

ANNUAL REPORT

on the activity of the Supervisory Board of AmRest Holdings SE



in 2016

Wrocław, June 14th, 2017

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I. INTRODUCTION

I.1. Legal basis

I.1.1. This report has been prepared in accordance with rule II.Z.10 of the “Best Practice for GPW Listed Companies 2016”, introduced by resolution 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych S.A. (*Warsaw Stock Exchange*; “**WSE**”) dated 13 October 2015 and effective since 1 January 2016 (“**WSE Best Practices 2016**”).

I.1.2. The WSE Best Practices 2016 are the corporate governance code referred to in §29.1 of the WSE Rules.

I.2. Presented information

I.2.1. Rule II.Z.10 of the WSE Best Practices 2016 requires the Supervisory Board of AmRest Holdings SE (“**AmRest**”, “**Company**”) to prepare and present to the General Meeting once per year:

- (i) an assessment of the Company’s standing including an assessment of the internal control, risk management and compliance systems and the internal audit function, which should cover all significant controls, in particular financial reporting and operational controls;
- (ii) a report on the activity of the Supervisory Board containing at least the following information:
 - the full names of the members of the Supervisory Board and its committees;
 - Supervisory Board members’ fulfilment of the independence criteria;
 - number of meetings of the Supervisory Board and its committees in the reporting period; and
 - self-assessment of the Supervisory Board;
- (iii) an assessment of the Company’s compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the WSE Rules and the regulations on current and periodic reports published by issuers of securities; and

- (iv) an assessment of the rationality of the company's policy regarding sponsorship, charity or other similar activities or information about the absence of such policy.

I.2.2. This *Annual report on the activity of the Supervisory Board of AmRest Holdings SE in 2016* presents the above information with respect to the 2016 financial year.

II. ACTIVITY OF THE SUPERVISORY BOARD IN 2016

II.1. The Supervisory Board in AmRest's corporate governance

II.1.1. The Supervisory Board exercises permanent supervision over the activities of AmRest in all areas of the Company's operations. In accordance with the Statute, the Supervisory Board consists of at least 5 Members and the actual number of members is determined by the General Meeting. On August 12, 2015, the General Meeting adopted a resolution in which the number of Supervisory Board Members was determined from 5 to 8. This resolution was changed on December 12, 2016 when the General Meeting decided that the Supervisory Board consists of 5 to 7 members. Currently, the Board consists of seven members, including two independent members. Members of the Supervisory Board are appointed and dismissed at the General Meeting by a two-thirds majority of votes cast. Members of the Supervisory Board are appointed for a five-year term of office.

II.1.2. The Supervisory Board operates under the regulations of the Statute of AmRest, Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company, and the Code of Commercial Companies. The Supervisory Board has not adopted internal bylaws of the Supervisory Board.

II.1.3. There are two committees functioning within the Supervisory Board:

- (i) the Audit Committee; and
- (ii) the Compensation Committee.

II.1.4. The Audit Committee advises the Supervisory Board on matters regarding the proper implementation of the principles of budget and financial reporting of AmRest and its capital group internal audit, as well as on the cooperation with the Company's statutory auditors. It consists of at least 3 members, selected by the Supervisory Board from its officers, out of which at least one must be an independent member and at least one must have qualifications and experience in accountancy and finance.

II.1.5. The operation of the Audit Committee is regulated by the Rules of Procedure of the Audit Committee, adopted by the Supervisory Board, and – as of the date of this report – the

Act of 7 May 2009 on Statutory Auditors and their Self-Government, Auditing Companies and Public Supervisions (**“Act on Auditors”**).

II.2. Composition of the Supervisory Board and Committees in 2016

II.2.1. As of 1 January 2016, the Supervisory Board was composed of:

- (i) Luis Miguel Álvarez Pérez;
- (ii) José Parés Gutiérrez;
- (iii) Henry Joseph McGovern;
- (iv) Steven Kent Winegar Clark;
- (v) Raimondo Eggink;
- (vi) Zofia Dzik;
- (vii) Łukasz Rozdeiczner-Kryszkowski; and
- (viii) Krzysztof Aleksander Rozen.

