



2021 Sustainability Report

Carrols Restaurant Group, Inc.



Sustainability at Carrols

Carrols is committed to creating long-term value for its stockholders through sustainable business practices that support our employees, our customers and the communities we serve.

Over the past year, we've worked diligently to build on our commitment to sustainability. Among other things, we have provided more detailed disclosure regarding our dedication to sustainable business practices and improved how we measure and track our performance in key areas such as greenhouse gas emissions and employee development.

As one of the largest restaurant franchisees in the United States, Carrols operates 1,089 restaurants across the Burger King® and Popeyes® brands. Carrols is the largest Burger King franchisee in the country, currently operating 1,024 Burger King restaurants in 23 states. Carrols has operated Burger King restaurants since 1976 and Popeyes restaurants since 2019.

As a franchisee, we are subject to strict guidelines established by our franchisor, Restaurant Brands International (RBI), the parent company of Burger King Corporation and Popeyes Louisiana Kitchen. In areas ranging from vendor and menu selection, sustainable packaging and the responsible sourcing of the food we serve, we operate in accordance with RBI's standards and support its sustainability initiatives.

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Carrols' and RBI's Shared Vision

“ We believe that the delicious, affordable and convenient meals we serve, and our customers love, must be sustainable.”

We are proud to support RBI's sustainability programs and regularly consult with RBI's sustainability team to receive updates on their efforts and share our perspectives. We are also committed to leading our own efforts in areas such as reducing energy use, career development, employee well-being, community support and volunteerism.

The Corporate Governance and Nominating Committee of Carrols' Board of Directors oversees the Company's policies, goals and initiatives relating to sustainability and environmental, social and governance (ESG). Our Sustainability Committee, led by our Vice President and General Counsel, provides executive-level oversight of our sustainability initiatives.

As summarized in this report, there are four pillars to our sustainability program: Our Food, Our Environment, Our People and Our Communities. We are committed to continually build upon these four pillars by consistently serving high-quality food that tastes great, striving to reduce our environmental footprint, supporting our employees and giving back to our local communities.

Our Sphere of Influence





Our Food

Carrols is committed to maintaining industry-leading standards of food quality and safety.

Our Approach

We are passionate about serving our guests the great-tasting and high-quality food they love each and every day. To ensure industry-leading food quality and safety standards across our operations, Carrols adheres to a variety of important policies, practices and procedures:



Training

We provide extensive classroom, online and in-restaurant training to ensure that every Carrols team member has the knowledge and skills needed to meet our rigorous food quality and safety requirements. Our restaurant managers and shift supervisors also complete the ServSafe food safety training and certification program, which is accredited by the American National Standards Institute Conference for Food Protection.



Compliance

We operate in strict compliance with all health and quality assurance standards mandated by federal, state and local laws and regulations. These include, among other things, rules regarding food handling and cleanliness, minimum cooking times and temperatures, and maximum time periods for holding prepared food.



Inspections

Our restaurants undergo both scheduled and unscheduled inspections by independent third-party firms under oversight by our franchisors to ensure that quality, cleanliness and safety protocols are being followed on a consistent basis. These third-party inspections complement the inspections our restaurant managers perform multiple times a day to ensure taste, quality, cleanliness and food safety. In addition, our district managers conduct safety audits at our restaurants twice a year to help ensure the safety of our employees and customers.



Customer Service

We are committed to consistently providing our guests with a great customer experience, which is why we carefully track our guest satisfaction metrics and seek to quickly resolve any customer complaints. We believe that our commitment and dedication to customer service is reflected in the fact that we typically outperform the Burger King system in same-store-sales and guest satisfaction ratings.



Nutritional Transparency

We support RBI's commitment to provide our guests with a variety of menu options, including plant-based offerings, and equip them with the information they need to make educated food choices.



Ingredients

As part of its commitment to using real food and high-quality ingredients, Burger King has banned 120 artificial ingredients from its food menu in the United States and is working toward offering a permanent menu that is free of colors, flavors and preservatives from artificial sources, wherever possible. Popeyes is working toward accomplishing the same by the end of 2025.

