

GRUPA EUROCASH

CORPORATE SOCIAL RESPONSIBILITY REPORT (CSR) FOR 2013



The report is an integral part of the annual report

4.

Corporate Social Responsibiity and stakeholders relations

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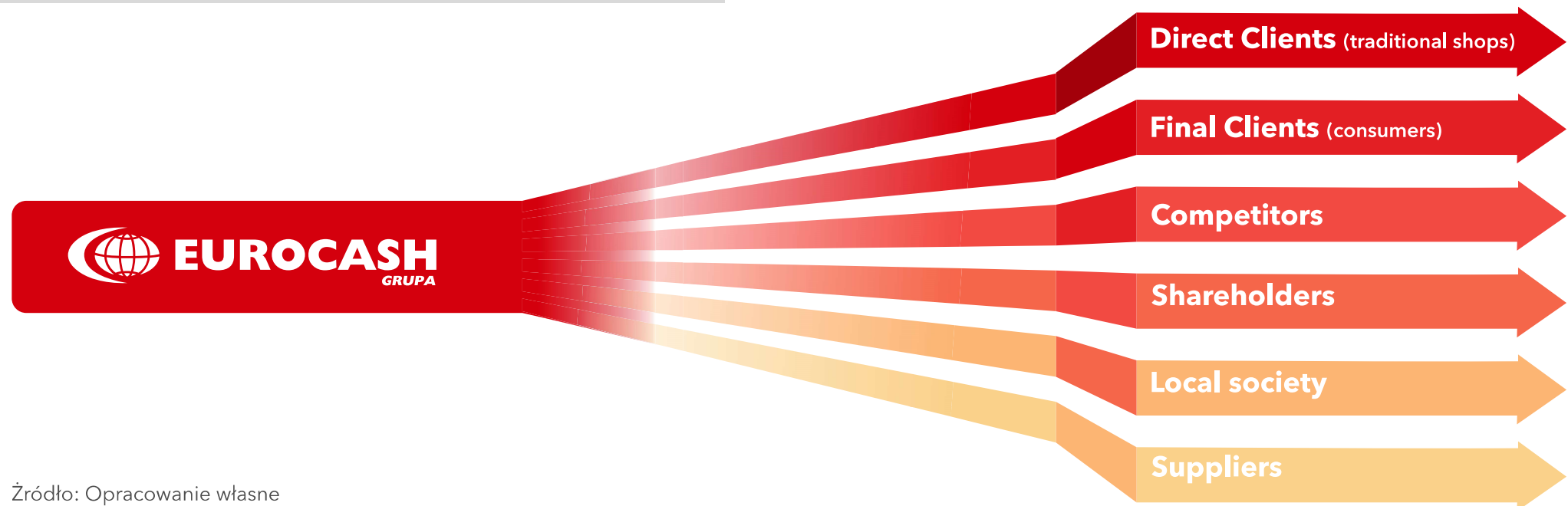
Eurocash Group is a leading active distributor of food and drinks to independent retailers in Poland measuring in a sales value. Area of activity of Eurocash Group covers the entire Polish territory.

Due to the scale of Eurocash Group operations, our actions are guided by the idea of Corporate Social Responsibility (CSR), which is a long-term support for the realization of our vision and mission.

The main element of the mission in Eurocash is empowering our customers - traditional shops operating independently or affiliated in franchise networks, which we manage. Therefore, a special place in the CSR strategy have our clients - direct and final (consumers).

Below is a breakdown of our stakeholders by groups.

