

Stakeholders are defined as entities or individuals who can influence or who may be influenced by our activities, with some of them potentially falling into both categories. Sphera Group has identified relevant stakeholders across all three countries in which it operates, covering various fields of activity and business relationships, as follows:

- Customers. Sphera Group focuses on customer satisfaction by implementing systems such as GES (Guest Experience Survey) to collect feedback. Customers can submit suggestions or complaints through various channels, including digital platforms and call centers, ensuring prompt and transparent resolution of issues.
- Employees. Employees are engaged every two years through internal consultation processes. In addition, Sphera Group provides the following platforms and dedicated resources for employees:
  - Speak Up!: A 24/7 telephone line through which employees can report concerns related to ethics and compliance, ensuring confidentiality and proper handling of alerts.
  - Employee Hotline: A phone support line available to employees throughout their employment relationship, available Monday to Friday, from 09:00 to 17:00. This is available in the subsidiaries and posted in all Group units.
- Suppliers. Collaboration with suppliers is governed by a Code of Conduct, which sets out ethical standards and sustainability requirements. The Group maintains active dialogue with suppliers through audits and meetings whenever needed.

[2] The percentage refers to the total number of individuals belonging to one of the following categories: (i) vulnerable communities made up of people at risk of economic and social vulnerability due to situations such as homelessness or limited education; (ii) persons with disabilities; (iii) individuals of a nationality other than Romanian.

- Shareholders. Shareholders are informed through annual meetings, periodic reports, and other events such as roundtables and conferences organized by the Investor Relations Office.
- Professional and business associations. Sphera is a member of organizations such as HORA, which promotes the interests of the HoReCa industry, working with partners to support initiatives that improve sector standards.
- Financiers/Banks. The Group maintains targeted relationships with banks focused on supporting strategic company initiatives, ensuring adequate levels of transparency and cooperation.
- Franchisor. Sphera Group ensures close and ongoing collaboration with the franchisor, complying with the standards and requirements of the partnership.
- Authorities/Regulatory bodies. Sphera Group collaborates with authorities and regulatory organizations by participating in public consultations when applicable. The company also complies with all reporting and monitoring obligations imposed by authorities.
- Communities (non-profit organizations, community members, universities, high schools, etc.). Sphera Group supports its local communities through social responsibility initiatives that include partnerships with NGOs, educational institutions such as universities and high schools, and community members. Actions focus on supporting education, reducing food waste, and helping vulnerable groups through donations and awareness programs. Dialogue with communities takes place periodically through meetings, joint projects, or local campaigns.
- Media (press, social media influencers, etc.). Sphera Group maintains an open and proactive relationship with media representatives and online influencers, offering up-to-date information about its activities through press releases, launch events, interviews, and media collaborations.

Based on CSRD requirements and the specifics of its operations, Sphera Group has identified the following categories of stakeholders:

- Affected stakeholders: employees, customers, suppliers, local communities, media
- Users of the sustainability statement: investors and shareholders, banks and financial institutions, regulatory authorities, franchisor, business associations

Some stakeholders fall into both categories defined by ESRS:

Employees are considered affected stakeholders due to their direct relationship with the enterprise, but they can also act as users of sustainability-related information. Regulatory authorities and NGOs act as users of sustainability statements, but they also represent affected groups, such as communities or the environment.

Additionally, as part of the materiality assessment process in line with ESRS requirements, stakeholder feedback was considered essential.

Stakeholder engagement was conducted online through questionnaires sent to both internal groups (employees, management) and external groups (customers, suppliers, regulatory bodies, professional and business organizations, academic institutions, NGOs, media, influencers, and franchisors) in all three countries where we operate. The aim of this engagement was to gather feedback and understand stakeholder interests and perspectives, which were then integrated into our business strategy and model. The results of these consultations were reviewed by the ESG Board as part of the double materiality assessment process. Subsequently, the outcome of the double materiality analysis was communicated to the Board of Directors.

Sphera Group actively integrates the interests, perspectives, and rights of all stakeholders into its strategy and business model, while respecting human rights at all levels, including across the supply chain. The double materiality analysis formed the basis for the development of the ESG strategy, thus demonstrating that the Group incorporates stakeholder input in setting its strategic sustainability direction.

Employees represent one of Sphera Group's most valuable resources, and their interests, views, and rights are fundamental to how we operate. Their involvement is ensured through periodic consultations and the availability of dedicated resources.

At a general level, we assess employee satisfaction and engagement through surveys every two years. The most recent consultation took place in 2024, with a 92% participation rate. The results showed improvements in satisfaction levels and provided a solid foundation for future initiatives. The next consultation is scheduled for 2026.

In addition to this type of consultation, employees have constant access to platforms and dedicated resources through which they can express their views.

Employees have also been actively involved in all materiality analysis processes conducted to date, including the 2024 double materiality assessment. This involvement allowed us to directly incorporate their perspectives into the organizational strategy.

The results were translated into concrete initiatives, such as:

- Flexible working arrangements, where possible
- Creation of career development opportunities through internal mobility
- Enhanced health and safety measures in the workplace
- Ongoing development of professional training programs

To strengthen these efforts, we are also exploring the introduction of performance recognition and reward mechanisms designed to boost employee motivation and engagement.

One of the four core pillars of our sustainability strategy, "People and Communities," reflects Sphera's commitment to upholding employee rights, valuing their feedback, and building a safe, inclusive, and sustainable working environment.

The interests, perspectives, and rights of consumers and/or end users were incorporated into the double materiality assessment process through surveys sent to customers regarding Sphera Group's material topics. These surveys were made available in Romanian, Italian, and English. Customers from all three countries where the Group operates completed the questionnaires, and the feedback collected contributed to defining and prioritizing the material topics relevant to the business.

Beyond the materiality assessment process, Sphera Group considers the interests, perspectives, and rights of consumers through various customer satisfaction monitoring systems, such as the GES (Guest Experience Survey) digital platform. Based on the feedback collected through these systems, Sphera Group has implemented operational improvements, product offering adjustments, and measures to optimize the in-restaurant customer experience.

The interests, opinions, and rights of consumers – including the respect for human rights – are integrated into Sphera Group's strategy and business model through food safety policies, transparency and access to product information, data protection and privacy, as well as through responsible marketing. The Group promotes accessibility and inclusion, ensuring an equitable experience for all customers.

In February 2022, Sphera Group joined the UN Global Compact initiative, committing to promote and implement universal principles in the areas of human rights, labor, the environment, and anti-corruption.

In the future, the Group plans to set specific objectives related to carbon footprint reduction, consumer safety, support for local community development, and the maintenance of a balanced and motivating work environment, as well as to strengthen supplier relationships. These measures will be integrated into the 2025–2030 strategy, with further details to be presented in the next Sustainability Statement.

1.3.3 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Throughout 2024, we focused on identifying and assessing material impacts, risks, and opportunities (IROs) associated with our activities, in compliance with ESRS requirements and the principles of due diligence. The process included internal workshops, interviews with top management, external consultations, and the analysis of relevant literature and reports from other companies in the industry. We assessed and mapped these impacts across both our own operations and our relationships with suppliers and partners. Specifically, we evaluated how our strategies and activities influence people and the environment, considering both direct effects and those arising from business relationships. Positive and negative impacts were analyzed over short, medium, and long-term time horizons, and were linked either to internal operations or to upstream or downstream value chain activities.

The double materiality assessment conducted for the 2024 reporting period represents the first such assessment carried out by Sphera Group in alignment with ESRS requirements. As such, there is no comparative baseline with previous periods to highlight changes in significant impacts, risks, and opportunities. These aspects will be monitored and reflected in future reporting cycles as the materiality assessment process is updated and further developed.

As a result of the double materiality assessment, Sphera Group has integrated the identified material impacts, risks, and opportunities into the development of its ESG strategy for the 2025–2030 strategic period. The aim is to adapt the business model, value chain, and decision-making processes to meet sustainability requirements. The strategy will include initiatives and action lines that address these aspects, and implementation is planned to ensure alignment with the defined strategic objectives.

More information on the impacts, risks, and opportunities, their location, and time horizon is provided in the chapters dedicated to each material topic within this Sustainability Statement.

To proactively respond to these assessments, during 2024 we developed a new Sustainability Strategy covering the 2025–2030 period. The new strategy continues the environmental impact reduction initiatives already implemented based on previous strategic objectives and also addresses other emerging topics relevant to our company.

Currently, Sphera Group is in a transition period for implementing reporting requirements in accordance with ESRS. Therefore, detailed information regarding the anticipated financial effects of material risks and opportunities on the Group's financial position, financial performance, and cash flows over the short, medium, and long term will not be included in the current reporting.

Sphera Group grounds its strategy and business model on principles of resilience, with the ability to manage material impacts and risks and to leverage identified opportunities. The impact, risks and opportunities (IRO) management process is integrated into Sphera Group's business strategy, allowing the alignment of sustainability priorities with overall development objectives. The financing of specific initiatives and measures for implementing this strategy is primarily secured from internal sources, using revenue generated by the Group's ongoing operations.

The identified impacts, risks, and opportunities are presented in section IRO 1. The link between identified impacts and associated risks and opportunities (IROs) is outlined for each topic/sub-topic in accordance with ESRS, but no detailed quantification of the current or anticipated financial effects in monetary terms has been conducted.

The Group identified material impacts, risks, and opportunities as a result of the materiality assessment, taking into account their effect on the business model, own operations, and the value chain – both upstream and downstream – their type, source, time horizon, and the distribution of positive and negative impacts, as well as the associated risks and opportunities.

Please refer to chapters E1, E3, E5, S1, S4, G1 for the full list of impacts, risks, and opportunities covered under ESRS requirements.

In addition to the relevant ESRS indicators, the Group has chosen to also report industry-specific indicators in line with the SASB standards for the restaurant industry. These indicators are highlighted within each relevant section of the report.

1.4 Impact, risk and opportunity management

1.4.1 Disclosures on the materiality assessment process

Disclosure Requirement IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities

The double materiality analysis for Sphera Group was carried out using the same reporting boundaries applied to the consolidated financial statements (in line with entities consolidated for financial reporting purposes). The double materiality analysis also considered the value chain for each business segment.

The process was carried out in several stages, as follows:

- Identification of potentially material topics by the ESG Board and relevant departments
- Stakeholder consultation
- Revalidation of material topics by the company's management team
- Impact, risk, and opportunity assessment

The following activities were undertaken to identify potentially material topics:

- Review of existing material topics from materiality assessments conducted in previous years
- Evaluation of industry trends – analysis of publicly available sustainability data from major comparable companies in Romania and Europe
- Review of material topics specific to Sphera Group's industry, in line with ESG rating agencies' assessments
- Consideration of international sustainability reporting standards that Sphera Group intends to adopt (e.g. SASB)
- Assessment of the impact of sustainability-related regulatory frameworks on Sphera Group's business
- Consultation with senior management to align and integrate sustainability priorities with the Group's business objectives

At the beginning of 2024, Sphera Group conducted a double materiality analysis aligned with GRI standards, aimed at identifying and prioritizing material topics for the 2023 reporting year. This analysis included stakeholder consultations, workshops, external assessments, and management approval.

Subsequently, in September 2024, the identified topics were mapped in relation to the relevant sub-topics and sub-sub-topics in the ESRS, to ensure alignment with CSRD requirements. As part of the impacts, risks and opportunities (IRO) analysis process and in continuation of the CSRD-aligned assessment, following the mapping to material topics in ESRS 1, AR. 16, both stakeholder feedback and additional topics identified by the ESG Board during the review were taken into account. An assessment model was then built starting from the long list of material topics as outlined in Annex A of ESRS 1, which includes 10 topics (5 environmental, 4 social, and 1 governance topic), as well as their corresponding sub-topics and sub-sub-topics.

During the analysis, the company adhered to the core principles of double materiality, specifically:

- Impact materiality: assessing the short, medium, and long-term positive and negative impacts that Sphera Group has or may have on the environment and society
- Financial materiality: assessing how sustainability matters may affect the company's financial performance over the short, medium, and long-term

The location of impacts, risks, and opportunities was identified as part of the double materiality analysis. Impact categories were classified as direct, indirect, or a combination of both. For each assessed impact, its occurrence was determined in relation to own operations, the upstream value chain, or the downstream value chain. The organization's value chain includes both upstream actors such as suppliers providing goods or services used in the company's processes, and downstream actors, such as customers receiving the company's products or services.

The applicable material topics were then evaluated by the project team, first by their positive and negative impact, and for each, by actual and potential impact.

To assess impacts, the company applied a combination of quantitative and qualitative criteria, including impact scale (1–5), scope (local, regional, or global), irremediability (for negative impacts), and likelihood (for potential positive and negative impacts). Quantitative thresholds were set to determine the relevance of topics, and qualitative criteria provided context for interpreting results.

The qualitative characteristics of each impact were established by identifying the following elements: impact categories, impact location, time horizon, and potential impact on human rights. The time horizon was defined as follows: short term corresponds to a period of 1 year, for already existing actual effects. For the assessment of potential impacts, two additional intervals were established: medium term, covering a period of up to 5 years, and long term, exceeding 5 years, in accordance with CSRD requirements. In addition, for each sub-sub-topic analyzed, the assessment of the potential impact on human rights directly contributed to the prioritization of that topic, in line with CSRD requirements.

Each of these parameters was scored using a quantitative scale, and the rationales were carefully analyzed to ensure relevance. For each parameter, a value from 1 to 5 was selected, and for each score, the reasoning behind the evaluation was provided.

The financial materiality assessment began by identifying the risks and opportunities that could affect the company's future financial performance and cash flows. This included assessing qualitative characteristics such as the relevance of risks and opportunities to the company's operations and their associated time horizon. Quantitative assessment involved analyzing continued resource use, resource dependencies, critical value chain relationships, and other potential impacts on future cash flows.

In line with the approach for impact materiality, the following steps were applied to each applicable material sub-sub-topic for financial materiality:

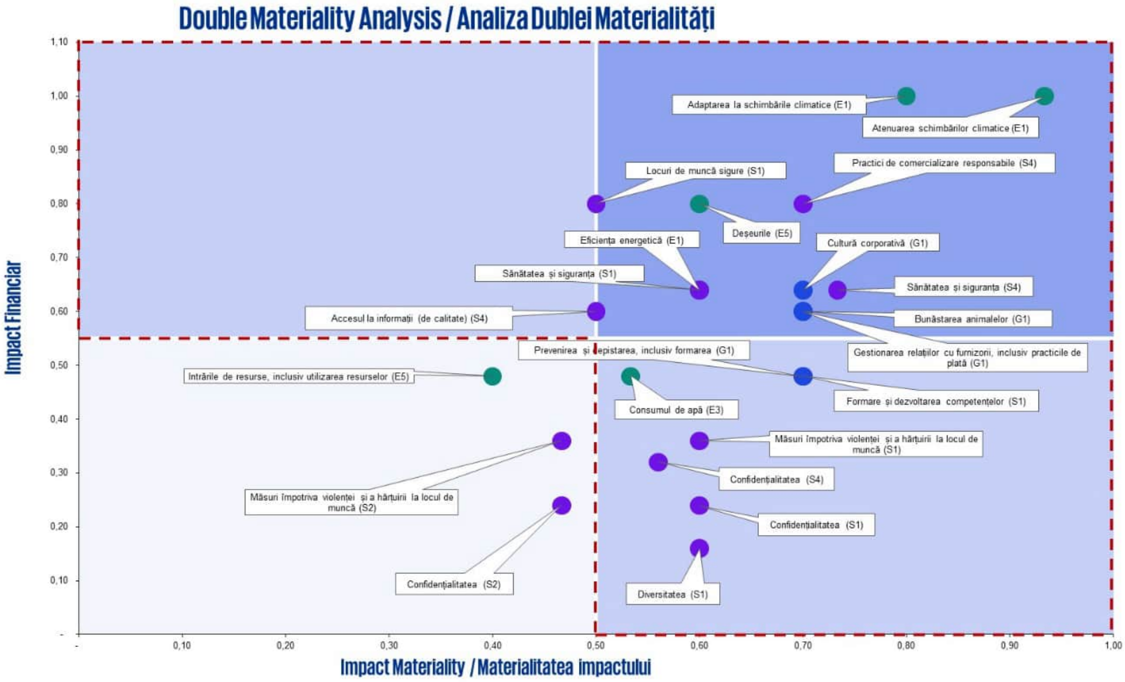
- Defining the qualitative characteristics of financial materiality: determining whether the risk applies to the company and over what time frame the risk is expected to materialize
- Quantitative evaluation of the risk or opportunity: each topic was assessed based on CSRD/ESRS requirements, using the following parameters:
  - Continuity of resource use
  - Dependency on critical relationships
  - Other effects on future cash flow

For each parameter, a value from 1 to 5 was selected, and for each score, the reasoning behind the evaluation was provided. The scale used to assess probability in the double materiality analysis ranges from very unlikely (0–20%) to most likely (80–100%). Intermediate levels include unlikely (20–40%), moderately likely (40–60%), and likely (60–80%).

This probability grid was used to assess the relative positioning of risks against one another and was not intended to quantify the absolute value of individual IROs. The same probability scale was applied in both the impact materiality and financial materiality assessments.

The decision-making process for identifying and prioritizing material impacts, risks, and opportunities was led by the project team assigned to this initiative. The conclusions were then approved by the ESG Board and subsequently submitted for final review by the Board of Directors.

As part of this process, Sphera Group established a materiality threshold of 0.5, meaning that topics scoring equal to or higher than 0.5 were classified as material. The final results were represented in a double materiality matrix, which highlights the total score for each topic. These scores determined the positioning of each topic in the double materiality matrix presented below.



Currently, Sphera does not have a formal documented risk management process. However, the company intends to develop and implement a formal risk management system during the 2025–2030 strategic period, which will also include the integration of material impacts and risks identified through the double materiality analysis. Until this system is implemented, the results of the analysis are used informally to adjust the strategy and prioritize necessary actions.

The risks and opportunities identified for Sphera Group are linked to the dynamics of the food industry, including fluctuations in raw material costs, changes in food safety regulations, and consumer preferences for healthy and sustainable options. Supply chain-related risks include delays in product delivery, price fluctuations, and supplier dependency. For consumers, the risks relate to failure to meet quality standards and lack of transparency.

In the environmental area, risks and opportunities related to climate change, energy consumption, water usage, and waste management are considered material.

The information used throughout the double materiality analysis included both internal data sources (internal policies and procedures, reports, and employee feedback) and external sources (ESG rating agency reports, specialized studies, market analyses, stakeholder consultations, and the identification of relevant industry trends). The double materiality analysis covered all operations of Sphera Group, including the impacts, risks, and opportunities in Romania, Italy, and the Republic of Moldova, without identifying any significant risks specific to a particular geographic area.

Compared to the previous reporting period, where the 2021 GRI Standards were used, the 2024 double materiality analysis process was updated to align with the methodological requirements of the ESRS.

This is the first time that Sphera Group has used the ESRS methodology to determine material topics. In previous years, Sphera Group used the GRI Standards to perform materiality assessments, as presented in specific sections of previous sustainability reports, which are publicly available on the Group's website.

In line with ESRS requirements, Sphera Group will evaluate for each reporting period whether any significant changes have occurred – either internally or externally – that could lead to modifications in its list of material impacts, risks, and opportunities, and will revise the double materiality process accordingly. A full review of the double materiality process is not yet planned.

Sphera Group's activities, both own operations and through the value chain, have a climate impact.

In 2023, Sphera Group completed a study to identify climate-related risks and opportunities. The study was aligned with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations and used science-based methodologies to assess physical risks, transition risks, and associated opportunities.

The analysis began with identifying actual and potential sources of greenhouse gas (GHG) emissions. Emissions were quantified for Scope 1 and Scope 2 and included in a continuous monitoring framework. Although Scope 3 analysis was not conducted, potential emission sources in the supply and distribution chains were identified.

The physical risks identified were classified as:

- Acute risks, such as extreme weather events (floods, heatwaves), which may impact infrastructure and the supply chain
- Chronic risks, such as increasing average temperatures or water stress, which may influence operational costs and resource availability

To assess these risks, the study used the IPCC's SSP3-7.0 climate scenario.

The transition risks and opportunities considered in the study included:

- Rising costs related to carbon emissions and energy
- Legislative changes and increased reporting obligations
- Shifts in consumer behavior and demand for sustainable products

On the other hand, the opportunities identified included:

- Energy efficiency, which can reduce operational costs
- Development of low-carbon products
- Access to green financing and adoption of sustainable technologies

These risks and opportunities were evaluated in relation to various climate transition scenarios, some of which take into account the objectives of the Paris Agreement; however, the analysis explores multiple pathways and does not assume strict alignment with these objectives.

Risks and opportunities were prioritized based on their magnitude and likelihood, and the strategies for mitigation and opportunity capture were tailored to the company's operational context.

Climate change-related topics – including adaptation, mitigation, and energy consumption – are considered material for Sphera Group, being included in the reporting and taken into account in the development of the new sustainability strategy for 2025–2030.

The identification and assessment of pollution-related impacts, risks, and opportunities were integrated into the double materiality analysis, and stakeholders were consulted.

Pollution-related impacts were identified in both own operations and the value chain. Upstream, these include supplier activities. To ensure that potential impacts are minimized, suppliers are contractually required to comply with the Supplier Code of Conduct, which sets environmental compliance standards. Downstream, material impacts are associated with the management of packaging and waste generated in customer interactions. Within its own operations, the Group implements measures such as the use of grease separators for wastewater treatment, reducing emissions through energy-efficient equipment, and separate waste collection.

Topics related to pollution, such as air, water, and soil pollution, are responsibly managed, and the materiality assessment concluded that these are not material topics for Sphera Group's activity, considering the industry's specific characteristics and the scale of potential impacts. Greenhouse gas (GHG) emissions are addressed separately under ESRS E1, as they are relevant for assessing the carbon footprint and emissions reduction targets.

Sphera Group has reviewed its own activities and locations to identify impacts related to water consumption, withdrawal, and discharge. In its own operations, water consumption is associated with daily restaurant activities, particularly equipment washing and cooking.

Potential negative impacts related to water use include water stress in the areas where Sphera Group operates or sources products, unsustainable water use by suppliers, and the risk of accidental water pollution through uncontrolled discharges in the event of poor wastewater management.

On the other hand, positive impacts include reducing water consumption through efficient equipment and promoting collaboration with responsible suppliers. Identified opportunities include improving operational efficiency through sustainable use of water resources and strengthening relationships with stakeholders.

The double materiality assessment (DMA) included consultations with local communities and other stakeholders on all relevant topics, including those related to water use.

These aspects are managed through internal measures, including the use of efficient equipment and a commitment to regulatory compliance, while suppliers are required to comply with the Supplier Code of Conduct, which includes provisions regarding the sustainability of water resources.

Water resource management is a material topic for Sphera Group, and the management of impacts, risks, and opportunities related to water use is integrated into the sustainability strategy.

Sphera Group recognizes the interdependence between biodiversity and climate change, as well as the indirect impacts that its activities may have on biodiversity. Although the company does not directly engage in activities involving major changes to land, water, or marine resource use, it is essential to monitor and mitigate any potential indirect impacts on biodiversity through collaboration with its suppliers and partners.

Sphera primarily operates in pre-existing commercial spaces, and the newly constructed locations are in urban areas. Therefore, from this perspective, the company does not have a direct impact on biodiversity, such as land use change or habitat fragmentation. Within the value chain, the analysis identified relevant interactions with biodiversity in agricultural areas and raw material production farms. These activities may involve risks such as unsustainable land use, soil degradation, and biodiversity loss. These risks are managed through the application of the Supplier Code of Conduct, which includes strict environmental protection requirements, and through the promotion of sustainable practices across the value chain. Positive impacts are associated with supporting suppliers who adopt responsible agricultural methods, while opportunities include building a resilient and sustainable value chain.

Additionally, Sphera implements the franchisor Yum!'s sustainability policies, which promote the responsible use of natural resources and collaboration with suppliers that adhere to biodiversity protection standards. By adopting these policies, the company ensures that indirect impacts on ecosystems are minimized.

Sphera Group has not conducted biodiversity-related scenario analysis. Consultations with communities and stakeholders were carried out as part of the general materiality analysis process.

Biodiversity did not emerge as a material topic for reporting in 2024. However, Sphera Group remains committed to the responsible management of indirect impacts on ecosystems by applying ethical codes across the value chain and adhering to the highest sustainability standards in its operations.

The assessment of impacts, risks, and opportunities related to resource use and circular economy, within the double materiality analysis, followed the structured process described above. In assessing impacts, risks, and opportunities related to resource use and circular economy, Sphera analyzed its activities and value chain, with a focus on efficient resource management and waste reduction. The assessment process took into account the specific characteristics of the Group's operations, including quick-service restaurants, table-service restaurants, and delivery services. The analysis considered both the quantities of waste generated and the policies implemented at subsidiary level for resource management and the promotion of sustainable practices. It also covered impacts associated with packaging and other inputs and outputs of resources, both from own operations and throughout the upstream and downstream value chain. The company implements dedicated measures to optimize resource use in operations, selecting suppliers that comply with regulations on the use of recycled and sustainable materials. Sphera also promotes selective waste collection and collaborates with authorized waste management operators.

Identified impacts include risks such as environmental pollution, high costs associated with managing large volumes of waste, and non-compliance with strict environmental regulations. Opportunities relate to reducing food waste, recycling packaging, and enhancing the company's reputation through a clear commitment to circular economy principles.

Consultations with communities and other stakeholders were conducted as part of the double materiality assessment (DMA) for all relevant topics. Specifically, the consultations addressed impacts, risks, and opportunities related to resource use and circular economy through the stakeholder engagement questionnaires. These questions covered aspects such as resource management, waste reduction, sustainable packaging, and the application of circular economy principles in the value chain. In conclusion, although resource inputs did not emerge as a material topic, resource outputs and waste management are material topics for which Sphera will report the information required by ESRS E5-11.

To meet the requirement for identifying impacts, risks, and opportunities associated with business conduct (i.e., effects and situations that may arise if the organization and its employees do not adhere to ethical standards), the double materiality assessment focused on relevant aspects such as corporate culture, animal welfare, supplier relationship management, and anti-corruption and bribery prevention. This assessment considered all relevant criteria, including the location of operations, the nature of activities, the industry sector, and the structure of transactions. Corporate culture is guided by internal policies and employee training programs aimed at fostering professional conduct that respects ethics, diversity, inclusion, and mutual respect.

Regarding animal welfare, the company ensures compliance with international animal protection standards within its supply chain, working with suppliers who observe strict regulations in this area. Supplier relationship management is governed by a dedicated Code of Conduct, which outlines expectations for responsible and fair treatment of animals.

Anti-corruption and bribery prevention is integrated into the company's overall governance framework, through the implementation of strict compliance measures. These include reporting mechanisms for violations and zero-tolerance policies for unethical behavior.

As a result of the company's double materiality assessment process, the following material topics have been identified:

Material topic		Material sub-topic	Material sub-sub topic
E1	Climate change	Climate change adaptation	Climate change adaptation
E1	Climate change	Climate change mitigation	Climate change adaptation
E1	Climate change	Energy efficiency	Energy efficiency
E3	Water and marine resources	Water consumption	Water consumption
E5	Circular economy	Waste	Waste
S1	Own workforce	Working conditions	Safe and secure working environment
S1	Own workforce		Health and safety
S1	Own workforce		Training and skills development
S1	Own workforce		Measures against violence and harassment in the workplace
S1	Own workforce		Diversity

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Material topic		Material sub-topic	Material sub-sub topic
S1	Own workforce		Confidentiality
S4	Consumers and end-users	Impacts related to consumer and/or end-user information	Confidentiality
S4	Consumers and end-users		Access to (quality) information
S4	Consumers and end-users	Personal safety of consumers and/or end-users	Health and safety
S4	Consumers and end-users		Responsible marketing practices
G1	Business conduct	Corporate culture	Corporate culture
G1	Business conduct	Animal welfare	Animal welfare
G1	Business conduct	Management of relationships with suppliers, including payment practices	Management of relationships with suppliers, including payment practices
G1	Business conduct	Corruption and bribery	Prevention and detection including training

1.4.2 Disclosure Requirement IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Information regarding the management of Sphera Group's material impacts, risks, and opportunities is presented in each specific chapter of this Sustainability Statement and is aligned with the minimum disclosure requirements related to the policies, actions, and targets established at group level. The presentation requirements for this report are included in the table below.

For the first year of reporting sustainability information in accordance with CSRD/ESRS, the minimum disclosure requirements under ESRS 2, as well as the mandatory requirements applicable from the first reporting year, have been included.

Disclosure requirements and data points associated with topics and sub-topics that were assessed as not material through the double materiality analysis have not been included in this statement. The determination of published information was made based on the criteria set out in Section 3.2 of ESRS 1, ensuring alignment with the significant impacts, risks, and opportunities identified.

Standard ESRS	(Sustainability Statement) Chapter	Disclosure requirement	
ESRS 2	General disclosures	BP-1	General basis for preparation of sustainability statements
ESRS 2	General disclosures	BP-2	Disclosures in relation to specific circumstances
ESRS 2	General disclosures	GOV-1	The role of the administrative, management and supervisory bodies
ESRS 2	General disclosures	GOV-2	Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies
ESRS 2	General disclosures	GOV-3	Integration of sustainability-related performance in incentive schemes
ESRS 2	General disclosures	GOV-4	Statement on due diligence
ESRS 2	General disclosures	GOV-5	Risk management and internal controls over sustainability reporting
ESRS 2	General disclosures	SBM-1	Strategy, business model and value chain
ESRS 2	General disclosures	SBM-2	Interests and views of stakeholders
ESRS 2	General disclosures	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS 2	General disclosures	IRO-1	Description of the process to identify and assess material impacts, risks and opportunities
ESRS 2	General disclosures	IRO-2	Disclosure requirements in ESRS covered by the undertaking’s sustainability statement
ESRS E1	Climate change	ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes
ESRS E1	Climate change	E1-1	Transition plan for climate change mitigation
ESRS E1	Climate change	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS E1	Climate change	ESRS 2 IRO-1	Description of the process to identify and assess material impacts, risks and opportunities related to climate
ESRS E1	Climate change	E1-2	Policies related to climate change mitigation and adaptation
ESRS E1	Climate change	E1-3	Actions and resources in relation to climate change policies
ESRS E1	Climate change	E1-4	Targets related to climate change mitigation and adaptation

Standard ESRS	(Sustainability Statement) Chapter	Disclosure requirement	
ESRS E1	Climate change	E1-5	Energy consumption and mix
ESRS E1	Climate change	E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions
ESRS E1	Climate change	E1-7	GHG removals and GHG mitigation projects financed through carbon credits
ESRS E1	Climate change	E1-8	Internal carbon pricing
ESRS E1	Climate change	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities - we apply the phase-in provisions in Appendix C of ESRS 1
ESRS E3	Water and marine resources	ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities related to water and marine resources
ESRS E3	Water and marine resources	E3-1	Policies related to water and marine resources
ESRS E3	Water and marine resources	E3-2	Actions and resources related to water and marine resources policies
ESRS E3	Water and marine resources	E3-3	Targets related to water and marine resources
ESRS E3	Water and marine resources	E3-4	Water consumption
ESRS E3	Water and marine resources	E3-5	Anticipated financial effects from water and marine resources-related risks and opportunities - we apply the phase-in provisions in Appendix C of ESRS 1
ESRS E5	Resource use and circular economy	ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities related to biodiversity and ecosystems
ESRS E5	Resource use and circular economy	E5-1	Policies related to resource use and circular economy
ESRS E5	Resource use and circular economy	E5-2	Actions and resources related to resource use and circular economy
ESRS E5	Resource use and circular economy	E5-3	Targets related to resource use and circular economy
ESRS E5	Resource use and circular economy	E5-5	Resource outflows
ESRS E5	Resource use and circular economy	E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities - we apply the phase-in provisions in Appendix C of ESRS 1
ESRS S1	Own workforce	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model

Standard ESRS	(Sustainability Statement) Chapter	Disclosure requirement	
ESRS S1	Own workforce	S1-1	Policies related to own workforce
ESRS S1	Own workforce	S1-2	Processes for engaging with own workforce and workers' representatives about impacts
ESRS S1	Own workforce	S1-3	Processes to remediate negative impacts and channels for own workforce to raise concerns
ESRS S1	Own workforce	S1-4	Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
ESRS S1	Own workforce	S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
ESRS S1	Own workforce	S1-6	Characteristics of the undertaking's employees
ESRS S1	Own workforce	S1-7	Characteristics of non-employees in the undertaking's own workforce
ESRS S1	Own workforce	S1-9	Diversity metrics
ESRS S1	Own workforce	S1-10	Adequate wages
ESRS S1	Own workforce	S1-11	Social protection
ESRS S1	Own workforce	S1-12	Persons with disabilities
ESRS S1	Own workforce	S1-13	Training and skills development metrics
ESRS S1	Own workforce	S1-14	Health and safety metrics
ESRS S1	Own workforce	S1-17	Incidents, complaints and severe human rights impacts
ESRS S4	Consumers and end-users	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS S4	Consumers and end-users	S4-1	Policies related to consumers and end-users
ESRS S4	Consumers and end-users	S4-2	Processes for engaging with consumers and end-users about impacts
ESRS S4	Consumers and end-users	S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

Standard ESRS	(Sustainability Statement) Chapter	Disclosure requirement	
ESRS S4	Consumers and end-users	S4-4	Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
ESRS S4	Consumers and end-users	S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
ESRS G1	Business conduct	ESRS 2 GOV-1	The role of the administrative, supervisory and management bodies
ESRS G1	Business conduct	ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities
ESRS G1	Business conduct	G1-1	Business conduct policies and corporate culture
ESRS G1	Business conduct	G1-2	Management of relationships with suppliers
ESRS G1	Business conduct	G1-3	Prevention and detection of corruption and bribery
ESRS G1	Business conduct	G1-4	Incidents of corruption or bribery
ESRS G1	Business conduct	G1-6	Payment practices

SASB Content Index, Restaurant Standard, 2023-12 version.

