

ANNUAL REPORT

on the activity of the Supervisory Board of AmRest Holdings SE



in 2017

Wrocław, March 8th, 2018

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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 2017* presents the above information with respect to the 2017 financial year.

II. ACTIVITY OF THE SUPERVISORY BOARD IN 2017

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

II.1.1. The Supervisory Board was exercising permanent supervision over the activities of AmRest in all areas of the Company's operations. In accordance with the Statute, the Supervisory Board consisted of at least 5 members and the number of members was determined by the General Meeting. On December 12th, 2016 the General Meeting adopted a resolution according to which the number of Supervisory Board Members was determined to be from 5 to 7 members. As at December 31st, 2017 the Board consisted of seven members, including two independent members. Members of the Supervisory Board were appointed and dismissed at the General Meeting by a two-thirds majority of votes cast. Members of the Supervisory Board were appointed for a five-year term of office.

II.1.2. The Supervisory Board operated 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 were two committees functioning within the Supervisory Board:

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

II.1.4. The operation of the Audit Committee was regulated by the Rules of Procedure of the Audit Committee, adopted by the Supervisory Board, as well as the Act of 7 May 2009 on Statutory Auditors and their Self-Government, Auditing Companies and Public Supervisions ("**2009 Act on Auditors**") and the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervisions ("**2017 Act on Auditors**"). The 2017 Act on Auditors entered into force on 21 June 2017, replacing the 2009 Act on Auditors.

II.1.5. The Audit Committee's tasks were described in the 2009 and 2017 Act on Auditors. Among others, the Audit Committee advised 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. According to the 2009 Act on Auditors, the Audit Committee consisted of at least 3 members, selected by the Supervisory Board from its officers, out of which at least one had to be an independent member and at least one must have had qualifications and experience in accountancy and finance. The 2017 Act on Auditors required that the majority of Audit Committee members meet independence criteria and that Audit Committee members have knowledge and skills within the scope of business in which AmRest operates (still at least one member must have knowledge and skills in accountancy or review of financial statements). The composition of the Audit Committee satisfied requirements of both the 2009 and 2017 Acts on Auditors.

II.1.6. The Remuneration Committee was responsible for supervising the implementation of the agreements concluded with the executive managers, the remuneration and benefits system in the Company and the Group, training and other benefits provided by the Company, as well as audits carried out by the Supervisory Board in this respect.

II.2. **Composition of the Supervisory Board and Committees in 2017**

II.2.1. As of 1 January 2017, the Supervisory Board was composed of:

- (i) José Parés Gutiérrez;
- (ii) Carlos Fernández González;
- (iii) Luis Miguel Álvarez Pérez;
- (iv) Henry Joseph McGovern;
- (v) Steven Kent Winegar Clark;
- (vi) Pablo Castilla Reparaz; and
- (vii) Mustafa Ogretici.

II.2.2. In 2017 the General Shareholders' Meeting did not adopt any resolution regarding changes in the Supervisory Board.

II.2.3. As of 31 December 2017, 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. In 2017, José Parés Gutiérrez; Pablo Castilla Reparaz; and Mustafa Ogretici were members of the Audit Committee. The independence criteria, as required by Article 129 Sec. 3 of the 2017 Act on Auditors, were met by Pablo Castilla Reparaz and Mustafa Ogretici. Mr. José Parés Gutiérrez and Mr. Pablo Castilla Reparaz were the Audit Committee members who met qualifications criteria regarding accountancy or review of financial statements (Article 129 Sec. 1 of the 2017 Act on Auditors), while Mr. Mustafa Ogretici was a member meeting requirement of knowledge and skills within the scope of Amrest's business (Article 129 Sec. 5 of the 2017 Act on Auditors).

II.2.5. The current members of the Compensation Committee are Luis Miguel Álvarez Pérez, Pablo Castilla Reparaz and Mustafa Ogretici.

II.3. **Activity of the Supervisory Board in 2017**

II.3.1. In 2017 the Supervisory Board held 4 meetings. In addition, the Supervisory Board held periodical teleconferences (at least one each month). At 7 of such meetings / teleconferences, the Supervisory Board adopted resolutions. The Audit Committee held 4 meetings and 3 teleconferences, and the Compensation Committee held 3 meetings.

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 2017, the Supervisory Board actively participated in the monitoring of, and supervision over, key areas of AmRest's operations. In particular, the Supervisory Board participated in the process of ensuring additional financing for the Company, approving: (i) amendments to the existing facility agreements with Bank PKO S.A., Bank BNP BGŻ Paribas S.A., Bank Zachodni WBK S.A. and ING Bank Śląski S.A. pursuant to which the Company was entitled to additional tranches of the facility; (ii) entering, executing and performing by the Company new senior term and revolving facilities agreement with Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A and Česká spořitelna; (iii) entering into German law loan agreement (*Schuldscheindarlehen*). The Supervisory Board supervised capital investments of AmRest and its subsidiaries – including (i) acquisition of Pizza Topco (exclusive operator and master-franchisee of the brand Pizza Hut Delivery in France) and Pizza Hut Express restaurants in France; (ii) acquisition of KFC restaurants in Russia; (iii) acquisition of KFC restaurants in France. Based on the Committee's recommendation, the Supervisory Board changed the Company's auditor in order to comply with the new requirements of the 2017 Act on Auditors. Also, the Supervisory Board discussed and oversaw the strategic

process of transferring the Company's registered office from Poland to Spain. The Supervisory Board commenced implementation of the 2017 Management Incentive Plan in AmRest by granting options to managers. 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 Board appointed Jacek Trybuchowski to the Management Board. The Audit Committee adjusted its functioning to the new requirements of 2017 Act on Auditors. 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 2017.