“ We are deeply appreciative of our customers and are committed to earning and retaining their loyalty by consistently providing them with great food and service, which are the foundations of our business.”

Paulo A. Pena, President and CEO





Highlights and Initiatives

Carrols is proud to support RBI's commitments to food safety, nutritional transparency, improving choice and real ingredients.

Food Safety

All our restaurants are subject to rigorous food safety inspections on a regular basis, with scheduled and unscheduled audits by an independent third party taking place at least three times a year. During these audits, our restaurants are carefully inspected to confirm that they meet our franchisors' brand and food safety standards including, among other things, with respect to cooking temperatures, food handling, food storage and expiration, kitchen cleanliness, maintenance of cooking equipment and handwashing protocols.

Nutrition Explorer

Burger King offers [Nutrition Explorer](#), an online platform that provides customers with nutritional information about Burger King menu items to help them make informed decisions.

Sodium Reduction

Burger King is actively pursuing initiatives to reduce sodium in the food we serve, as well as the presence of other ingredients of concern, including fat and sugar.

Improving Choice

In an effort to offer guests more plant-based options, Burger King introduced the [Impossible™ Whopper®](#) in 2019, a flame-grilled patty made from plants. Burger King is also testing additional plant-based options across a variety of markets, including plant-based nuggets, a plant-based version of the Long Chicken™ sandwich and two unique plant-based sandwiches – the Cajun Veggie King™ and the Cajun Veggie Chicken™.

Partially Hydrogenated Oils

RBI requires all Burger King and Popeyes products to be free of partially hydrogenated oils and to be designated as containing no trans fat.

Additives

As part of RBI's commitment to safe ingredients, its product specifications require that all approved plastic toys and promotional drinkware do not contain bisphenol A (BPAs). RBI also prohibits the use of perfluorooctanoic acid (PFOAs) within its approved paper and packaging products.





Operating Safely During the COVID-19 Pandemic

Carrols made numerous adaptations to our operations to maintain our high standards of food quality and safety while keeping employees and customers safe during the COVID-19 pandemic. These included, among other things:

Team Member Safety Protocols. We required our team members to wear masks and to complete a health screening assessment and have their temperatures taken at the beginning of each shift.

Low-Contact Processes for Service and Payment. We adopted low-contact procedures for food ordering and payment and installed acrylic barriers at our front counters and drive-thrus. These measures allowed us to continue serving our menu items while limiting contact between employees and guests.

Delivery Options. In 2020, we enabled more customers to access our menu items safely and conveniently by adding food delivery services at over 80% of our restaurants. We now offer food delivery services at almost all of our restaurants through third-party delivery partners who have strict safety protocols in place.



Resources

- [Nutrition Explorer](#) is an online nutrition information platform for Burger King.
- RBI's [Restaurant Brands For Good: 2021 Year in Review](#) and its [website](#) provide an overview of RBI's approach to improving choice, nutrition, transparency and other topics discussed above.



Our Environment

At Carrols, we believe that protecting our planet for future generations and ensuring the sustainability of our business are of paramount importance. We are dedicated to doing our part by working to continuously decrease our carbon footprint through reduced energy use while supporting RBI's sustainability policies in areas such as the responsible sourcing of the food we serve.

Our Approach

Carrols is committed to reducing our energy use and, in turn, our carbon footprint by, among other things, installing LED lighting and more energy efficient heating, cooling and cooking equipment. We are also actively working on electric vehicle (EV) charging and community solar pilot programs that can help reduce emissions in the communities we serve.