SASB indicator code	Indicator	ESRS section where information is disclosed
FB-RN-130a.1	Total energy consumed	ESRS E1-5 Energy consumption and mix
FB-RN-140a.1	Total water consumed	ESRS E3-4 Water consumption
FB-RN-150a.1	Percentage of food waste	ESRS E5-5 Resource outflows
FB-RN-150a.1	Total percentage of waste recovered	ESRS E5-5 Resource outflows
FB-RN-150a.2	Total weight of packaging	ESRS E5-5 Resource outflows
FB-RN-150a.2	Percentage of packaging, by weight, made from recycled or renewable materials	ESRS E5-5 Resource outflows
FB-RN-150a.2	Percentage of packaging, by weight, that is recyclable, reusable or compostable	ESRS E5-5 Resource outflows

FB-RN-250a.1	(1) Percentage of restaurants inspected by a food safety oversight body, (2) percentage of restaurants receiving critical violations	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-250a.2	(1) Number of recalls issued and (2) total amount of food recalled	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-260a.3	(1) Number of confirmed foodborne illness outbreaks, (2) percentage that resulted in investigation	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-260a.1	(1) Percentage of menu items that meet dietary guidelines, and (2) revenue from these items	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-260a.2	(1) Percentage of children's menu options that meet children's dietary guidelines and (2) revenue from these options	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-260a.3	Percentage of advertisements (1) targeted to children and (2) targeted to children promoting products that meet children's dietary guidelines	ESRS S4-4 Taking action on material impacts on consumers and end- users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions
FB-RN-310a.1	(1) Voluntary and (2) involuntary employee turnover rate in restaurants	ESRS S1-6 – Characteristics of the undertaking's employees
FB-RN-310a.2	Average hourly wage, by country and entity	ESRS S1-10 – Adequate wages
FB-RN-310a.3	Total monetary losses as a result of legal proceedings associated with workplace discrimination	ESRS S1-17 – Incidents, complaints and severe human rights impacts

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS 2 GOV-1 - Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816, Annex II		General Disclosures, GOV-1
ESRS 2 GOV-1 - Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		General Disclosures, GOV-1
ESRS 2 GOV-4 - Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				General Disclosures, GOV-4
ESRS 2 SBM-1 - Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 - Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 - Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not applicable

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Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS 2 SBM-1 - Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS E1-1 - Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Climate Change, E1-1 The company has not adopted a transition plan.
ESRS E1-1 - Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking Book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		Not applicable
ESRS E1-4 - GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Climate change, E1-4
ESRS E1-5 - Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				Not applicable

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Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				Climate change, E1-5
ESRS E1-5 - Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				Climate change, E1-5
ESRS E1-6 - Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Climate change, E1-6
ESRS E1-6 - Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Climate change, E1-6
ESRS E1-7 - GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Climate change, E1-7
ESRS E1-9 - Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not applicable

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS E1-9 - Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 - Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Climate change, E1-9 Phased-in
ESRS E1-9 - Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book -Climate change transition risk: Loans collateralized by immovable property - Energy efficiency of the collateral			Not calculated
ESRS E1-9 - Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Not calculated
ESRS E2-4 - Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Not material
ESRS E3-1 - Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				Water and marine resources, E3-1
ESRS E3-1 - Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				Water and marine resources, E3-1

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS E3-1 - Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Water and marine resources, E3-1
ESRS E3-4 - Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Water and marine resources, E3-4
ESRS E3-4 - Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Water and marine resources, E3-4
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material
ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material
ESRS E4-2 - Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material
ESRS E4-2 - Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E4-2 - Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material
ESRS E5-5 - Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				Non-recycled waste E5-5
ESRS E5-5 - Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Non-recycled waste E5-5
ESRS 2- SBM3 - S1 - Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Own workforce, S1-SBM 3
ESRS 2- SBM3 - S1 - Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Own workforce, S1-SBM 3

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS S1-1 - Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Own workforce, S1-1
ESRS S1-1 - Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Own workforce, S1-1
ESRS S1-1 - processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Own workforce, S1-1
ESRS S1-1 - workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Own workforce, S1-1
ESRS S1-3 - grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Own workforce, S1-3
ESRS S1-14 - Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Own workforce, S1-14
ESRS S1-14 - Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				Own workforce, S1-14
ESRS S1-16 - nadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS S1-16 -Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Not material

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Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS S1-17 - Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Own workforce, S1-17
ESRS S1-17 - Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Own workforce, S1-17
ESRS 2- SBM3 – S2 - Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Not material
ESRS S2-1 - Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				Not material
ESRS S2-1 - Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Not material
ESRS S2-1 -Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material
ESRS S2-1 - Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not material

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Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS S2-4 - Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material
ESRS S3-1 - Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Not material
ESRS S3-1 - non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material
ESRS S3-4 - Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material
ESRS S4-1 - Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Consumers and end-users, S4-1
ESRS S4-1 - Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Consumers and end-users, S4-1
ESRS S4-4 - Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Consumers and end-users, S4-4
ESRS G1-1 - United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				Business conduct, G1-1

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Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 Reference	Benchmark Regulation Reference	EU Climate Law Reference	Reporting (chapter, section) / Relevance (not material and/or phased-in / not applicable)
ESRS G1-1 - Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Not material
ESRS G1-4 - Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		Business conduct, G1-4
ESRS G1-4 - Standards of anti-corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Business conduct, G1-4

2 Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)

Regulation (EU) 2020/852 of the European Parliament and of the Council, dated 18 June 2020 on the establishment of a framework to facilitate sustainable investment and to amend Regulation (EU) 2019/2088 (the EU Taxonomy Regulation) sets out the classification system for environmentally sustainable economic activities, with the aim of directing capital flows toward a sustainable economy.

The eligibility of economic activities is determined based on the description of economic activities or NACE codes, which must correspond to the activity descriptions listed in the Delegated Acts under the EU Taxonomy Regulation: Delegated Regulation 2178/2021 on disclosure obligations and Delegated Regulation 2021/2139 (the "Climate Delegated Act"), as amended and supplemented by Delegated Regulation 2022/1214 and Delegated Regulation 2023/2485, covering activities that contribute substantially to the climate objectives: climate change mitigation and adaptation and also, Delegated Regulation 2023/2486 (the "Environmental Delegated Act"), which covers economic activities that contribute substantially to the remaining four environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

To be considered "aligned," eligible economic activities must cumulatively meet the conditions laid out in Article 3 of the Regulation:

- contribute substantially to one or more of the environmental objectives listed in Article 9 of the Regulation;
- do not significantly harm any of the other remaining environmental objectives;
- comply with the minimum safeguards outlined in Article 18 of the Regulation;
- meet the applicable technical screening criteria, as established by the Commission in accordance with Article 10 of the Regulation.

The reporting of data by non-financial enterprises is carried out in accordance with Article 8 of Regulation 2020/852 and must include the following information:

- the proportion of turnover derived from products or services associated with environmentally sustainable economic activities;
- the proportion of capital expenditure (CapEx) and the proportion of operating expenditure (OpEx) related to assets or processes associated with environmentally sustainable economic activities.

The following sections present the analysis carried out by Sphera Franchise Group SA ("Sphera" or the "Sphera Group") for the disclosure of specific information related to its economic activities performed during the financial year 2024 (1 January 2024 – 31 December 2024), in accordance with Article 8 of the EU Taxonomy Regulation. For this reporting period, Sphera Group is required to report on the eligibility and alignment proportions of its economic activities, highlighting their contribution to the six environmental objectives.

2.1 Determining the eligibility of economic activities

The assessment of Sphera's activities was conducted for each of the three financial indicators (Turnover, CapEx, and OpEx), based on the consolidated annual financial statements prepared by the Company's representatives for the financial year 2024, in accordance with the provisions of Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

The analysis of the financial statements was carried out to identify the eligible economic activities and determine their eligibility proportions in line with the provisions of Delegated Regulation (EU) 2021/2178, as well as subsequent communications from the European Commission concerning the interpretation and implementation of requirements under the EU Taxonomy Regulation and related Delegated Acts.

Double counting of values used to calculate the indicators was avoided by eliminating intra-group transactions, in accordance with the requirements of IFRS 10 – Consolidated Financial Statements, paragraph B86, but also by using unique allocation keys for each eligible activity. The unique keys have been applied to the GL accounting statements and to the details from which the eligible transactions for each eligible activity are summarized.

To identify eligible economic activities, the Group reviewed its full portfolio of operations across all subsidiaries. These activities were compared in terms of both descriptions and NACE codes in relation to those listed in Annexes I and II of Delegated Regulation 2021/2139 and Annexes I–IV of Delegated Regulation 2023/2486.

Turnover:

Based on NACE code 7010 – Activities of head offices (equivalent to NACE M70.10), the Group provides management, marketing, development, sales support, human resources, and other administrative services to its subsidiaries, which operate under NACE code 56103 – Restaurants (equivalent to NACE I56.10).

In the financial year 2024, the seven companies within the Sphera Group generated total turnover of RON 1,548,382,373.34. Upon analysis of the relevant NACE codes and the nature of the activities, it was concluded that these do not meet the eligibility criteria under the EU Taxonomy. Therefore, the Group's entire turnover is considered non-eligible.

Capital Expenditures (CapEx):

According to point 1.1.2.1 of Annex I to Delegated Regulation 2021/2178, the CapEx denominator covers additions to tangible and intangible assets incurred during the financial year, before depreciation, amortisation or any revaluation, and including those resulting from revaluation and impairment, but excluding changes in fair value.

In the financial year 2024, Sphera Group's total capital expenditures amounted RON 184,200,506.97. Based on the analysis of financial data, the following Type C eligible CapEx items were identified:

[3] CAEN Rev. 2

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- Acquisition of passenger vehicles (category M1) through leasing – representing 1.11% (RON 2,044,040.01) of total CapEx. This investment qualifies under Activity 6.5 – *Transport by motorbikes, passenger cars and light commercial vehicles*, listed in Annex I of Delegated Regulation 2139/2021, contributing substantially to the environmental objective of *Climate change mitigation*.
- Renovation of buildings owned or leased by Sphera Group for operational and administrative use – representing 16.73% (RON 30,812,212.31) of total CapEx. Renovation is an activity which contributes substantially to three environmental objectives: *Climate change mitigation* (CCM 7.2), *Climate change adaptation* (CCA 7.2), and *Transition to a circular economy* (CE 3.2). To determine the relevant environmental objective for the renovation activity, the specific characteristics and purpose of the works were analyzed. Since the renovation did not target energy performance improvements, it does not meet the definition of a "major renovation" and is not linked to a climate adaptation plan. Therefore, it was concluded that this activity contributes substantially to the environmental objective *Transition to a circular economy*, under Activity 3.2 – *Renovation of existing buildings*, as outlined in Annex II of Delegated Regulation 2023/2486.
- Purchase of HVAC systems for climate control of the operated commercial spaces – representing 0.09% (RON 161,616.59) of total CapEx. This qualifies under Activity 7.3 – *Installation, maintenance and repair of energy efficiency equipment*, listed in Annex I of Delegated Regulation 2139/2021. This is a facilitating activity contributing to *Climate change mitigation*. The HVAC systems purchased by Sphera fall under criterion (e) of the technical criteria for substantial contribution: *installation, replacement, maintenance and repair with highly efficient technologies, of the heating, ventilation and air conditioning (HVAC) systems and water heating systems, including those for district heating*.
- Lease of commercial spaces where restaurants are operated – representing 67.03% (RON 123,476,437.47) of total CapEx. This qualifies under Activity 7.7 – Acquisition and ownership of buildings, from Annex I of Delegated Regulation 2139/2021, which contributes substantially to environmental objective *Climate change mitigation*.

The total value of capital expenditures made in 2024 for the acquisition of goods or services not eligible under the EU Taxonomy amounted to RON 27,706,200.58, representing 15.04% of the total capital expenditures.

Operating expenses (OpEx):

According to Article 1.1.3.1 of Annex I of Delegated Regulation 2021/2178, the denominator of operating expenses includes direct non-capitalized costs related to research and development, building renovation measures, short-term lease contracts, maintenance and repairs, as well as any other direct costs related to the ongoing maintenance of tangible assets by the company or third parties to whom such activities are outsourced, which are necessary to ensure the continuous and efficient operation of these assets.

To identify the operating expenses that correspond to the categories of costs that may be included in the OpEx denominator, a detailed analysis of the financial statements was carried out based both on the provisions of Delegated Regulation 2021/2178 and on the subsequent Communications from the European Commission: 2022/C 385/01[4] and C/2023/305[5]. The expenses included in the denominator value are represented by costs related to building

[4] FAQ12 – 2022/C 385/01
[5] FAQ34 – C/2023/305

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renovation, maintenance and repair of air-conditioning equipment and vehicles, as well as any other direct costs related to the ongoing maintenance of tangible assets outsourced to third parties, which are necessary to ensure the continuous and effective operation of these assets. Also, included in the denominator are the costs related to lease contracts that did not qualify for capitalization in accordance with IFRS 16 Lease Contracts. Thus, the operating expenses incurred by Sphera Group in the financial year 2024 amounted to a total value of 47,623,561.78 RON.

From the total OpEx denominator, the following eligible type C operating expenses were identified, associated with the following activities: CE 3.2 - *Renovation of existing buildings* (0.52%), CCM 7.3 - *Maintenance and repair of energy efficiency equipment for buildings* (0.27%) and CCM 6.5 - *Transport by motorcycles, passenger cars and light commercial vehicles* (0.26%), which together represent 1.05% of the total operating expenses.

Considering the insignificant proportion of eligibility of these expenses, and the fact that they are not considered material for the business model of Sphera Group, they have been excluded from the calculation of the OpEx numerator, in accordance with Article 1.1.3.2 of Annex I of Delegated Regulation 2021/2178.

Determination of alignment of economic activities:

To be considered sustainable or "aligned," eligible economic activities must contribute substantially to at least one of the six environmental objectives listed in Article 9 of the EU Taxonomy Regulation, not significantly harm any of the remaining environmental objectives, comply with the minimum social safeguards referred to in Article 18 of the EU Taxonomy Regulation, and meet the applicable technical screening criteria established by the Commission under Article 10 of the Regulation.

The assessment of eligible economic activities for the purpose of determining the proportion of alignment was carried out for activities that contribute significantly to the environmental objectives of *Climate Change Mitigation* and *Transition to a Circular Economy*, based on the technical criteria set out in Delegated Regulations 2021/2139 and 2023/2486, and based on the assessment criteria established for the four applicable areas regarding minimum social safeguards: *human rights, anti-corruption, taxation, and fair competition practices*.

Following the assessment in relation to the applicable technical criteria, it was found that these criteria are not fully met. Therefore, the eligible activities carried out by Sphera Group in 2024 cannot be considered aligned with the EU Taxonomy.

2.2 Presentation of Sphera Group’s key performance indicators for the 3 Financial Indicators

Turnover:

<u>The denominator</u> represents the net turnover generated in the financial year 2024, according to the consolidated income statement prepared in accordance with OMFP 2844/2016 as amended and subsequent supplemented [see Consolidated Financial Statements, Note 26 “Segment Information].

<u>The numerator</u> that represents the percentage of turnover obtained from activities aligned to the EU Taxonomy is equal to RON 0, resulting in an alignment proportion of 0% of Total Turnover.

Capital Expenditures (CapEx):

The denominator represents the total capital expenditures incurred in the financial year 2024, as per OMFP 2844/2016 as amended and subsequent supplemented [see Consolidated Financial Statements, Note 11 "Property, plant and equipment", Note 12 "Intangible fixed assets and goodwill", Note 14 "Lease liabilities"].

The numerator which includes the capital expenditures related to assets or processes associated with activities aligned with the EU Taxonomy, is equal to RON 0, resulting in an alignment rate of 0% of total capital expenditures.

Operating Expenses (OpEx):

The denominator represents the total operating expenses related to the financial year 2024, determined in accordance with the definition of this indicator from Art. 1.1.3.1 of Annex I of Delegated Act 2021/2178.

The numerator, which includes operating expenses associated with activities aligned with the EU Taxonomy, is equal to RON 0, resulting in an alignment rate of 0% of total operating expenses.

The results of the economic activity assessment carried out by the Sphera Group for the financial year 2024 are presented in the following section, in accordance with the models provided in Annex V of Delegated Regulation 2023/2486.

Proportion of turnover generated from products or services associated with Taxonomy-aligned economic activities – disclosure covering the year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	CapEx	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy- aligned (A.1.) o eligible (A.2.) turnover, year 2023	Category enabling activity	Category transitional activity
		RON	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	-	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		
Of which enabling		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**	**E**	
Of which transitional		-	**0.00%**	**0.00%**						**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL;	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**										
-	-	-	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%		
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**0.00%**		
Turnover of Taxonomy-eligible activities (A.1+A.2)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**0.00%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy- non-eligible activities		**1,548,382,373.34**	**100.00%**																
TOTAL (A + B)		**1,548,382,373.34**	**100%**																

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Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering the year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of CapEx - aligned (A.1.) or eligible (A.2.) CapEx, year 2023	Category enabling activity	Category transitional activity
		RON	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	D/N	%	E	T
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	-	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		
Of which enabling		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**	**E**	
Of which transitional		-	**0.00%**	**0.00%**						**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL;	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**										
Transportation by motorcycles, cars and light commercial vehicles	CCM 6.5	2,044,040.01	7.38%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**1.42%**		
Renovation of existing buildings	CE 3.2	30,812,212.31	111.21%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								**18.38%**		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	161,616.59	0.58%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**1.50%**		
Acquisition and ownership of buildings	CCM 7.7	123,476,437.47	445.66%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**59.77%**		
CapEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**156,494,306.39**	**84.96%**	**68.23%**	**0.00%**	**0.00%**	**0.00%**	**16.73%**	**0.00%**								**81.07%**		
CapEx of Taxonomy-eligible activities (A.1+A.2)		**156,494,306.39**	**84.96%**	**68.23%**	**0.00%**	**0.00%**	**0.00%**	**16.73%**	**0.00%**								**81.07%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy- non-eligible activities		**27,706,200.58**	**15.04%**																
TOTAL (A + B)		**184,200,506.97**	**100.00%**																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering the year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	OpEx	Proportion of OpEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of OpEx - aligned (A.1.) or -eligible (A.2.) OpEx, year 2023	Category enabling activity	Category transitional activity
		RON	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	D/N	%	E	T
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	-	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		
Of which enabling		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**	**E**	
Of which transitional		-	**0.00%**	**0.00%**						**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL;	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**	**EL; N/EL;**										
-	-	-	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%		
OpEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**0.00%**		
OpEx of Taxonomy-eligible activities (A.1+A.2)		-	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**0.00%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy- non-eligible activities		**47,623,561.78**	**100%**																
TOTAL (A + B)		**47,623,561.78**	**100%**																

The information referred to in Article 8, paragraphs (6) and (7) in relation to Nuclear and fossil gas related activities[6].

6 According to the template provided in Annex III to Delegated Regulation 2022/1214

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Row	Nuclear energy related activities	
1	The company carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The company carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using the best available technologies.	NO
3	The company carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The company carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The company carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The company carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Considering that Sphera Group does not carry out economic activities related to nuclear energy and fossil gas, it was not necessary to complete the other tables provided in Annex III of Delegated Regulation 2022/1214.

3 ESRS E1 – Climate change

3.1 ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes

Sphera Group has not yet established specific targets for integrating climate-related considerations into the incentive systems of the members of the administrative, management, and supervisory bodies.

3.2 Strategy

3.2.1 E1-1 Transition plan for climate change mitigation

Sphera Group has not currently developed a transition plan for climate change mitigation.

However, the Group aims to develop a transition plan by 2029, which will include specific targets and measures to contribute to climate change mitigation.

3.2.2 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

In the context of climate change and increasingly strict sustainability requirements, Sphera Group conducted an analysis that integrates the assessment of climate-related risks and opportunities. The analysis was developed in 2022, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The assessment covers the Group's own operations, including restaurants in Romania, Italy, and the Republic of Moldova, as well as its value chain, including suppliers of raw materials and services.

The time horizons used for assessing physical and transition risks were defined as follows: short term (0-2 years), medium term (3-5 years), and long term (over 5 years).

The analysis considered the following risk categories:

Physical risks:

- Acute risks (time horizon: over 5 years): include extreme weather events such as storms, floods, and wildfires, which may affect restaurant infrastructure, supply chains, and employee safety.

Assessed measures: supplier diversification, insurance policies to protect assets, and collaboration with suppliers.

- Chronic risks (time horizon: over 5 years): increasing temperatures, heatwaves, and water stress, which may lead to higher costs for energy, water, and raw materials and may negatively affect Group operations—such as utility supply interruptions and rising prices for water or certain products and services in the supply chain.

Assessed measures: use of LED lighting, implementation of digital solutions for temperature control in restaurants and warehouses, and collaboration with local authorities for efficient natural resource management.

Transition risks:

- Legislative and regulatory risks (time horizon: 0-2 years): arising from new sustainability requirements and carbon taxes that may increase operational costs.

Assessed measures: adapting the reporting system to new legislative requirements, collaborating with experts to understand the regulatory impact, investing in human resources, improving resource monitoring and efficiency, optimizing logistics, and planning investments in new equipment and renewable energy systems.

- Market risks (time horizon: over 5 years): price volatility for raw materials and changes in consumer behavior.

Assessed measures: negotiating long-term contracts with suppliers, geographical diversification of supply sources, monitoring consumption trends.

- Reputational risks (time horizon: over 5 years): external pressure for transparency in ESG communications and risks related to greenwashing.

Assessed measures: transparency in ESG disclosures, alignment of sustainability policies with international standards. All new suppliers are selected based on food safety criteria and are then audited for quality and food safety by a third-party company recommended by the franchisor Yum! Brands.

- Technological risks (time horizon: 3-5 years): high upfront costs for implementing low-carbon and energy-efficient solutions.

Assessed measures: assessing the feasibility of investments in efficient equipment, exploring alternative energy solutions, implementing LED lighting in all restaurants by 2024, and upgrading HVAC and energy management systems.

Climate scenario analysis

The scenario analysis considered two transition risk scenarios that reflect different pathways to limit global warming: Nationally Determined Contributions (NDCs) and Net Zero. These were compared to a reference scenario ("Current Policies") reflecting currently adopted commitments. The data for these scenarios were based on the Global Change Assessment Model 5.3 (GCAM 5.3), as proposed by the Network for Greening the Financial System (NGFS). The scope extends to 2040, with a 2020 base year, and the geographical focus was on the three markets: Romania, the Republic of Moldova, and Italy. The assessment of physical risks was based on the IPCC SSP3-7.0 scenario, which assumes high GHG emissions leading to a global temperature increase of up to 3.6°C by 2100. This is the second-most severe (4/5) IPCC scenario in terms of global warming.

In the optimistic scenario, where global warming is limited to 2°C, additional costs are expected due to higher carbon taxes and stricter regulations. This scenario assumes significant efforts to comply with European Union requirements and to adapt the value chain to new sustainability standards. The transition risk assessment identified challenges related to the implementation of EU regulations such as carbon taxes and new sustainability standards in the value chain, including the requirements of the Farm to Fork and Net Zero strategies. These risks may lead to higher operational costs and require investments in energy-efficient technologies. In the pessimistic scenario, characterized by a global temperature increase of up to 4°C, physical risks become significantly more severe. These include prolonged droughts, drastic decreases in precipitation (especially in summer), and a significant flood risk in Romania and the Republic of Moldova. Such phenomena could affect supply chain stability, create price volatility, and put pressure on the company's operations.

No material risks were intentionally excluded from the analysis. In developing the resilience assessment, uncertainties were related to access to precise and up-to-date data on the exposure of assets and economic activities to physical and transition risks.

To adapt its strategy and business model to climate change through clear short-term measures, Sphera Group has implemented rapid solutions to reduce energy consumption, such as the full transition to LED lighting by 2024. In the medium term, planned programs include investments in green technologies and modernization of HVAC and energy management systems.

In the long term, Sphera Group plans its product and service portfolio based on market demands for sustainability, while also ensuring workforce reskilling to meet new operational requirements. Long-term supplier relationships, source diversification, and implementation of more energy-efficient processes contribute to stability and maintaining an affordable cost of capital.

For each material topic, the associated impacts, risks, and opportunities were analyzed to guide long-term strategy and the business model in the context of climate change. At the end of 2024, Sphera Group initiated the development of a new ESG strategy, expected to be approved in 2025. This strategy will include climate change and energy efficiency targets. The next sustainability statement will include further details about these targets and specific actions.

The climate-related risk and opportunity analysis is available on Sphera Group's website and can be accessed for further information here.

3.3 Impact, risk and opportunity management

3.3.1 ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities

Through the double materiality analysis (DMA) process and the climate-related risk and opportunity study conducted in 2022, in accordance with the TCFD framework, Sphera Group identified a range of climate-related impacts, risks, and opportunities. The process of assessing climate-related impacts, risks, and opportunities through double materiality is described in detail in the chapter corresponding to ESRS 2 – General Disclosures. The material topics identified have been integrated into the Sphera Group ESG Strategy 2025–2030, the development of which was initiated at the end of 2024.

Regarding direct impacts, the analysis showed that the main sources of greenhouse gas (GHG) emissions are electricity and thermal energy consumption, transportation of raw materials and finished products, and waste generation. Scope 1 and Scope 2 emissions have been monitored since 2019, and as of 2024, the Group also monitors emissions associated with selected Scope 3 activities. Additional information on Scope 3 emissions is provided in section E1-6. The Group has implemented energy efficiency measures (e.g., LED lighting, low-energy consumption equipment, operational efficiency), optimized logistics processes, and promoted circular economy practices to reduce its impact on climate change. The analysis identified physical risks associated with climate change, including extreme weather events such as floods and heatwaves, and chronic risks such as prolonged droughts. These risks affect not only the company's operational sites but also suppliers across the value chain, especially farms providing raw materials. Regarding transition risks, the TCFD analysis identified stricter carbon emission regulations, growing ESG reporting requirements, and changing consumer preferences as key factors that could influence operational costs and strategic decision-making. However, these changes also create significant opportunities, such as long-term cost reductions through sustainable practices, attracting environmentally conscious customers, and menu innovation by introducing sustainable, plant-based options.

The main impacts, risks, and opportunities identified through these processes are detailed below

Material Sub-topic	Impact location	Type	Impact origin	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Climate change adaptation	Upstream, downstream, own activity	M, F	S	A, P	By implementing measures such as developing resilient infrastructure, sourcing from local suppliers, using renewable energy, and adapting the menu by introducing plant-based dishes, the Group contributes to environmental protection and generates positive impacts for communities by supporting climate change adaptation.	A, P	Failure to adopt climate adaptation measures can negatively affect the environment and people by increasing vulnerability to extreme weather events, depleting natural resources, and disrupting the supply chain. For employees and communities, this can lead to unsafe working conditions, economic hardship, and reduced access to essential goods and services.	Financial and operational risk stemming from the lack of adaptation to climate change, reflected in rising prices for raw materials, energy, and water, limited access to finance, and reduced investments. High costs for implementing climate adaptation solutions.	By taking measures to adapt infrastructure and operations to climate change, the Group can optimize operational costs, increase resilience, and secure access to green financing.
Climate change mitigation	Upstream, downstream, own activity	M, F	S	A, P	By implementing specific measures, the Group can contribute to climate change mitigation, generating the following positive impacts: Reduction in the consumption of natural resources (electricity, water) through digitalization and automation; Decrease in greenhouse gas emissions; Lower supply chain carbon footprint by prioritizing local suppliers; Menu adaptation by introducing plant-based dishes, helping reduce emissions; Use of renewable energy sources, supporting the transition to decarbonization and reducing dependence on fossil fuels.	A, P	The lack of appropriate measures may lead to business disruptions due to extreme weather events, limited access to essential resources, and supply chain interruptions, all of which may negatively affect customers. It may also impact the health of employees and customers due to air quality degradation and poor environmental conditions.	High compliance costs related to new regulations; reputational risks if mitigation efforts are insufficient.	By implementing resource efficiency measures and emission reduction solutions, the Group can reduce operational costs, improve its reputation, and access new markets.

Material Sub-topic	Impact location	Type	Impact origin	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Energy efficiency	Upstream, own activity	M, F	S	A, P	Sphera's initiatives to reduce energy consumption will have a positive impact on the Group's carbon footprint and contribute to climate change mitigation.	A, P	High energy consumption from conventional sources leads to GHG emissions, contributing to climate change. Inefficient buildings and equipment create uncomfortable working conditions for employees. Air pollution resulting from high energy use negatively affects the environment and community health.	Low energy efficiency may lead to additional operational costs. Implementing energy efficiency measures may require significant initial investments in new technologies and infrastructure. Implementation may cause temporary disruptions in the Group's activities. Non-compliance with energy efficiency regulations may result in fines or sanctions from competent authorities.	-

Legend:
Impact Type: F = Financial impact, M = Material impact, MF = Material and financial impact
Time Horizon: A = Current impact (reporting year), P = Potential impact (medium and long term)
Origin of impact: S = impact originating from strategy and business model, B = impact supporting the strategy

3.3.2 E1-2 – Policies related to climate change mitigation and adaptation

Climate change adaptation and mitigation are currently addressed by Sphera Group through the Efficient Operations Policy (covering the supply chain and restaurant operations). This policy indirectly targets process optimization and resource consumption reduction but does not constitute a formal policy in the sense of the MDR-P requirements defined under ESRS 2. At this stage, the policy does not specifically or systematically address climate change mitigation and adaptation, including the management of transition and physical risks.