II.2.2. On 12 December 2016, the General Shareholders’ Meeting adopted a resolution pursuant to which:

- (i) Zofia Dzik, Raimondo Eggink, Łukasz Rozdeiczner-Kryszkowski and Krzysztof Aleksander Rozen were removed from the Supervisory Board; and
- (ii) Carlos Fernández González, Pablo Castilla Reparaz and Mustafa Ogretici were appointed to the Supervisory Board (appointment of Pablo Castilla Reparaz and Mustafa Ogretici was effective from 1 January 2017).

II.2.3. As of 31 December 2016, the following members of the Supervisory Board met the independence criteria as set forth in Annex II to Commission Recommendation of 15 February 2005 (2005/162/EC) and the WSE Best Practices 2016:

- (i) Pablo Castilla Reparaz; and
- (ii) Mustafa Ogretici.

II.2.4. The current members of the Audit Committee are: José Parés Gutiérrez; Pablo Castilla Reparaz; and Mustafa Ogretici (each of them appointed on 12 December 2016, with effect from 1 January 2017). The independence criteria, as required by Article 86 Sec. 4 of the Act on Auditors, are met by Pablo Castilla Reparaz and Mustafa Ogretici.

II.2.5. The current members of the Compensation Committee are Luis Miguel Álvarez Pérez, Pablo Castilla Reparaz (appointed on 12 December 2016, with effect from 1 January 2017) and Mustafa Ogretici (appointed on 12 December 2016, with effect from 1 January 2017).

II.3. Activity of the Supervisory Board in 2016

II.3.1. In 2016 the Supervisory Board held 3 meetings. In addition, the Supervisory Board held periodical teleconferences (at least one each month). At 9 of such meetings / teleconferences, the Supervisory Board adopted resolutions. The Audit Committee held 4 meetings and 3 teleconferences, and the Compensation Committee held 2 meetings.

II.3.2. During the reporting period, the Supervisory Board exercised continuous supervision over AmRest's operations in all areas of the Company's activities, pursuant to the provisions of the Statute of AmRest, Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company, and the Code of Commercial Companies. In performing its statutory duties in 2016, the Supervisory Board actively participated in the monitoring of, and supervision over, key areas of AmRest's operations. The Supervisory Board supervised capital investments of AmRest and its subsidiaries – including strategic acquisition of Starbucks Coffee Deutschland GmbH & Co. KG. The Supervisory Board oversaw reorganization processes of its subsidiaries. Also, the Board participated in the process of extending the financing available to the Company, approving amendments to the facility agreements with Bank PKO S.A., Bank BNP BGŻ Paribas S.A., Bank Zachodni WBK S.A. and ING Bank Śląski S.A. A significant part of the Supervisory Board's activities during the reporting period consisted of the review and analysis of the Company's financial results, as well as of the prospects and plans for the next year. The Supervisory Board introduced new incentive schemes in AmRest (management incentive plan and employee stock option plan). The Board appointed Mark Chandler and Drew O'Malley to the Management Board for the next term of office. The Audit Committee put significant effort into monitoring dynamic changes in the regulatory environment and verifying whether the Company properly adjusts its functioning, procedures and policies. In performing their duties, the Supervisory Board members acted in the best interest of the Company.

II.4. Summary and self-assessment of the Supervisory Board

- II.4.1. Having considered the information presented in this report, the Supervisory Board, pursuant to rule II.Z.10.2 of the WSE Best Practices 2016, positively evaluates its functioning, activity and performance of duties in 2016.

III. ASSESSMENT OF AMREST'S STANDING

III.1. Assessment of AmRest's standing

- III.1.1. The Supervisory Board positively evaluates the Company's general standing. In 2016, the Company continued a high pace of growth recording the next consecutive year of highest results in the Company's history – consolidated revenues grew by 26% (from PLN 3,339m in 2015 to PLN 4,207m in 2016), the Group's EBITDA increased by 27% and reached PLN 556m, while net profit amounted to PLN 190.5m (compared to PLN 160m in 2015). In 2016, AmRest developed its core business by opening 146 new restaurants which made it the top restaurant developer in Europe. Apart from organic growth (which is expected to further increase), the Company expanded by M&A – the acquisition in Germany added 144 restaurants to AmRest's portfolio (consisting of 1181 restaurants as of 31 December 2016). A solid financial standing as well as development plans and implementation gives grounds to positively assess AmRest's overall standing.