With respect to matters that are controlled by our franchisor, Carrols supports RBI's sustainability practices in areas including:

- Responsible sourcing
- Packaging and recycling
- Waste reduction





Climate Action

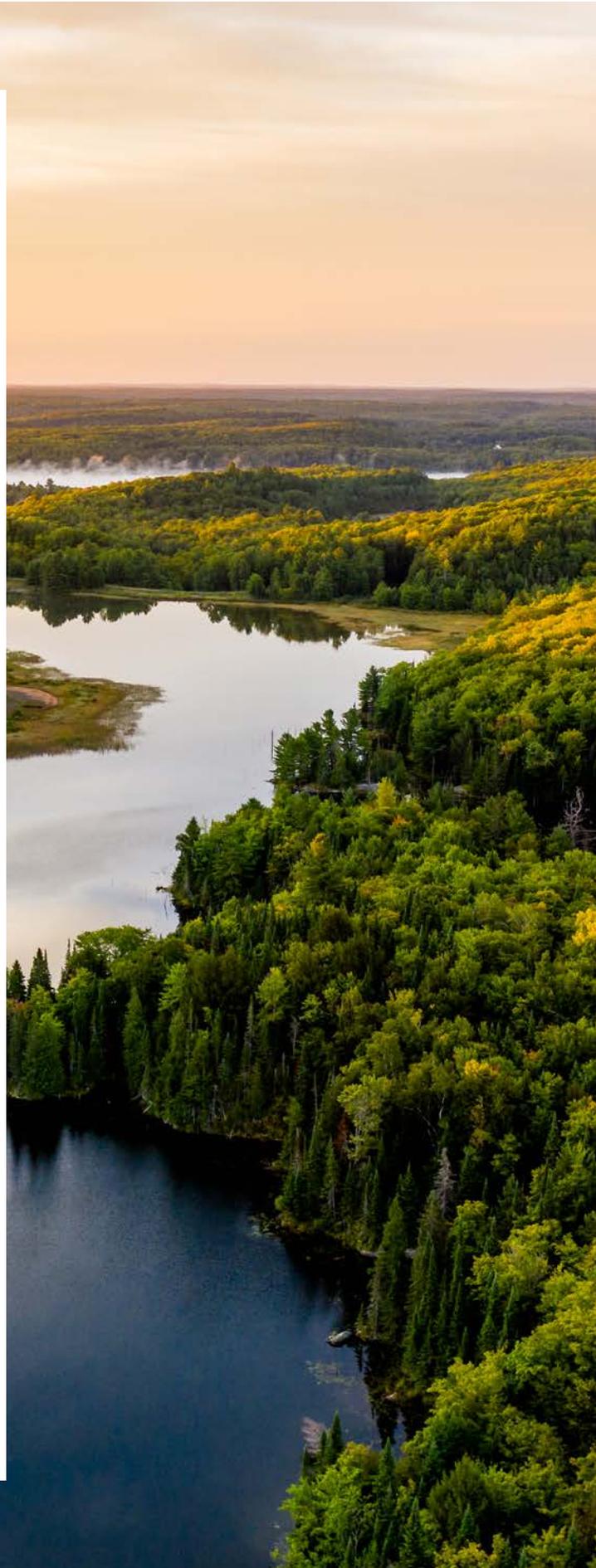
As part of our sustainability program, we engaged a third-party consulting firm to help us measure our Scope 1 and Scope 2 greenhouse gas (GHG) emissions. As a franchisee, we prioritized measuring our Scope 1 and 2 footprint due to the direct control we have over these emissions, which primarily come from energy use at our corporate offices and our portfolio of Burger King and Popeyes restaurants.

Our emissions were measured in accordance with the internationally accepted Greenhouse Gas Protocol (GHGp).¹ Our total 2021 Scope 1 emissions were 63,511 MTCO₂e. Our total 2021 Scope 2 emissions were 92,396 MTCO₂e under the location-based control GHGp approach and 100,260 MTCO₂e under the market-based GHGp approach.

Having established our 2021 emissions as a baseline, we are developing a GHG reduction strategy that includes the installation of higher-efficiency lighting, kitchen equipment and HVAC systems at our restaurants and pursuing opportunities to source renewable energy. Once this work has been completed, we intend to identify and commit to a target to reduce our Scope 1 and 2 emissions. We also intend to publicly report our Scope 1 and 2 GHG emissions on an annual basis.