Through the 2025–2030 Sustainability Strategy, the development of which was initiated at the end of 2024 and is expected to be approved during 2025, the Group aims to progressively integrate a standalone climate-related policy. This future policy will include the management of GHG emissions, energy efficiency, use of renewable sources, and resilience enhancement, both for own operations and across the supply chain, within the next two years.

The main reason such a policy has not been developed to date is the prioritization of other operational and compliance initiatives deemed critical for ensuring operational resilience. Additionally, aligning with the reporting requirements defined by the ESRS framework requires time for thorough analysis and integration.

3.3.3 E1-3 Actions and resources in relation to climate change policies

In the reporting year, Sphera Group implemented a series of actions which, although not part of a formalized policy, contribute to the reduction of greenhouse gas (GHG) emissions and, implicitly, to climate change management. These measures are integrated into current operations. The initiatives focused on energy efficiency, resource optimization, and reducing environmental impact.

One of the key actions was the use of LED lighting in all restaurants across Romania, Italy, and the Republic of Moldova, alongside energy-efficient equipment. Air conditioning systems were adjusted to operate at optimal temperatures – 19°C in winter and 27°C in summer – ensuring a balance between customer comfort and energy efficiency. Additionally, motion sensors were installed in low-traffic areas, enabling energy savings by using lighting only when needed. In KFC restaurants, illuminated advertisements were turned off outside business hours, and the operation of electrical equipment was optimized according to production needs.

The LED lighting rollout was completed across all restaurants by 2023, and in 2024, the measure was applied to all newly opened locations. For future openings, these practices will continue to be implemented. The integration of further measures, such as optimizing energy use in operations, is planned for the 2025–2030 period. In the long term, these initiatives will be incorporated into the new ESG Strategy 2025-2030, which is scheduled for approval during 2025.

The Group's actions cover the entire operational network, with an impact on the supply chain through collaboration with suppliers adopting sustainable practices, as well as on local communities through reduced environmental impact and support for the local economy. No significant impacts were identified that would require specific remediation measures.

Capital expenditures (CapEx) for 2024 related to these actions amounted to RON 606,000 for the Romanian subsidiaries and RON 22,410 for KFC Moldova.

No significant operating expenses (OpEx) were incurred for the implementation of these actions; therefore, this aspect is not reflected in the financial statements. These expenditures are included in the fixed assets list disclosed in the financial statements, detailing the related investments.

3.4 Metrics and targets

3.4.1 E1-4 Targets related to climate change mitigation and adaptation

Sphera Group has not yet established measurable, outcome-oriented targets for reducing greenhouse gas (GHG) emissions. For the 2019-2024 strategic period, the only target that can be linked to GHG reduction efforts is the implementation of LED lighting in all of the Group's operational units. This measure was primarily aimed at improving energy efficiency rather than being part of a formal GHG reduction strategy. The target has been achieved, contributing to lower energy consumption and, implicitly, to the reduction of greenhouse gas emissions.

Although measurable targets are not in place, Sphera Group monitors the effectiveness of the implemented actions by evaluating operational performance. In this regard:

- The energy consumption of operational units is tracked as part of the energy efficiency strategy.
- The carbon footprint is calculated to identify trends in annual GHG emissions.

The results of this monitoring are detailed in the following chapters, within the sections dedicated to each relevant topic.

A new ESG strategy is currently being developed for the 2025-2030 strategic period, which includes a target to develop a transition/decarbonization plan. The timeline for setting any specific targets will be defined upon the finalization of this strategy, and details will be provided in the 2025 sustainability statement.

3.4.2 E1-5 Energy consumption and mix

SASB FB-RN-130a.1

Sphera Group operates in the quick-service and full-service restaurant industry, classified under NACE code section I. According to Commission Delegated Regulation (EU) 2022/1288, this activity is not included among high-climate-impact sectors, which are defined under sections A-H and L. In this context, the requirements under ESRS E1-5 regarding the detailed breakdown of fossil energy consumption and the calculation of energy intensity are not applicable to the Group's activities. However, the Group monitors and reports energy consumption and energy mix in line with the relevant requirements for its operations.

The Group's total energy consumption in 2024 was 42,382 MWh, compared to 40,850 MWh in 2023. Total electricity consumption amounted to 41,129 MWh in 2024, compared to 39,882 MWh in 2023. Natural gas consumption was 1,253.08 MWh in 2024, compared to 968 MWh in 2023.

Energy consumption (MWh)	2023	2024	Variation 2024 vs. 2023
KFC Romania	26,902	28,528	6%
Pizza Hut Romania	5,553	4,818	-13%
Taco Bell Romania	1,996	1,994	0%
Sphera Franchise Group S.A.	235	367	56%
KFC Italy	4,685	4,855	4%
KFC Moldova	512	567	11%
Total	**39,882**	**41,129**	**3%**

As shown in the table above, the Group recorded a 3% increase in energy consumption, with the most significant increase observed in KFC restaurants in Romania. This was primarily driven by the expansion of the network with five new restaurants. In the Republic of Moldova, the third restaurant was opened. For Sphera Franchise Group S.A., the increase is attributed to improved data collection processes from energy suppliers.

The distribution of energy consumption across conventional, renewable, and nuclear sources was determined based on the 2023 energy mix label. For 2024, this information is not yet available, as the energy mix label has not been published.

For restaurants in Romania, 85% of the energy used comes from locations where Sphera Group does not hold direct contracts with energy suppliers. The breakdown of this portion was based on the national energy production mix of Romania. For the remaining share, where the supplier is known, the breakdown was based on the individual energy labels published by each supplier.

For restaurants in Italy, the breakdown was based on the energy labels provided by electricity suppliers. For the portion of energy (representing 5.78% of the total consumption in Italy) for which the supplier has not published a label, the national electricity mix of Italy was used as the basis.

For the Republic of Moldova, the breakdown of energy sources was based on the data published by the National Agency for Energy Regulation of the Republic of Moldova in its 2023 Activity Report[7]. According to the report, 40% of domestically produced energy comes from renewable sources, while domestic production covered 25% of the electricity delivered in 2023. The remainder was considered fossil-based energy. There is no available information regarding the use of nuclear energy in Moldova.

It is also important to note that in locations where Sphera Group operates within shopping centers or other rented premises, the energy supplier is selected by the property owner. This limits the Group's ability to choose electricity sourced exclusively from renewables. However, in locations directly managed by Sphera Group, energy suppliers are selected to ensure that their energy mix includes a higher share of renewable sources, such as Hidroelectrica.

One of the KFC restaurants in Italy has been partially connected to a photovoltaic system starting January 10, 2024, but consumption data from this source is not yet available at the time of preparing the 2024 sustainability statement.

[7] Source ANRE MD 2023 activity Report: https://anre.md/storage/upload/administration/reports/1319/Raportul%20de%20activitate%202023.pdf

Energy consumption and mix

Energy consumption and mix in MWh, 2024	Romania					Moldova	Italy	Total
	KFC Romania	Pizza Hut Romania	Taco Bell Romania	Sphera Franchise Group S.A.	Total Romania	KFC Moldova	KFC Italy	Sphera Group
Total energy consumption from fossil sources	**9,063.91**	**1,597.67**	**547.47**	**383.62**	**11,592.67**	**507.78**	**3,420.74**	**15,521.18**
Total energy consumption from renewable sources	**14,651.62**	**2,582.62**	**1,070.73**	**183.79**	**18,488.77**	**59.22**	**1,328.41**	**19,876.40**
... of which, renewable fuel consumption, including biomass	149.18	23.35	10.04	2.06	184.63	n/a	n/a	184.63
... of which, electricity, heating, steam and cooling from renewable sources	0	0	0	0	0	n/a	n/a	0
... of which, renewable energy (excluding self-produced fuels)	0	0	0	0	0	n/a	n/a	0
Total energy consumption from nuclear sources	5,501.86	902.99	375.80	71.05	6,851.70	n/a	106.04	6,957.74
Total energy consumption	**29,217.39**	**5,083.28**	**1,994.10**	**638.46**	**36,933.23**	**566.78**	**4,855.19**	**42,355.20**
Share of fossil sources in total energy consumption (%)	31.02%	31.43%	27.45%	60.08%	31.39%	89.59%	70,46%	36,65%
Share of renewable sources in total energy consumption (%)	50.15%	50.81%	53.69%	28.79%	50.06%	10.45%	27,36%	46,93%
Share of nuclear sources in total energy consumption (%)	18.83%	17.76%	18.85%	11.13%	18.55%	n/a	2,18%	16,43%

3.4.3 E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

Climate change is a global challenge, and companies play a key role in managing environmental impact. At Sphera, we address these challenges through concrete measures aimed at reducing our carbon footprint. Ongoing investments in energy efficiency and, where technically feasible, the implementation of low-carbon solutions contribute to this objective. Monitoring energy consumption and calculating CO_2 emissions allows us to evaluate progress and make informed decisions.

Below, we present information regarding the greenhouse gas (GHG) emissions generated by our activities, calculated in accordance with international standards and industry-specific methodologies, using the GHG Protocol Corporate Accounting and Reporting Standard. The calculation covered direct emissions (Scope 1), indirect emissions (Scope 2), and other indirect emissions (Scope 3).

Direct emissions from sources owned or controlled by the company (e.g., fuel used in company-owned equipment, company vehicles).

Indirect emissions from the consumption of purchased electricity, heating or steam.

Other indirect emissions that occur in the company's value chain, including those associated with the purchase of raw materials, transportation of products, and employee commuting.

Since 2019, Sphera Group has been calculating Scope 1 and 2 emissions using the GHG Protocol methodology developed by the World Resources Institute. The calculation covered all operations of Sphera Group.

Starting in 2024, Scope 3 emissions are also calculated for the following activities:

1. Purchased goods and services
2. Capital goods
3. Fuel and energy-related activities (not included in S1 or S2)
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel (flights, accommodation, transfers, etc.)
7. Employee commuting
8. Downstream transportation

Emission factors were selected from official and validated sources such as international databases, methodological guides, and official reports, to ensure they reflect the emissions generated, considering the specific nature of activities, the type of fuel used, the technologies involved, and the specific conditions, thus ensuring accuracy, data comparability, and a precise estimation of environmental impact.

Scope 1 emissions calculation:

For the calculation of emissions from stationary sources, natural gas consumption recorded at locations in Romania was used (locations in Italy and Moldova do not use natural gas), to which specific emission factors published by DEFRA for 2024 were applied.

For the calculation of emissions from mobile sources, fuel consumption by the fleet owned or operated by Group entities was used, to which specific emission factors published by DEFRA for 2024 were applied.

For the calculation of fugitive emissions, the amounts of refrigerant refilled in refrigeration and air conditioning equipment owned by the Group were used (these amounts being considered as fugitive emissions for the year 2024), and the sources for the emission factors used were:

- DEFRA, 2024
- Regulation (EU) No 517/2024 on fluorinated greenhouse gases
- Safety data sheets / technical data sheets of the refrigerants used
- IPCC, AR6

Scope 2 emissions calculation:

The calculation of Scope 2 GHG emissions was carried out using two recognized methods: the location-based method and the market-based method. The data collected included electricity consumption, fossil fuels used, and quantities of refrigerants consumed, recorded at each subsidiary in Romania, Italy, and Moldova.

The location-based method uses average emission factors for the national or regional electricity grid. This approach reflects the energy mix specific to a geographical location, taking into account the available energy sources in that area (e.g., coal, natural gas, renewable energy).

The market-based method uses emission factors specific to the electricity supplier chosen by the company. This method reflects the impact of the company's purchasing choices in terms of energy sources, including contracts in which the mix of purchased energy includes a higher share of renewable energy.

For the calculation of emissions associated with electricity consumption for which the supplier is known, the emission factor available on the most recent energy label published by each supplier, i.e. the 2023 label, was used.

For locations in Romania where the supplier is not known or where energy consumption is re-invoiced by the owners of the commercial spaces leased by Sphera Group subsidiaries, the national emission factor published by ANRE was used for both the location-based and market-based methods.

For energy consumption recorded at locations in Italy and Moldova, where suppliers have not published Energy Labels and specific emission factors, the emission factor published by the European Investment Bank (EIB) was used for both the location-based and market-based methods.

Scope 3 emissions calculation:

The calculation of emissions for category 1. Purchased goods and services was performed using the spend-based method, based on the accounting records of goods and services purchased by each Sphera Group subsidiary in 2024. The expenses were classified according to the categories of economic activities included in the SIC (Standard Industrial Classification) list published by the UK Government, to which the emission factors published by DESNZ and DEFRA in the CarbonSaver application for the year 2024 were applied for each economic activity category included in the SIC list.

The calculation of emissions for category 2. Capital goods was also performed using the spend-based method, based on the accounting records of capital goods purchased by each Sphera Group subsidiary in 2024. The expenses were classified according to the SIC list published by the UK Government, and the emission factors published by DESNZ and DEFRA in the CarbonSaver application for 2024 were applied accordingly.

For the calculation of emissions for category 3. Fuel and energy-related activities (not included in S1 or S2), the following were calculated:

a. upstream emissions (WTT) from fossil fuels (diesel, petrol, and natural gas)
b. upstream emissions (WTT) associated with the consumption of electricity, emissions associated with electricity transmission and distribution (T&D loss), as well as upstream emissions associated with T&D loss (WTT of T&D loss)

Upstream emissions for fossil fuels were calculated using DEFRA emission factors for 2024.

For the calculation of upstream emissions associated with electricity consumption and losses recorded in the transmission and distribution network, emission factors were calculated based on supplier-specific emission factors, following calculation formulas published by DEFRA and the International Energy Agency (IEA).

The calculation of emissions under category 4. Upstream transportation and distribution was based on estimates made by Sphera Group representatives regarding the distances traveled by contracted carriers for the supply of raw materials (food products) and other categories of goods (packaging, etc.). Distances were estimated according to the transport companies and the emissions standard of the vehicles used to transport the goods (EURO V and VI). The emissions were calculated using CO_2e-specific emissions (where available) and the DEFRA 2024 emission factor for refrigerated vehicles (in cases where information on vehicle emission standards was not available).

The calculation excludes emissions from transport and distribution carried out by a beverage supplier of the group, as well as transport for supplying restaurants in Italy, due to lack of available data.

The calculation of emissions for category 5. Waste generated in operations was carried out based on centralized data provided by authorized operators with whom subsidiaries have service contracts, regarding:

- the type/category of waste generated
- waste code in accordance with HG 856/2002

- quantity generated [tonnes]
- treatment method (disposal/recovery)

The waste categories were classified by nature in accordance with DEFRA's waste categories, and DEFRA 2024 emission factors were applied for emissions calculations.

The calculation of emissions for category 6. Business travel was based on the distances traveled for business purposes, including air, road, and rail transport, as well as accommodation related to business travel. For air transport, both distances (km) and emissions were calculated using the ICEC (ICAO Carbon Emissions Calculator[8]) developed by the International Civil Aviation Organization. Emissions associated with accommodation activities were calculated using the Hotel Footprinting Tool[9] developed by GreenView.

For business trips made by train, distances were calculated using Google Maps, to which DEFRA's 2024 emission factor for this transport mode was applied.

For trips where information regarding the route, distance, or transport mode used was not available, the spend-based method was applied. For these trips, the emission factor published by DESNZ for road transport activities was used.

For the calculation of emissions for category 7. Employee commuting, the following were considered:

- number of employees
- average number of working days
- number of employees with company cars
- amount reimbursed for public transport subscriptions
- distances traveled and total value of invoices issued by contracted passenger transport companies (taxi)

The emissions from commuting for employees working at the Bucharest office were calculated by categorizing employees based on transport mode: those using company cars, those reimbursed for public transport subscriptions, and those using private transport. For the last two categories, it was assumed that transport was by diesel-powered vehicles.

For employees in subsidiaries in Romania and Moldova, emissions were calculated only based on available information on:

- distances traveled – with the assumption that all transport modes used diesel engines
- the total value of invoices issued by contracted passenger transport companies (taxi). Conversion from RON to GBP was made using the average exchange rate published by BNR for 2024.

For transport related to employees in Italy, it was not possible to obtain information from transport providers or to estimate the distances traveled.

[8] Methodology ICAO Carbon Emissions Calculator_v13_Final.pdf

[9] https://www.hotelfootprints.org/

Sources of emission factors used

For the calculation of emissions from employee commuting, DEFRA emission factors specific to each identified category and the CarbonSaver application were used.

The calculation of emissions for category 9. Downstream transportation was based on total distances traveled by each means of transport used by couriers employed by delivery companies contracted by Sphera Group, by applying DEFRA emission factors specific to each transport type.

For deliveries made in Italy, only the number of orders was provided. Total distances were estimated based on the average distance calculated for other delivery companies.

Sphera Group has not yet developed a formal decarbonization or transition plan for reducing GHG emissions. Therefore, the organization does not report a baseline year or targets for 2025, 2030, and 2050 in the current report. During 2024, the company developed an ESG strategy for the 2025–2030 strategic period, which includes, among its objectives, the development of a decarbonization plan.

The available data is presented comparatively for the period 2023–2024 to provide an overview of the progress made.

For 2024, Sphera Group did not trade emission allowances and did not generate biogenic CO2 emissions from the combustion or biodegradation of biomass.

Scope 1 GHG emissions (tCO2eq)

Gross greenhouse gas emissions included in Scope 1	2023	2024	Variation 2024 vs. 2023
KFC Romania	365.26	788.82	116%
KFC Moldova	0	0	0%
KFC Italy	124.42	1251.30	906%
Taco Bell	10.57	65.15	516%
Pizza HUT	275.30	187.94	-32%
Sphera Franchise	157.91	252.08	60%
Total Sphera Group	**933.47**	**2545.28**	**173%**

The increase in Scope 1 emissions was driven by the improvement of the data collection and centralization process related to fugitive emissions from the use of refrigerants.

Scope 2 GHG emissions (tCO2e)

Subsidiary	GHG emissions by calculation method	2023	2024	*Variation 2024 vs. 2023*
KFC Romania	Scope 2 GHG emissions (location-based) (tCO2e)	6,005.85	4,912.70	-18.2%
	Scope 2 GHG emissions (market-based) (tCO2e)	7,004,18	4,783.92	-31.7%
KFC Moldova	Scope 2 GHG emissions (location-based) (tCO2e)	209.48	231.81	10.7%
	Scope 2 GHG emissions (market-based) (tCO2e)	209,48	231.81	10.7%

KFC Italy	Scope 2 GHG emissions (location-based) (tCO2e)	1,068.11	1,107.01	3.6%
	Scope 2 GHG emissions (market-based) (tCO2e)	1,068.11	1,107.01	3.6%
Taco Bell	Scope 2 GHG emissions (location-based) (tCO2e)	445.60	343.41	-22.9%
	Scope 2 GHG emissions (market-based) (tCO2e)	519.67	308.47	-40.6%
Pizza Hut	Scope 2 GHG emissions (location-based) (tCO2e)	1,239.75	829.71	-33.1%
	Scope 2 GHG emissions (market-based) (tCO2e)	1,445.82	768.87	-46.8%
Sphera Franchise	Scope 2 GHG emissions (location-based) (tCO2e)	52.35	63.24	20.8%
	Scope 2 GHG emissions (market-based) (tCO2e)	61.06	63.24	3.6%
Total Sphera Group	**Scope 2 GHG emissions (location-based) (tCO2e)**	**9.021.14**	**7.487.88**	**-17.0%**
	Scope 2 GHG emissions (market-based) (tCO2e)	**10.308.32**	**7.263.32**	**-29.5%**

Scope 3 GHG emissions (tCO2e) 2024

Subsidiary	Scope 3 category	Emissions (tCO2e)
KFC Romania	Total indirect gross (Scope 3) GHG emissions – location-based	64,981.25
	Total indirect gross (Scope 3) GHG emissions – market-based	64,930.73
	1 Purchased goods and services	56,330.29
	2 Capital goods	2,460.40
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	2,044.73
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	1,994.21
	4 Upstream transport and distribution	3.33
	5 Waste generated in operations	2,593.72
	6 Business travel	50.43
	7 Employee commuting	159.92
	9 Downstream transportation	1,338.43
KFC Moldova	Total indirect gross (Scope 3) GHG emissions – location-based	1,573.53
	Total indirect gross (Scope 3) GHG emissions – market-based	1,573.53
	1 Purchased goods and services	1,378.36
	2 Capital goods	1.44
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	90.94
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	90.94

Subsidiary	Scope 3 category	Emissions (tCO2e)
	4 Upstream transport and distribution	0.02
	5 Waste generated in operations	21.36
	6 Business travel	0.63
	7 Employee commuting	9.04
	9 Downstream transportation	71.75
KFC Italy	Total indirect gross (Scope 3) GHG emissions – location-based	6,134.85
	Total indirect gross (Scope 3) GHG emissions – market-based	6,134.85
	1 Purchased goods and services	1,619.93
	2 Capital goods	220.93
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	448.84
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	448.84
	4 Upstream transport and distribution	0.00
	5 Waste generated in operations	161.35
	6 Business travel	7.21
	7 Employee commuting	0.00
	9 Downstream transportation	3,676.59
Taco Bell	Total indirect gross (Scope 3) GHG emissions – location-based	5,307.91
	Total indirect gross (Scope 3) GHG emissions – market-based	5,294.20
	1 Purchased goods and services	4,765.29
	2 Capital goods	145.62
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	147.22
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	133.52
	4 Upstream transport and distribution	0.09
	5 Waste generated in operations	49.74
	6 Business travel	8.74
	7 Employee commuting	11.70
	9 Downstream transportation	179.50
Pizza HUT	Total indirect gross (Scope 3) GHG emissions – location-based	5,388.51
	Total indirect gross (Scope 3) GHG emissions – market-based	5,364.64
	1 Purchased goods and services	4,288.10
	2 Capital goods	242.90

Subsidiary	Scope 3 category	Emissions (tCO2e)
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	369.08
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	345.21
	4 Upstream transport and distribution	79.46
	5 Waste generated in operations	202.70
	6 Business travel	7.35
	7 Employee commuting	23.68
	9 Downstream transportation	175.25
Sphera Franchise	Total indirect gross (Scope 3) GHG emissions – location-based	377.61
	Total indirect gross (Scope 3) GHG emissions – market-based	377.61
	1 Purchased goods and services	134.71
	2 Capital goods	0.00
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	145.13
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	145.13
	4 Upstream transport and distribution	0.00
	5 Waste generated in operations	7.50
	6 Business travel	23.41
	7 Employee commuting	66.85
	9 Downstream transportation	0.00
Total Sphera Group	**Total indirect gross (Scope 3) GHG emissions – location-based**	**83,763.67**
	Total indirect gross (Scope 3) GHG emissions – market-based	**83,675.57**
	1 Purchased goods and services	**68,516.69**
	2 Capital goods	**3,071.29**
	3 Fuel and energy-related activities (Not included in S1 or S2) – location-based	**3,245.95**
	3 Fuel and energy-related activities (Not included in Scope 1 or Scope 2) – market-based	**3,157.85**
	4 Upstream transport and distribution	**82.89**
	5 Waste generated in operations	**3,036.37**
	6 Business travel	**97.76**
	7 Employee commuting	**271.19**
	9 Downstream transportation	**5,441.53**

Total 2024 greenhouse gas emissions – Scope 1, 2, and 3

Subsidiary		2024
KFC Romania	Total GHG emissions (location-based) (tCO2e)	70,682.78
	Total GHG emissions (market-based) (tCO2e)	70,503.47
KFC Moldova	Total GHG emissions (location-based) (tCO2e)	1,805.35
	Total GHG emissions (market-based) (tCO2e)	1,805.35
KFC Italy	Total GHG emissions (location-based) (tCO2e)	8,493.16
	Total GHG emissions (market-based) (tCO2e)	8,493.16
Taco Bell	Total GHG emissions (location-based) (tCO2e)	5,716.46
	Total GHG emissions (market-based) (tCO2e)	5,667.82
Pizza HUT	Total GHG emissions (location-based) (tCO2e)	6,406.15
	Total GHG emissions (market-based) (tCO2e)	6,321.45
Sphera Franchise	Total GHG emissions (location-based) (tCO2e)	692.93
	Total GHG emissions (market-based) (tCO2e)	692.93
Total Sphera Group	**Total GHG emissions (location-based) (tCO2e)**	**93,796.83**
	Total GHG emissions (market-based) (tCO2e)	**93,484.17**

Emissions intensity

Total greenhouse gas emissions per net revenue	2024
Total greenhouse gas emissions (location-based) per net revenue (tCO_2e/mn RON)	60.58
Total greenhouse gas emissions (market-based) per net revenue (tCO_2e/mn RON)	60.37
Net revenue used for calculating GHG emissions intensity (mn RON)	1,548.4

3.4.4 E1-7 GHG removals and GHG mitigation projects financed through carbon credits

During the reporting period, the Sphera Group did not develop or contribute to any greenhouse gas (GHG) removal or storage projects. Additionally, no external GHG reduction or removal projects were financed through the purchase of carbon credits.

The Group did not hold or use carbon credits during the reporting period and has not made any public claims regarding GHG neutrality. The ESG strategy for the 2025–2030 period, which is currently under development and expected to be approved in 2025, includes among its objectives the development of a decarbonisation plan. However, at this stage, there are no available details regarding the specific content of this plan, including whether it will set targets or actions related to carbon credits.

3.4.5 E1-8 Internal carbon pricing

Sphera Group does not currently apply an internal carbon pricing mechanism.

3.4.6 E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

Sphera Group applies the phase-in provisions in accordance with Appendix C of ESRS 1 for the reporting requirement under ESRS E1-9. At this stage, the Group does not disclose detailed information on the anticipated financial effects of material physical and transition risks or potential climate-related opportunities.

The necessary information will be included in future reports, as the processes and methodologies for assessing such impacts are developed and implemented. This approach ensures alignment with ESRS requirements, taking into account the Group's current resources and processes.

4 ESRS E3 Water and marine resources

4.1 Impact, risk and opportunity management

4.1.1 ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

Water is an important resource for Sphera Group's operations, being used in food preparation and to ensure strict hygiene standards, as well as within the value chain for sourcing raw materials. In this context, the Group conducted a double materiality assessment to identify impacts, risks, and opportunities related to water resources, both within its own operations and across its value chain.

The assessment showed that water resources play a direct and major role in the Group's value chain. Water scarcity can have significant consequences for suppliers, affecting agricultural crops, livestock farming, and other essential activities for ensuring the supply of raw materials. This dependency on water creates risks such as water stress in certain regions or increased costs associated with water use, but also opportunities, such as reducing consumption through efficient and sustainable measures.

The double materiality analysis considered key dimensions such as the scale, severity, and irremediability of identified impacts. Stakeholder consultations were also carried out for all relevant topics, including discussions with communities. Specifically, regarding water resource management, the consultations addressed the impacts, risks, and opportunities related to water use. These consultations focused on aspects such as efficient water use and the implementation of practices to reduce waste. The Group aimed to understand both direct and indirect effects on water resources, working with suppliers to promote sustainable practices.

As a result of the impact, risk, and opportunity analysis related to water resources, Sphera Group did not identify any significant impacts on marine water resources. This conclusion is based on the nature of the Group's operations, which use potable water for food preparation and hygiene without involving the extraction or use of marine resources.

Additionally, the Group's restaurants, including those located in Italy, are situated in urban areas, far from marine ecosystems, limiting any direct interaction with such resources. No activities carried out by suppliers in the value chain were identified as having significant impacts on marine resources. Therefore, the Group continues to monitor the situation but considers its impact on marine water resources to be insignificant.

Below are the main material impacts, risks, and opportunities identified as part of this process.

Material sub-topic and sub-sub topic	Impact location	Type	Impact origin	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Water resources Water consumption	Upstream, own activity	M	S	A	By implementing good practices for water resource management, Sphera helps reduce consumption by using technologies such as smart sensors and promptly addressing equipment leaks. At the same time, the company promotes water-saving behaviors among employees, while maintaining essential hygiene and food safety standards.	A	Poor water resource management may indirectly contribute to increasing water stress in already affected areas. In addition, unoptimized consumption can negatively impact aquatic ecosystems related to the company's own operations or its value chain.	-	

Legend:
Impact Type: F = Financial impact, M = Material impact, MF = Material and financial impact
Time Horizon: A = Current impact (reporting year), P = Potential impact (medium and long term)
Origin of impact: S = impact originating from strategy and business model, B = impact supporting the strategy

4.1.2 Interconnections with other ESRS

The topic of water resources is interconnected with other relevant environmental topics such as climate change, circular economy, and biodiversity. Within the Sphera Group, these connections are integrated into the analysis and management of impacts, risks, and opportunities. Although the ESRS E2 – Pollution and ESRS E4 – Biodiversity and Ecosystems standards are not considered material for the Group's operations, their principles are respected through the implementation of sustainability policies and working standards applied throughout the value chain.

In terms of supplier collaboration, the Sphera Group applies the Supplier Code of Conduct and the KFC Sustainable Procurement Policy for Central and Eastern Europe, which set clear requirements for minimizing negative impacts on the environment and society.

Supplier obligations include:

- Reducing energy, water, and raw material consumption, as well as managing waste and wastewater efficiently and responsibly in terms of environmental protection;
- Complying with national limits on air pollution, noise, and odors to minimize impact on local communities;
- Reducing the use of and managing chemicals responsibly, in accordance with international, national, and sector-specific codes and best practices.

The Group continuously monitors its own impacts related to water consumption. For its value chain, it conducts audits to verify compliance with the code and sustainability policies.

4.1.3 E3-1 Policies related to water and marine resources

Sphera Group has not adopted formal policies for the management of water resources, including in areas with high water stress. However, it has implemented various practices that demonstrate responsible management of this resource, as presented in the actions section.

Indirectly, to ensure responsible water resource management across its value chain, Sphera Group complies with the Sustainable Sourcing Policy issued by KFC Central and Eastern Europe, which applies to KFC suppliers. This policy sets requirements for minimizing negative environmental impacts, including those on water resources, and includes measures that consider associated risks and opportunities.

The policy imposes requirements such as:

- Reducing water consumption and waste through the implementation of efficient processes aimed at optimizing water and raw material use;
- Responsible effluent management – suppliers must have effective systems for wastewater treatment and discharge to avoid environmental contamination;
- Compliance with international and national regulations on chemical use – suppliers are required to adopt safe practices for handling and disposing of pesticides and other chemicals to prevent impacts on water resources.

At KFC level, supplier compliance with these requirements is monitored through business partner evaluation mechanisms. However, the Group does not have an internal process specifically for managing water resources. The Sustainable Sourcing Policy issued by KFC Central and Eastern Europe aligns with international standards for the sustainable management of natural resources and the environment, requiring suppliers to comply with relevant national and international water use and environmental protection regulations.

The absence of a dedicated policy to date is explained by the Group's prioritization of immediate operational measures for managing water resources and their integration into existing policies and processes.

4.1.4 E3-2 Actions and resources related to water and marine resources

Sphera Group continuously implements, including in 2024, actions across all its locations to reduce water consumption, prevent pollution, and improve the efficiency of water use, including:

- Using water sensors in restaurants to reduce consumption;
- Prompt repairs of equipment leaks to prevent waste;
- Installation of grease separators in all locations to ensure water treatment before discharge.