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 2017, 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 25% (from PLN 4,207m in 2016 to PLN 5,266m in 2017), the Group's EBITDA increased by 13% and reached PLN 630m, while net profit amounted to PLN 181.3m (compared to PLN 190.7m in 2016). In 2017, AmRest developed its core business by opening 210 new restaurants which enabled the Company to keep the position of top restaurant developer in Europe. In 2017 AmRest entered three new markets by opening its first KFC locations in Austria and Slovakia, as well as the first La Tagliatella in Portugal. Apart from organic growth (which is expected to further increase), the Company expanded by M&A – the acquisition of restaurant businesses (mostly within KFC and Pizza Hut brands) in Germany, France and Russia, as well as investment in Pizzaportal.pl platform (an aggregator in Poland, which allows online meals ordering with delivery). Overall 274 restaurants were added to AmRest's portfolio as a result of M&A projects completed in 2017. 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 were adequate for the size and type of AmRest's

operations. The effective reporting and information protection policies were implemented in the Company. The Supervisory Board received and reviewed the Internal Audit Report for 2017, prepared in accordance with rule III.Z.4 of the WSE Best Practices 2016; according to the report, the overall evaluation was “good” (4/5).

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

(i) the risk management function was assigned to the Management Board members and their subordinated directors and managers, pursuant to their scope of responsibilities; and

(ii) the internal control system was 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 were led by the Internal Audit and Internal Control Director, who reported directly to the Audit Committee to ensure independence. The Company’s Internal Audit and Internal Control operated according to Internal Audit and Internal Control Charters, respectively.

III.2.4. The Internal Audit function was analyzing and evaluating risk management, internal controls and corporate governance and providing 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 performed planned assignments, in accordance with an annual audit plan, and *ad hoc* audits. It further monitored the implementation of action plans agreed with the Management Board during the audit assignments.

- III.2.6. The annual audit plan was subject to the comments and opinions of the Management Board and the Audit Committee, and was accepted by the Audit Committee. The Management Board and the Audit Committee could request *ad hoc* audits.
- III.2.7. Internal auditors were granted with all powers and authorizations required to effectively perform their functions. The performance of the Internal Audit function was subject to annual assessments by the Management Board and the Audit Committee.
- III.2.8. The goals of the Internal Control function were:
- (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 was subject to annual assessments by the Management Board.
- III.2.10. Risk management, internal control and compliance functions were assigned to the Management Board members (and their subordinated managers and directors) within the scope of their responsibilities. Responsibilities within the Management Board were 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 were covered).
- III.2.11. In key areas of external compliance, the compliance system was supplemented by specialists holding separate positions for each key compliance area (i.e. reporting duties, taxes, personal data protection, environmental protection, food safety, construction law, labor law and occupational health and safety).
- III.2.12. The internal control system was 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 ordered audits and inspections from specialized external entities, for example in the scope of personal data safety.
- III.2.14. AmRest has in place a reporting policy regulating the flow of financial and management information and 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. In 2017, AmRest duly fulfilled all of its disclosure and reporting duties. All inside, current and periodic information were disclosed in accordance with applicable regulations. In order to comply with the provisions of MAR, AmRest have in place 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 for the year 2017 contained 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 Appendix No. 2 to the Management Board's Report for the year 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 2017, AmRest organized four conferences with investors, analysts and shareholders to discuss its quarter results. AmRest was also present at 3 conferences for investors, and 2 roadshows organized by investment advisors and banks, as well as held about 20-30 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 3-5 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 several teleconferences.

V. ASSESSMENT OF THE RATIONALITY OF SPONSORSHIP AND CHARITY POLICY

V.1. The Company applies AmRest's Policy of Philanthropic and Sponsoring Activities which summarizes and organizes AmRest's approach and procedures 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 in the section 12 of the Appendix No. 2 to the Management Board's Report for the year 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 2017. AmRest's main charity program was to run a day-support center located in the Magnolia Park shopping center in Wrocław which currently provides support for about 160 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. One of the most innovative project was the Harvest program, which main goal was to stop the food overproduction. Within that program AmRest donated 154 tons of chicken for non-profit-making organizations and non-governmental organizations. 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. AmRest was a sponsor of a charity run (financing the participation of 290 runners in 58 teams). The Company supported also the "Rozwój" Foundation in actions related to the city's oxygenation (planting trees).

- V.4. AmRest runs a program of distributing small grants for charitable purposes addressed to AmRest employee-volunteers in Poland and the Czech Republic (more information is available at: www.wolontariuszeamrest.pl).