We believe that RBI is in the best position to influence our Scope 3 GHG emissions as we are only permitted to utilize suppliers that are approved by RBI and operate in compliance with RBI's standards. RBI has measured its Scope 3 emissions, and we strongly support its goal to reduce Scope 3 emissions intensity by 50% per restaurant by 2030. This target was approved by the [Science Based Targets initiative](#) (SBTi) and is based on [SBTi Criteria and Recommendations](#).

¹ Scope 1 and 2 emissions factors used were sourced from the 2020 Emissions & Generation Resource Integrated Database (eGRID) for Scope 2 location-based carbon accounting and the Center for Resource Solutions' 2021 Green-e residual mix emissions rates database for Scope 2 market-based carbon accounting. Emissions factors for natural gas, propane and motor gas were sourced from the EPA's 2020 Emission Factors for Greenhouse Gas Inventories database. Refrigerant leakage was modeled using the EPA's Accounting Tool to Support Federal Reporting and HFC Emissions, 2020. Appropriate emissions factors were included for electricity and fuel use per facility based on location zip code.





Highlights and Initiatives



Greener Buildings

Carrols is dedicated to reducing its environmental footprint by building more energy efficient restaurants with a focus on sustainability inside and out. Improved HVAC systems, higher-efficiency water heaters and more energy efficient kitchen equipment all help decrease energy consumption. White membrane roofing that provides increased thermal reflectivity to help keep buildings cooler in the summer and color impregnated fiber cement building façades that do not require painting mean even the exteriors of our new buildings can help make a difference.



Packaging and Recycling

Packaging helps us safely serve our guests the food they love, but some packaging can harm the health of our planet. To help address this concern, we phased out expanded polystyrene (EPS) foam packaging at all our Burger King locations in 2020. We are also aligned with RBI's [sustainable packaging strategy](#), including its commitment to have 100% of approved, guest-facing fiber-based packaging come from renewable, recycled or certified¹ sources and to eliminate harmful perfluoroalkyl and polyfluoroalkyl substances (PFAS) intentionally added to guest food packaging by 2025.



Waste Reduction

To help reduce waste and conserve resources, our cooking oil is recycled into clean-burning biofuels and other applications and a majority of our restaurants have high-efficiency hand dryers in their restrooms to help minimize paper towel use. We also support RBI's goal of making recycling available at all our Burger King and Popeyes locations where commercially viable and adequate infrastructure exists by 2025.



Water Reduction

We track water consumption at all our restaurants to help identify leaks and other opportunities to reduce water waste. We have also taken steps to reduce water consumption by installing low-flow faucets and toilets in a majority of our restaurants.



LED Lighting

LED lighting is standard in all our newly constructed, rebuilt and remodeled restaurants. It is also being retrofitted in our older restaurants, as well as incorporated into signage and parking lot lighting to help reduce our electricity use.

¹ Certified sources are defined as sources certified by at least one of the following certification bodies: the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or the Sustainable Forestry Initiative (SFI).

Looking Ahead

We are actively working on pilot programs that can help reduce energy consumption and GHG emissions with the intent of rolling out successful programs more extensively across our portfolio. Examples of some of the pilot programs we are currently working on include:



Electric Vehicle Charging

Carrols is working with EV charging providers on pilot programs to install EV charging stations in the parking lots of up to a dozen of our restaurants. By supporting EV adoption, we hope to help create a more sustainable future by helping reduce GHG emissions while attracting EV-driving guests to our restaurants.



Energy Audits

Carrols has had several of its restaurants audited by the New York State Energy Research and Development Authority (NYSERDA) and by a private company to identify opportunities to reduce its energy usage.



Community Solar

Carrols supports community solar programs, which facilitate the sourcing of clean energy in the communities our restaurants serve while helping reduce GHG emissions and the Company's electricity costs. Carrols currently participates in community solar programs in New York and Illinois and is actively pursuing opportunities in additional states as they become available.



Responsible Sourcing

Food production can be resource-intensive. This is why Carrols supports RBI's commitment to responsibly source the food we serve and to make procurement choices that align with our shared goal of more sustainable food production.