III.2. Assessment of internal control, risk management and compliance systems, and the internal audit function

- III.2.1. The Supervisory Board assessed that internal control, risk management, compliance systems, and the internal audit function are adequate for the size and type of AmRest's operations. AmRest has implemented effective reporting and information protection policies.

III.2.2. Within the structure of AmRest's management system:

- (i) the risk management function is assigned to the Management Board members and their subordinated directors and managers, pursuant to their scope of responsibilities; and
- (ii) the internal control system is comprised of:
 - a control function assigned to Management Board members and their subordinated directors and managers, pursuant to their scope of responsibilities;

- a compliance function assigned to Management Board members and their subordinated directors and managers, pursuant to their scope of responsibilities and supplemented by compliance specialists in key areas of external compliance; and
- Internal Audit and an Internal Control Department.

III.2.3. Internal Audit and Internal Control functions are led by the Internal Audit and Internal Control Director, who reports directly to the Audit Committee to ensure independence. The Company's Internal Audit and Internal Control operate according to Internal Audit and Internal Control Charters, respectively.

III.2.4. The Internal Audit function analyzes and evaluates risk management, internal controls and corporate governance and provides recommendations supporting:

- (i) risk reduction of not realizing AmRest's objectives;
- (ii) increasing the efficiency of the business process; and
- (iii) optimizing control mechanisms.

III.2.5. The Internal Audit function performs planned assignments, in accordance with an annual audit plan, and *ad hoc* audits. It further monitors the implementation of action plans agreed with the Management Board during the audit assignments.

III.2.6. The annual audit plan is subject to the comments and opinions of the Management Board and the Audit Committee, and must be accepted by the Audit Committee. The Management Board and the Audit Committee may request *ad hoc* audits.

III.2.7. Internal auditors are granted with all powers and authorizations required to effectively perform their functions. The performance of the Internal Audit function is subject to annual assessments by the Management Board and the Audit Committee.

III.2.8. The goal of the Internal Control function is:

- (i) to identify the risks related to AmRest's operations;
- (ii) to identify such incorrectness as: abuse; wastage; operation being in discrepancy with the internal procedures, the law or other;

(iii) to present recommendations aimed at reducing risks, preventing incorrectness and increasing AmRest's efficiency; and

(iv) to verify the accepted action plan and its implementation.

III.2.9. The performance of the Internal Control function is subject to annual assessments by the Management Board.

III.2.10. Risk management, internal control and compliance functions are assigned to the Management Board members (and their subordinated managers and directors) within the scope of their responsibilities. Responsibilities within the Management Board are divided between the Chief Strategy Officer, Chief Financial Officer, Chief Digital Officer, Chief People Officer, KFC President and Chief Operational Officer (all areas of AmRest's operations are covered).

III.2.11. In key areas of external compliance, the compliance system is supplemented by specialists holding separate positions for each key compliance area (i.e. reporting duties, taxes, personal data protection, environmental protection, food safety, and occupational health and safety).

III.2.12. The internal control system is also supported by specialized internal units, such as the Internal Control function (inspections in restaurants), an OPS Compliance Department (food safety audits), Maintenance Department (facilities and utilities maintenance audits), and suppliers' quality control.

III.2.13. In addition to internal units operating in the internal control system, AmRest orders audits and inspections from specialized external entities, for example in the scope of personal data safety.

III.2.14. AmRest has amended in 2016 – to increase its efficiency – the reporting policy regulating the flow of financial and management information. In addition, AmRest has prepared a policy regarding the handling of inside, sensitive and confidential information.