Chart 7.
Stakeholders Map of Eurocash Group



4.1. Shareholders

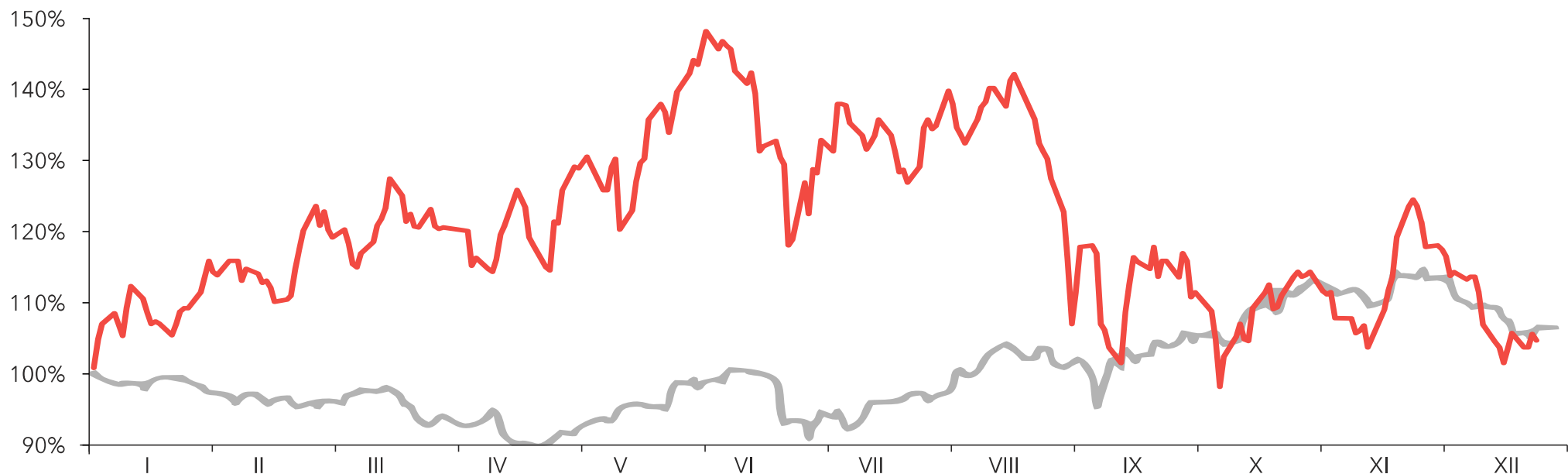
Our responsibility towards shareholders and investors is systematic development and expanding profits, which means increase of company's value for shareholders. Satisfaction and confidence of our shareholders defines our success on the market. The following are the results achieved by the Eurocash Group on the Stock Exchange during 2013.

Eurocash Listing on Warsaw Stock Exchange in 2013

Eurocash S.A. debuted on the Warsaw Stock Exchange in May 2005. The shares of the Company are traded on the primary market in a continuous trading system and are a component of the WIG, WIG30, WIG-Poland, WIGdiv oraz MSCI Poland Standard. On 18th of March 2013 the Company entered into a prestigious WIG20 Index, which accumulate the biggest companies traded on the Warsaw Stock Exchange.

At 2013 year end, the price per share was up 9.1% against the corresponding period in 2012 whereas WIG represented slower growth at 6.6% in 2013. 2013 opened with the price per Eurocash share at PLN 43.70 (closing price as at 28 December 2012) and closed with the price per Eurocash share at PLN 47.69. Average share price in 2013 was PLN 52.97.

Chart 8.
Eurocash share price performance vs. WIG Index in 2013



4.1. Shareholders

As at 31 December 2013, company capitalization amounted to PLN 6.6 billion against the value of PLN 6.0 billion noted at the end of 2012.

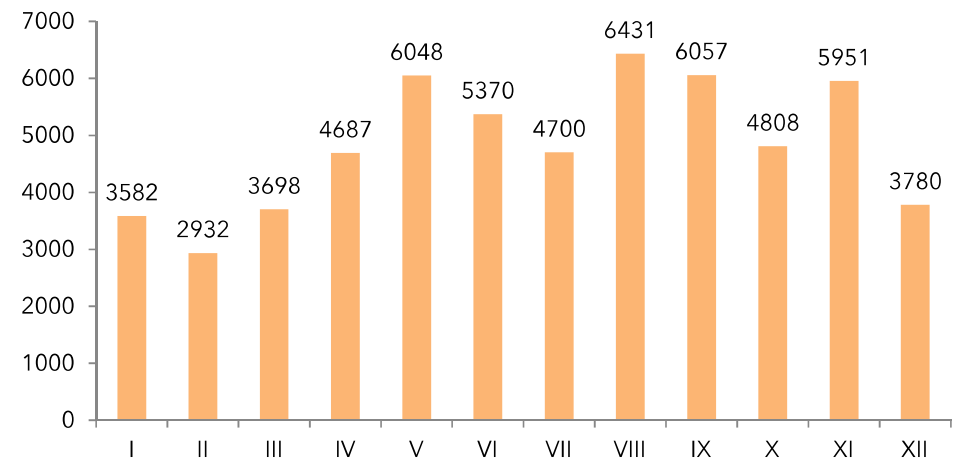
The average number of Eurocash shares traded daily in 2013 was 449 026. The table below presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2011-2013. In 2013, the total trading volume of Eurocash shares was PLN 57.6 m (41.6% of the Company's share capital). The chart 7 presents monthly trade volume in 2013.