These measures are part of current operational processes and are consistently applied to manage water-related impacts. They reflect general efforts toward the responsible management of this resource.

The actions have been uniformly implemented in all restaurants, regardless of whether they are located in areas with water stress or high-water stress. At this time, no specific information is available regarding future actions.

Resources allocated include employee training on water conservation and the implementation of efficient technologies. Within the value chain, we collaborate with suppliers through the requirements of the Sustainable Sourcing Policy, which targets water consumption minimization.

No significant operational (Opex) or capital expenditures (Capex) were required to implement these actions; therefore, this topic is not separately reflected in the financial statements.

Water is an important resource for Sphera Group’s operations. For this reason, we considered it essential to determine the water stress risk in the countries where we operate. To identify associated risks, we used the Aqueduct Water Risk Atlas tool, provided free of charge by the World Resources Institute (WRI).

As part of the initial assessment, our analysis focused primarily on identifying regions exposed to water stress according to the Aqueduct Water Risk Atlas. Additional aspects related to water quality, availability, or accessibility have not yet been addressed in detail. At this stage, only areas with high water stress were identified, with detailed assessments at each location to follow.

Currently, the water stress risk ranges from low to medium-high across most regions in Northern Italy, the Republic of Moldova, and Romania. However, according to forecasts for 2040, areas with increased risk are expected to expand, especially in the Republic of Moldova and the North-East region of Romania. We will continue to monitor this indicator to ensure that the impact of water consumption in our restaurants, although low, does not negatively affect the local communities in which we operate.

The Aqueduct Water Risk Atlas (WRA) uses various thresholds to assess water-related risks, one of the most relevant being the baseline water stress indicator. This represents the ratio between total water demand and available renewable surface and groundwater resources.

The thresholds used for baseline water stress are as follows:

- Low (<10%) – Minimal water stress
- Moderate (10–20%) – Some competition for water resources
- High (20–40%) – Significant competition for water
- Very high (40–80%) – Areas facing substantial stress
- Extremely high (>80%) – Regions where total water demand exceeds 80% of available supply, indicating severe scarcity and vulnerability

Current water stress assessment

Water stress assessment – forecast for 2040

4.1.5 E3-3 Targets related to water and marine resources

Currently, the Group has not established formal targets related to water resources. However, the operational measures implemented contribute to reducing water consumption and managing environmental impacts. The effectiveness of these measures is evaluated through monthly monitoring of the volume and quality of water used in the operational activities of Sphera Group's restaurants, as well as compliance with regulatory requirements for wastewater treatment, ensured through the use of grease separators in restaurants.

The business model assumes that Sphera Group's restaurants are located in urban areas and are connected to public water supply and wastewater treatment systems. This process enables the evaluation of progress in efficient water use and the identification of potential operational areas for improvement.

The ambition level set is to ensure continuous compliance with the requirements and standards set by applicable legislation regarding the quality of water used in restaurants.

The data collected serves as a baseline for tracking progress and continuously improving water management. Starting with the implementation of the ESG strategy for the 2025-2030 period, the Group will assess the opportunity to establish formal objectives for water resource management, including more specific performance indicators.

4.1.6 E3-4 Water consumption

SASB FB-RN-140a.1

Sphera Group actively monitors water consumption across all its restaurants, aiming to reduce waste and manage this resource responsibly. Wastewater generated from daily activities is discharged, in accordance with current regulations, into the sewage systems available at the Group's locations. Through monitoring, the Group aims to control associated impacts. This process also helps identify and minimize risks, such as increased operational costs linked to high water consumption or non-compliance with wastewater treatment regulations. At the same time, water monitoring supports the exploitation of opportunities such as the implementation of efficient technologies.

Water consumption at Sphera Group is calculated according to the ESRS definition, as the amount of water withdrawn within the enterprise boundaries that is not discharged back into the aquatic environment or to a third party. Discharged water is defined as the difference between the water withdrawn, measured via the meters installed in the supply networks, and the water remaining in products, based on operational specifications.

Thus, to determine water consumption, the methodology proposed and used by the franchisor Yum! Brands was applied, according to which water consumption from the Group's restaurants and offices represents approximately 15% of total water withdrawals.

Category	Year	Total water consumption [m^3]	Total water consumption in water risk areas, including high water stress areas [m^3]	Total volume of recycled and reused water [m^3]	Total volume of stored water and changes in storage [m^3]
KFC Romania	2023	30,114.3	No data available	0	0
	2024	24,412.2		0	0
KFC Italy	2023	6,505.7		0	0
	2024	6,600		0	0
KFC Moldova	2023	383.4		0	0
	2024	396.9		0	0
Taco Bell	2023	1,111.5		0	0
	2024	1,119.8		0	0
Pizza HUT	2023	3,407.4		0	0
	2024	2,604.9		0	0
Sphera Franchise Group S.A.	2023	142.05		0	0
	2024	171		0	0
Consumption Sphera Group [m3]	2023	**41,664.3**		**0**	**0**
	2024	**35,304.8**		**0**	**0**

Water consumption intensity

Water consumption intensity in 2024	113.43 m³ per million EUR of net revenue.
Total water consumption in own operations, inm³	**35,304.75**
Net revenue (million EUR)[10]	**311.26**

[10] https://www.bnro.ro/Cursul-de-schimb-3544.aspx

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For restaurants in Romania and the Republic of Moldova, the amount of water withdrawn was taken from the invoices issued by suppliers. For Italy, water withdrawal cannot be directly monitored, as most restaurants are located in shopping centers where billing is based on the size of the leased space. Therefore, the estimated water consumption in these restaurants was calculated based on the invoices from three restaurants with direct contracts with water suppliers and on proportional shares of rented space, calculated from the total consumption recorded in the shopping centers. The table below presents the consumption per Sphera Group brand.

Water used (m^3)

	Year	Water withdrawal [m^3]	Water discharge [m^3]
KFC Romania	2023	200,762	170,648
	2024	162,748	138,336
KFC Italy	2023	43,371	36,865
	2024	44,000	37,400
KFC Moldova	2023	2,556	2,173
	2024	2,646	2,249
Taco Bell	2023	7,410	6,299
	2024	7,465	6,345
Pizza HUT	2023	22,716	19,309
	2024	17,366	14,761
Sphera Franchise Group S.A.	2023	947	805
	2024	1,140	969
Total Sphera Group [m^3]	**2023**	**277,762**	**236,098**
	2024	**235,365**	**200,060**

The analysis of water consumption in 2024 compared to 2023 shows differences between the entities of Sphera Group. KFC Romania (-18.93%) and Pizza Hut (-23.55%) recorded decreases in water consumption, while KFC Italy (+1.45%), KFC Moldova (+3.52%), and Taco Bell (+0.74%) recorded increases. Water consumption at Sphera Franchise Group S.A. increased by 20.38%. At Group level, total water consumption decreased by 15.26% in 2024 compared to 2023. The minor variations in water consumption for Taco Bell and KFC Moldova are normal and are due to the expansion of the network with one restaurant each. The reduction in water consumption at Pizza Hut was caused by the closure of 13 restaurants, starting at the end of 2023 and continuing in the first half of 2024. For KFC Romania, the decrease in water consumption is explained by the increased use of pre-marinated products in restaurants, which reduced the need for water in the marination process as well as for cleaning the equipment and utensils used in this process.

4.1.7 E3-5 Anticipated financial effects from water and marine resources-related impacts, risks and opportunities

Sphera Group applies the phased-in provisions from Appendix C of ESRS 1 for the ESRS E3-5 requirement regarding anticipated financial effects of impacts, risks and opportunities related to water and marine resources.

Thus, in its first year of reporting, the Group will not disclose the information required under this standard, in accordance with the option provided. This approach reflects the need to develop the necessary processes and infrastructure to respond in the future to the more complex requirements of the ESRS.

5 ESRS E5 Resource use and circular economy

5.1 Impact, risk and opportunity management

5.1.1 ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Sphera Group conducts its operations with a focus on the responsible use of resources and the implementation of circular economy principles. The assessment of impacts, risks, and opportunities related to waste and the circular economy was carried out as part of the double materiality analysis and followed the process described in Chapter ESRS 2, Section IRO 1.

This process examines the company's entire value chain, from its own operations to collaborations with suppliers and customer interactions.

As part of this process, the Group continuously reviews the use of raw materials, packaging, and energy, placing emphasis on consumption efficiency and waste reduction. For example, food raw materials and packaging are selected to meet sustainability requirements and minimize environmental impact. Waste management is also a focus, with waste being collected and handed over to authorized operators for recycling or recovery. This approach ensures compliance with legal regulations and supports the Group's commitment to environmental protection.

The Group has implemented the LEAP approach to structure the assessment of impacts. LEAP is a phased process that includes locating interactions with nature, evaluating impacts and dependencies, identifying significant risks and opportunities, and reporting outcomes. In practice, this means identifying critical points in operations and the value chain where there is intensive resource use or waste generation. For example, the Group assesses whether suppliers use sustainable materials, whether packaging meets recycling standards, or whether internal processes can be optimized to reduce energy and water consumption.

Regarding identified impacts, the Group acknowledges that high resource consumption can lead to elevated operational costs and reputational risks. There are significant opportunities to mitigate these risks by adopting sustainable practices, such as using recycled or renewable packaging materials, optimizing logistics, and promoting resource reuse.

In addition to internal analysis, Sphera Group collaborates with relevant stakeholders, such as suppliers, to ensure compliance with environmental requirements and the integration of circular economy principles across the value chain. Consultations addressed the impacts, risks, and opportunities related to resource use and the circular economy through stakeholder consultation questionnaires. These questions covered aspects such as resource management, waste reduction, the use of sustainable packaging, and the application of circular economy principles within the value chain.

In the materiality assessment for ESRS E5, the sub-topic "Resource Outflows – Waste" was identified as material, while "Resource Inflows" was considered non-material for Sphera Group, given its franchise structure in which equipment, suppliers, and many operational policies are determined by the franchisor Yum!. Thus, Sphera Group does not select its own equipment or suppliers, as these comply with the quality and sustainability standards set by Yum! Brands. The Group directly manages certain resource-related aspects through a series of integrated policies, including:

- Sustainable Packaging Policy: Outlines the commitment to using sustainable packaging aligned with circular economy principles to minimize environmental impact.
- Paper-Based Packaging Procurement Policy: Promotes the use of packaging from sustainable sources, reducing dependency on non-renewable materials.
- Sustainable Animal Protein Principles Policy: Ensures that suppliers comply with the highest standards of food safety and ethical practices, including the efficient management of natural resources.
- Supplier Code of Conduct Policy: Includes clear requirements for the sustainable use of resources by suppliers and compliance with environmental standards.

Additionally, other documents such as the KFC CEE Sustainable Sourcing Policy and KFC CEE Product Integrity Policy, while not publicly available, underscore the franchisor's commitment to responsible resource use and adherence to circular economy principles.

Below is a table summarizing the identified impacts, risks, and opportunities for material topics, along with their location in the value chain.

Material sub-topic and sub-sub topic	Impact location	Type	Impact origin	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Waste	Downstream, own activity	M, F	S	A	Through the adoption of an efficient waste management and reduction strategy, the Group can contribute to minimizing environmental impact by generating the following benefits: Increasing the recycling rate of packaging waste (such as glass, metal, and plastic) by implementing a selective collection system and collaborating with authorized operators. Reducing the amount of waste generated through proactive food waste prevention measures, thereby promoting responsible behavior both internally and externally. The Group uses packaging made from recyclable materials, recycled materials, and paper from certified sources.	A, P	The activities of restaurants located mainly in shopping centers generate waste that is not selectively collected by customers. As a result, this waste may be sent directly to landfill.	High waste management costs may affect profitability, especially in the context of increasing legislative requirements for recycling. Fines and penalties for non-compliance in waste management may have a significant financial impact and require corrective measures. Damage to the company's reputation due to inadequate waste management.	-

Legend:
Impact Type: F = Financial impact, M = Material impact, MF = Material and financial impact
Time Horizon: A = Current impact (reporting year), P = Potential impact (medium and long term)
Origin of impact: S = impact originating from strategy and business model, B = impact supporting the strategy

5.1.2 E5-1 Policies related to resource use and circular economy

The **Paper-Based Packaging Procurement Policy** highlights the Group's commitment to using paper and cardboard from sustainable and certified sources, avoiding materials from illegal logging, non-renewable forests, or sources that do not comply with legislation and human rights. Priority is given to suppliers holding internationally recognized certifications, such as FSC (Forest Stewardship Council), in accordance with the strictest forest management standards. The policy also promotes increasing the recycled content of packaging, without compromising food safety or functionality, despite technical and supply constraints. Suppliers must certify compliance with the policy to ensure transparency and adherence to sustainable commitments. This policy applies to all Sphera Group restaurants (KFC, Pizza Hut, Taco Bell) in Romania, Moldova, and Italy, and extends to the supply chain, including paper and cardboard packaging suppliers. It supports the process of identifying and assessing the impacts, risks, and opportunities associated with paper material use by setting strict supplier requirements. The Board of Directors oversees the approval and supervision of the policy, and the Procurement Department is responsible for implementation. The policy is publicly available on Sphera Group's website and was developed in line with the requirements of Yum! Brands and applicable European regulations. It also aligns with industry best practices.

The **Sustainable Packaging Policy**, compared to the dedicated policy on paper-based packaging, takes a broader and more comprehensive approach to all types of packaging used. In addition to commitments related to paper and cardboard, which remain in force, the sustainable packaging policy provides for the elimination of non-recyclable materials such as polystyrene and expanded polystyrene and supports the development of sustainable solutions for all packaging, regardless of material. The policy is aligned with Yum! Brands' global sustainability goals and European legislation on packaging. It also reflects best industry practices regarding the transition to recyclable, compostable, or reusable materials.

An important aspect of this policy is the complete elimination of polystyrene and expanded polystyrene from all KFC, Pizza Hut, and Taco Bell restaurants since 2021.

Additionally, Sphera Group supports the global commitments of its franchisors KFC and Taco Bell, as follows: KFC aims for all plastic packaging to be recoverable or reusable by 2025; Taco Bell targets all consumer-facing packaging to be recyclable, compostable, or reusable, while also eliminating harmful substances such as PFAS, phthalates, and BPA.

Thus, the paper-based packaging procurement policy is a specific component focused on sustainable paper sources, while the sustainable packaging policy expands this commitment globally, covering all packaging materials and solutions used by the Group. The Sustainable Packaging Policy helps identify operational risks associated with the use of non-recyclable materials and promotes the assessment of opportunities for transitioning to sustainable solutions, setting requirements for all packaging materials used in Sphera Group operations, including in the supply chain. It applies to all units in Romania, Moldova, and Italy. The Board of Directors oversees the implementation of this policy, while the Procurement Department is responsible for meeting the requirements. The policy is published on the Sphera Group website and is accessible to all interested parties.

The **Animal Welfare Policy** is built around the principles of the five freedoms of animals: freedom from hunger or thirst, through continuous access to clean drinking water and adequate food; freedom from discomfort, by ensuring appropriate shelter and optimal resting conditions;

freedom from pain, injury, or disease, through prevention or rapid treatment; freedom to express natural behavior, by providing adequate space and proper living conditions; freedom from fear and distress, by treating animals with care and avoiding stress. These objectives are achieved through close collaboration with suppliers and compliance with applicable legislation. These objectives are achieved through close collaboration with suppliers and compliance with applicable legislation.

The policy focuses on chicken, pork, and beef, the main proteins used in the Group's products, and mandates compliance with animal welfare standards across the supply chain. The requirements are mandatory for suppliers in Romania, Moldova, and Italy. In collaboration with suppliers, Sphera Group advocates for respect of animal welfare in the supply chain and continuous improvement in key areas, such as enhancing animal health to minimize the need for medications, especially antibiotics; addressing mobility and leg health issues in poultry; reducing stress, improving behaviors, and minimizing painful procedures.

The Group also works with suppliers and partners to adopt sustainable sources of eggs, aiming for complete elimination of cage-produced eggs by 2030.

The animal welfare policy contributes directly to Sphera Group's operational efficiency by minimizing waste generated in restaurants. For example, efficiently processed meat in the supply chain reduces product preparation losses.

This policy facilitates the identification of risks related to product quality and compliance within the supply chain by collaborating with suppliers to ensure the five animal freedoms. The policy is approved and supervised by the Board of Directors, and the Procurement and Quality Departments are responsible for verifying supplier compliance. It is published on the Sphera Group website and is accessible to all stakeholders.

The **Responsible Marketing Policy** reflects Sphera Group's commitment to conducting promotional and communication activities in an ethical, transparent, and sustainable manner, in line with the group's values and stakeholder expectations. Through its responsible approach to marketing, Sphera Group prioritizes integrity, diversity, and inclusion, promoting products that meet consumer needs without exploiting their vulnerabilities. This policy directly impacts resource outputs and waste management, both considered material topics. The Group supports waste reduction and responsible resource use through measures including the elimination of expanded polystyrene from all restaurants since 2021, and the commitment to using recoverable or reusable packaging by 2025. By promoting sustainable packaging and providing transparent information about its products, the company helps educate consumers toward more conscious choices, which can reduce food waste and non-eco-friendly packaging.

Marketing campaigns are designed to highlight the Group's flagship products as well as innovations that add value to the offering, using digital menus and modern technologies for a more efficient and environmentally friendly experience. At the same time, through the Harvest program, Sphera contributes to reducing food waste by donating surplus food to humanitarian organizations.

This indirectly supports sustainability-related opportunities by offering a transparent communication approach with stakeholders. The policy governs all marketing activities conducted by Sphera Group for the KFC, Pizza Hut, and Taco Bell brands in Romania, Moldova, and Italy. It covers both digital communication and physical promotional materials. Approval and oversight of this policy are provided by the Board of Directors, while the Marketing Department is responsible for implementing the requirements in all promotional campaigns.

The policy is aligned with the requirements of the franchisor Yum! Brands, European regulations on responsible advertising, and industry best practices. This policy is publicly available on the Sphera Group website and can be accessed by all interested parties.

Through the **Sustainable Animal Protein Principles Policy**, Sphera Group promotes a responsible and sustainable approach to sourcing animal protein, integrating sustainability principles at every stage of the supply chain and regulating the supply of animal protein used in KFC, Pizza Hut, and Taco Bell restaurants in Romania, Moldova, and Italy. The main objective of the group's policy is to ensure food safety and quality, protect the environment, and guarantee animal health and welfare, thus contributing both to delivering quality products to consumers and to reducing negative environmental impact.

In the context of resource outflows, the animal protein policy supports the efficient and responsible use of such resources. Practices implemented by suppliers, such as improving animal health and optimizing the use of natural resources, directly contribute to waste reduction across the supply chain. The products resulting from these practices are of higher quality, minimizing losses during the food preparation and service process. Regarding waste management, the policy emphasizes the importance of sustainable farming and production processes. These contribute to reducing the amount of organic waste generated and support recycling and reuse initiatives. For example, optimizing animal feeding and living conditions reduces losses related to raw materials, supporting Sphera Group's initiatives to minimize environmental impact. Furthermore, careful waste management across the supply chain and collaboration with responsible suppliers support the group's goals regarding the circular economy. The policy also includes references to efforts to reduce the carbon footprint, improve air and water quality, and reduce excessive land use, thus contributing to the protection of natural resources. It includes measures that support efficient use of natural resources and waste reduction throughout the supply chain, thus contributing to the identification of environmental risks and the mitigation of negative impacts. The Board of Directors approves and oversees this policy, while implementation is managed by the Procurement Department, which ensures supplier compliance. This policy is aligned with Yum! Brands' requirements, European regulations on sustainable sourcing, and best practices in the food industry. The policy is publicly available on the Sphera Group website.

In addition to these policies, the Group applies similar principles in KFC restaurants through additional documents such as the "KFC CEE Sustainable Sourcing Policy" and "KFC CEE Product Integrity Policy," which highlight the commitment to sustainable sourcing and product integrity. At the same time, the "KFC Pan Europe Farm Animal Welfare Programme" promotes advanced practices in animal rearing and management, contributing to higher animal welfare standards.

The **KFC Central & Eastern Europe Sustainable Sourcing Policy** emphasizes the company's commitment to promoting sustainable practices throughout its entire supply chain, focusing on biodiversity protection, conservation of natural resources, and reducing environmental impact. Although KFC does not own farms or agricultural land, the policy sets clear and strict sustainability standards for all suppliers, requiring them to comply with specific requirements related to traceability, certification of raw materials, and responsible environmental impact management. One of the main goals of the policy is environmental protection through the responsible use of essential raw materials such as palm oil, soy, paper, coffee, tea, and cocoa. KFC CEE does not allow the use of palm oil or blended palm oil for frying. Instead, the use of palm oil as an ingredient must be limited (technically necessary) and certified under RSPO standards, and soy used, whether as an ingredient or in animal feed, must be deforestation-free and fully traceable by 2025. Paper and wood products must be certified by organizations such as FSC or similar systems that guarantee sustainability. Another important aspect is packaging and waste management, with a clear objective to ensure that by 2025 all consumer-facing packaging is reusable, recyclable, or compostable. KFC is committed to reducing virgin plastic use by 10% compared to 2019 levels and to completely eliminating unnecessary plastic from its system. Packaging must also be clearly labeled, indicating its recyclability and sustainability, to support effective and transparent waste management. Traceability is also an essential priority, ensuring rigorous control of products from source to restaurant delivery. These documents, such as the "KFC CEE Sustainable Sourcing Policy," underline the commitment to traceability and sustainability, providing a solid foundation for assessing supply chain risks and waste management.

The policy is imposed by KFC CEE and governs sustainable sourcing for all KFC restaurants, including those operated by Sphera Group. The policy cannot be independently modified by the Group and must be implemented according to the established requirements. The Board of Directors oversees policy implementation, while strategic decisions are made by KFC CEE, and the Procurement Department ensures supplier compliance. This policy is applied internally and is mandatory for suppliers in the KFC supply chain. Its availability is regulated by KFC CEE and cannot be modified or published independently by Sphera Group.

5.1.3 E5-2 Actions and resources related to resource use and circular economy

Sphera Group implements a series of actions aimed at optimizing resource use, preventing food waste, and improving waste management. These actions are aligned with existing policies, such as the sustainable packaging policy, the paper-based packaging sourcing policy, and the animal welfare policy, which directly or indirectly support these initiatives. Resources allocated include infrastructure for separate waste collection, partnerships with responsible recycling organizations, and dedicated human resources for implementing food waste prevention and waste management initiatives.

Optimization of resource use – Transitioning to recyclable, reusable, or compostable packaging and achieving recycling targets for packaging placed on the market.

Throughout 2024, Sphera Group continued its collaboration with FSC and PEFC certified suppliers to ensure the use of sustainable and recyclable packaging materials. These actions align with the sustainable packaging policy and the paper-based packaging sourcing policy, which promote the use of sustainable materials and the elimination of non-recyclable materials. This action contributes to achieving a 65% recovery rate for packaging placed on the market in 2024 in Romania and a rate of over 85% of the packaging used in restaurants in Romania and Moldova (presented for each entity in the Indicators and Targets section) coming from recycled or renewable materials and also being recyclable, reusable, and/or compostable. Progress compared to the previous year is presented in the Indicators and Targets section of this chapter.

Waste management – Optimizing waste management through recycling of separately collected packaging and recovery of used cooking oil.

In Romania and the Republic of Moldova, in 2024, packaging waste made of paper, cardboard, glass, and metal that was separately collected was fully recycled. This represents a continuation of the packaging recycling rate for separately collected waste from 2023. It is expected that this rate will be maintained in the coming years for selectively collected packaging. However, the group faces limitations in recovering household-like waste due to the operational models of shopping centers, where sanitation operators control waste management processes, resulting in low recovery rates for this type of waste.

During 2024, the entire amount of used cooking oil generated in all Sphera Group restaurants was recovered. Aware of the impact of used oils, the Group has implemented collection and recovery processes, turning it from waste into a resource. Our procedures begin with the separate collection of used oil, following a protocol that guarantees the integrity of the process. We complete the process by converting the used oil, through our partners, into biofuel, a solution that highlights our commitment to sustainable alternatives and the circular economy.

In the field of waste management, all Sphera Group restaurants are equipped with containers for separate collection, and partnerships with authorized economic operators allow for their management in accordance with applicable legal provisions. Used cooking oil waste is collected separately and transformed into biofuel through authorized operators. The partnerships for recycling and recovery of waste are aligned with the KFC CEE Sustainable Sourcing Policy and the Sustainable Packaging Policy, which promote traceability and responsible management of packaging and waste.

Phasing out single-use plastics

In 2024, we continued implementing the measures for phasing out plastic materials started in 2021. This action contributes to reducing the environmental impact of plastic waste and supports the transition to sustainable packaging, in line with the Group's commitments. Currently, we still use plastic packaging for certain items, and exploring sustainable alternative solutions for these uses remains a priority.

The action is implemented by all Sphera Group restaurants and is aligned with the KFC CEE Sustainable Sourcing Policy and the Sustainable Packaging Policy.

Reducing food waste

To prevent food waste, the group continued in 2024 the implementation of the FIFO system (first in, first out) in all its restaurants, which optimizes stock usage and reduces surpluses. Additionally, through the Harvest program, implemented in Romania and Italy, over 5.6 tons of food were redistributed to humanitarian organizations in 2024, contributing to a reduction in food waste and a positive impact on the communities benefiting from these products. The implementation of the FIFO system is in line with the Animal Welfare Policy and the Responsible Marketing Policy, which support resource use optimization and food waste reduction.

The costs associated with packaging management through producer responsibility organizations are reflected in the Group's financial statements. In 2024, these costs amounted to approximately RON 462,886, representing the Group’s contribution for managing the packaging placed on the Romanian market, in accordance with applicable regulations.

For the other initiatives implemented in 2024, such as phasing out single-use plastic, implementing the food waste reduction program, and separate waste collection in restaurants, the expenses were included in regular operational budgets and were not considered financially significant. Therefore, these costs are not separately disclosed in the financial statements.

5.2 Metrics and targets

5.2.1 E5-3 Targets related to resource use and circular economy

Within the Sphera Group, targets related to the circular economy—particularly concerning resource outputs linked to products, services, and waste are not formalized in a single document. However, the Group continues to implement measures and pursue the achievement of objectives defined within relevant policies and legal requirements.

The targets presented in this report were established in accordance with legal obligations, Yum! Brands' franchisor requirements, and industry best practices, without being subject to a formal stakeholder consultation process.

The Group has not yet developed specific targets for the circular use of materials or for minimizing the use of primary raw materials.

Regarding resource outputs related to products and services, the Group voluntarily implements the objectives outlined in the Sustainable Packaging Policy, which aims for the exclusive use of recyclable, reusable, or compostable packaging by 2025. Sphera Group's targets for the use of circular materials focus on recyclable, reusable, or compostable packaging, in line with the commitment stated in the Sustainable Packaging Policy. In addition, the Paper-Based Packaging Sourcing Policy includes a clear commitment that by the end of 2025 all paper packaging used will come either from responsibly managed forests or from recycled sources.

The targets set for sustainable packaging, paper-based packaging, and the phasing out of plastic materials are absolute objectives, aiming to achieve a clearly defined final result without being benchmarked against past performance or measured progress. No deadline has been set for the phase-out of plastic materials.

In 2024, we maintained our commitment to phasing out plastic materials made in 2021. Progress made in 2024 is presented in the Actions section.

For waste management, we comply with legal requirements for packaging management in the countries where we operate.

For 2024, in Romania, in accordance with the applicable legislation, the Group had a target of 65% recovery of the total amount of packaging placed on the market.

For KFC Moldova, the waste recovery target for 2024 is 22%, in accordance with the applicable legal regulations in this jurisdiction.

For Italy, the target set for waste recovery in 2024 is 65%, in line with the applicable legislation.

To this end, for the subsidiaries in Romania and Moldova, the Group has signed agreements with producer responsibility organizations, ensuring the proper collection and recycling of materials.

In Italy, the packaging recovery target is met through a national association specialized in managing packaging placed on the market, of which US Food Network Italy has been a member since 2019 with the status of "User." The supply of KFC restaurants in Italy is handled by a logistics company that manages payment of contributions to this association for the entire KFC network, later recovering these costs through invoices issued to restaurants, with a specific note indicating the contribution paid.

These targets are aligned with the applicable legislation in each country where the Sphera Group operates. The target is adjusted annually, according to the legal requirements in force.

Responsibility for packaging management has been transferred to these organizations, which work with authorized partners to ensure that packaging is recycled, in accordance with the waste hierarchy.

In some cases, partners may prepare packaging for reuse. When recycling or reuse is not possible, packaging is recovered through other methods, such as energy recovery.

We have set ourselves the goal of reducing food waste, given the importance of efficient resource management and the positive impact of this approach. In this regard, we continue the voluntary implementation, in all Group restaurants, of the FIFO system (first in, first out) for stock optimization, along with programs such as Harvest, implemented in Romania and Italy, which contribute to the redistribution of surplus food. As a result, we have managed to donate food to humanitarian organizations while also reducing the amount of food waste generated.

During 2024, the Sphera Group developed a new ESG Strategy for the 2025-2030 period, which will be approved in 2025 and includes objectives and targets related to resource use and the circular economy. The strategy was developed based on the results of the double materiality assessment process, which also included stakeholder consultation.

5.2.2 E5-5 Resource outflows

FB-RN-150a.1

FB-RN-150a.2

Sphera Group takes measures to reduce the use of primary resources and increase the recovery rate of materials used. In the operated restaurants, Sphera Group prioritizes recyclable and compostable packaging. Since 2021, we have initiated the gradual elimination of single-use plastic materials from our operations, replacing them with sustainable alternatives. Thus, in 2024, all our restaurants use paper straws, paper and cardboard transport packaging, and wooden cutlery. Sphera Group relies on the information provided by packaging manufacturers to classify materials as circular. The criteria used are based on supplier data regarding the number of packages made from recycled or renewable materials, which are also recyclable, reusable, and/or compostable, in relation to the total number of packages purchased (expressed in number of pieces).

Within Sphera Group's operations, the management of pre-consumer waste is addressed through integrated measures that optimize resource use and reduce waste. As detailed in the sections on actions and targets, food loss prevention is achieved through the implementation of the FIFO system and the Harvest program, which enables the redistribution of surplus food.

Waste resulting from operations is managed according to the processes already described, including collaboration with authorized partners for collection and recovery.

Sphera Group implements an integrated waste management system focused on the separate collection and recovery of waste generated from its own operations. Partnerships with organizations that implement extended producer responsibility ensure that recycling and recovery targets for packaging placed on the national market are met. In 2024, the Group met the legal packaging recovery targets in all countries where it operates.

Used cooking oil waste is separately collected and converted into biofuel through collaboration with specialized partners, thus contributing to the circular economy. The Group also acknowledges the challenges related to the management of municipal-like waste, especially in locations within shopping centers, where sanitation operators determine the collection model, which may affect the recovery rate.

Municipal-like waste generated within Sphera Group's operations is managed according to the specific model of each location. These typically include mixed waste from restaurants, similar to household waste. In many locations, especially shopping centers, the responsibility for managing this waste lies with sanitation operators contracted by the shopping centers.

For this reason, municipal-like waste often ends up being disposed of without proper separation that would allow for recovery. This represents a challenge in achieving a higher recovery rate, as Sphera Group does not have direct control over the entire management process of these waste streams in such locations.

The FIFO and Harvest programs support the principles of the circular economy by addressing the principle of waste prevention. FIFO helps reduce waste by optimizing inventory management, while Harvest facilitates the redistribution of surplus food.