Beef

We are committed to a beef supply chain that protects environmental resources, prioritizes humane treatment of animals and supports the rights of workers. RBI is an active member of the Global Roundtable for Sustainable Beef and the U.S. Roundtable for Sustainable Beef and is aligned with their goals to improve the sustainability of beef production at both global and regional levels.

Burger King has also entered into partnerships to support grassland restoration and regenerative agricultural practices. In 2020, it announced a three-year grasslands restoration project in partnership with Cargill and World Wildlife Fund to convert 8,000 acres of marginal cropland throughout Montana and South Dakota to ecologically diverse grasslands. In addition, in 2022, Burger King, along with Cargill and the National Fish and Wildlife Foundation (NFWF), announced a five-year initiative to support cattle ranchers who are committed to addressing climate change through regenerative agriculture practices in Colorado, Kansas, Nebraska, New Mexico, Oklahoma and Texas.

Poultry

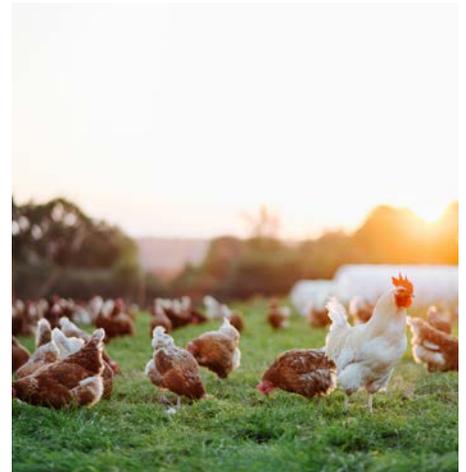
All chicken used in approved products for Burger King and Popeyes in the United States is raised without the use of antibiotics important to human medicine (as defined by the World Health Organization in *Critically Important Antimicrobials for Human Medicine: 6th Revision 2018*). In addition, RBI is working with suppliers, animal welfare experts and others in the poultry industry to continuously improve the welfare of chicken in its supply chain.

Cage-Free Eggs

RBI is committed to using cage-free eggs globally and aims to use 100% cage-free eggs in North America by the end of 2025.

Pork

RBI is committed to sourcing pork that has been raised without the use of gestation crates for housing pregnant sows.





Packaging

RBI is actively working with suppliers to source approved fiber-based packaging from certified sustainably managed forests or recycled sources. Currently, approximately 75% of guest-facing fiber-based packaging comes from certified or recycled sources and RBI is working to reach 100%. RBI is also actively testing packaging options that help reduce waste such as reusable and returnable take-out packaging, recyclable and compostable cups, strawless lids and fiber-based lids for hot beverages.



Palm Oil

Our palm oil purchases are within the scope of RBI's Palm Oil Sourcing Policy¹ supporting sustainable palm oil production. RBI is actively working with its approved suppliers to source palm oil that does not contribute to deforestation² or agricultural development on peatlands. In 2021, approximately 87% of RBI's palm oil volumes within the scope of RBI's Palm Oil Sourcing Policy was Roundtable for Sustainable Palm Oil (RSPO) certified Mass Balance or better.



RBI's responsible sourcing initiatives also include:

- **Code of Business Ethics and Conduct for Vendors** – This code communicates RBI's requirements and expectations with respect to business integrity, sustainability and regulatory compliance for vendors.
- **Animal Welfare** – While not directly involved in the raising, feeding, handling, transportation or processing of animals, as a major global purchaser of animal proteins and products, RBI is partnering with suppliers and producers across its supply chain to drive continuous improvement of animal welfare and requiring all beef and poultry vendors to submit to mandatory annual third-party audits that include animal welfare standards.
- **Forest Commitment** – RBI's goal is to eliminate deforestation² within our global supply chain by 2030 or sooner.

Resources

- RBI's website provides an overview of its approach to [responsible sourcing](#).
- RBI's [Restaurant Brands For Good: 2021 Year in Review](#) offers further information about its goals and initiatives with respect to protecting our forests, animal health and welfare, and responsible sourcing (see "Good Planet" section and page 25).