IV. ASSESSMENT OF AMREST'S INFORMATION POLICY

IV.1. Summary of information obligations

IV.1.1. AmRest, as a public company listed on the WSE, is subject to the information duties imposed by EU law (in particular Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse – "**MAR**"), Polish

domestic law and regulations, and WSE Rules (including the “comply or explain” principle applicable to the WSE Best Practices 2016).

IV.1.2. AmRest duly fulfils all of its disclosure and reporting duties. All inside, current and periodic information is disclosed in accordance with applicable regulations. In order to comply with the new regime of MAR (applicable from 3 July 2016), AmRest introduced relevant internal regulations, including Individual Reporting Standards, Regulations regarding restrictions as to the acquisition and sale of AmRest SE financial instruments by persons discharging managerial responsibilities and persons closely associated with them, and the Rules of the Flow of Inside Information within the AmRest Holdings SE Capital Group.

IV.2. Information on the applicable corporate governance code

IV.2.1. Under §29.3 of the WSE Rules, AmRest is obliged to comply with the WSE corporate governance code or to report each breach of the rules of such code and indicate which rules are permanently not applied by the Company. Under § 91.5.4 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and the requirements for the recognition as equivalent of the information required under the laws of non-member countries, AmRest’s annual financial report should contain information on the corporate governance code applied by the Company.

IV.2.2. Information on the application of the WSE Best Practices 2016 was included in the supplement to the 2016 Management Board Report (part of the 2016 Annual Report published in 2017) and is available on AmRest’s website in the “*Corporate Governance*” section.

IV.2.3. The assessment of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the WSE Rules and the regulations on current and periodic reports published by issuers of securities is positive.

IV.3. Information policy

IV.3.1. AmRest actively communicates with investors providing them with all required information about the Company, its results, and prospects.

IV.3.2. In 2016, AmRest organized four conferences with investors, analysts and shareholders to discuss its quarter results. AmRest was also present at 2 conferences for investors, and 3 roadshows organized by investment advisors and banks, as well as holding about two dozen individual meetings with investors and analysts. Teleconferences to discuss current

issues with investors, analysts and shareholders were organized as required from time to time, usually 2-3 times a month. During all of the major meetings and in part of individual meetings and teleconferences, AmRest was represented by the Chief Strategy Officer (Management Board member). One of the Supervisory Board members (Henry McGovern) also participated on behalf of the Company during roadshows and conferences for investors as well as in several teleconferences.

V. ASSESSMENT OF THE RATIONALITY OF SPONSORSHIP AND CHARITY POLICY

- V.1. In 2016, the Company adopted AmRest's Policy of Philanthropic and Sponsoring Activities which summarized and organized AmRest's previous policy within the scope of charity and sponsorship. AmRest applies a reasonable sponsorship and charity policy which is in-line with AmRest's Core Values and does not create an excessive financial burden for the Company. The Supervisory Board's assessment of the rationality of AmRest's sponsorship and charity policy is positive.
- V.2. Information about the Company's sponsorship and charity policy was included as a supplement to the 2016 Management Board report (part of the 2016 Annual Report, published in 2017), as required by recommendation I.R.2 of the WSE Best Practices 2016.
- V.3. The Supervisory Board reviewed the Company's sponsorship and charity activities in 2016. AmRest's main charity program was to adapt and furnish a day-support center located in the Magnolia Park shopping center in Wrocław which currently provides support for about 100 children. The program was performed in-line with the "Siemacha Spot" concept. AmRest employee volunteers are involved in workshops and courses organized in the center. As in previous years, the Company supported the Foundation for Corporate Social Responsibility and, in cooperation with the Wrocław Municipal Office, sponsored Christmas Eve for the Poor in Wrocław. The Company has also subsidized the organization "Teach" from Romania, through which AmRest contributed to the better education of 6500 children. AmRest was a sponsor of a charity run (financing the participation of 175 runners in 35 teams).
- V.4. AmRest runs a program of distributing small grants for charitable purpose addressed to AmRest employee-volunteers in Poland, the Czech Republic and Hungary (more information is available at: www.wolontariuszeamrest.pl).