The materials used in packaging are selected to minimize environmental impact and align with sustainability principles. Through collaboration with FSC and PEFC certified suppliers, Sphera Group ensures that all materials come from responsible sources, supporting forest health and nearby communities. In addition, the reduction in the use of virgin materials by introducing lighter packaging demonstrates the Group’s commitment to resource optimization.

All straws and cutlery used by Sphera Group in its restaurants are made from recycled materials.

Percentage of recyclable content in products (%)

	KFC Romania	KFC Moldova	KFC Italy	Taco Bell	Pizza Hut	Sphera Franchise Group S.A.
Straws	100%	100%	100%	100%	100%	n/a
Cutlery	100%	100%	100%	100%	100%	n/a

The data on the recyclable material content in the products presented in the table above is provided by Sphera Group's suppliers.

Regarding the packaging used for products sold in our restaurants, at the time of the current reporting, our suppliers could not communicate the exact percentage of recyclable content in the products we purchase from them, based on the total weight of packaging acquired. For this year, we present below the percentage of packaging made from recycled or renewable materials, which are also recyclable, reusable, and/or compostable. The percentage is calculated, based on data provided by suppliers, by reporting the number of packages made from recycled or renewable materials and which are also recyclable, reusable, and/or compostable, relative to the total number of packages purchased (expressed in number of units).

Percentage of recyclable content in packaging* (%)					
Product	**KFC Romania**	**KFC Moldova**	**Taco Bell**	**Pizza Hut**	**Sphera Franchise Group S.A.**
Paper/Cardboard packaging	85%	100%	91%	98%	n/a

* KFC Italy suppliers are unable to provide this information.

Sphera Group uses standardized equipment approved by franchisor Yum!, selected to ensure energy efficiency and optimized operation. These pieces of equipment are designed to reduce energy and water consumption, thereby helping to minimize the environmental footprint of operations.

Due to the nature of its activity, Sphera Group does not generate radioactive waste, and the quantity of hazardous waste, such as batteries, accumulators, fluorescent tubes, and printer cartridges, is insignificant. Therefore, these have not been included in the report. The table below provides a breakdown of non-hazardous waste generated in 2023 and 2024, based on recovery/disposal operations.

For entities in Romania (KFC, Taco Bell, Pizza Hut, and Sphera Franchise Group), waste weighing is performed by authorized operators with whom the entities have concluded service contracts. For restaurants in Italy and the Republic of Moldova, reported quantities are calculated by extrapolation, based on sample weighing correlated with store area and recorded sales.

		KFC Romania	KFC Moldova	KFC Italy	Taco Bell	Pizza Hut	Sphera Franchise Group S.A.	Total
Non-hazardous waste recovered [tonnes]:								
2023	Preparation for reuse	-	-	-	-	-	-	-
	Recycling	493.4	21.6	186.4	21.1	67.8	-	790,2
	Other recovery operations	109.6	2.9	53.9	10.5	-	-	176,9
	Total [tones]	603.0	24.4	240.4	31.6	67.8	-	967.1
2024	Preparation for reuse	-	-	-	-	-	-	-
	Recycling	727.5	28.2	193.7	30.2	44.0	0,2	1,023.7
	Other recovery operations	147.2	3.2	53.9	10.0	2.0		216,3
	Total [tones]	874.7	31.4	247.6	40.2	46.0	0.2	1,240.1
Non-hazardous waste disposed [tones]:								
2023	Incineration	26.1	0.9	247.2	1.9	0.1	-	276.1
	Landfilling	5,180.7	77.7	105.9	345.7	637,1	-	6,347.1
	Other disposal operations	-	-	-	-	-	-	-
	Total [tones]	5,206.8	78.6	353.1	347.6	637.1	-	6,623.2
2024	Incineration	15.6	-		2.1	0.0	-	17.7
	Landfilling	5,206.7	42.6	318.7	99.5	407.2	15.1	6.089.9

	Other disposal operations	7.8	-	-	-	-	-	7,8
	Total [tones]	5.230.1	42.6	318.7	101.6	407.2	15.1	6,115.3
Total amount of waste generated	**2023**	**5,809.8**	**103.0**	**593.5**	**379.2**	**704.9**	**-**	**7,590.4**
	2024	**6,104.8**	**74.0**	**566.4**	**141.8**	**453.2**	**15.3**	**7,355.4**
Unrecycled waste percentage	*2023*	*89.6%*	*76.3%*	*59.5%*	*91.7%*	*90.4%*	-	*87.3%*
	2024	*85.7%*	*57.6%*	*56.3%*	*71.7%*	*89.9%*	*98.6%*	*83.1%*

Waste quantities generated (tones), by category	KFC Romania	KFC Moldova	KFC Italy	Taco Bell	Pizza HUT	Sphera Franchise Group S.A.
Municipal waste	5,206.71	42.56	110.04	99.54	407.21	15.1
Food waste	23.41	0	208.69	2.05	0.018	0
Used cooking oil waste	147.16	3.23	53.94	10.02	1.97	0
Paper/cardboard waste	615.54	23	110.04	19.77	27.4	0.19
Glass waste	0.34	0	0	0.43	4.02	0
Plastic waste	95.24	4.57	83.23	8.44	8.85	0.03
Metal waste	16.41	0.59	0.42	1.5	3.72	0

Except for Sphera Franchise Group S.A., which mainly generates household waste, paper, cardboard, and plastic waste, the other entities within the group also generate food waste, used cooking oil, glass, and metal waste. The used cooking oil generated in the group's restaurants is fully recovered, while paper/cardboard, plastic, glass, and metal waste that is separately collected across the group is fully recycled.

SASB	Food and packaging waste management		KFC Romania	KFC Moldova	KFC Italy	Taco Bell	Pizza Hut	Sphera Franchise Group S.A.
FB-RN-150a.1	Total waste generated	Tones (t)	6,104.80	73.94	566.36	141.75	453.19	15.31
FB-RN-150a.1	Percentage of food waste	Percentage (%)	0.38%	0	36.84%	1.45%	0.00%	0.00%
FB-RN-150a.1	Total percentage of waste recovered	Percentage (%)	14.33%	42.45%	43.72%	28.33%	10.14%	1.44%
FB-RN-150a.2	Total weight of packaging materials	Tones (t)	797.908	108.04	183.31	63.612	234.05	n/a
FB-RN-150a.2	Percentage of packaging (by weight) made from recycled or renewable materials	Percentage (%)	85%	100%	-	91%	98%	n/a
FB-RN-150a.2	Percentage of packaging (by weight) that is recyclable, reusable, or compostable	Percentage (%)	85%	100%	-	91%	98%	n/a

5.2.3 E5-6 Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities

In accordance with the provisions of Appendix C of ESRS 1, Sphera Group is making use of the transition period for reporting information related to the anticipated financial effects of material risks and opportunities regarding resource use and the circular economy. Any additional details will be included in future disclosures, once a dedicated methodology for this topic is formalized.

6 Own workforce

6.1 Strategy

6.1.1 ESRS 2 SBM-3 - Material impacts, risks, and opportunities and their interaction with strategy and business model

People and communities are one of the pillars of our sustainability strategy. We firmly believe our success relies on the expertise, dedication, and engagement of our employees. Therefore, we are committed to providing them with an environment where they can develop harmoniously, addressing their needs and supporting their sustainable growth.

As part of the double materiality analysis process, impacts, risks, and opportunities were assessed for each ESRS theme, sub-theme, and sub-sub-theme according to the requirements of ESRS 1, AR 16. The current and potential impacts on our own workforce are closely linked to Sphera Group's strategy and business model, which involves operating an extensive chain of restaurants across various geographical locations, namely Romania, Italy, and the Republic of Moldova.

The identified material topics related to our own workforce include:

- Working conditions - safe workplaces: Ensuring a secure and stable work environment for employees.
- Employee health and safety: Programs and measures to prevent occupational risks and ensure physical and mental well-being.
- Training and skills development: Ongoing investments in employee training and professional development.
- Measures against workplace violence and harassment: Creating a respectful work environment, supporting employees, and fostering a safe and trustworthy climate.
- Diversity: Promoting an inclusive and respectful working environment, aligned with the Code of Conduct.
- Confidentiality: Respecting and protecting employees' personal and sensitive information, in compliance with applicable legislation.

These material topics are considered for the development of our new ESG strategy (2025-2030) and are integrated into the overall business strategy of Sphera Group. Based on these, the workforce strategy and operational model are shaped to ensure workforce stability, talent retention, and skills enhancement, which are key elements in achieving sustainability objectives and adapting to market dynamics. Risks such as negative demographic trends are addressed by promoting diversity within the company, emphasizing the inclusion of vulnerable groups, and attracting talent from a wide range of demographic categories. Changes related to the concept of work, which could affect productivity, are managed through digitalizing internal processes, while the emergence of inefficient behaviors is prevented by implementing the Code of Conduct and running programs that promote ethical and desirable behaviors. Improved performance due to well-trained employees, enhanced reputation as a responsible employer, and attraction of new talent are reflected in strategic decisions regarding investments in training, diversity, and employee well-being.

In the analysis of impacts, risks, and opportunities, all categories of the own workforce were considered, including direct employees, independent workers, and individuals provided by third-party companies primarily involved in labor provision activities. Both positive and negative impacts, as well as risks and opportunities, are analyzed for each worker category.

The workforce of Sphera Group consists of:

- Own employees: Personnel directly employed by the company, forming the operational core.
- Personnel provided by third-party partners: Workers supplied by specialized companies involved in operational activities in Romania and Italy.
- Independent workers: Professionals engaged under individual collaboration agreements.

In addition to this workforce, Sphera Group collaborates with senior management through mandate contracts. Although this category is not included in the definition of own workforce according to ESRS, information regarding it is provided in sections S1-9 and S1-13 of this chapter.

The Group's own employees can be classified according to contract type and work schedule, as follows:

- Permanent employees: Workers with indefinite-term employment contracts who contribute to the company's core activities.
- Temporary employees: Personnel with fixed-term employment contracts.
- Full-time employees: Workers whose activities follow the standard schedule, ensuring operational continuity.
- Part-time employees: Individuals working fewer hours than the standard schedule, adapting both to the company's needs and their personal schedules.

Below is a summary table highlighting the material sub-themes and sub-sub-themes relevant to the Group's own workforce, along with the location of impacts, risks, and associated opportunities. The information reflects the approach of the double materiality analysis process, which does not only consider how social issues affect Sphera Group's performance but also how the company's activities can impact employees, communities, and society at large. Therefore, the analysis provides a dual perspective: on one hand, it examines how working conditions, health and safety, ongoing training, diversity, and confidentiality can influence the workforce and community; on the other hand, it assesses how labor market dynamics, societal expectations, regulations, and social changes can affect the business model, human resource strategies, and the company's long-term performance.

Material sub-theme	Material sub-sub-theme	Impact location	Type	Origin of impact	Time horizon (Positive	Positive impacts (I+)	Time horizon (Negative)	Negative Impacts (I-)	Risks (R)	Opportunities (O)
Working conditions (S1)	Safe workplaces	Own activity	M, F	B	A	Commitments regarding indefinite-term employment contracts provide professional stability and predictability for the own workforce. Creating a safe work environment contributes to employee well-being.	A	-	Lack of safe and stable jobs can increase staff turnover and recruitment difficulties, affecting operational continuity and internal expertise accumulation. This could negatively impact service quality. Additionally, a high turnover rate and unsafe working environment can damage the Group's reputation, reducing attractiveness in the labor market and limiting access to necessary talent for growth.	-
	Health and Safety	Own activity	M, F	S	A	Creating a safe and healthy work environment contributes to protecting employee health and preventing occupational accidents and illnesses. Implementing preventive measures reduces occupational risks and supports employee well-being. Promoting a workplace safety culture improves employee morale and motivation.	A	Non-compliance with regulations and/or inadequate implementation of occupational health and safety policies can lead to occupational illnesses and workplace accidents, negatively affecting employee well-being. These shortcomings may accentuate social inequalities within the community.	Ineffective workplace safety measures pose risks to the company by potentially causing workplace accidents and health issues for the direct workforce, leading to additional costs related to compensation, absenteeism, and decreased productivity.	-

Material sub-theme	Material sub-sub-theme	Impact location	Type	Origin of impact	Time horizon (Positive	Positive impacts (I+)	Time horizon (Negative)	Negative Impacts (I-)	Risks (R)	Opportunities (O)
Equal treatment and opportunities	Training and skills development	Own activity	M	B	A	Developing employee skills offers more professional opportunities, supporting their personal and professional growth. Increased qualification levels improve workplace safety, reducing accident-related risks. Access to training programs promotes social and economic inclusion, offering equal development opportunities for all employees.	A	Employees lacking consistent access to training may face difficulties adapting to new technologies and professional demands, affecting their confidence in their skills and job security. If training is organized without considering employees' workloads or personal time, it could generate additional pressure and stress.	-	-
	Measures against workplace violence and harassment	Own activity	M	B	A	Implementing effective measures against harassment and workplace violence helps create a safe and respectful work environment, where employees feel protected and fairly treated. Preventing abusive behaviors allows employees to benefit from a healthy work climate, reducing stress and improving overall well-being.	A	An unsafe working environment marked by harassment and psychological stress can severely affect employee well-being, leading to increased stress and decreased morale. Additionally, a toxic organizational climate can negatively affect customer interactions.	-	-

Material sub-theme	Material sub-sub-theme	Impact location	Type	Origin of impact	Time horizon (Positive	Positive impacts (I+)	Time horizon (Negative)	Negative Impacts (I-)	Risks (R)	Opportunities (O)
	Diversity	Own activity	M	B	A	Promoting workplace diversity contributes to an innovative and creative environment by integrating diverse perspectives and fresh ideas. An inclusive organizational climate fosters collaboration and encourages the free expression of opinions, leading to effective solutions and better adaptability to market changes.	A	-	-	-
Other work-related rights	Confidentiality	Own activity	M	B	A	Protecting employee data confidentiality fosters a climate of trust and security, ensuring respect for individual rights and improving workplace satisfaction. Implementing data protection policies supports employee retention and reassures employees that their personal information is responsibly managed.	P	-	-	-

Legend:

Type of impact: F=financial impact, M = material impact, MF = material and financial impact

Time horizon: A = actual impact (reporting year), P = potential impact (medium and long term)

Origin of impact: S = impact originating from strategy and business model, B = impact originating from business activities supporting the strategy.

No operations with significant risks of forced or compulsory labor, nor child labor, were identified, neither within own operations nor in the value chain. The Group's activities are conducted in regions with robust legal frameworks that prevent such practices. The Group fully complies with applicable legislation and adheres to international regulations and its own Code of Conduct.

Regarding the value chain, the main suppliers (Main suppliers are those that provide essential products required for business activities. These include primary raw materials such as chicken meat, basic food ingredients (e.g., oils, flour, essential spices), sauces, beverage concentrates, bread (buns), packaging, and other critical materials necessary for operational continuity and compliance with brand standards) are periodically audited by Yum! Brands, the Group's franchisor, to ensure compliance with international standards on human rights and decent labor practices. These audits include checks aimed at preventing forced or compulsory labor.

Sphera Group operates in Romania, Italy, and the Republic of Moldova, managing 151 restaurants in Romania, 18 in Italy, 3 in Moldova and a Pizza Hut Delivery sub-franchise. As part of the double materiality analysis, the Group carefully assessed how individuals within the own workforce might be affected, considering their specific characteristics, the context in which they operate, and their performed activities. We have identified categories of employees who could be more exposed to certain risks, as well as opportunities contributing both to their well-being and the development of the organization. Regarding material impacts, we analyzed both negative and positive effects on our workforce. Negative impacts were examined to determine whether they are widespread or systemic within the regions where we operate (Romania, Italy, Moldova) or whether they are associated with individual incidents.

Positive impacts include initiatives that support employee development, such as the implementation of professional training programs, promotion of an inclusive work environment, and improvement of working conditions. For example, the E-learn@SPHERA platform enables employees to enhance their professional and personal skills to support career advancement. The Energy@SPHERA project raises employee awareness on topics beneficial to personal development and well-being. Such initiatives contribute to employee loyalty and satisfaction while simultaneously supporting operational efficiency.

For each employee category, we have developed an analysis of their specific characteristics and needs. Kitchen staff may be exposed to particular occupational risks, such as workplace accidents caused by slips, cuts, or burns, while employees responsible for customer interaction might be affected by relational discomfort linked to behavioral changes. Thus, we ensure that these groups benefit from targeted support and tailored protective measures.

In addition, we have identified opportunities related to creating a fair and inclusive work environment. This includes integrating individuals from vulnerable communities, persons with disabilities, and diverse nationalities, with a target set for at least 2% of employees by 2023 – a target that we have exceeded over the past two years. Internal professional training programs also have a significant positive impact on workforce diversity and development.

6.2 Impact. risk and opportunity management

6.2.1 S1-1 – Policies related to own workforce

Sphera Group has implemented a Code of Conduct and a Human Rights Policy and Key Supply-Chain Commitments, applicable across all its subsidiaries. The purpose is to ensure respect for human rights and the rights of workers within its own workforce as well as throughout the supply chain. These policies are based on current regulations regarding human rights and the promotion of equal rights for all individuals within the own workforce.

The Code of Conduct addresses workplace impacts on employees, risks related to harassment, safety, and compliance, as well as opportunities for talent development and retention. Reporting mechanisms include internal compliance committees, notifications to management, and the Speak Up! hotline.

The Human Rights Policy and key supply-chain commitments address impacts on human rights, risks related to child exploitation, forced labor, and discrimination, as well as opportunities to promote a responsible and ethical supply chain. Reporting mechanisms include supplier audits and inspections, unannounced assessments, and an anonymous reporting channel for violations.

Additionally, the Group has implemented a Data Protection Policy. This policy ensures compliance with European data protection legislation (GDPR) as well as adherence to national regulations, protecting the personal information of employees, customers, and partners. It incorporates principles such as lawfulness, fairness, transparency, data minimization, storage limitation, data security, and respect for individual rights.

This policy addresses risks associated with security breaches, unauthorized access, and regulatory non-compliance, as well as opportunities to enhance trust and compliance. Reporting mechanisms include internal audits, notifications to the Data Protection Officer (DPO), impact assessments, and proactive measures to prevent data leaks.

The scope, responsibilities for implementation, and availability of the policy to stakeholders affected by or involved in its implementation are included in the Policies section of the Governance chapter (G1-1).

Sphera Group also adheres to the principles of EU Directive 2019/1937 on the protection of persons who report breaches of Union law, transposed into Romanian legislation through Law No. 361/2022 on the protection of whistleblowers in the public interest ("Whistleblower Law"). In this regard, Sphera Group has implemented an internal reporting Procedure for legal violations, which establishes the process for reporting any information obtained in a professional context regarding breaches of the law, including potential workplace incidents. This procedure is available to all employees through electronic means and the intranet. Information on the internal integrity reporting channels is also accessible on the company's website and in informational materials displayed across all its units.

Sphera Group provides the following internal integrity reporting channels for submitting reports/notifications:

i. The Speak Up! hotline, available 24/7 at the phone number 0373760274, managed by an external provider that ensures caller confidentiality;

ii. The electronic reporting address: integritate@spheragroup.com or by postal mail: Sphera Franchise Group SA, 239 Calea Dorobanților, 2nd floor, District 1, Bucharest, addressed to the Designated Person responsible for handling integrity reports;
iii. Direct reporting to the Designated Person responsible for handling integrity reports within the Group, through a pre-scheduled meeting.

The Code of Conduct also serves as a tool to ensure a set of measures for remedying impacts on human rights. This document outlines the actions an employee should take if their rights are violated or if they become aware of such human rights violations within the Group. In response to a reported human rights violation, remedial measures are applied based on the severity of the incident and other significant factors.

Sphera Group emphasizes the alignment of its workforce policies with internationally recognized frameworks. In February 2022, Sphera Group joined the UN Global Compact initiative, thereby demonstrating its commitment to promoting and implementing universal standards in human rights, labor, environment, and anti-corruption. These actions indirectly reflect compliance with the UN Guiding Principles on Business and Human Rights. The Group's Code of Conduct includes provisions on human rights protection and the responsibility to prevent potential negative impacts through concrete examples, explicitly stating its commitment to upholding human rights.

The Group's Code of Conduct and the Human Rights Policy, along with key supply-chain commitments, address forced labor and child labor. The Group complies with legal requirements, hiring only individuals aged 15 or older and strictly prohibiting any form of labor that could be associated with modern slavery.

While human trafficking is not explicitly addressed as a separate topic in the Group's policies, it is strictly prohibited by law, and Sphera Group has committed, through its adopted policies, to complying with human rights regulations.

Sphera Group does not have a dedicated workplace accident prevention policy or a certified occupational health and safety (OHS) management system. However, the Group has clear measures in place for workplace accident prevention and safety management. These include standards developed by its franchisor, YUM! Brands, which are implemented as an operational guide, alongside local measures that comply with legal requirements. These measures cover health, safety, and security, as well as strict requirements concerning employee appearance, hand hygiene, personal hygiene, and uniform compliance.

Furthermore, employee safety is addressed in the Code of Conduct, which sets out measures to ensure a safe and healthy work environment. These include compliance with all applicable laws, regulations, and policies, maintaining a secure workplace, and the immediate reporting of any risks or incidents. Any form of threat, intimidation, or violence is strictly prohibited, and each employee is responsible for contributing to risk prevention. For further details, please refer to the Policies section of this chapter (S1-1) along with the Policies section in the Governance chapter (G1-1).

Sphera Group also conducts regular training sessions in compliance with the legal requirements applicable in each country where it operates (Romania, the Republic of Moldova, and Italy) to maintain employees' competencies on this topic.

Additionally, the Group carries out periodic audits and develops action plans aimed at improving occupational health and safety. To prevent workplace accidents or fire hazards, it continuously monitors all equipment and technological installations, ensuring their optimal functioning.

Furthermore, the company fosters a culture of responsibility and awareness, encouraging employees to identify and report potential risk situations.

Through these measures, Sphera Group promotes a safe and healthy work environment, contributing to employee protection and adherence to the highest safety standards. Moreover, the Group aims to establish specific health and safety objectives and targets as part of its ongoing commitment to improving working conditions. These will be communicated in the 2025 reporting cycle.

The Group implements the Code of Conduct and the Human Rights Policy, along with key supply-chain commitments, which establish strict standards for preventing discrimination. These documents apply across the entire organization and aim to promote a diverse, inclusive, and equitable work environment for all employees, regardless of their position or role.

The procedure for preventing and combating discrimination, intimidation, and workplace harassment is implemented in subsidiaries in Romania and Italy. Currently, this procedure has not been developed for KFC Moldova. However, the Group adheres to the principles outlined in the Code of Conduct and the Human Rights Policy, ensuring that anti-discrimination and equality promotion standards are applied at the organizational level.

The Group's policies align with European Union regulations and national legislation and explicitly cover the following grounds for discrimination: race, nationality, ethnicity, color, language, religion, social origin, genetic traits, sex, sexual orientation, age, disability, non-contagious chronic illness, HIV infection, political beliefs, family situation or responsibilities, trade union membership or activities, affiliation with a disadvantaged category, and any other possible forms of discrimination.

Sphera Franchise Group S.A. and its subsidiaries are committed to treating all employees with respect and dignity. The Group promotes measures for the inclusion of individuals from vulnerable categories, persons with disabilities, and diverse nationalities.

For the strategic period 2025-2030, Sphera Group aims to set targets regarding the number of employees coming from categories such as: individuals under the age of 25 or those who have completed their studies within the last two years and have not yet been engaged in regular paid employment; single parents raising one or more children; individuals over the age of 50; persons with disabilities; and individuals of diverse nationalities, by 2030.

The Group has a reporting and action system for preventing and addressing discrimination, harassment, and other violations of ethical and compliance principles. For example, the Procedure for Preventing and Combating Discrimination, Intimidation, and Workplace Harassment provides information on how complaints and reports can be submitted, along with a description of the entire review and resolution process. Additionally, the Internal Reporting Procedure for Legal Violations outlines the reporting channels for raising concerns about unlawful acts, as well as the actions taken to address them. Furthermore, the Code of Conduct provides additional information for potential reports, questions, or concerns, supporting employees with specialized resources, as detailed in Chapter VI – Resources for Making the Right Choices.

These policies and measures have been communicated to all employees and are reinforced through training sessions and periodic audits to ensure compliance with ethical standards.

6.2.2 S1-2 – Processes for engaging with own workforce and workers' representatives about impacts

Collaboration between management teams, the workforce, and worker representatives takes place either through individual discussions or group meetings, with the goal of aligning perspectives.

Meetings between management teams and employee representatives are held at the headquarters of each subsidiary or through electronic communication channels, in accordance with legislation. These meetings take place whenever modifications to the Collective Labor Agreement are required or when decisions impacting the workforce are made. In 2024, at least one meeting per Group entity was held.

Meetings between management teams and the workforce were conducted at operational sites as part of the monthly work routines. Additionally, individual discussions between managers and their subordinates were initiated at least once a year or whenever necessary.

As part of the materiality assessment process, employees were actively involved in identifying and evaluating impacts, risks, and opportunities. Surveys were distributed across all Sphera Group locations via QR codes accessible in restaurants and email communication to gather employee feedback. Restaurant managers played an active role in communicating the purpose of these surveys and encouraging participation. This approach ensures a comprehensive understanding of employee needs and enables the Group to implement appropriate risk mitigation measures.

The groups identified as vulnerable within Sphera Group include persons with disabilities (in Italy) and migrant workers (in Romania). Like all employees, they had the opportunity to express their perspectives through the double materiality analysis, which was translated into both Italian and English. Additionally, they have access to dedicated communication channels for reporting ethical violations. In the Republic of Moldova, no such vulnerable groups were identified. They have access to dedicated communication channels for reporting ethical violations. In the Republic of Moldova, no such groups have been identified.

Following the identification of relevant issues, Sphera Group **implements corrective measures and continuously monitors them** through evaluation sessions and regular feedback collection. These measures are supported by initiatives such as the "Leading with Heart" program, which promotes leadership based on effective behaviors and a collaborative work environment. Employees actively participate in the implementation of these measures by joining cross-functional working groups composed of representatives from various departments, including food safety, human resources, supply chain, and legal. These groups ensure the integration of sustainability topics into the organizational strategy and the consistent application of measures across all Group subsidiaries. In 2024, the results of the double materiality analysis formed the basis for the development of the ESG strategy (2025-2030), which will be introduced in the next reporting cycle. Additionally, every two years, Sphera Group conducts an employee satisfaction and well-being assessment. **The effectiveness of the implemented measures** is periodically evaluated through satisfaction surveys and feedback sessions, which are analyzed by management teams and the ESG Committee. This process ensures that applied measures remain relevant and effective in addressing employee needs and the operational context. Collected feedback is communicated to each team manager, who then develops an action plan to improve results. Thus, feedback is used to adjust existing strategies and measures, contributing to the continuous improvement of working conditions and overall performance. All employees, including vulnerable groups within the Group, were encouraged to participate in the 2024 survey.

As a result of the satisfaction survey, two initiatives were implemented in Romania. The first initiative involved identifying a new recruitment source to attract foreign citizens. The second initiative focused on employee well-being, with six seminars organized for all employees, covering topics such as psychological, physical, cybersecurity, and financial safety.

Responsibility for integrating employee perspectives into strategic decisions lies with the senior management team, the Human Resources Department, and the ESG Committee. These entities coordinate the employee collaboration process and ensure that its outcomes are reflected in the Group's strategic plans.

Currently, Sphera Group does not have a global framework agreement with worker representatives on human rights compliance; however, the company adheres to local legislation, international labor standards, and its own Code of Conduct.

Regarding migrant employees, Sphera collaborates with an external provider responsible for their recruitment and placement. The provider is required to confirm compliance with the Supplier Code of Conduct by signing it, ensuring adherence to ethical standards and proper working conditions for these employees.

6.2.3 S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns

According to the Code of Conduct, Sphera employees have multiple channels available to express their concerns or needs, including reporting potential violations of laws, regulations, or company policies. Examples of reported issues include discrimination, harassment, favoritism, wages, work schedules, workplace safety, handling of equipment, and hazardous materials. For such matters, employees are encouraged to contact the Human Resources department. Issues related to financial reporting, accounting, tax reporting, local legal requirements, and contract interpretation are addressed by the Legal department, while concerns regarding product quality and consumer protection are handled by the Quality Assurance department.

If employees wish to report a situation anonymously or confidentially, they can also use the Speak Up! integrity hotline, managed by an external specialized provider. Speak Up! offers professional assistance and anonymity options, ensuring the confidentiality of the reporter's identity. Each report is taken seriously and handled in accordance with Sphera's policies.

In situations involving potential violations of the Code of Conduct by senior employees, fraud, conflicts of interest, or other financial irregularities, the Legal Director must be informed immediately. The company encourages reporting in a professional context and protects individuals who make reports from any form of retaliation. Protection measures also apply to facilitators, third parties connected to the reporters, and associated legal entities.

Internal reporting procedures include secure channels for receiving reports, confirmation of receipt within a maximum of seven days (provided the whistleblower/reporter has shared their contact details), the designation of an impartial person or department to handle investigations, and reasonable feedback within a maximum of three months. Clear information on external reporting procedures is provided to employees to ensure compliance with legal regulations. Any form of retaliation against whistleblowers, threats of retaliation, or attempts at retaliation is strictly prohibited. These measures aim to create a safe, inclusive, and ethical work environment for all Sphera employees.

To ensure the effectiveness of corrective measures implemented following reports, Sphera continuously monitors the resolution process and evaluates its impact on the work environment. For example, reports received through the Speak Up! hotline are recorded in the Register of Whistleblower Reports, which is compiled annually. This register includes indicators such as the subject of the report, the whistleblower's contact details, the internal departments involved in the investigation, any subsequent applicable measures (if necessary), and the method of resolving the report. The register is communicated to the company's leadership annually or whenever a high-risk report is identified (e.g., allegations of bribery, financial fraud). Additionally, the Internal Reporting Procedure for Legal Violations is subject to review and updates whenever changes in applicable legal frameworks require it.

6.2.4 S1-4 –Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

To address significant impacts, both positive and negative, and to manage risks while leveraging opportunities related to the own workforce, as outlined in the Impact, Risks, and Opportunities (IROs) table presented in the section on Significant Impacts, Risks, and Opportunities and Their Interaction with the Strategy and Business Model (SBM-3) of this chapter, Sphera Group implements a set of dedicated measures and programs. These are detailed below for each identified material topic.

As with positive impacts, risks, or opportunities, the company identifies real or potential negative impacts on employees through the satisfaction survey, the double materiality analysis, and the monitoring of complaints. Based on this information, action plans are developed to eliminate or reduce negative impacts. The implemented measures are evaluated through satisfaction surveys, direct discussions with employees, and analysis of collected feedback, with results used for the continuous improvement of internal policies and working conditions.

Safe workplaces

Sphera Group is committed to creating safe and stable jobs that comply with best labor practices, aligning with both Romanian legal requirements and its social commitments. Job security and stability are recognized and valued by Sphera Group employees. Through implemented initiatives, the company supports employee well-being and ensures adequate protection.

In this regard, throughout 2024, the Group has continued to implement the following actions:

- Indefinite-term contracts and benefits packages

Sphera Group promotes indefinite-term employment as the standard for workforce stability. In this regard, the number of employees with indefinite-term contracts increased by 0.83% compared to 2023 (see S1-6), while the total number of employees grew by 0.61%.

This commitment is complemented by a benefits package tailored to the specific work norms of each subsidiary, designed to encourage employee loyalty and contribution.