¹ All palm oil directly sourced by the Burger King and Popeyes brands, and approved food products with greater than 1% palm oil/palm kernel oil as an ingredient, excluding third-party branded products, as well as cooking oil and food products sold in Turkey.

² As currently defined by the Food and Agriculture Organization of the United Nations (FAO).



Our People

Carrols' greatest asset is our people, who work together to provide outstanding service and quality food to the thousands of guests we serve every day.



Our Approach

Carrols works to create a safe, equitable and rewarding work environment where team members are supported in their roles and are presented with clear pathways for advancement. Our employee base includes approximately 23,000 team members who work at our restaurants across 23 states.

We provide extensive training and actively support career and leadership development. In fact, a majority of the managers currently working at our restaurants and overseeing our operating regions have risen through the ranks at Carrols. In addition, two of the Company's executive officers began their careers at Carrols as restaurant team members, and our former CEO began his career as a management trainee.

Diversity and Inclusion

We are dedicated to creating an inclusive culture for our diverse workforce, in which all our employees feel valued, respected and heard. As of June 30, 2022, approximately 55% of our employees were female and approximately 50% of our employees self-identified as being a member of a racial or ethnic minority group. In addition, 45% of our Company's 11-member leadership team and 40% of the members of our Board of Directors are women or a member of a racial or ethnic minority group.



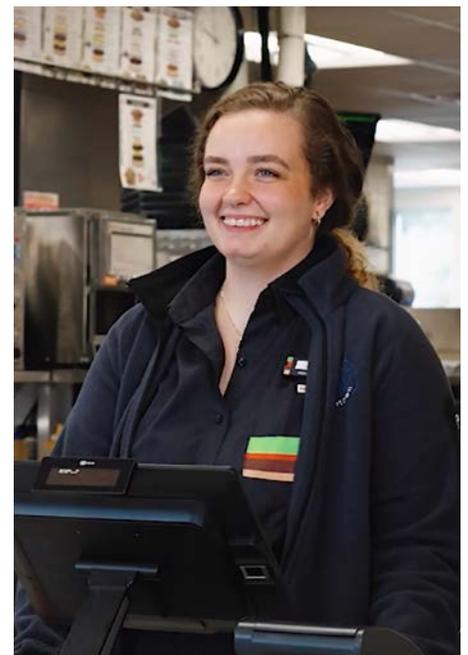


Codes and Policies

We have implemented a variety of codes and policies to ensure that our workplaces support our people, reflect our values and comply with applicable laws and regulations. They include our:

- Code of Business Ethics and Conduct
- Code of Ethics for Executives and Principal Financial Employees
- Ethics Hotline Policy
- Equal Employment Opportunity Policy
- Equal Employment Opportunity Policy for Disabled Persons Policy
- Equal Access to Services for Disabled Persons Policy
- Anti-Discrimination and Harassment Policies
- Preventing and Eliminating Sexual Harassment Policy
- Conflict Resolution Policy and Procedures
- Safety Policy
- Remote Work/Work from Home Policy for corporate employees

Furthermore, to empower our employees to report concerns without fear of reprisal, Carrols has established an ethics hotline – a free tip line and website available 24 hours a day, seven days a week, to field complaints and reports on an anonymous basis. Our Ethics Hotline Policy prohibits retaliation against complainants.



Highlights and Initiatives

The Carrols Cares Fund

In response to the economic challenges resulting from the COVID-19 pandemic, we established the Carrols Cares Fund in April 2020 to provide financial assistance to employees in need. To raise the initial funding, our former CEO contributed a portion of his salary and other executives made donations to the fund. Since its launch, the Carrols Cares Fund has evolved into a corporate-level initiative that provides assistance to more than just employees who have experienced hardship as a result of the pandemic, providing team members with support such as bereavement expenses and financial relief after a house fire. As of June 30, 2022, the fund has helped over 660 of our employees.