Table 7.
Key share quotation data of the Company
on the Warsaw Stock Exchange

	Unit	2011	2012	2013
Number of shares issued	m	137	138	138
Closing price from the last day of trading in the year	PLN	28.54	43.70	47.69
Market value of the Company at year's end	PLN m	3 909	6 030	6 601
Highest closing price in the year	PLN	34.40	47.00	65.64
Lowest closing price in the year	PLN	21.00	28.30	43.00
Average trading volume per session	thousand	177	214	449
Dividend paid in the fiscal year from appropriation of profit for the prior year	PLN/share	0.37	0.18	0.90

The dividend policy of Eurocash bases on sharing profit with shareholders of the Company. Through the last three years the Company was paying the dividend. In the future Eurocash expects the payment of dividend provided it will not affect negatively the future development of the Company.

Chart 9.
Monthly shares trade volume in 2013



Activity of Eurocash S.A. during last three years is characterized by capital market ratios presented below.

Table 8.
Capital market ratios

		2011	2012	2013
EPS (zł)	Profit for the period/number of shares	0.98	1.81	1.6
P/E	Price per share/earnings per share	29.09	24.08	29.87
MC/S	Market capitalisation/revenues from sales	0.39	0.36	0.40
P/BV	Price per share/book value per share	7.14	7.76	7.46

4.1. Shareholders

Investor Relations

Eurocash S.A. takes care over the quality of performed information policy. Communication with the investors' environment is being executed through mandatory actions i.e. through current and periodical reports, participation in numerous investors' conferences, road shows and meetings with analysts and portfolio managers.

Investors Relations Department discusses data and information released by the Company in form of current or periodical reports as well as gives information on the operating activity of Eurocash that may affect the market. In 2013 the Management Board and representatives of IR Department of Eurocash took part in numerous conferences and road shows with investors from Poland and main financial hubs of Europe and North America.

While releasing consolidated periodical financial statements of the Company, teleconferences for analysts and portfolio managers from all over the world are being organised. During this conferences members of the Management Board of Eurocash discuss on released financial results and present the key performances in particular periods.

Useful instrument in the process of communication with investors is the website of the Company. At the beginning of 2013 the new version of the website with friendly and clear IR's interface has been released. The website is being updated with all important information. For the convenience of investors in Investor Relations online service contains information i.a. about market quotations, shareholder's structure, selected financial data, dividend policy, General Meetings, recommendations and analysts of Eurocash S.A. The website has been also fortified with chart generator of financial results and portfolio manager.

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4.2. Customers

On our clients satisfaction and loyalty depends our sustainable growth. Application of the principles of Corporate Social Responsibility in the context of relationships with customers is extremely important.

Since Eurocash Group operates distribution of FMCG in all formats of market, we divided our clients for direct (traditional shops) and final clients (consumers).

Direct Clients

The main element of Eurocash Group mission and vision is to support our direct customers, which include:

- Traditional Shops unaffiliated and associated outside Eurocash
- Franchise stores of Eurocash
- Petrol stations
- Hotels, restaurants, catering (HoReCa sector)

Through the implementation of our strategy, we strengthen their power in a competing with discount stores, we offer competitive prices and enable the achievement of their own success. This significantly influences the ability to survive of traditional trade on the Polish FMCG market.

Honest practices relating to contracts

Franchise Agreements or the sales signed with our customers in line are always lawful, clear and transparent.

Complaints and Dispute Resolution

Direct Customers have the possibility of submitting complaints to those responsible for their solution. Our franchise networks are supported by a professional Customer Service. At the same time, we strive to ensure that our products are always fresh and of the highest quality.

Support

Direct Customers can rely on direct support from experienced staff of Eurocash Group. In particular, our Franchisees are provided with the support of experienced Relationship Managers, IT and Sales Representatives who support the daily conduct of business.