In the Group's restaurants in Romania, the standard package includes meal vouchers worth 40 lei per worked day, paid leave for special occasions, an additional paid vacation day beyond the legal limit, scheduled salary increases after 3 months, 1 year, 2 years, and 5 years of employment, a loyalty bonus after one year of work, and an additional bonus for 10, 20, or 30 years of service. Christmas bonuses are also provided for employees' children under the age of 13. Additionally, in 2024, employees received Christmas and Easter bonuses, awarded according to the company's internal criteria.

In Italy, the benefits offered to KFC employees include access to a well-being platform that provides significant discounts and preferential agreements with various partner companies. Meal vouchers are also provided based on the number of worked days but are available exclusively for team leaders, general managers, and headquarters staff.

In the Republic of Moldova, the standard package for all restaurant employees includes meal vouchers worth 70 MDL per worked day for an 8-hour shift, paid leave for special occasions, and scheduled salary increases at 3 months, 1 year, 2 years, and 5 years of employment. Employees also receive a bonus for 10, 20, or 30 years of service, as well as Christmas bonuses for their children under 13 years old. In 2024, employees also received Christmas and Easter bonuses, in accordance with internal company criteria.

All Sphera Group employees (100%) are covered by collective labor agreements.

- Access to healthcare services and private insurance

In Romania, all employees benefit from state medical insurance, with mandatory salary contributions deducted accordingly. Depending on their hierarchical level, employees may also receive private health insurance subscriptions and policies covering major risks such as workplace accidents, disability, and death. These measures are essential for safeguarding employee well-being and complement Romania's occupational safety legislation (Law No. 319/2006 on Workplace Health and Safety).

In Italy, employees with indefinite-term contracts benefit from Fondo Est, a supplementary social protection system that provides additional medical treatments beyond those offered by the National Health Service.

KFC Moldova employees do not currently benefit from private health insurance or subscriptions.

- Support in special situations and relocation assistance

In cases of internal reorganization or the closure of specific units, Sphera Group ensures job continuity by providing relocation opportunities to other restaurants within its network. This approach helps employees to transition smoothly and provides support during periods of change. Relocation measures are available when necessary.

Through these measures, Sphera Group complies with local and international regulations, contributing to the creation of a safe and stable work environment for all employees.

In Romania, in 2024, Sphera Group allocated financial resources totaling approximately RON 124,219,119 in salary-related contributions (including social security, health insurance, and income tax deductions) and RON 47,091,155.05 in direct company expenses (such as disability fund contributions, taxes for seconded employees, in-kind benefits such as medical insurance and accommodation, meal vouchers, social security contributions, and workplace insurance contributions). Additionally, the Group allocates human resources (occupational safety teams, operational managers) and operational resources (training programs, protective equipment, monitoring systems) to ensure safe and stable workplaces.

In the long term, these initiatives will be integrated into the new ESG strategy for 2025-2030.

Measures against workplace violence and harassment

Sphera Group is committed to maintaining a safe, respectful, and inclusive work environment for its own workforce by preventing any form of workplace violence and harassment. This commitment is formalized through the Procedure for Preventing and Combating Discrimination, Intimidation, and Harassment within Sphera Franchise Group SA, US Food Network SA, American Restaurant System SA, US Food Network S.r.l., and California Fresh Flavors SRL. In this regard, the company implements a set of measures and actions aimed at protecting employees' rights and promoting ethical behavior in all professional interactions.

- Code of Conduct

Sphera Group has a Code of Conduct that establishes strict rules against workplace harassment and discrimination. It sets clear expectations regarding appropriate behaviors and prohibits any form of physical, verbal, or psychological harassment. All employees across the Group’s operational countries receive training to comply with these standards, and the Code of Conduct is periodically reviewed to reflect best practices.

The Group provides two support hotlines for employees and external individuals to report any cases of abuse, harassment, or inappropriate behavior. These hotlines are available 24/7 and ensure complete confidentiality, protecting employees and others who choose to report such incidents. Additionally, the Speak Up! Integrity Hotline allows employees and external stakeholders to report ethical or behavioral violations without fear of retaliation.

- Training and awareness sessions

In 2024, Sphera Group organized three online training sessions on preventing and combating discrimination, intimidation, and workplace harassment for all employees. These training sessions aim to increase awareness and foster an organizational culture based on respect and equality. Additional training sessions were held for team coordinators, ensuring they can correctly identify and address any form of discrimination, intimidation, or harassment.

The number of reported harassment cases was zero for the current reporting period. Sphera Group is committed to continuing these training sessions annually to maintain these results.

- Investigation and corrective measures

All reports related to violence or harassment are investigated with impartiality and confidentiality in accordance with the company's internal procedures. If a complaint is found to be substantiated, Sphera Group takes immediate corrective measures, which may include disciplinary sanctions, counseling, or other interventions aimed at restoring a healthy work environment. In addition, action plans are implemented to prevent similar incidents in the future.

- Promoting diversity and inclusion

Sphera Group is actively working to diversify its recruitment efforts, aiming to hire individuals from diverse communities, including vulnerable groups such as persons with disabilities or individuals from different ethnic backgrounds. In 2024, the Group's workforce included employees from over 30 nationalities, fostering diverse perspectives and promoting inclusion. Additionally, Sphera Group supports fundamental rights through its policies and practices, ensuring equal opportunities regardless of gender, age, race, ethnicity, sexual orientation, religion, or any other personal characteristic. The company is also actively committed to the principle of "equal pay for work of equal value." Furthermore, Sphera Group has signed the Romanian Diversity Charter, strengthening its commitment to non-discrimination and equal opportunities.

Confidentiality

We are committed to protecting employee data and adopting strict measures to ensure confidentiality. All information is managed in compliance with legal regulations, including the General Data Protection Regulation (GDPR). The company implements strict security measures to protect employees' personal data and maintain their trust.

- Principles of personal data protection

Sphera Group adheres to fundamental data protection principles, including lawfulness, fairness, and transparency in data processing. All personal data is collected and used exclusively for the specific purposes for which it was provided, and employees are clearly informed about how their data is managed.

- Data security

Sphera implements adequate security measures to protect personal data from unauthorized access, loss, or destruction. These measures include digital system protections and encryption of sensitive data, ensuring that employee information is safeguarded at the highest level.

- Employee rights regarding personal data

Sphera Group recognizes and facilitates employees' rights over their personal data, including the right to access, rectify, delete, transfer, and restrict processing. These rights are clearly communicated to employees, who can request additional information or actions regarding their personal data through the dedicated data protection contact.

- Reporting channels and transparency

To ensure transparency in data management, Sphera Group provides employees with access to internal policies and reporting channels for confidentiality breaches or other data protection concerns. Additionally, the Group has appointed a Data Protection Officer (DPO), who handles all inquiries and concerns related to employees' personal data processing. The DPO's contact information is available through various channels, including specific email addresses for each subsidiary within the Group.

- Confidentiality and ethics support lines

The Group provides multiple support lines for employees, including the Speak Up! Integrity Hotline, which also allows for the anonymous reporting of any confidentiality, ethics, or compliance violations. These support lines are available 24/7 and ensure the complete confidentiality of reports.

Health and safety

Throughout 2024, Sphera Group has implemented extensive measures to address workforce impacts, ensuring a safe and healthy work environment. While the company does not have a certified occupational health and safety management system (OHS), it conducts regular risk assessments, monitors equipment and technological installations, and implements concrete programs for continuous health and safety improvement.

Key actions undertaken include:

- Regular occupational health and safety (OHS) training: All employees receive annual training sessions, supplemented by additional training whenever legislative, technological, or equipment-related changes occur.
- Audits and risk assessments: Conducted periodically to identify potential hazards and develop preventive measures, reducing workplace risks.
- Energy@Sphera Program: Continues to support employees' emotional and mental health through seminars focused on personal development, stress management, mindfulness, financial education, and resilience.

The Occupational Health and Safety Committee (CSSM) oversees OHS activities, reviewing employee suggestions and investigating reported incidents, both internally and with external partners. For each incident, a specific action plan is developed and closely monitored by the management team. Additionally, training sessions are conducted periodically, including in special circumstances, such as returning after a prolonged absence or legislative changes.

Training and skills development

Sphera Group continuously invests in the training and development of its employees' skills, recognizing their importance in ensuring the company's long-term success. In 2024, a series of professional training and development programs were implemented, covering both technical skills and leadership and management competencies, ensuring that teams remain adaptable to rapid industry changes. Key initiatives include:

- Internal professional training programs

Certification and recertification programs: Employees working in restaurants undergo periodic certifications and recertifications upon hiring and on a recurring basis. These training sessions are tailored to specific job roles, focusing on acquiring knowledge, developing skills, and achieving performance objectives.

Hygiene courses: Employees in restaurants regularly participate in hygiene training in compliance with current regulations.

Technical and specialization courses: Employees have had access to training programs aimed at enhancing technical and operational skills specific to the industry, such as effective use of restaurant equipment and technology systems.

Periodic occupational health and safety (OHS) training: All employees participated in dedicated training sessions, in line with legal and internal requirements, to ensure a safe working environment. First-aid training is also conducted periodically. These sessions are supplemented with additional training as needed to align with legislative and technological changes.

- Leadership and management skills development

Leadership programs for restaurant managers: Specific training sessions were organized to enhance leadership skills, team management, and decision-making, aimed at improving team performance and optimizing restaurant operations.

Managerial skills training: Managers participated in personal and professional development sessions, covering topics such as performance evaluation, emotional intelligence, psychological safety, self-confidence, and team coaching.

- Continuous training, innovation, and digitalization programs

AC Unlock: A leadership and management development program designed for area managers, focusing on building leadership competencies.
4P (4 Pillars: People, Product, Place, Promo): A KFC management team program where each manager is responsible for one of the four strategic pillars for a period of 6-12 months. Launched in 2023, the program was expanded to all KFC restaurants in Romania in 2024.

- Performance evaluation and personalized development plans

Periodic performance evaluations: Every employee undergoes regular performance assessments, which help establish specific learning and development objectives. These evaluations are used to identify training needs, customize competency development programs, and inspire career progression.

- Additional initiatives

Self-Coaching vs Coaching Others: A module from the Fix Mindset vs Growth Mindset program, focusing on self-awareness and developing a growth mindset for both personal and team performance development.

Team Coaching: A module emphasizing how teams work in synergy, aligning perspectives toward shared goals while adopting effective behaviors.

Be a ROCC Star!: A KFC employee training program designed to enhance understanding and application of audit standards in restaurants, contributing to operational performance improvement.

In the 2025-2030 period, Sphera aims to implement specific actions to address each impact, risk, or opportunity identified in relation to previously mentioned material topics. At the time of publishing this Sustainability Statement, the Strategic Document is undergoing approval, and detailed information will be included in the 2025 sustainability statement

6.3 Indicators and targets

6.3.1 S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Currently, Sphera Group is in the process of establishing, monitoring, and reviewing targets, involving collaboration with its workforce in the following stages:

Setting targets

The establishment of strategic and operational targets is based on employee consultations, primarily conducted through a biennial satisfaction survey and the double materiality analysis. These tools provide valuable insights into employees' perceptions and needs, specifically:

- The satisfaction survey enables the evaluation of employee satisfaction regarding key aspects such as working conditions, work-life balance, professional development opportunities, and organizational climate. The responses offer a detailed perspective on employees' concerns and expectations, highlighting both strengths and areas requiring improvement.
- The double materiality analysis helps identify issues that employees also consider priorities and assess the company's impact on them, integrating their perspectives into the organization's overall strategy.

Based on the frequency and nature of reported situations, targets are formulated to address identified needs as much as possible.

For the 2025-2030 period, Sphera Group plans to further clarify its ESG targets.

Performance monitoring in relation to targets

Performance monitoring is primarily conducted by management teams through periodic assessments, which include the analysis of human resources indicators, employee feedback, and satisfaction survey results. These evaluations help identify areas that require improvements and allow for strategy adjustments.

Performance results are reviewed during internal sessions with management teams.

Sphera Group has set the following targets to address the impacts, risks, and opportunities related to its workforce:

- To reduce negative impacts on employees and enhance their satisfaction and well-being, Sphera Group has adopted the objective of achieving an 80% internal promotion rate for managerial roles in its restaurants by 2025. In 2023, this target was already met, and the company continues to implement skill development programs while closely monitoring internal human potential. The results achieved in 2024 demonstrate these efforts, with an internal promotion rate reaching 90%.
- To promote positive impacts on employees and uphold human rights, Sphera aims to be recognized as a "Preferred Employer", ensuring a non-discriminatory, diverse, and inclusive workplace. To this end, the company set a target for at least 2% of its workforce to be composed of individuals from vulnerable communities, persons with disabilities, and employees of diverse nationalities by 2023. In both 2023 and 2024, over 2% of total employees were recruited from vulnerable communities, diverse nationalities, or were persons with disabilities.

Progress towards achieving these targets is monitored through the analysis of periodic reports generated by HR systems.

Throughout 2024, Sphera Group has developed a new sustainability strategy for the 2025-2030 strategic period, setting commitments for reducing negative impacts, promoting positive impacts, and managing risks and opportunities related to its workforce. At the time of publishing this Sustainability Statement, the strategic document is under approval, and detailed information will be included in the 2025 Sustainability Statement.

6.3.2 S1-6 – Characteristics of the undertaking’s employees

SASB FB-RN-310a.1

According to Article 12 of the Labor Code, permanent employees refer to individuals with an open-ended individual employment contract. This type of contract provides employees with stability and all rights stipulated by labor legislation, including protection against unjustified dismissal, paid annual leave, and access to social benefits.

According to Article 83 of the Labor Code, temporary employees are those hired under a fixed-term individual employment contract, which can only be concluded under specific conditions, such as replacing a temporarily absent employee, seasonal work, or implementing a project with a set duration. This type of contract may have a maximum duration of 36 months and can be extended up to twice before it must be converted into a permanent contract.

Employees with non-guaranteed working hours are not defined in the Romanian Labor Code; therefore, this category is not applicable in Romania or Moldova. However, it is relevant in Italy, where such employees have variable working hours determined based on the employer’s needs while benefiting from the same rights and protections as other categories of employees.

Employee headcount as of 31.12.2024

KFC Romania		2023	2024
Number of employees with open-ended employment contracts	Women	2217	2207
	Men	1314	1403
	TOTAL	3531	3610
Number of employees with fixed-term employment contracts	Women	18	14
	Men	19	12
	TOTAL	37	26
Number of employees with non-guaranteed working hours	Women	N/A	N/A
	Men	N/A	N/A
	TOTAL	0	0
Total number of employees	Women	2235	2221
	Men	1333	1415
	TOTAL	**3568**	**3636**
KFC Italy		**2023**	**2024**
Number of employees with open-ended employment contracts	Women	129	134
	Men	109	115
	TOTAL	238	249
Number of employees with fixed-term employment contracts	Women	48	31
	Men	40	37
	TOTAL	88	68
Number of employees with non-guaranteed working hours	Women	33	39
	Men	59	48
	TOTAL	92	87
Total number of employees	Women	210	204
	Men	208	200
	TOTAL	**418**	**404**
KFC Moldova		**2023**	**2024**
Number of employees with open-ended employment contracts	Women	53	63
	Men	28	45
	TOTAL	81	108
Number of employees with fixed-term employment contracts	Women	0	0
	Men	0	0
	TOTAL	0	0
Number of employees with non-guaranteed working hours	Women	N/A	N/A
	Men	N/A	N/A
	TOTAL	0	0
Total number of employees	Women	53	63
	Men	28	45
	TOTAL	**81**	**108**

Taco Bell		2023	2024
Number of employees with open-ended employment contracts	Women	168	172
	Men	153	171
	TOTAL	321	343
	Women	1	1

Number of employees with fixed-term employment contracts	Men	0	0
	TOTAL	1	1
Number of employees with non-guaranteed working hours	Women	N/A	N/A
	Men	N/A	N/A
	TOTAL	0	0
Total number of employees	Women	169	173
	Men	153	171
	TOTAL	**322**	**344**
Pizza Hut		**2023**	**2024**
Number of employees with open-ended employment contracts	Women	294	256
	Men	236	203
	TOTAL	530	459
Number of employees with fixed-term employment contracts	Women	2	1
	Men	6	2
	TOTAL	8	3
Number of employees with non-guaranteed working hours	Women	N/A	N/A
	Men	N/A	N/A
	TOTAL	0	0
Total number of employees	Women	296	257
	Men	242	205
	TOTAL	**538**	**462**
Sphera Franchise Group S.A.		**2023**	**2024**
Number of employees with open-ended employment contracts	Women	108	104
	Men	60	57
	TOTAL	168	161
Number of employees with fixed-term employment contracts	Women	0	1
	Men	1	1
	TOTAL	1	2
Number of employees with non-guaranteed working hours	Women	N/A	N/A
	Men	N/A	N/A
	TOTAL	0	0
Total number of employees	Women	108	105
	Men	61	58
	TOTAL	**169**	**163**
Total		**2023**	**2024**
Total number of employees	**Women**	**3071**	**3023**
	Men	**2025**	**2094**
	TOTAL	**5096**	**5117**

Breakdown of full-time and part-time employees by subsidiary and gender			
KFC Romania		**2023**	**2024**
Number of full-time employees	Women	1933	1941
	Men	1078	1113
	TOTAL	3011	3054
Number of part-time employees	Women	302	280
	Men	255	302
	TOTAL	557	582

KFC Moldova		2023	2024
Number of full-time employees	Women	37	38
	Men	7	15
	TOTAL	44	53
Number of part-time employees	Women	16	25
	Men	21	30
	TOTAL	37	55
KFC Italy		**2023**	**2024**
Number of full-time employees	Women	50	44
	Men	63	51
	TOTAL	113	95
Number of part-time employees	Women	127	160
	Men	86	149
	TOTAL	213	309
Taco Bell		**2023**	**2024**
Number of full-time employees	Women	127	133
	Men	109	111
	TOTAL	236	244
Number of part-time employees	Women	42	40
	Men	44	60
	TOTAL	86	100
Pizza Hut		**2023**	**2024**
Number of full-time employees	Women	256	219
	Men	192	154
	TOTAL	448	373
Number of part-time employees	Women	40	38
	Men	50	51
	TOTAL	90	89
Sphera Franchise Group S.A.		**2023**	**2024**
Number of full-time employees	Women	104	102
	Men	55	53
	TOTAL	159	155
Number of part-time employees	Women	4	3
	Men	6	5
	TOTAL	10	8
Total		**2023**	**2024**
Number of full-time employees	Women	2507	2477
	Men	1504	1497
	TOTAL	**4011**	**3974**
Number of part-time employees	Women	531	546
	Men	462	597
	TOTAL	**993**	**1143**

Considering the specific nature of the sector in which Sphera Group operates – characterized by a highly competitive labor market and increasing unfair competition practices – the Group considers that publishing the turnover rate could create a competitive disadvantage. This indicator will be included in a future report once other industry competitors begin to disclose it.

However, to ensure transparency regarding workforce dynamics, we report both voluntary and involuntary employee turnover rates, as detailed in the table below.

	Employee turnover rate (voluntary)		Employee turnover rate (involuntary)	
	2023	2024	2023	2024
KFC Romania	83%	85%	17%	15%
KFC Moldova	100%	100%	0%	0%
KFC Italy	75%	76%	25%	24%
Taco Bell	89%	88%	11%	12%
Pizza Hut	91%	88%	9%	12%
Sphera Franchise Group	94%	95%	6%	5%

For the voluntary turnover rate, the numerator is determined by quantifying the total number of employees who voluntarily left the organization during the reporting period. The denominator is determined by quantifying the total number of employees who left the organization during the reporting period.

For the involuntary turnover rate, the numerator is determined by quantifying the total number of employees who left the organization due to dismissal, retirement, or death during the reporting period. The denominator is determined by quantifying the total number of employees who left the organization during the reporting period.

6.3.3 S1-7 – Characteristics of non-employees in the undertaking's own workforce

Within the organizational structure of Sphera Group, there are three individuals who are not employees but whose professional activities are controlled by the organization. These are independent contractors with whom Sphera Franchise Group SA has signed service agreements.

Additionally, in Romania, 42 individuals have been provided by third-party partners, working in KFC Romania and Taco Bell restaurants.

At the same time, in KFC Italy, there were 11 workers supplied by an enterprise engaged in employment services.

The number of non-salaried workers is reported as the headcount as of December 31, 2024.

Information on non-salaried workers		Year	
KFC Romania		**2023**	**2024**
Number of individuals engaged in independent activities	Women	-	-
	Men	-	-
Number of individuals provided by enterprises primarily engaged in employment services	Women	-	-
	Men	48	33
Number of non-salaried workers	**Women**	**-**	**-**
	Men	**48**	**33**
	TOTAL	**48**	**33**

KFC Italy		2023	2024
Number of individuals engaged in independent activities	Women		-
	Men		-
Number of individuals provided by enterprises primarily engaged in employment services	Women		8
	Men		4
Number of non-salaried workers	**Women**	**-**	**8**
	Men	**-**	**4**
	TOTAL	**-**	**12**
KFC Moldova		**2023**	**2024**
Number of individuals engaged in independent activities	Women	-	-
	Men	-	-
Number of individuals provided by enterprises primarily engaged in employment services	Women	-	-
	Men	-	-
Number of non-salaried workers	**Women**	**-**	**-**
	Men	**-**	**-**
	TOTAL	**-**	**-**
Taco Bell		**2023**	**2024**
Number of individuals engaged in independent activities	Women	-	-
	Men	-	-
Number of individuals provided by enterprises primarily engaged in employment services	Women	-	-
	Men	-	9
Number of non-salaried workers	**Women**	**-**	**-**
	Men	**-**	**9**
	TOTAL	**-**	**9**
Pizza Hut		**2023**	**2024**
Number of individuals engaged in independent activities	Women	-	-
	Men	-	-
Number of individuals provided by enterprises primarily engaged in employment services	Women	-	-
	Men	-	-
Number of non-salaried workers	**Women**	**-**	**-**
	Men	**-**	**-**
	TOTAL	**-**	**-**
Sphera Franchise Group S.A.		**2023**	**2024**
Number of individuals engaged in independent activities	Women	1.0	1.0
	Men	1.0	2.0
Number of individuals provided by enterprises primarily engaged in employment services	Women	-	-
	Men	-	-
Number of non-salaried workers	**Women**	**1.0**	**1.0**
	Men	**1.0**	**2.0**
	TOTAL	**2.0**	**3.0**

6.3.4 S1-9 – Diversity metrics

Sphera Group recognizes that diversity brings new perspectives, fosters innovation, and contributes to a richer and more dynamic work environment. Therefore, it is committed to respecting and promoting human rights and equal opportunities for all employees, regardless of gender, age, ethnic origin, religion, sexual orientation, gender identity, or any other personal characteristic. We value a diverse workplace and provide equal opportunities for all employees.

Senior management consists of individuals holding management positions within Sphera Group. These individuals operate under mandate contracts and, according to the ESRS definition, are not considered part of the company's own workforce, as they are neither employees nor non-salaried workers. However, given their influence on the company's strategy and organizational culture, we consider it relevant to report on their diversity.

Table 66 a) Gender distribution in terms of number and percentage at the senior management level.

Gender distribution at the management level				
Number of employees at the senior management level, by gender	2023	Female	1	14%
		Male	6	86%
		TOTAL	7	
Number of employees at the senior management level, by age	2024	Female	1	14%
		Male	6	86%
		TOTAL	7	

Age distribution among employees			
KFC Romania		Number	Percentage
Number of employees under 30 years old	2023	1933	54.78%
	2024	1974	54.29%
Number of employees aged between 30 and 50 years	2023	1283	35.48%
	2024	1271	34.96%
Number of employees over 50 years old	2023	352	9.73%
	2024	391	10.75%
KFC Italy		Number	Percentage
Number of employees under 30 years old	2023	251	60.05%
	2024	245	60.64%
Number of employees aged between 30 and 50 years	2023	162	38.76%
	2024	154	38.12%
Number of employees over 50 years old	2023	5	1.20%
	2024	5	1.24%

12Age distribution among employees			
KFC Moldova*		Number	Percentage
Number of employees under 30 years old	2023	65	77.78%
	2024	83	76.85%
Number of employees aged between 30 and 50 years	2023	12	16.67%
	2024	22	20.37%
	2023	4	5.56%

Number of employees over 50 years old	**2024**	3	2.78%
Taco Bell		**Number**	**Percentage**
Number of employees under 30 years old	**2023**	248	77.02%
	2024	268	77.91%
Number of employees aged between 30 and 50 years	**2023**	68	21.12%
	2024	72	20.93%
Number of employees over 50 years old	**2023**	6	1.86%
	2024	4	1.16%
Pizza Hut		**Number**	**Percentage**
Number of employees under 30 years old	**2023**	285	52.97%
	2024	223	48.27%
Number of employees aged between 30 and 50 years	**2023**	207	38.48%
	2024	195	42.21%
Number of employees over 50 years old	**2023**	46	8.55%
	2024	44	9.52%
Sphera Franchise Group S.A.		**Number**	**Percentage**
Number of employees under 30 years old	**2023**	20	11.83%
	2024	22	13.50%
Number of employees aged between 30 and 50 years	**2023**	105	62.13%
	2024	96	58.90%
Number of employees over 50 years old	**2023**	44	26.04%
	2024	45	27.61%

S1-10 – Adequate wages

SASB FB-RN-310a.2

Sphera Group applies the principle of equal pay for work of equal value.

The Group ensures that all its employees receive a compensation level at least equal to or higher than the national minimum wage, as established by the legislation in each country where it operates – Romania, Italy, and the Republic of Moldova.

Sphera Group is committed to maintaining a fair working environment and complying with legal regulations regarding employee wages.

Ratio of gross entry-level salary to the national gross minimum wage during the reporting period:

	2023	January - March 2024	April – June 2024	July – December 2024
KFC Romania	112%	112%	119%	106%

Pizza Hut	111%	110%	117%	105%
Taco Bell	112%	112%	119%	106%
KFC Moldova	181%	161%	161%	161%
KFC Italy	100%	100%	100%	100%

6.3.5 S1-11 – Social protection

Sphera Group implements measures to ensure the social protection of its employees, either through participation in public social protection programs or through internal initiatives.

- Illness

All employees of the Group have access to national healthcare systems, in accordance with the applicable legislation in Romania, Italy, and the Republic of Moldova. Employees are entitled to free or subsidized medical care and can access public healthcare services for treatments and consultations, with social contributions covered by the company.

- Unemployment

Protection against the risk of unemployment is guaranteed for all employees of the Group through contributions to public unemployment funds specific to each country in which the company operates. From the moment of employment, all workers are registered in these systems, providing them financial assistance in case of job loss.

- Workplace injury and acquired disability

In cases where an employee suffers a workplace injury or acquires a disability, protection is ensured through contributions to national social insurance systems. These systems provide financial coverage and rehabilitation support, in accordance with national regulations.

- Parental leave

All employees are entitled to paid parental leave in compliance with national legislation. The company adheres to country-specific regulations regarding the duration of parental leave and supports employees during this phase by implementing measures that ensure job stability upon their return.

- Retirement

All employees of the Group are enrolled in the public pension systems of the countries where the company operates. Through employer contributions, employees are guaranteed social protection upon retirement, benefiting from long-term financial support.

6.3.6 S1-12 – Persons with disabilities

Sphera Group employs and supports individuals with disabilities, ensuring adapted working conditions and equal opportunities for professional development.

As of December 31, 2024, the total number of employees with disabilities within Sphera Group is 40.

Table 79. Percentage of employees with disabilities subject to legal restrictions on data collection for 2024.

Percentage of employees with disabilities subject to legal data collection restrictions		
Sphera Franchise Group S.A.		0%
KFC Romania		0%
KFC Moldova		0%
KFC Italy	Women	4.41%
	Men	3.00%
Taco Bell		0%
Pizza HUT		0%

According to Italian legislation, individuals with disabilities are protected by specific restrictions certified by the National Institute of Social Insurance.

6.3.7 S1-13 – Training and skills development metrics

Professional training and skills development are essential for employee growth and retention within Sphera Group. Through training and evaluation programs, the Group ensures the continuous development of its workforce's skills, aligning them with the organization's operational and strategic requirements.

This section details the level of participation in performance evaluation and career development processes, as well as the average number of training hours. The data is structured according to ESRS requirements and includes relevant breakdowns, reflecting Sphera Group's commitment to professional growth and the continuous improvement of its teams' skills.

The data presented in section S1-13 also includes a breakdown by roles, covering senior management members, who, according to ESRS definitions, are neither classified as employees nor as non-salaried workers, as they collaborate with Sphera Group under mandate contracts.

The evaluation of restaurant workers within Sphera Group begins after the three-month probation period and is conducted monthly. For all other employees of Sphera Group, evaluations are carried out annually.

The percentages presented in the tables below refer to the active workforce as of December 31, 2024, including senior management members.

Number of employees who participated in periodic performance and career development evaluations*			
KFC Romania	Female	1918	86%

	Male	1100	78%
	TOTAL	3018	83%
KFC Italy	Female	55	27%
	Male	47	24%
	TOTAL	102	25%
KFC Moldova	Female	54	86%
	Male	40	89%
	TOTAL	94	87%
Taco Bell	Female	134	77%
	Male	120	70%
	TOTAL	254	74%
Pizza Hut	Female	219	85%
	Male	164	80%
	TOTAL	383	83%
Sphera Franchise Group S.A.	Female	105	100%
	Male	56	97%
	TOTAL	161	99%

*Includes middle management and workers

Performance evaluation and career development within Sphera Group							
		Sphera Franchise Group S.A.	**KFC Romania**	**Taco Bell**	**Pizza Hut**	**KFC Italy**	**KFC Moldova**
Senior management*	Total number	3	1	n/a	1	1	1
	Evaluated (%)	100%	100%	n/a	100%	100%	0%
Middle management	Total number	8	597	77	115	101	2
	Evaluated (%)	100%	99,2%	98,7%	100%	100%	50%
Workers	Total number	155	3039	267	347	0	106
	Evaluated (%)	99%	80%	67%	77%	0	88%

*Senior management collaborates under mandate contracts

In terms of employee professional development, Sphera Group applies a specialized strategy tailored to its operations, where the number of training hours gradually decreases as employees gain more experience within the team. For restaurant employees, the allocated training hours are higher in the initial phase of their employment. In the case of Sphera Franchise Group SA, the annual training hours presented in the table below primarily focus on mandatory training sessions for knowledge updates.

The total training hours and the average number of training hours, broken down by gender and employee categories, have been calculated based on the total number of employees/non-salaried workers as of December 31, 2024, and the number of completed training hours.

At the Sphera Group level, a total of 144,599.8 training hours were recorded, in addition to 24,786 training hours provided to employees in Romania through open training sessions, where it was not possible to track participant categories.