Leadership and Career Development

Carrols is dedicated to providing its employees with the training they need to succeed in their roles and build a long-term career at Carrols. As a result, we have designed a multi-phase training program that meets the training needs of both Carrols and our franchisors while helping advance our restaurant employees from team members to multi-unit supervisors and beyond.

Carrols Phase 1-5 Training Programs

- Phase
1

Restaurant Employee Advancement Program

Delivers restaurant safety and operations training, team leader classroom certification and ServSafe Food Safety course

- Phase
2-3

Shift Certification Programs

Develops entry-level management candidates into assistant managers

- Phase
4

Skill Assessment and Development Plan

Helps transition assistant managers into restaurant general managers

- Phase
5

Multi-Unit Manager Development Program

Teaches managerial and leadership skills for managing restaurant teams

Carrols is committed to providing the training our team members need to succeed. While the most valuable team member development typically comes from shoulder-to-shoulder training and coaching in our restaurants, we offer digital and interactive training methods as well. We continuously review and improve our training programs to try to provide the best possible learning experiences.



Our Communities

Carrols helps promote caring and supportive communities in the places where our team members live and work.

Our Approach

We have created programs that encourage our employees to engage in volunteerism and charitable giving to help support organizations that strengthen the local communities where our employees live and work.

Highlights and Initiatives

Dollars for Doers Volunteer Program

Our Dollars for Doers Program provides grants to community organizations where our employees volunteer. Each employee may seek up to two grants per year of up to \$250 each in support of their chosen charities. This program is open to both part-time and full-time employees.

Matching Gift Program

Through our Matching Gift Program, Carrols matches charitable donations to local food banks and food pantries of up to \$5,000 per employee per year. The program is open to both part-time and full-time employees.

Education Assistance Plan

Carrols offers an educational assistance plan that provides full-time corporate staff, salaried employees and part-time assistant managers up to \$4,000 per year to take advantage of after-hour educational opportunities to improve their skills in their present position or prepare them to assume greater responsibilities within the Company.



Burger King Foundation

Since 2012, Carrols has helped raise over \$4.75 million to support the Burger King Foundation, a non-profit organization that assists Burger King employees, their family members and the community through educational scholarships and emergency relief grants.

In the last 10 years, Carrols has awarded over 4,700 scholarships, approximately 30% of which have been awarded to employees of Carrols or their family

members and the remainder to recipients in the communities our restaurants serve. Scholarship grants range from \$1,000 to \$50,000 and are intended to help students offset the cost of attending college or post-secondary vocational/technical school. Recipients are selected based on their grade point average, work experience, extracurricular activities and community service.

Since 2000, the Burger King Scholars program has provided nearly \$55 million in financial support to 48,000 students.



Scholarship winner Oumou Camara, third from left

H.E.R. Scholarship Winner

The H.E.R. (Helping Equalize Restaurants) Scholarship is awarded annually to two of the most qualified Burger King employees to support female team members in achieving their educational goals. Carrols' employee Oumou Camara, a high-school honors student in Greensboro, North Carolina, won this year's \$25,000 H.E.R. Scholarship. As part of an accelerated high school to college program, Oumou earned college credits in high school and will enter the University of North Carolina at Chapel Hill as a sophomore. She aspires to work in healthcare with a focus in nursing.

Local Charitable Contributions

Carrols is also committed to supporting the Syracuse, New York community where our Company is headquartered. Through direct financial donations to not-for-profit organizations and participation in fundraising events, Carrols supports a wide variety of charitable causes including ones devoted to medical research, healthcare,

social services, rehabilitation programs and education. This support includes a long-standing partnership with the Upstate Foundation, through which we have provided over \$1 million in donations for patient support programs, improvements to patient areas and the expansion of services at Upstate Golisano Children's Hospital. Carrols also actively supports community groups such as youth recreation and local volunteer fire and rescue.