Honest marketing, truthful and objective information

You cannot build trust on false information and misleading partners. That is why we make every effort to ensure that our marketing activities were supportive for our client. As part of the marketing, separate business units use their own strategies and actions, including promotional newsletters, thematic catalogs, directories of our private label – Dobry Wybór and loyalty programs.

4.2. Customers

Communication and dialogue

Clear communication and establishing a continuous dialogue allows to quickly identify the emerging needs of customers, and hence - quick response and the ability to gain strategic advantage of our clients on the market. Customers can choose from a range of communication tools (depending on the profile of the business unit) - primarily the Internet (e-platform, internal forums, dedicated web pages). Customers also have the opportunity to contact us by phone, e-mail, and also personally. For example, our franchisees meet during regular meetings with the managers of the group.

DELIKATESY CENTRUM FRANCHISEES FORUM

On this internet forum, each of the franchisees has the opportunity to enter comments, observations and also ideas about the broader cooperation.

We also carry out a market research among customers - primarily satisfaction survey and Mystery Shopper research in franchise stores. The results of these studies will help us to plan a strategy that will ensure greater customer satisfaction with the cooperation with Eurocash Group.

Building long-term relationships and loyalty

We build relations with our clients based on partnership and trust.

In order to achieve high level of client loyalty we organize conferences, trade fairs, congresses, as well as training.

The abc Stores Congress

- Integration of Eurocash and abc Stores
- Building brand loyalty of abc
- Presentation of the offer of commercial suppliers and partners networks of abc Stores

In 2013, Congress took place for the 6th time, more than 2,500 franchisees had appeared. The leitmotif of the 2013 Congress was the idea of a Convenience Store.

The Golden Groszek Congress

- Project Summary of The Golden Groszek project - the idea of honoring the best stores under the Groszek brand.
- Franchisees take part in workshops, training sessions and panel discussions.

Skills Academy Eurocash

As a partner of independent retail stores in the Group we created the Eurocash Skills Academy, which allows retailers to raise qualifications. The Academy combines training, research on their effectiveness and incentive system. The owners and employees of shops have access to expert knowledge and skills at the highest level. For them it is a significant step towards the development and professionalization, which is necessary in today's trading in Poland. The training is conducted by the best experts in the market, open to all franchisees of Eurocash Group. The program has been tailored to the needs of employees, managers and owners of shops. Workshops are offered to, among others, the financial management of retail outlets, team management, pricing policy and promotion, control and quality products to their respective storage and visibility. This project is implemented through the e-learning platform

Annual Delikatesy Centrum Franchisees Ball

- Summary of annual cooperation
- Honoring the best Franchisees
- Stores honoring Program '5 Star'
- Integration

4.2. Customers

Final Clients

Final Clients are all who are buying our goods from our direct clients in order use and consume (customers). Their behavior shapes Polish FMCG market. As a group which operates franchise networks, we establish a dialogue with final customers, on the occasion we support our direct clients. The most important goal in this area is to provide consumers with products that are always fresh, and assure that the shopping process in our shops would be the same pleasure.

Fair marketing, communication and dialogue

Marketing to consumers, above all, must be ethical and responsible. In communication with consumers we use widely understood integrated marketing – each of our franchises propose to consumer promotional newsletters, posters in stores informing about promotions. We also carry on websites. A special moment is to open a new store facility - on this occasion are organized numerous attractions for the local community.

Building long-term relationships and loyalty

In our activities, we strive to achieve customer loyalty. To this end, we take care of the daily value of the procurement process in our franchise facilities. Store employees ensure the highest quality of consumer service. We also organize actions, contests and loyalty programs for consumers.

MEGALOTERIA

The biggest in the history of Polish FMCG market lottery, which took place in almost 10 000 Eurocash franchise shops.

As a result of this, 128 clients won a main reward – the car.



4.3. Employees

Employees are stakeholders with high influence on the strength of the company and its operations. On their work, commitment and approach largely depends the financial result of the Group. A human and intellectual capital are intangible assets of the company. Employing more than 11 000 people (11 208 at the end of 2013), Eurocash Group undertakes a number of activities aiming at maximizing the satisfaction resulting from the work. These activities focus on the following areas:

- 1. Employment and labor relations
- 2. Health and Safety
- 3. Social help
- 4. Development and training in the workplace
- 5. Motivation and integration

1. Employment and labor relations

We fully comply with labor law. We also believe that employment stability is a key factor in the degree of employee involvement, decisive also for mental well-being and comfort, which naturally transfers into work efficiency. For us, a long-term employee is the capital, worthy to invest. Therefore, the vast majority of our employees are employed on a contract of indefinite duration. As a result, we are able to build long-term relationships with our employees.