Average number of training hours per employee by gender		KFC Romania	Taco Bell	Pizza Hut	Sphera Franchise Group S.A.	KFC Italy	KFC Moldova
Female	average	26.39	49.26	25.95	7.24	25.33	25.22
	total	58,604.5	8,521.5	6,669.5	760.5	5,167.4	1,589
Male	average	30.84	35.62	29.09	3.10	26.66	46.18
	total	43,641	6,091.5	5,963	180	5,333.9	2,078
Overall average per employee		**28.12**	**42.84**	**27.35**	**5.85**	**25.99**	**33.95**
Total training hours		**102,245.5**	**14,613**	**12.632,5**	**940.5**	**10,501.3**	**3,667**

Average number of training hours per employee by employee category		Sphera Franchise Group S.A	KFC Romania	Taco Bell	Pizza HUT	KFC Italy	KFC Moldova
Middle management	average	6.50	61.46	89.66	54.25	29.8	720.00
	total	**52.00**	**36,694.00**	**6,904.00**	**6,238.50**	**2,890.5**	**1,440.00**
Workers	average	5.73	21.57	28.87	18.43	26.06	21.01
	total	**888.5**	**65,551.5**	**7,709**	**6,394**	**8,260.8**	**2,227**

Percentage of non-salaried workers who participated in regular performance evaluations and career development	KFC Romania	Taco Bell	Pizza HUT	Sphera Franchise Group S.A.	KFC Italy	KFC Moldova
Female	n/a	n/a	n/a	100%	0%	n/a
Male	100%	100%	n/a	100%	0%	n/a
TOTAL	**100%**	**100%**	**n/a**	**100%**	**0%**	**n/a**

Training hours for non-salaried workers, by gender		KFC Romania	Taco Bell	Pizza HUT	Sphera Franchise Group S.A.	KFC Italy	KFC Moldova
Female	average	n/a	n/a	n/a	5.00	25.71	n/a
	total	n/a	n/a	n/a	5	205.67	n/a
Male	average	80.00	80.00	n/a	5.00	26.94	n/a
	total	2,640	720	n/a	10	107.76	n/a
Average per employee		**80.00**	**80.00**	**n/a**	**5.00**	**26.12**	**n/a**

Total training hours	**2,640**	**720**	n/a	**15**	**313.42**	n/a

6.3.8 S1-14 – Health and safety metrics

Sphera Group ensures full compliance with legal occupational health and safety requirements across all its operations in Romania, Italy, and the Republic of Moldova.

During the reporting period, one (1) case of occupational illness was reported. The most common workplace accidents included sprains, bruises, and other minor injuries. These incidents were promptly managed according to internal safety procedures. Additionally, no fatalities were recorded at any company sites within the Group.

In 2024, Sphera Group did not provide direct home delivery services, relying exclusively on external partners.

All employees and non-salaried workers within Sphera Group were covered by the Group's health and safety management system.

The workplace accident rate was calculated by dividing the total number of accidents by the total number of hours worked by the company's own workforce, then multiplying by 1,000,000.

Health and safety indicators for employees	KFC Romania	Taco Bell	Pizza HUT	Sphera Franchise Group S.A.	KFC Italy	KFC Moldova	Total Sphera Group
Number of recordable work-related accidents	29	1	6	0	14	1	51
Rate of recordable work-related accidents	5,057	2,061	7,900	0	28,916	6,630	6,697
Number of cases of recordable work-related ill health	1	0	0	0	0	0	1
Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	34	0	179	0	132	15	360
Number of fatalities as a result of work-related injuries and work-related ill health	0	0	0	0	0	0	0

Health and safety indicators for non-salaried workers	KFC Romania	Taco Bell	Pizza HUT	Sphera Franchise Group S.A.	KFC Italy	KFC Moldova	Total Sphera Group
Number of recordable work-related accidents	1	0	0	0	0	0	1
Rate of recordable work-related accidents	9,806	0	0	0	0	0	9,806
Number of cases of recordable work-related ill health	0	0	0	0	0	0	0
Number of fatalities as a result of work-related injuries and work-related ill health	0	0	0	0	0	0	0

6.3.9 S1-17 – Incidents, complaints, and severe human rights impacts

SASB FB-RN-310a.3

During the reporting period, an external petition was submitted to the National Council for Combating Discrimination (CNCD) against US Food Network SA, concerning a candidate's dissatisfaction with how they were treated during the selection process. This case is still under CNCD review, with all involved parties submitting the required documents and evidence.

Additionally, in 2024, there were no financial losses resulting from legal proceedings related to workplace discrimination or violations of labor laws.

Information on incidents, complaints, and serious human rights impacts during the reporting period						
	KFC Romania	KFC Italy	KFC Moldova	Taco Bell	Pizza Hut	Sphera Franchise Group S.A.
Total number of discrimination incidents (including harassment)	0	0	0	0	0	0
Number of complaints submitted through channels available to own workforce (including grievance mechanisms)	0	0	0	0	0	0
Number of complaints filed with national contact points for OECD multinational enterprises	0	0	0	0	0	0
Total amount of financial fines, penalties, and compensation for damages due to violations of social factors and human rights	0	0	0	0	0	0

Ernst & Young Assurance Services S.R.L.
28 MAR. 2025
Signed for identification
Semnat pentru identificare

7 ESRS S4 – Consumers and end-users

7.1 Strategy

7.1.1 ESRS 2 SBM-3 - Significant impacts, risks, and opportunities and their interaction with strategy and business model

Consumers represent a key stakeholder category for the Sphera Group, as they are the downstream entities that directly interact with the company's products and services through the KFC, Pizza Hut, and Taco Bell brands.

As part of the double materiality analysis conducted in accordance with ESRS, short, medium, and long-term positive and negative impacts on consumers were assessed. This evaluation contributed to identifying associated risks and opportunities, as well as to adapting business strategies to meet consumer needs and concerns. The Sphera Group acknowledges the importance of consumer and end-user impacts and integrates them into its strategic decision-making processes. The development process of the new ESG strategy, initiated at the end of 2024 and planned for approval in 2025, also considered material topics identified as relevant to consumers.

Among the significant identified risks, failure to meet quality standards and lack of transparency are considered critical, as they can lead to loss of customer trust, decreased sales, and regulatory sanctions from authorities such as Consumer Protection. Additionally, costs associated with handling complaints and reputational crises may pose further challenges for the company.

To minimize negative impacts and enhance customer trust, the Group implements proactive measures regarding food safety, nutritional transparency, and consumer data protection.

The Group pays particular attention to consumer categories that may be significantly affected, including:

- **Vulnerable consumers**, such as children and young people, who may be influenced by marketing strategies. The Group ensures transparency in labeling and promotes strict ethical standards to protect them. In accordance with the Responsible Marketing Policy, Sphera Group does not directly target children under 15 years old and avoids broadcasting marketing materials in environments frequently attended by them, such as schools or child-dedicated media platforms.
- **Consumers who rely on clear product information**, through labels and disclosures regarding content, including nutritional information, to minimize the risks of improper product use. The Group provides information about ingredients and nutritional content both in restaurants (printed materials displayed at cash registers and digitally through Kiosk ordering tools) and on the individual websites of each brand within the Sphera Group portfolio, in dedicated sections.
- **Digital consumers**, who use online ordering applications and digital platforms and are exposed to data privacy risks. The Group applies a data protection policy aligned with GDPR requirements, ensuring that customer information is responsibly used and protected against unauthorized access.

Negative impacts on consumers may be:

- **Systemic**, such as the contribution of repeated consumption of high-calorie foods to global health issues like obesity. To address this, the Group promotes healthier and more transparent options and provides clear information about product composition. Additionally, adherence to responsible marketing policies helps strengthen consumer trust and prevent reputational crises.
- **Individual**, such as isolated incidents related to food safety or complaints about product quality, which are managed through feedback systems and strict audits. Food safety is a priority for the Group, as it directly impacts consumer trust and loyalty. Lack of quality control may lead to contamination risks, customer complaints, and damage to the company's reputation.

Sphera Group is dependent on consumers for its operational and financial success, and changes in consumer behavior can significantly impact the company's performance. Growing concerns regarding nutrition and health create a continuous need for product portfolio innovation, while consumer trust in food safety and ethical standards influences the Group's reputation. Additionally, the digitalization of the ordering process and increased preference for fast services make digital experience and data protection critical for maintaining customer loyalty. These dependencies generate both risks and opportunities, which the Group manages through continuous product improvement strategies, transparency, and adaptation to consumption trends.

Sphera Group's strategy is built around the implementation of strict food safety and quality standards, in compliance with Yum! Brands' requirements and other national and international regulations. The Group also continuously monitors consumer feedback through the GES (Guest Experience Survey) and PARTOO platforms, which enable the rapid identification of issues and ongoing improvement of products and services.

Furthermore, Sphera Group recognizes the opportunities arising from increasing consumer loyalty and diversifying products to address sustainability and health concerns. The introduction of healthier and more sustainable options, along with ensuring an ethical supply chain, contributes to strengthening the Group's reputation and enhancing its market appeal.

Below are the key impacts, risks, and opportunities identified as part of the double materiality analysis.

Material Sub-theme and Material Sub-sub-theme	Impact location	Type	Impact source	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Impacts Related to Consumer and/or End-user Information Confidentiality	Own activity and downstream	M	B	A, P	Increasing consumer trust by ensuring the protection and security of their personal data, contributing to transparency and a safe and responsible experience.	A,P	Failure to implement effective data protection measures may lead to privacy breaches, complaints, and loss of consumer trust.	-	-
Access to (quality) information	Own activity and downstream	M, F	B	A, P	Providing clear and accessible product information helps consumers make informed decisions. Transparency and accessibility through an intuitive website that offers updated information facilitate consumer access to relevant resources. Optimizing consumer experience through the digital GES (Guest Experience Survey) platform, which allows feedback collection and evaluation of customer satisfaction.	-	-	-	Providing detailed and accessible information contributes to an enhanced consumer experience and strengthens their loyalty, improving the company's image.
Personal Safety of Consumers and/or End-Users Health and Safety	Own activity and downstream	M, F	B	A, P	The Group strengthens customer trust by implementing quality and food safety control measures to protect consumers.	A, P	Poor quality and food safety control can have a negative impact, affecting customer safety and well-being.	-	Implementing strict quality and food safety procedures increases customer satisfaction and loyalty and can enhance the organization's reputation.
Social Inclusion of Consumers and/or End-Users Responsible Marketing Practices	Own activity and downstream	M, F	B	A, P	Adopting responsible marketing prevents misinformation and the negative influence of consumer behavior, contributing to increased awareness of food choices.	A, P	Irresponsible marketing practices can negatively influence consumer eating habits, especially among vulnerable groups, and lead to a loss of customer trust.	Irresponsible marketing may result in legal sanctions, additional costs associated with handling consumer complaints, decreased customer loyalty, and reputational losses.	Implementing responsible marketing practices strengthens market positioning and attracts new customer segments.

Legend:
Impact Type: F = Financial impact, M = Material impact, MF = Material and financial impact

Time Horizon: A = Current impact (reporting year), P = Potential impact (medium and long term)
Origin of impact: S = impact originating from strategy and business model, B = impact supporting the strategy

7.2 Managing impacts, risks, and opportunities

7.2.1 S4-1 – Policies related to consumers and end-users

Sphera Group has implemented policies to manage significant impacts, risks, and opportunities related to consumers and end-users. Although these policies do not explicitly mention alignment with the United Nations (UN) Guiding Principles on Business and Human Rights, the company ensures their application by integrating responsible practices and complying with relevant international standards in its relationship with consumers. These policies address both specific consumer groups (when applicable) and all consumers and end-users:

- **The Responsible Marketing Policy** defines guidelines and recommended actions for responsible and fair marketing, with a primary focus on transparency, integrity, and consumer protection, particularly for vulnerable groups such as children. It serves as a guide for the Group's marketing and communication activities, emphasizing a commitment to environmental and social well-being. The Responsible Marketing Policy applies to all promotional activities carried out by Sphera Franchise Group and its subsidiaries, covering all brands in its portfolio and regulating all communication channels used for product promotion. It ensures ethical and transparent marketing, prevents misleading commercial practices, protects vulnerable consumers by prohibiting advertising targeted at children under 15, and restricts advertising near schools or other educational institutions. Additionally, the policy promotes inclusion and diversity, avoids gender stereotypes and content that could offend social groups, and respects parental authority by preventing marketing strategies that could undermine parental decisions. Through this policy, Sphera Group manages consumer exposure to advertising, data protection, and access to relevant product information. By regulating how commercial messages are communicated, the Group mitigates the risks associated with misinformation and the negative influence on consumption habits, thereby fostering a more responsible relationship with consumers.

  Monitoring the implementation of this policy is carried out through internal control mechanisms, such as the supervision of marketing materials, consumer feedback evaluation, and compliance analysis with applicable regulations.

  The Responsible Marketing Policy is approved and overseen by the Board of Directors. The Marketing and Communication Department is responsible for its implementation, ensuring that all promotional activities comply with policy provisions. This department collaborates with the Legal Department, which monitors compliance with applicable regulations. Sphera Group aligns its responsible marketing policy with consumer protection and commercial practice regulations, as well as the requirements set by the Yum! franchisor. When developing the policy, Sphera considered the interests and needs of key stakeholders, including consumers, regulatory authorities, business partners, and internal marketing and compliance teams.

  The Responsible Marketing Policy is public and accessible on the official website of Sphera Group, available to consumers and other stakeholders.

- **The Information Security Policy** establishes fundamental principles for protecting the integrity, confidentiality, and availability of information used within the Group. This policy manages risks such as unauthorized access to data, cyberattacks, loss of critical information, and non-compliance with applicable regulations. Opportunities generated by its implementation include enhancing the organization's reputation, increasing customer and partner trust, and improving operational continuity through effective information security management. Sphera Group's Information Security Policy is relevant to the protection of consumers and end-users, ensuring the confidentiality and integrity of their data. In an industry where digital transactions and online ordering platforms are increasingly prevalent, information security is crucial for maintaining consumer trust and preventing risks associated with unauthorized data use. Monitoring policy implementation is conducted through internal audits and security tests, which help identify and address vulnerabilities.

The policy applies to all employees, collaborators, and service providers with access to Sphera Group's IT systems and managed data. It covers all collected, processed, and stored information within the organization, including consumer and/or end-user data where applicable, regardless of format – digital or printed. It also includes IT&C infrastructure protection, cybersecurity measures, and business continuity planning in case of major incidents. The Information Security Policy is approved and supervised by the Board of Directors. The IT&C Department is responsible for implementing technical and administrative measures to protect IT systems, while the Legal Department ensures compliance with applicable regulations and manages compliance risks. All employees and collaborators are required to adhere to the policy's requirements and report any security incidents.

The Information Security Policy aligns with international standards and applicable regulations, such as ISO/IEC 27001:2013 for information security management, ISO/IEC 27002:2018 for best practices in information security, and the General Data Protection Regulation (GDPR).

The policy is communicated internally to all employees through training sessions and internal communication platforms. For external parties, it is implemented through contractual provisions that require suppliers to meet Sphera Group's security standards. Any significant policy changes are communicated through official updates and notifications to employees and partners.

- **The Data Protection Policy** of Sphera Franchise Group Sphera SA and its subsidiaries outlines the processes and procedures implemented to comply with European data protection legislation, including consumer and/or end-user data. It is based on principles such as lawfulness, fairness, transparency, purpose limitation, data minimization, accuracy, data retention, security, international transfers, individual rights, and accountability. For more details, refer to the Governance section.
- **The Code of Conduct** states that all customers are treated equally, without any form of discrimination. For more details, refer to the Governance section.
- **The Genetically Modified Foods Policy** of Sphera Group reflects its commitment to complying with all applicable government regulations regarding genetically modified organisms (GMOs) in the markets where it operates. Given the global differences in risk perceptions and different countries' regulatory approaches to GMOs, the Group ensures compliance with local legal requirements and adapts to the specificities of each market. By adhering to these regulations, the Group ensures transparency in GMO-related communications and supports consumer and end-user access to food products that meet food safety standards. Monitoring of this policy is carried out through compliance with all applicable governmental regulations in each market where Sphera Group operates. The policy is approved and supervised by the Board of Directors, which ensures its alignment with strategic requirements and applicable regulations. Responsibility for its implementation falls on the Procurement and Quality teams, which monitor GMO-related legal compliance and collaborate with suppliers to ensure product conformity. In developing this policy, Sphera Group considered consumer perceptions of GMOs and the regulatory requirements set by authorities in each country. The policy is public and available on the Group's website, accessible to consumers, partners, and other stakeholders.

In addition to these policies, KFC has an internal procedure for handling customer complaints, which defines the process for recording, analyzing, addressing, and resolving received complaints.

Consumer-related risks include failure to meet quality standards and lack of transparency, which can lead to loss of trust and declining sales. Misleading advertising may result in litigation and legal sanctions. On the other hand, opportunities include increasing customer satisfaction and loyalty by providing clear and high-quality information, as well as improving the company's reputation and avoiding fines through the implementation of responsible marketing practices.

Sphera Group does not have a dedicated formal mechanism for monitoring compliance with the UN Guiding Principles, the ILO Declaration, or the OECD Guidelines, but it seeks to uphold human rights by working with consumers and end-users and implementing measures to ensure and remediate human rights impact. According to the Code of Conduct, Sphera Franchise Group and its subsidiaries respect, support, and promote human rights, including through diversity and equal treatment of all customers. Therefore, all customers are treated equally, and discrimination based on race, color, belief, religion, sex (including pregnancy, childbirth, and related medical conditions), age, mental or physical disability, medical condition, genetic information, sexual orientation, gender identity, gender expression, national origin, ancestry, citizenship, political affiliation, marital status, military or veteran status, or any other legally protected status is strictly prohibited.

Sphera Group interacts with consumers through feedback mechanisms such as the Guest Experience Survey (GES) and customer complaint monitoring systems. Additionally, the Responsible Marketing Policy ensures the protection of vulnerable consumers, including children, by restricting advertising and using transparent messaging. Communication about consumer rights is conducted through official channels, such as subsidiary websites, informational materials, and clear product labeling. Sphera Group has a formal internal procedure for resolving customer complaints, ensuring the identification and resolution of issues related to consumer treatment. Any report concerning human rights, improper treatment, or consumer discrimination is investigated following internal compliance procedures.

During the reporting period, no cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, or the OECD Guidelines for Multinational Enterprises were identified in relation to consumers and/or end-users in the Group's downstream value chain.

7.2.2 2.2.2 S4-2 – Processes for engaging with consumers and end-users about impacts

Collaboration with consumers occurs directly through the dedicated digital platform, Guest Experience Survey (GES), which continuously collects direct feedback from end-users. This platform allows consumers to express their opinions on products, services, and their experiences in the Group's restaurants. The collected data is analyzed to identify potential issues and implement corrective measures where necessary. Sphera gathers consumer insights and integrates them into the decision-making process through surveys conducted as part of the materiality analysis, engaging consumers in identifying material topics for sustainability reporting and the review of the ESG Strategy. Additionally, feedback obtained through social media and official communication channels is used to adjust operational and commercial strategies.

This collaboration takes place at every stage of consumer interaction with the KFC, Pizza Hut, and Taco Bell brands, from product and service delivery to post-consumption experience evaluation. Feedback is continuously collected via digital platforms and social media activity monitoring. The collaboration frequency is constant, and data analysis occurs in real time to quickly identify issues and implement solutions.

To date, no specific categories of marginalized or vulnerable consumers requiring a separate consultation process have been identified. The existing feedback and consumer satisfaction monitoring mechanisms allow the Group to quickly identify and respond to any consumer concerns.

Responsibility for coordinating the consumer collaboration process lies with the operational management teams of each brand, under the supervision of the Group's senior management.

The effectiveness of collaboration is evaluated by monitoring consumer satisfaction indicators, such as Net Promoter Score (NPS), and analyzing the frequency and content of received feedback.

Additionally, collaboration with consumers and end-users is conducted through surveys sent as part of the materiality assessment process.

7.2.3 S4-3 –Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

Sphera Group provides multiple channels through which consumers and end-users can express their concerns or complaints, ensuring their efficient management. Complaints can be submitted via email at contact@kfc.ro, contact@taco-bell.ro, through the call center service, or via integrity channels, such as the Speak Up! hotline, available 24/7 at 0373760274. This hotline is managed by a third-party call center service provider, ensuring caller confidentiality and anonymity.

Additionally, concerns can be sent via email to integritate@spheragroup.com or by postal mail to Sphera Franchise Group, 239 Calea Dorobantilor, 2nd floor, Sector 1, Bucharest, addressed to the designated integrity officer.

To ensure the effectiveness of reporting channels, Sphera has implemented a rigorous internal procedure for registering, analyzing, handling, and resolving customer complaints. Users of these mechanisms are involved in the design, review, operation, and improvement processes, which are constantly monitored to ensure efficiency and provide timely and satisfactory responses. Consumer complaints are analyzed to identify patterns and root causes and then addressed individually, with corrective measures adjusted based on recurrence. The effectiveness of remediation measures is evaluated through operational performance indicators. The process also includes internal review mechanisms to ensure that implemented measures prevent issue recurrence and contribute to the continuous improvement of consumer experience.

Complaints are classified into two categories:

- Category 1: Resolved on-site at the restaurant level (e.g., incorrect orders, product quality issues, order delays).
- Category 2: Requires intervention by service managers or the internal Customer Care department (e.g., food poisoning, contamination, accidents).

In all cases, Sphera Group treats complaints with seriousness, gathering the necessary information and evidence and expressing gratitude for the feedback received.

Sphera Group takes all necessary measures to prohibit retaliation against individuals who report concerns, including threats or attempted retaliation. The Group evaluates the level of awareness and trust of consumers and end-users in reporting channels by monitoring their usage and analyzing received feedback. The frequency of use, the number of complaints received, and response times are key factors in determining the accessibility and efficiency of the reporting channels.

To ensure that these mechanisms are well known, information about reporting channels is available on the Group's official website, within operational units, and in consumer communication materials. Additionally, digital platforms through which consumers can express concerns are integrated into the consumer experience. Anti-retaliation policies are detailed in section ESRS G1-1 of the report.

7.2.4 S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

SASB:

FB-RN-250a.1, FB-RN-250a.2, FB-RN-250a.3, FB-RN-250a.4

FB-RN-260a.1, FB-RN-260a.2, FB-RN-260a.3, FB-RN-260a.4

To address significant impacts, both positive and negative, manage risks, and capitalize on opportunities related to consumers and end-users, as outlined in the SBM-3 section (Significant impacts, risks, and opportunities and their interaction with strategy and business model), Sphera Group implements a set of dedicated measures and programs.

Sphera Group identifies the necessary actions to prevent or remediate negative impacts on consumers and end-users through a continuous monitoring process that includes consumer feedback analysis, complaint management, internal and external audits, stakeholder consultations, and industry trend analysis while ensuring compliance with legal provisions and the standards imposed by the Yum! franchisor.

The actions taken are presented below for each impact associated with material topics.

Confidentiality

Sphera Group annually reports on measures taken to ensure consumer data confidentiality through the Sustainability Statement, creating a positive impact by ensuring consumers are informed and protected. The 2023 sustainability report was published in June 2024. Recognizing the importance of personal data protection and information security, Sphera Group and its subsidiaries comply with all relevant legal requirements, including the General Data Protection Regulation (GDPR).

To prevent negative impacts related to consumer data privacy, Sphera Group and its subsidiaries continued in 2024 to implement a comprehensive security framework to protect the integrity and confidentiality of customers' personal data. Access to this data, including throughout 2024, was strictly limited to authorized personnel, using advanced authentication and authorization systems. During 2024, the implementation of security measures continued, designed to prevent data loss, including the classification and encryption of documents and electronic communications, as well as the protection of IT systems through firewall technologies. Applications and software service platforms were updated in 2024 in compliance with NIST and CIS8 standards and procedures.

Employees were trained in the importance of data security and best practices in the field, ensuring a deep understanding and consistent adherence to company policies. Internal and external audits critically review these practices, identifying vulnerabilities that require action.

In the field of data privacy protection, to prevent negative impacts, Sphera Group ensured compliance with the Data Protection Policy by implementing IT security measures. Additionally, internal and external verifications are conducted to ensure compliance with applicable regulations and to improve security processes. In 2024, these measures prevented any consumer data privacy breaches and contributed to increasing consumer trust.

To contribute to a positive impact and prevent the negative impact caused by a lack of access to personal data information, Sphera Group continued in 2024 to maintain transparency and accessibility regarding personal data protection, ensuring consumers had dedicated communication channels to exercise their rights and access information about data processing. Anyone with questions about how their personal data is managed or wishing to exercise their data protection rights could contact the Data Protection Officer through dedicated communication channels for personal data protection, ensuring transparency in data management processes. Contact details are available in the Data Processing Policy, published on the Sphera Franchise Group website, as well as on the subsidiaries' websites, in the Data Processing Policy/Data Processing section.

Contact emails for data protection inquiries:

- protectiadatelor@kfc.ro
- protectiadatelor@pizzahut.ro
- protectiadatelor@taco-bell.ro
- protectiadatelor@spheragroup.com.

Access to (quality) information

To support the positive impact of providing clear and accessible product information and to capitalize on opportunities to enhance consumer loyalty, Sphera Group continued in 2024 to maintain and improve consumer access to relevant information. For ensuring consumer access to high-quality information, the Group applies ongoing measures in accordance with the Responsible Marketing Policy. Thus, in 2024, the Group continued to provide information about its products, including nutritional details and allergens, both in restaurants (in printed format displayed at cash registers and digitally through Kiosk ordering tools), and on the individual websites of each entity. The information is verified to eliminate the risk of errors and to ensure accuracy. Verification procedures include a thorough examination of supplier specifications and analysis by accredited laboratories.

Health and Safety

To support the positive impact on consumers, Sphera Group maintained food safety measures throughout 2024, ensuring compliance with quality standards and thus protecting consumer health and safety. The Group continued implementing food quality and safety control procedures, adhering to international best practices and national regulations. These included supplier audits and maintaining ISO 22000:2018 certification for its restaurants in Romania.

In the reporting year, 100% of restaurants inspected by food safety oversight bodies complied with the required standards, with no critical violations recorded (0%). However, one case required a product recall, specifically "American Dip KFC," due to the presence of an undeclared allergen (wheat flour contained in soy sauce). A total of 1.27 tons of products were recalled. Corrective actions implemented included isolating and returning affected batches, replacing the soy sauce with a wheat-free alternative, and updating technical specifications to introduce suppliers offering gluten-free options.

To ensure that remediation processes for significant negative impacts on consumer health and safety are available and effective, Sphera Group continued applying a rapid monitoring and intervention system for incidents affecting food safety. In the case of the "American Dip KFC" recall, corrective measures were implemented immediately. Additionally, throughout 2024, the Group maintained ongoing dialogue with suppliers to prevent similar situations. These measures are integrated into a broader food safety assurance framework, aligned with both legal regulations and the standards imposed by the Yum! franchisor.

To enhance consumer loyalty and improve their experience, in addition to third-party audits, internal audits were conducted in 2024 focusing on food safety, compliance with operational standards, and the use of work equipment. The following types of inspections were performed:

- The standard audit conducted four times a year by an external company. This audit is specific to each brand, as follows: for KFC restaurants, the ROCC audit (Restaurant Operations Compliance Check); for Pizza Hut, the ACE audit (Assured Customer Experience); and for Taco Bell, the CORE audit (Customer Operations Review & Evaluation).
- Internal evaluations conducted daily by restaurant directors and team leaders, monthly by area managers, and annually by the quality and food safety department, along with area managers.

Additionally, all primary raw material suppliers undergo regular audits conducted by an independent company approved by the Yum! Brands franchisor. Throughout 2024, all poultry farms supplying the Group were audited according to the Animal Welfare audit requirements.

To capitalize on the opportunity to strengthen the organization's reputation and ensure a safe product offering, Sphera Group continued to collaborate exclusively with GFSI-certified poultry suppliers (Global Food Safety Initiative) throughout 2024. These suppliers also undergo the QSA (Quality System Audit), and animal welfare remains a fundamental principle they must adhere to.

The Group maintains medium and long-term collaborations with suppliers holding GFSI certifications.

Furthermore, during the same period, no confirmed outbreaks of foodborne illnesses associated with Sphera restaurants were reported, with the percentage remaining at 0%, and no outbreaks required further investigation.

Responsible marketing practices

To support the positive impact of increasing consumer trust and to prevent the negative impact caused by misinformation and the negative influence on dietary habits, Sphera Group maintained strict measures in 2024 for the responsible promotion of its products.

By applying the Responsible Marketing Policy, the Group ensured transparency in its marketing campaigns, complying with legal regulations, particularly in advertising directed at minors. This measure contributed to preventing the negative influence on consumer behavior, thus reducing the risk of losing their trust and strengthening the organization's market position, attracting new customer segments.

To support the positive impact of accurate information and to capitalize on opportunities to enhance consumer loyalty, all products marketed by Sphera Group in 2024 were labeled with nutritional and ingredient information to assist consumers in making informed decisions, and labels were updated to reflect product composition changes.

To prevent the negative impact of irresponsible marketing, which could influence consumer dietary habits and lead to a loss of trust, the Group monitors compliance with applicable regulations. In 2024, no non-compliance was recorded regarding adherence to regulations and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship, as well as sales regulations. No fines or sanctions were imposed, nor were there any warnings for non-compliance. This approach has helped reduce risks associated with legal sanctions and additional costs related to resolving consumer complaints.

During the reporting period, no incidents of non-compliance with regulations regarding product, service, and labeling information were recorded within Sphera Group companies.

The effectiveness of the implemented actions is monitored by tracking performance indicators such as compliance with food safety standards, the number of complaints related to product information, and consumer satisfaction levels measured through the Net Promoter Score (NPS).

To maintain transparency and improve consumer relations, Sphera Group continued to use reporting and complaint mechanisms available through digital feedback platforms and integrity channels. These tools allowed for the identification and resolution of any concerns expressed by consumers, and complaints and reports received in 2024 were handled according to internal procedures. Additionally, the Group did not identify any severe negative impacts on consumer rights that would require major corrective actions.

By implementing and maintaining these measures, Sphera Group successfully prevented the risks associated with irresponsible marketing, strengthened consumer trust, and enhanced its market reputation through ethical and transparent communication.

At the end of 2024, Sphera Group initiated the development of a new ESG strategy, scheduled for approval in 2025. This strategy will include objectives and targets related to supplier collaboration. Additional details about these targets and specific actions will be included in the next sustainability statement.

7.3 Indicators and targets

7.3.1 S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Sphera Group does not currently have specific targets related to consumers/customers. At the end of 2024, Sphera Group initiated the process of developing its ESG Strategy for the 2025-2030 strategic period, which will integrate targets addressing impacts, risks, and opportunities related to consumers and end-users. The 2025-2030 ESG Strategy will be approved in 2025, and information regarding objectives will be presented in the 2025 Sustainability Statement.

However, Sphera Group monitors the effectiveness of its policies and implemented actions through specific mechanisms for each material domain. For example, food safety is evaluated through periodic internal and external audits, compliance with data protection standards is verified through security tests and compliance analyses, and the effectiveness of the responsible marketing policy is monitored through advertising message reviews and consumer feedback analysis. Each of these measures is detailed in the section on actions taken in 2024, and progress is assessed using qualitative and quantitative indicators specific to each impact area.

Thus, although formalized targets have not yet been established, Sphera Group tracks the impact of its measures and adjusts actions based on the results obtained, ensuring compliance with legal requirements and the standards set by Yum! franchisor.

SPHERA

KFC Pizza Hut TACO BELL

8 Governance information

8.1 ESRS G1 Business conduct

8.1.1 ESRS 2 GOV-1 The role of the administrative, supervisory and management bodies

Within the Sphera Group, the primary responsibility for business conduct lies with the Board of Directors (BoD) and the Chief Executive Officer (CEO), who coordinate compliance activities through executive management and internal operational structures. In this way, the company's executive management ensures that its operations are conducted socially responsibly, in compliance with ethical standards, while ensuring decision-making transparency and promoting an organizational culture based on integrity.

Additionally, the Audit Committee, through the internal auditor, ensures compliance with legal provisions and internal regulations in managing financial risks, fraud, and criminal risks, including those related to corruption, bribery, or facilitation payments.