Resources

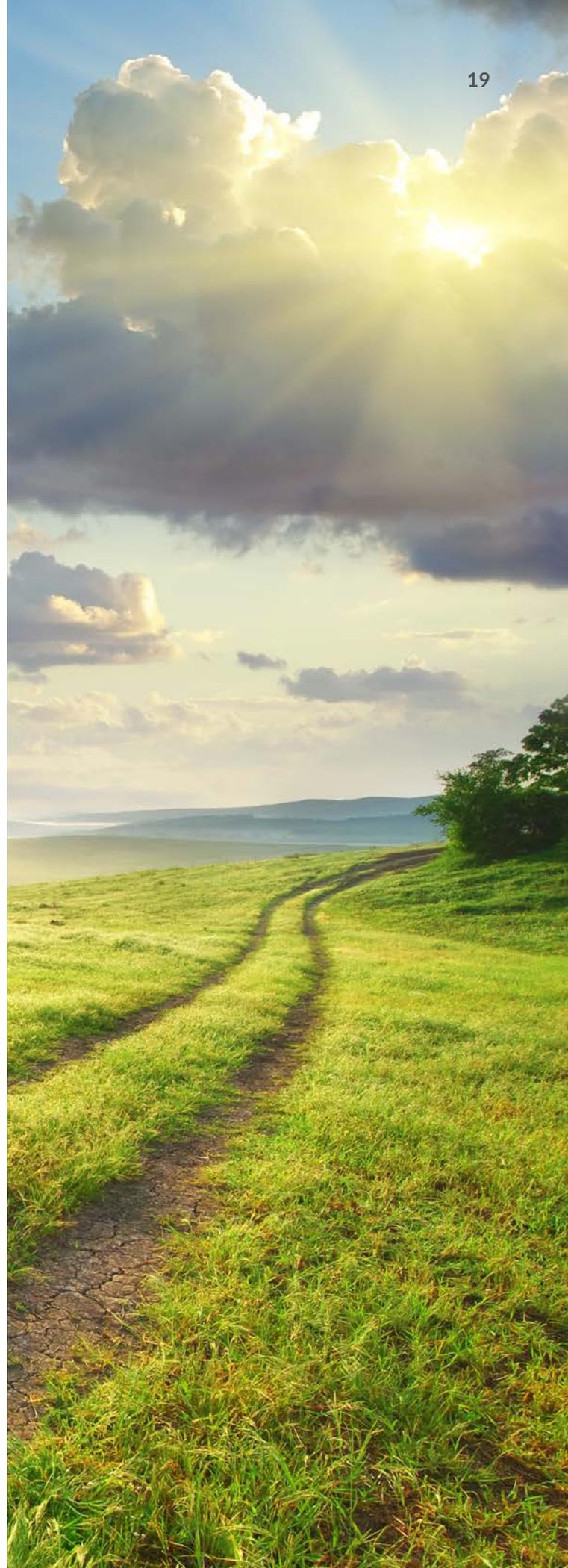
- Carrols' [Caring About Our Communities](#) brochure provides an overview of our Dollars for Doers and matching gift programs.
- RBI's website offers an overview of the priorities of the [Burger King Foundation](#).



Forward-Looking Statements

Certain statements in this report constitute forward-looking statements. Forward-looking statements represent our expectations or beliefs concerning future events. Without limiting the foregoing, these statements are often identified by the words “may”, “might”, “will”, “should”, “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope”, “plan”, “commit”, “target” or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward-looking statements. Such statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown, and are not commitments or guarantees of future performance. You are cautioned not to place undue reliance on these forward-looking statements as there are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Factors that could cause actual results to differ materially from our expectations are detailed in Carrols Restaurant Group, Inc.’s filings with the Securities and Exchange Commission including, without limitation, our annual report on Form 10-K. The Company undertakes no obligation to update such forward-looking statements, except as may be required by law.

Website references and hyperlinks throughout this report are provided for convenience only. The content on third-party websites is not incorporated by reference into this report, nor does it constitute a part of this report, and we assume no liability for such content. Furthermore, certain information in this report has been provided by third parties, including our franchisors. In such cases, we have relied on these third parties for the accuracy and completeness of such information.





POPEYES

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