Chart 10.
Structure of labor relations concluded by Eurocash and employees in 2013



4.3. Employees

In 2013, employment policy focused primarily on restructuring processes, related to the integration of companies belonging to the Group Tradis.

The largest group among all employees at the end of 2013 by the Eurocash Group were employees with secondary education. Taking into account the age of employees in the Group, the largest number of employees is in the range of up to 30 years (40%). Not much smaller group consists of workers aged 31 to 40 years, acting in 38% of all employees. Among employees in 2013 the dominating group in a case of gender were men, 66% of staff of the Group.

Chart 11.
Structure of employment by education in Eurocash Group at 31.12.2013



Chart 12 .
Structure of employment by age in Eurocash Group on 31.12.2013



Chart 13.
Structure of Eurocash Group employment by gender on 31.12.2013



4.3. Employees

2. Health and Safety

Aspects related to occupational health and safety is treated with all seriousness, knowing that the health and life of every employee is priceless. Therefore, we do not limit ourselves only to the application of the law – we conduct additional measures to increase safety in the workplace, as well as awareness among staff of the importance of compliance with generally accepted health and safety principles.

In 2013, we promoted the program 'Zero Tolerance for not obeying with health and safety regulations. It is a series of projects designed to emphasize the importance for our company of health and safety regulations and their respect. We want our company to present the highest level of safety culture and safety at work.

Under this program, we have introduced a modified card of control and safety procedures to supervise the health and safety documentation, updated the documentation of occupational health and safety, survey on the state of the individual business units. The next step is the idea of putting in our offices colorful, visible ring binders - which in one place are located in the current health and safety documentation. Binder assumed to be placed in a public place and employees may be able to refresh the knowledge of health and safety issues in any time.

In 2013, we also conducted activities related to developing skills in first aid:

- shows from the provision of first aid for EUROCASH GROUP employees during family picnics,
- FIRST AID TRAININGS with a wide group of staff from different parts of the Poland,
- meeting with the children of employees during EUROCASH 2013 SUMMER CAMPS, promoting the FIRST AID topic
- ICE card.

3. Social help

Eurocash Group provides a package of benefits under various social support for our employees. First of all, it is a subsidy to rest or sanatorium treatment, rehabilitation activities and recreation for children and youth of our employees (company organizes summer camps during the summer).

An important element of social activity is non-repayable grant of allowances in the form of cash and purchase of packages for children.

We are also proud of scholarship programs aimed at supporting talented children of employees of the Group in the acquisition of knowledge and the development of their talents, regardless of the field, which are passionate about.

4.3. Employees

4. Development and trainings in the workplace

Training policy

Concerned about the high level of competences of employees, Eurocash Group supports raising professional qualifications. For this purpose, there are organized numerous trainings both at central level and in the individual business units.

We are introducing programs for new employees - initial training of individuals or group allowing to know the nature of the various areas of the company and to become familiar with the professional position. Furthermore, the individual training programs takes into account the specific nature of work in selected business units. Employees also have the opportunity to gain knowledge and information regarding current market trends in the national and international conferences.

Performance management

Implementation of the Eurocash strategy requires the involvement of all employees. Managerial staff and employees of the departments of the central (900 people) are subject to performance management process (called performance management), on an annual basis. Part of this process includes an '360 degrees' assessment. As part of this evaluation employees receive feedback on their competence not only from superior, but also from their subordinates, internal customers and people in parallel positions. This allows everyone to know the areas in which it can strengthen their competence and thus faster to develop.

Management Programs

In order to give a chance to the rapid development of talented and ambitious students and graduates, Eurocash Group operates two management programs - Management Trainee (the program implemented in Eurocash Group for many years) and Sales & Operations Trainee (program launched in 2013).

Dialogue

In order to meet the needs of its employees, the Group Eurocash provides widely understood dialogue with these stakeholders. Channels of communication with employees are:

- Twitter and Facebook.
- Intranet, where most important and latest information related to the life 'inside' company can be found. In Intranet functions also the 'Idea Box' - a place where employees can present their ideas of changes in the company - the best of them will be realized!
- Europress - internal publication about current events in the company, in each issue are also portrayed the employees of individual business units.