At the operational level, the Legal Department plays a central role in safeguarding integrity and ensuring compliance with the ethical framework across all activities of the Sphera Group. It provides legal assistance in interpreting legislation and managing conflicts of interest, monitors the implementation of the Code of Conduct, and actively participates in internal investigations to ensure adherence to ethical standards.

The BoD is responsible for setting the company's main directions of activity and development, including the implementation of accounting policies and the financial control system, which entails integrity and ethical standards across all Group processes. Furthermore, the BoD supervises the activities of the CEO and the other executives, to ensure compliance with professional conduct standards.

The CEO plays a direct role in overseeing compliance and maintaining active communication with the BoD to ensure adherence to internal standards and policies.

BoD members are selected based on their competencies and experience, including expertise in business ethics, compliance, and corporate governance. The CEO and executive directors actively monitor compliance with conduct standards in daily operations.

Both the BoD members and the executive team update their knowledge on professional conduct annually by accessing specialized resources and participating in training sessions based on regulatory materials (policies and procedures) and awareness-raising activities (presentations and informational materials).

8.1.2 ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

The identification of impacts, risks, and opportunities related to business conduct is part of the broader process of identifying all sustainability-related impacts, risks, and opportunities.

To meet the requirement for identifying impacts, risks, and opportunities associated with business conduct (effects and situations that may arise if the organization and its employees fail to adhere to ethical standards), the double materiality assessment focused on key aspects such as corporate culture, animal welfare, supplier relationship management, and the prevention of corruption and bribery. The assessment considered all relevant criteria, including the location of operations, activities performed, industry sector, and transaction structure. Corporate culture is guided by internal policies and employee training programs aimed at strengthening professional conduct that upholds ethics, diversity, inclusion, and mutual respect.

Regarding animal welfare, the company ensures compliance with international animal protection standards within its supply chain, collaborating with suppliers that adhere to strict regulations in this field. Supplier relationship management is governed by a Supplier Code of Conduct, which establishes expectations regarding responsible and fair practices, including ethical treatment of animals.

The prevention of corruption and bribery is integrated into the Group's overall governance framework through the implementation of strict compliance measures. These measures include whistleblowing mechanisms and zero-tolerance policies towards unethical behavior.

Risks are assessed and classified based on the severity of their impact on operations and financial reporting. The categories include financial, compliance, operational, and ESG (Environmental, Social, and Governance) risks. This process encompasses both traditional risk assessments (e.g., credit, liquidity, foreign exchange) and emerging risks such as cybersecurity threats and climate-related risks.

Relevant criteria for identifying impacts, risks, and opportunities related to business conduct include:

- *Location*: The assessment considers the diversity of operations across three geographical markets (Romania, Italy, and the Republic of Moldova), taking into account local regulations and specificities.
- *Activity*: All operational segments, including KFC, Pizza Hut, and Taco Bell restaurants, are evaluated, with a focus on customer interaction, supply chain management, and internal operations.
- *Sector*: Sphera aligns its risk analysis with international standards applicable to the food industry (e.g., SASB) and Yum! Brands' franchisor requirements regarding integrity and ethical behavior. In the double materiality assessment process, we applied SASB restaurant industry-specific standards to identify relevant material topics. These standards provide a structured framework for addressing aspects such as food safety, supply chain management, nutritional content, fair labor conditions, as well as efficient energy and water usage and waste management. The process began by identifying these material topics according to SASB guidelines, followed by a detailed evaluation of their impact on Sphera Group's operations, value chain, and stakeholder relationships.
- *Transaction structure*: Within the franchise relationships with Yum! Brands, risks related to contractual non-compliance and opportunities for expansion and innovation are evaluated.

Additionally, as part of the risk identification and evaluation process detailed in the Annual Report, the Group has implemented a robust internal control system.

The BoD oversees risk management at all organizational levels, with direct responsibility delegated to the Audit Committee. The Audit Committee evaluates the effectiveness of the risk management system, receives periodic reports on identified risks, and verifies the corrective measures implemented.

The Internal Auditor plays a key role in identifying risks and opportunities. They assess the implementation of action plans and develop an Annual Audit Plan, reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.

At the operational level, department managers are responsible for the daily implementation of risk management processes.

Below are the main identified impacts, risks, and opportunities.

Material Sub-theme and Sub-sub-theme	Impact location	Type	Impact origin	Time horizon	Positive impacts (I+)	Time horizon	Negative impacts (I-)	Risks (R)	Opportunities (O)
Corporate culture	Upstream, own activity	M, F	B	A, P	A strong corporate culture enhances employee well-being, fosters a sustainable and shared vision for the future, and ensures transparency with partners.	A	The absence of a strong corporate culture within the Sphera Group could negatively affect both employees and governance by reducing employee well-being and satisfaction, while also creating compliance challenges and misalignment across different organizational structures in various countries and locations.	-	A strong corporate culture can attract and retain talent, boost employee morale, and strengthen the company's reputation as an ethical and responsible leader.
Animal welfare	Upstream, own activity	M, F	B	A, P	The company supports animal welfare by collaborating with suppliers who adhere to ethical standards in animal breeding and care.	A	Poor animal husbandry practices may negatively impact animal welfare, affecting product quality and customer perception.	-	Adopting responsible animal welfare practices offers the company an opportunity to enhance its reputation and gain the trust of consumers, partners, and the community.
Supplier relationship management, including payment practices	Upstream, own activity	M, F	B	A	Effective supplier relationship management can positively impact people by fostering sustainable partnerships,	A	Poor supplier relationship management could have a negative impact on people by causing supply chain disruptions or unfair treatment, particularly of SMEs,	Unfair payment practices may pose risks of supply chain disruptions, price instability, and reputational damage to the company.	-

					long-term business relationships, and improved working conditions for both the company’s employees and supplier workforce,		due to delayed payments.		
Corruption and bribery Prevention and detection, including training	Upstream, own activity	M	S	A	Preventing and detecting corruption and bribery through internal policies and measures generates a positive impact on employees and communities, fostering an ethical and fair work environment that supports their well-being.	A	-	-	-

Legend:
Impact Type: F = Financial impact, M = Material impact, MF = Material and financial impact
Time Horizon: A = Current impact (reporting year), P = Potential impact (medium and long term)
Origin of impact: S = impact originating from strategy and business model, B = impact supporting the strategy

8.1.3 G1-1 – Business conduct policies and corporate culture

Sphera Group places a strong emphasis on maintaining high standards of ethics and integrity in its business operations. The management's commitment to complying with the applicable legislation in each country where the Group operates has led to the adoption of mandatory internal policies and procedures for all employees, regardless of their position or type of contract. Below is a summary of the Group's existing policies that promote ethical and responsible conduct and ensure compliance with local and international regulations.

The **Sphera Group Code of Conduct** applies to all subsidiaries and employees across all countries where the Group operates, including Romania, Italy, and Moldova, providing a framework for ethics, transparency, and legal compliance. Its primary objective is to foster a corporate culture based on integrity, reinforcing trust and relevance - the two pillars of Sphera Group's vision. The Code addresses risks associated with unethical behavior and its impact on the company's reputation. Compliance with the Code is monitored through internal reporting, and responsibility for its implementation lies with the executive management. The Code is accessible to all employees and stakeholders on the Group's website and is aligned with international ethics and corporate governance standards.

The **Supplier Code of Conduct** governs Sphera Group's supply chain. This Code is an integral part of commercial contracts and must be signed and adhered to by all raw material suppliers. By implementing this Code, the Group establishes criteria for social responsibility and environmental protection within its supply chain, fostering sustainable partnerships aligned with Sphera's principles.

The Code helps prevent risks related to human rights violations and negative environmental impacts. Compliance is monitored through unannounced on-site inspections at manufacturing facilities (including subcontractors), employer-provided accommodations, and reviews of employment records, as well as private interviews with supplier employees.

Responsibility for implementation lies with the procurement and compliance departments. The Code is available to all partners and stakeholders on the Sphera Franchise Group website.

The **Anti-Corruption Policy** promotes zero tolerance for bribery and corruption, ensuring compliance with legal and ethical business practices. It applies to all employees, subsidiaries, and partners, strictly prohibiting the undue influence of public officials, the offering of gifts or improper payments, and the misuse of company resources. It also includes rules regarding gifts and donations and establishes sanctions for any violations of the policy.

The primary objective of this policy is to prevent and combat corruption by ensuring employee accountability while promoting socially responsible business operations. All employees are responsible for preventing, detecting, and reporting bribery or any other forms of corruption encountered in daily activities, regardless of their role or function within the company. The departments that are the most vulnerable to corruption and bribery risks include executive leadership, subsidiary general managers, and department heads involved in procurement, as they are directly engaged in decision-making processes and transactions with potential exposure to unethical practices. The policy mitigates legal and reputational risks and enables internal monitoring of any suspected past, present, or future corruption or bribery incidents that violate its provisions. Employees must immediately report any such concerns to their superior or any member of the executive leadership. Additionally, through the Speak Up Line, corruption-related concerns can be reported both internally and externally, ensuring anonymity and confidentiality. The Board of Directors approves and supervises the implementation of the Anti-Corruption Policy, while the executive management is responsible for its monitoring and enforcement. Control mechanisms, including internal audits and the anonymous reporting channel Speak Up Line, are managed by the designated compliance and internal control structures. The policy is accessible to all stakeholders on the organization's website.

The Group's **Remuneration Policy** aims to align business strategy with the Group's long-term interests. It establishes a clear correlation between remuneration and actual performance, encouraging both individual and team contributions to the Group's achievements while ensuring adherence to corporate culture and values. The policy applies to company executives, including any member of the Board of Directors (BoD) and any director under the unitary administration system, in accordance with Law 31/1990. It addresses risks related to unfair labor practices. The Nomination and Remuneration Committee of Sphera is responsible for drafting the Remuneration Policy, which is then submitted for discussion to the BoD as a recommendation. The final version is presented for approval at the Ordinary General Meeting of Shareholders (OGMS). Once approved, the Remuneration Policy becomes applicable and mandatory. If the OGMS does not approve the Remuneration Policy, the BoD will continue to apply the current policy and must propose a revised version for approval at the next OGMS. Shareholders are encouraged to submit written proposals to align their interests with the remuneration policy before its subsequent approval. The organization will submit the Remuneration Policy for a shareholder vote at the OGMS for any significant amendments and, in any case, at least once every four years. The policy is available to stakeholders on the company's website. The Nomination and Remuneration Committee is responsible for implementing the Remuneration Policy within Sphera Group. The committee consists of three members elected from the BoD through a vote, with their mandate remaining valid as long as they hold their BoD membership.

The **Conflict-of-Interest Policy** governs situations where the personal or professional interests of board members and executive directors may conflict with their obligations to the company. The policy mandates disclosure of conflicts, abstention from decision-making in such cases, and transparency in related-party transactions.

The policy applies to all board members and executive directors of Sphera Group. Its objective is to protect the integrity of corporate decisions, mitigating risks associated with financial losses, reputational damage, and legal sanctions.

The Audit Committee reviews conflicts of interest under this policy and supervises related-party transactions to identify and manage potential conflicts. Monitoring is conducted through mandatory annual reporting, internal audits, and ad-hoc controls. If irregularities are identified, the Audit Committee may request corrective measures, report to the BoD, and enforce sanctions in compliance with applicable regulations. The policy is complemented by applicable legal provisions and the company's Articles of Association, including but not limited to Law no. 31/1990 on Companies and Bucharest Stock Exchange Corporate Governance Code. The policy is publicly available on the company's website for stakeholders.

The **Data Protection Policy** ensures compliance with European data protection regulations (GDPR), safeguarding the personal information of employees, customers, and business partners. It is built on principles such as legality, fairness, transparency, data minimization, secure storage, and respect for individual rights. The policy is implemented through technical and organizational measures, including encryption, impact assessments, and periodic audits, to guarantee security and confidentiality.

It applies to all legal representatives, executive and non-executive directors, board members, managers, employees (including temporary staff), leased personnel, and contractors. All personnel must read, understand, and adhere to this policy and applicable laws.

The risks addressed include data breaches and cyber-attacks, while also mitigating potential legal penalties for non-compliance. Security measures include encryption and regular audits. The policy has been approved by the Board of Directors and is implemented under the supervision of the Data Protection Officer (DPO). It is publicly accessible to stakeholders on the company's website.

The **Sphera Human Rights Policy and Key Supply Chain Commitments** promote respect for human rights, equality, the prohibition of discrimination, forced labor, and child exploitation. It imposes ethical standards on suppliers and enforces compliance through audits and anonymous reporting mechanisms for violations.

The policy applies to all employees and core suppliers, mitigating risks of fundamental rights violations. Monitoring is conducted through audits and anonymous reporting mechanisms, while its implementation is overseen by the compliance and procurement departments. The policy is available on the company's website for stakeholders.

The **Sphera Animal Welfare Policy** is a key element in the food supply process for consumers. The policy upholds the commitment to continuously improving animal welfare at all stages of the supply chain. It applies to farms supplying meat, with the objective of reducing non-compliance risks with international animal welfare regulations. The policy is monitored through audits and imposes strict requirements on suppliers. Implementation is supervised by the procurement and quality departments and is available on the company's website.

The **Procurement Procedure** is a key element of the supply process, outlining the steps that Sphera Group companies must follow, including evaluation criteria. Its objective is to optimize supplier selection and ensure their compliance with Sphera Group's ethical and sustainability standards. The procedure defines the necessary steps for assessing and selecting suppliers based on criteria such as price, quality, respect for human rights, and environmental protection. Additionally, suppliers for the KFC, Pizza Hut, and Taco Bell brands are evaluated according to Yum!'s global methodology, and all suppliers undergo legal department verification before entering the selection process, ensuring no conflicts of interest or ongoing litigation.

The Procurement Procedure applies to all global and local supply activities, including supplier selection and contract negotiation, covering the entire value chain from upstream to downstream suppliers. In global procurement processes, the Yum! team coordinates supplier selection and commercial negotiations, while local procurement teams are responsible for implementation. Material risks managed through this procedure include fraud, conflicts of interest, and non-compliance with legal regulations, while opportunities arise from increased sustainability and improved supplier relationships. The procurement process also places special emphasis on supplier evaluation based on additional criteria, such as carbon footprint reduction, compliance with ethical standards, and support for sustainable economic development.

The policy is implemented at the highest organizational level, approved and supervised by the Board of Directors, which ensures alignment with regulations and the Group's strategic objectives. Ongoing monitoring is carried out by local and global procurement teams in collaboration with the Legal Department through periodic contract reviews, internal audits, and dedicated reporting mechanisms. Evaluations include verifying supplier compliance and supply chain adherence to policy requirements, with any non-compliance reported to executive management, which may impose corrective measures or escalate cases to the Board of Directors. The Group is committed to adhering to relevant international standards, including the principles of the International Labour Organization and other international regulations.

Sphera Group has an internal reporting procedure for legal violations, through which, in addition to fulfilling the legal obligations imposed by the Whistleblower Protection Act, the Group commits to upholding the highest standards of openness, integrity, and accountability in protecting individuals who report legal violations such as corruption, illegal conduct, or non-compliance with applicable regulations. This procedure has been communicated electronically to all employees and is available on the company intranet for continuous consultation. Information regarding internal integrity reporting channels is also accessible on the company's website and displayed in informational materials across all organizational units. Sphera Group provides the following internal channels for reporting incidents:

- The Speak Up! helpline, available 24/7 at 0373760274
- The email address integritate@spheragroup.com or via postal mail at Sphera Franchise Group, 239 Calea Dorobantilor, 2nd floor, District 1, Bucharest, addressed to the designated Integrity Officer
- Direct reporting to the designated Integrity Officer, through a pre-scheduled meeting

Sphera Group adheres to the principles of Directive (EU) 2019/1937 on the protection of persons reporting breaches of Union law, transposed into Romanian law via Law no. 361/2022 on Whistleblower Protection in the Public Interest ("Whistleblower Act"). The Group is currently defining principles and actions for whistleblower protection within the Internal Reporting Procedure for Law Violations and the Code of Conduct. More details are available on the Group's dedicated website section.

Sphera Group ensures that the identity of the reporting person is not disclosed without their explicit consent, except to authorized personnel responsible for receiving reports or taking follow-up actions. All personal data processing related to the Whistleblower Act is conducted per Regulation (EU) 2016/679 (GDPR), Law no. 363/2018, and Regulation (EU) 2018/1725.

Sphera Group takes all necessary measures to prohibit any form of retaliation, including threats and attempts of retaliation against individuals reporting such incidents.

All reported incidents are directed to a designated Sphera Group member, who initiates a compliance verification process, requests additional information and documents, and, if necessary, launches an internal investigation. This process selectively involves management members based on the nature of the reported incident, ensuring strict confidentiality of data and information. The Internal Reporting Procedure for Law Violations is communicated electronically to all employees and remains available for later consultation on the company intranet. It details the internal rules and principles governing whistleblower reporting channels, as well as the contact details of the designated Integrity Officer, who is responsible for conducting necessary investigations on a case-by-case basis. The Integrity Officer is appointed by the CEO, acts impartially and independently, and reports directly to the CEO. The Officer holds specialized legal training, contributing to the professional management of the Group's integrity channels.

Sphera Group has various internal regulations, including the Internal Regulations, the Code of Conduct, the Disciplinary Investigation Procedure, and the Anti-Discrimination, Anti-Harassment, and Anti-Intimidation Policy, covering aspects related to employee conduct throughout the employment relationship.

Additionally, managerial behavior is regulated through the internal training program "Leading with Heart," which reinforces professional conduct through effective behaviors. Managers with more than six months of tenure participate in this training, held twice a year. The program is not limited to information delivery but starts with an individual assessment report, enabling a personalized approach to managerial development. The training includes interactive sessions based on awareness techniques and practical tools, helping managers improve their behavior. Through this structured approach, the program contributes to a professional and balanced work environment.

The Code of Conduct applies to all subsidiaries and is the document that outlines the commitment to transparency, integrity, ethics, and legal compliance. It is intended for all employees, regardless of their hierarchical position.

At the start of employment, new employees are explicitly informed of their obligation to adhere to the Code of Conduct, which remains accessible at all times to any interested party. Additionally, an annual awareness campaign is conducted to highlight the provisions of the Code and any modifications or updates.

8.1.4 ESRS2 MDR-T

Sphera Group has established certain measurable sustainability targets, such as auditing key product suppliers and ensuring compliance with the Code of Conduct, with a completion deadline set for 2025. In other areas, such as corruption and bribery prevention or payment practices, no specific numerical targets have been set. However, monitoring and continuous improvement mechanisms are in place. The 2025-2030 sustainability strategy is currently under development and will include clear and measurable targets for each material sustainability topic. Detailed information on these commitments will be included in future sustainability statement of the Group.

Corporate Culture

As part of Sphera Group's 2020-2024 sustainability strategy, a measurable target in professional conduct is the signing of the Code of Conduct by all key product suppliers and the auditing of poultry meat suppliers according to animal welfare standards. This target is directly linked to the risks and opportunities identified within the supply chain and is aligned with the Group's policy objectives, including the Sphera Animal Welfare Policy and the Human Rights Policy. The goal is to ensure accountability and compliance throughout the supply chain. This initiative is part of the Group's supply chain commitments, aiming to integrate ethical and sustainability principles into supplier relationships, thereby contributing to reducing negative environmental and social impacts. Regarding professional conduct, Sphera Group monitors adherence to the Code of Conduct through investigations into reported cases and trend analysis of reports received via the Speak Up Line mechanism. This system enables the identification of potential violations and the implementation of corrective measures where necessary.

Animal Welfare

In 2024, poultry meat suppliers underwent audits in accordance with animal welfare standards, while other key suppliers were subject to unannounced inspections, including on-site employee interviews, process verifications, and documentation checks. Sphera maintains the same strict vigilance in cases where indications or suspicions of non-compliance with any of the nine categories outlined in the Code of Conduct arise. Additionally, conduct-related topics were discussed during end-of-year meetings. These actions are part of a continuous monitoring process designed to ensure compliance with sustainability requirements and contractual obligations, while also identifying and managing supply chain risks.

The categories assessed throughout the process include:

1 Child labor (under the age of 14 or 15)
2 Coercion and harassment
3 Discrimination
4 Health and safety
5 Involuntary labor
6 Freedom of association
7 Environmental protection
8 Regulations on fair compensation
9 Other local and national laws, as well as industry standards

Although these assessments are conducted on a recurring basis, the Group has not set a specific numerical target for long-term progress in this area. However, ongoing supply chain monitoring is maintained.

Supplier Relationship Management, including Payment Practices

Payment practices are analyzed, but there is currently no numerical target established for improving payment terms. Sphera Group ensures compliance with contractual terms and maintains a transparent relationship with suppliers, periodically assessing payment processing times and identifying improvement opportunities. This approach helps reduce the risk of unfair treatment of suppliers, particularly SMEs, by preventing late payments and ensuring supply chain stability.

Corruption and Bribery

Currently, no specific targets have been set for corruption and bribery prevention. However, the policy is monitored through periodic reviews of reporting mechanisms and the verification of reported incidents via anonymous whistleblowing channels. No additional measures were implemented during the reporting period to further monitor the policy's enforcement. For the upcoming strategic period, the Group intends to integrate specific compliance checks within internal audit processes to enhance monitoring efforts.

8.1.5 ESRS 2 MDR-A

Sphera Group implements a set of actions to manage material sustainability aspects. These actions are structured to prevent, mitigate, and remedy current and potential impacts, address relevant risks and opportunities, and contribute to achieving professional conduct objectives.

Corporate Culture

Regarding corporate culture and business ethics, in 2024, Sphera Group continued the implementation and monitoring of the Employee Code of Conduct, which establishes fundamental ethical principles for employees. Additionally, the Supplier Code of Conduct remained in place, regulating ethical and responsibility standards in business relationships with partners. All employees and collaborators were informed about the Code of Conduct through training at the time of employment, and by respectively signing the Supplier Code of Conduct, which is additionally publicly availability.

Furthermore, the anonymous reporting mechanism for irregularities via dedicated channels remained active throughout 2024, ensuring transparency and accountability within the organization.

Animal Welfare

Regarding animal welfare, Sphera Group conducts annual audits at poultry farms supplying meat. These audits are carried out by an independent company approved by Yum! Brands. In 2024, all poultry meat suppliers were audited according to the Animal Welfare Audit standards.

The Animal Welfare Audit ensures compliance with the Five Domains of Welfare, as established by the Farm Animal Welfare Council (FAWC). Suppliers are required to adhere to practices that promote animal health and well-being, including appropriate nutrition, a safe and stimulating environment, and adequate medical care, to support animal resilience and vitality. Additionally, KFC enforces strict prohibitions on genetic modification, cloning, and the use of growth promoters, emphasizing humane treatment at all production stages, including slaughter.

Supplier Relationship Management, including Payment Practices

This aspect is managed through the Supplier Code of Conduct, which establishes clear requirements for human rights protection, environmental sustainability, and business ethics. The supplier audit process is implemented to ensure compliance with sustainability and ethical standards. In 2024, all key product suppliers were evaluated.

Additionally, local sourcing is promoted to reduce the carbon footprint and support the regional economy. In 2024, approximately 91% of the poultry meat and 68% of other raw materials used by the Group's Romanian entities were sourced from local suppliers.

Another tool ensuring transparency and efficiency in supplier relations is the Procurement Procedure. This requires suppliers of KFC, Pizza Hut, and Taco Bell brands to undergo audits based on the Yum! methodology. Suppliers invited into the evaluation process are preliminarily verified and validated by the Legal Department, following specific procedures (including but not limited to assessing potential conflicts of interest, ongoing litigation etc.). The Procurement

Department also conducts an annual financial health assessment of suppliers. In 2024, all poultry and key product suppliers underwent this evaluation.

Corruption and Bribery

To prevent corruption and bribery, Sphera Group continued in 2024 the implementation of the Anti-Corruption Policy, which strictly prohibits any form of bribery, fraud, or influence peddling. The reporting mechanism for illegal and unethical practices remained active, ensuring anonymity for whistleblowers. For the next period, Sphera Group plans to maintain and, if necessary, revise compliance mechanisms in line with legislative changes and industry best practices.

The Group has planned a series of future actions, which will be detailed in the 2025-2030 Strategy, the development process of which was initiated at the end of 2024. This strategy has not yet been approved, and additional information will be presented in the Group's future sustainability statement.

8.1.6 G1-2 Management of relationships with suppliers

The **Supplier Code of Conduct** governs Sphera Group's supply chain. The Code is integrated into commercial contracts and must be signed and adhered to by all suppliers. Through this commitment, the Group establishes clear social responsibility and environmental protection criteria, fostering sustainable partnerships. Group representatives conduct annual visits and performance evaluations of key raw material suppliers, continuously maintaining and improving efficiency and quality standards for services.

The Procurement Procedure does not contain specific provisions regarding payment terms, as these are determined through negotiations and stipulated in signed contracts with suppliers. In this regard, Sphera Group is committed to making payments within the agreed contractual deadlines, ensuring full compliance with commercial obligations. Additionally, the procurement policy does not differentiate between SMEs and other types of companies regarding payment treatment.

More information on Sphera Group's payment practices can be found in section G1-6.

Sphera Group engages in active supplier oversight, including on-site visits and annual performance evaluations. This approach ensures high standards of quality and efficiency while reducing risks associated with the supply chain. At the same time, the Group encourages the use of online communication technologies to minimize physical travel, thereby contributing to reducing the carbon footprint and enhancing time and resource management.

The Group collaborates with certified producers and suppliers to use sustainable materials. Among the certifications held by its suppliers are the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC), ensuring that materials are responsibly sourced. Additionally, Sphera collaborates with suppliers holding GFSI (Global Food Safety Initiative) certifications, guaranteeing high food safety and quality standards throughout the supply chain. These requirements are part of the Group's procurement procedure, being integrated into the supplier selection process. Furthermore, they are reiterated annually by the franchisor (Yum!), reinforcing the commitment to responsible sourcing. The Group prioritizes partnerships with local poultry suppliers, ensuring product freshness, supporting local farmers, and optimizing both procurement costs and fuel consumption.

8.1.7 G1-3 Prevention and detection of corruption and bribery

Through its actions, Sphera Group aims to actively contribute to detecting and preventing illegal and unethical behaviors, including corruption and bribery. At the Group level, multiple control mechanisms are in place to ensure compliance with ethical and integrity standards across all activities.

At the start of their employment, employees receive training and sign documents detailing their specific responsibilities in preventing bribery and corruption. This includes the obligation not to solicit or accept material advantages in exchange for fulfilling job responsibilities and to refrain from offering gifts or other benefits to individuals involved in business relationships with the company, in accordance with Sphera Franchise Group S.A.'s Anti-Corruption Policy and its subsidiaries.

The company promotes a culture of ethics and integrity, encouraging employees to report any violations of these principles without fear of retaliation. Sphera Group implements policies and procedures that ensure transparency in addressing employee and stakeholder concerns, uncertainties, complaints, and inquiries.

The internal reporting procedure for legal violations has been electronically communicated to all employees and remains permanently available on the company intranet. Throughout 2024, it was also communicated to new employees at the time of hiring and is reiterated annually for all employees.

The primary reporting channel is the "Integrity Line – Speak Up!", managed by an external call center provider that guarantees confidentiality and anonymity for callers. Additionally, Sphera Group provides the following reporting methods: a) Electronic communication via email at integritate@spheragroup.com, b) Postal/courier communication to Sphera Franchise Group, 239 Calea Dorobantilor, 2nd floor, District 1, Bucharest, c) Direct reporting through a pre-scheduled meeting at Sphera Franchise Group headquarters.

All complaints are directed to a designated compliance officer, who initiates a verification process to assess the validity of complaints. This process includes requesting additional information and documents, and if necessary, launching an internal investigation conducted with strict confidentiality, involving only select management members based on the nature of the reported incident.

Investigations are conducted by the Designated Compliance Officer, who acts impartially and independently in carrying out these responsibilities.

All complaints and investigations conducted through the Speak Up Line or other integrity channels are documented and reported to the Chief Executive Officer, ensuring that all cases are handled with the highest level of seriousness and transparency. Reporting is carried out by the Designated Officer within the company, who operates independently in performing these duties. Additionally, the Designated Officer will inform the Chief Executive Officer and the Legal Director when recording and reviewing reports concerning potential violations of the Code of Conduct that involve the following i) Any breach of the Code of Conduct involving a senior employee; ii) Any risk of a criminal investigation or civil or criminal sanctions; iii) Fraud; iv) Conflicts of interest; v) Financial irregularities; vi) Misuse of privileged information; vii) Any potential reputational risk for the company. Information regarding internal integrity channels and reporting policies is accessible on the company's website (Sphera Group) and in informational materials displayed across all organizational units. These details are available in Romanian and English, ensuring efficient and inclusive communication. The external call center service processes phone reports in both Romanian and English, guaranteeing accessibility and understanding of policies for all employees and stakeholders.

Sphera upholds the principles of zero tolerance for corruption and bribery, having approved and published the Anti-Corruption Policy, which aims to ensure the Group's compliance with applicable anti-bribery measures and corruption regulations.

All employees are informed of the content and implementation of the Policy at the time of hiring, and throughout their employment, they have permanent access to the Policy through the company's website.

Throughout 2024, no dedicated training sessions on corruption and bribery prevention were conducted.

8.1.8 G1-4 Incidents of corruption and bribery

During the reporting period, the SpeakUp! integrity platform recorded 11 complaints, all of which were analyzed impartially and under strict confidentiality. Investigations revealed that 10 complaints were unfounded, with no violations of the law identified. One complaint, concerning the non-payment of due salary entitlements, was confirmed and resolved through the payment of the owed amounts. As a result, one complaint was appropriately remedied, while 10 complaints were closed in accordance with the procedures outlined in Law no. 361/2022 on the protection of whistleblowers in the public interest. None of the 11 complaints involved incidents of corruption or bribery.

Throughout the reporting period, no convictions or fines were recorded for violations of anti-corruption and anti-bribery laws.

No specific actions were required to address violations of anti-corruption and anti-bribery procedures and standards during this period.

During the reporting period, no cases of bribery or corruption were recorded.

There were no confirmed incidents where employees were dismissed or subjected to disciplinary procedures due to corruption or bribery incidents.

There were no confirmed incidents involving business contracts that were terminated or not renewed due to violations related to corruption or bribery.

No public cases of corruption or bribery involving the company or its employees were reported during the reporting period.

No corruption or bribery incidents were reported involving actors within the company's value chain, in which the organization or its employees were directly involved.

8.1.9 G1-6 Payment practices

The Sphera Group Procurement Procedure does not explicitly regulate payment terms, as these are established through contractual clauses agreed with each supplier. Consequently, payments are made within the agreed terms, and to prevent delays, we have implemented internal monitoring measures for the payment process. Additionally, the procurement procedure does not differentiate between SMEs and other types of commercial entities in terms of payment treatment.

In 2024, there were no pending legal proceedings related to payment delays.

On average, for companies in Romania, Sphera Group processes invoice payments within 20 days from the start of the contractual payment period, for both goods and services. In Italy, invoices are processed within an average of 8 days. This average payment term, for both the Romanian and Italian subsidiaries, has been calculated only for operational expenses (OPEX), excluding capital expenditures (CAPEX).

Payment terms are calculated based on the average of payments made. The average was determined using the supplier balance for the entire year 2024, applying the following formula:

Number of payment days = (Supplier credit balance/Supplier credit turnover during the period) * 360.

This calculation was applied to all suppliers, except for those subject to compensation mechanisms, inter-company suppliers, and franchisor-related suppliers.

Chairman of the Board of Directors

Lucian Hoanca

L.S.

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