Very important channel of communication is the Blue Line - the tool, which allows employees to report violations of law and/or company policy, such as theft, embezzlement, harassment and other unethical behavior. Confidentiality is ensured.

4.3. Employees

5. Motivation and integration

We realize that the work is an important part of life that should bring satisfaction and contentment. For this to happen, you need a motivation - not only related to the fulfillment of daily professional activities. We know that the motivation to work is affected by many factors such as organizational culture, work atmosphere and integration, as well as non-wage factors.

We offer our employees:

Eurocash Group Gift Card - a modern tool for making Christmas shopping in selected stores belonging to our franchise networks.

Family picnics - important element of the holiday meeting of workers and their families. It is held every year in 13 locations throughout the country, in 2013, attended by 19 000 people (employees and their families). Picnics are plenty of attractions for children and adults.

Drawing contest - every year we organize for the children of our employees contest, which gives the opportunity to demonstrate their ideas and authorial interpretation of one of their chosen topics. The best of them are awarded by jury.

The tickets lottery - each month we raffle off tickets for interesting events in Poland.

Christmas parties - every year in Poland we organize a meeting on the occasion of Christmas and New Years Eve. It is a time when we slow down the pace for a moment to the festive atmosphere, thank yourself for a year of hard work, and meet with colleagues from other cities.

Private Healthcare - From September 13, 2013, all employees of the Eurocash Group are able to purchase medical package in one of the companies offering private medical care.

Employee benefits

Eurocash Group provides a package of benefits under various social support for employees. First of all, it is a subsidy to holiday or sanatorium treatment, rehabilitation activities and recreation for children and youth workers (company organizes camps during the holiday season). Eurocash also supports talented children in sports that require funding for trips to sports camps, which are the key to development of young talent.

4.3. Employees

Incentive Scheme

The Eurocash S.A. company operates a number of incentive programs targeting key members of the management personnel of the Company and the companies included in the Eurocash Group. In 2012, pursuant to resolution No. 3/2012 of the Extraordinary General Meeting Eurocash of 26 November 2012 on the Eighth, Ninth and Tenth and Bonus Incentive Program for Employees of the years 2012, 2013 and 2014 were adopted new incentive programs for the next three years. Under these program, eligible persons will be able to purchase shares of the Company under the terms of the above resolution. A bunch of Eligible Persons will provide managers, executives and individuals essential to the operations of the Company and the Group Eurocash employed and performed their duties in a period of 3 years from 1 January respectively 2013, 2014 or 2015.

In total, these programs include 2.55 million shares in three tranches of 850 thousand shares each. Starting each tranche is conditional on the achievement of specific EBITDA objectives.

Table 9.
Incentive Scheme for 2012-2014

EBITDA goal	Option Exercise Date	Number and Class of Eurocash Shares	Determined Issue Price
PLN 487m in 2012 (goal achieved)	From 1st of February 2015 to 31st of January 2017	850 000 Class M Shares	PLN 38
PLN 565m in 2013 (goal not achieved)	From 1st of February 2016 to 31st of January 2018	850 000 Class N Shares	PLN 38*
PLN 638m in 2014	From 1st of February 2017 to 31st of January 2019	850 000 Class O Shares	PLN 38*

* Issue Price per Share will be determined by the Supervisory Board on the understanding that the price will be equal of PLN 38 adjusted by rights connected with shares (e.g. dividends)

4.4. Suppliers

Towards suppliers we conduct policy based on clear principles of cooperation and fair play. A particularly important issue for us is to prevent corruption. With the building of loyalty and long-term relationships we are able to reduce the risks associated with the continuity of contracts.

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2013 comprised over 1305 entities.

Suppliers of branded products, comprised of key producers and importers of FMCG merchandise including tobacco products and alcoholic beverages, are selected mainly based on their market share, impact of the brand, the coverage of individual product segments, and regional diversification.

Main suppliers of the Eurocash Group primarily include cigarette producers: Philip Morris, British American Tobacco, Imperial Tobacco, and alcoholic beverages producers, i.e. mainly Kompania Piwowarska, Grupa Żywiec, and the CEDC Group.

Despite significant trading with the above-mentioned suppliers, the Eurocash Group has no suppliers whose share would represent 10% of the Eurocash Group's total procurements.

Concerned about the development of local entrepreneurship, Eurocash Group also supports smaller, local suppliers and producers, helping them to survive in a tough market.

4.5. Social commitment

Local community

As a wholesale and retail distributor of FMCG products we operate very close to the local community. Often our stores are part of the community and take part in its formation. Such a phenomenon occurs especially in smaller towns, where the grocery store is often an information exchange and meeting point. In 2013, Delikatesy Centrum implemented contest created for local kindergartens, in which the prize was to support the teaching and learning needs of winning preschool. Being aware of these relationships, we try to positively influence the development of local communities.

In 2013, **Delikatesy Centrum** implemented contest created for local **kindergartens**, in which the prize was to support the teaching and learning needs of winning preschool.

Co-finance of cultural and educational activity.

In 2013, for example, we sponsored a local run competition 'Run of Spirit – Bieg Na Tak' (Malta Poznan), Luboński Bieg Niepodległości, or a festival of folk music in Pinczów

We support the **The Little Prince Hospice in Lublin** by annual purchase of Christmas cards.

4.5. Social commitment

Creating jobs and skills

We cooperate with Polish universities, for example: Warsaw School of Economics, Poznań University of Economics, Wrocław University of Economics, Cracow University of Economics, Maria Curie-Skłodowska University in Lublin. Under this cooperation we organize open lectures and workshops conducted by experienced employees of the Group. We cooperate with students science clubs. We also take part in fairs organized by students (for example in 2013 Graduate Programme Day).

In addition, during the holiday another year in a row we adopted to the work trainees. Students join our head office in Komorniki, Warsaw and Błonie for 2 or 3 months to gain valuable experience and skills.

An innovative project that Eurocash Group proposes on the Polish market is Akademia Przedsiębiorczości (The Academy of Entrepreneurship).

The Academy of Entrepreneurship

This is a unique program on the FMCG market, which suggests a young, enterprising persons to conduct franchise store under the brand name Delikatesy Centrum. Participants acquire the necessary knowledge and experience in running a grocery store before it is opened. According to this came a franchisee of Delkatesyi Centrum has facilitated start of own business t and greatly increases a chance of success.

The franchisee is provided with assistance at every stage of setting up and running the shop: a comprehensive marketing support, operational, and further training for owners and employees of shops in the Academy of Eurocash. Deliaktesy Centurm franchisee is never alone and can always count on the full support.

In 2013, at the Academy of Entrepreneurship trained were 10 people, 13 people were in the process of training. Opened 5 new Delikatesy Centrum stores.

4.6. Environmental protection

Food Safety Policy based on ISO 22000:2005 standard

The Group implemented and developed Management System compatible with ISO 22000:2005, that guarantees deliveries in line with expectations of clients, basic food safety rules and based on expertise knowledge and experience of employees. Furthermore, to satisfy the highest expectations of its clients Eurocash implemented International Food Standards (IFS) in Distribution Centers in Błonie and Czeladź

Waste recycling

Eurocash introduced waste recycling system minimizing the negative influence of the Company on the environment. In every Cash&Carry warehouse there is a trash compactor that increase the effectiveness of the floor space in a stockroom and cars transporting trashes. Specialized companies, that weight and recycle trashes, regularly pick waste up from every C&C warehouse. Number of waste, in order for optimization, is being monitored every month. Also glass, scrap metal, printing toner, used electric and electronic devices are being sorted from waste. Moreover in every warehouse there are boxes for batteries that allows clients to get rid of waste in an environmental friendly way. Number of this kind of waste is being monitored at least once a year.

4.6. Environmental protection

Transport optimization and fumes reduction

The Group uses a modern logistic system that allows for a rational usage of transport and limit the influence of lorries on the environment. Eurocash monitors systematically routes and plan them in the most effective way. Lorries transport products to different final places at once, which allows to maximal optimization of loading surface of lorries. The Company uses external transport companies, which because of their scale of operations are able to optimize routes. Lorries are not doing the way back totally empty but the transport company may use their cars to realize orders from other companies. This policy allows to significant reduction of fumes emission. What is more employees of Eurocash with company cars have limits of fuel usage per car assigned. Fleet Management Department is taking care of company cars taking steps in order to reduce fuel emission by identifying and eliminating the problems.