

NON-FINANCIAL REPORT

CORPORATE SOCIAL RESPONSIBILITY

KOMORNIKI, 15th March 2019

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LETTER FROM A BOARD MEMBER



Dear Ladies and Gentlemen,

Managing the Eurocash Group, we believe in the power of entrepreneurship. As the largest partner of independent entrepreneurs in Poland, we believe that there is no other way to success than responsible entrepreneurship. It is the foundation of our activities, which is why in 2018 we adopted and implemented the strategy of Corporate Social Responsibility (CSR) in our organization. Within this framework, we defined four main pillars of the Eurocash Group's sustainability: **(1) Eurocash's impact on the Environment, (2) Food Quality and Safety, (3) Good Work Environment and (4) The future of Entrepreneurship** and its impact on local communities. The following report was based on the assumptions of these pillars.

The year 2018 was rich in CSR initiatives. As part of the **Eurocash's Impact on the Environment** pillar, it is worth mentioning that the Eurocash Group continued the expansion of the hybrid fleet, which today is the largest corporate fleet of this type in the country. What's more, we successfully implemented the Driving Safety and Ecology Improvement Program, which translated into an increase in the number of kilometers traveled per 1 liter of fuel by over 10%. At the end of the year, however, we have decided to completely abandon the purchase of diesel cars for the benefit of gasoline and hybrid units, which produce much less harmful air pollutants - particulate matter and nitrogen dioxide.



**49 000
PRODUCTS**



**1 809
SUPPLIERS**

The Quality and Food Safety Pillar is primarily the co-operation with more than 1 800 suppliers, thanks to which we could offer our clients about 49 thousand SKU. It is almost twice as many suppliers and several times as many SKUs as compared to large discount chains. Thanks to this cooperation, we were able to develop the distribution of a number of branded goods manufactured mainly in Poland, which has a considerable impact on our domestic economy. Taking care of food safety, we conduct audits and certification of quality standards every year: ISO 22000: 2005, BRC Global Standard, IFS Logistics as well as MSC and ASC.

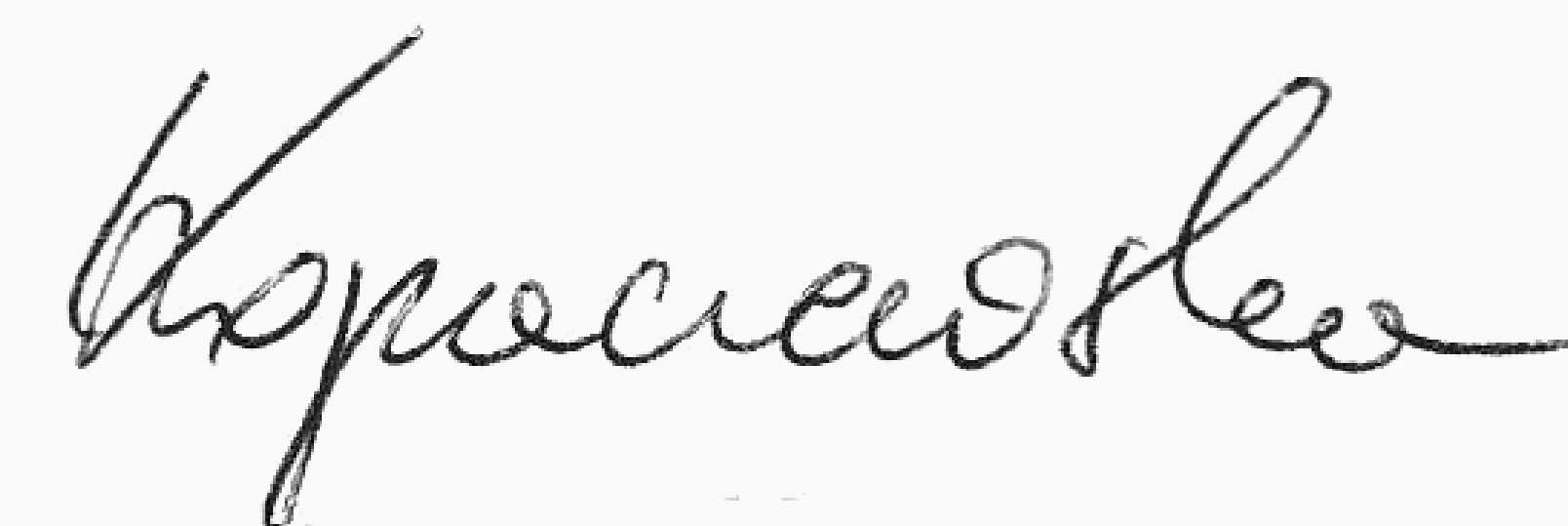
The Good Work Environment pillar, refers to work safety, caring for the development of our employees or strengthening good communication, thanks to which we are able to create a stimulating and friendly workplace for over 20,000 people employed by us. The most important achievement in this area is the reduction of the number of accidents, despite a significant increase in employment. In addition, thousands of our employees could benefit from dedicated training both as part of the workshops and through advanced online platforms. The children of our employees and employees of our clients may apply for 140-150 scholarships each year granted by the Eurocash Foundation "We are fulfilling the dreams".

The future of Entrepreneurship is a special pillar that directly relates to our mission. We believe that if we want to succeed, we must support entrepreneurship both among our clients and employees. In 2018 we have made available an innovative e-commerce platform Eurocash.pl to

thousands of entrepreneurs, which on the one hand facilitates their daily functioning in business, on the other hand enables them to develop through innovative functionalities. In addition, we have been developing the offer of the Eurocash Skills Academy, one of the largest private business schools in Poland. We also launched the second edition of the post-graduate program "Business management in retail" at the Warsaw School of Economics. We have undertaken large-scale activities supporting succession in business. We promoted good business practices through the Equality Ranking in Business. And the Local Heroes - 100 entrepreneurs' initiatives for the 100th anniversary of independence - plebiscite brought us great satisfaction, thanks to which we could finance initiatives initiated by entrepreneurs within their local communities.

In subsequent years, we intend to continue to strengthen various aspects of responsibility in our activities. The CSR Strategy prepared in 2018 sets important goals for the Group thanks to which, we are able to achieve sustainable development, having a positive impact on the environment in which we work, safety and quality of food which we distribute, good working environment and, above all, the development of entrepreneurship in Poland.

Yours faithfully,



Katarzyna Kopaczewska –
Board Member

1. ABOUT THE GROUP

The Eurocash Group is the largest Polish company dealing in wholesale distribution of food products and marketing support for independent Polish entrepreneurs conducting retail operations. The franchise and partner networks supported by Eurocash associate over 15,000 independent stores operating under such brands as abc, Groszek, Delikatesy Centrum, Lewiatan, Euro Sklep or Gama.

Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution to customers across all significant wholesale market segments, in particular, to small format stores throughout Poland such as traditional retail stores (small supermarkets and grocery stores), convenience stores at petrol stations, restaurants, hotels and cafeterias.

Chart 1 Eurocash Group Structure

EUROCASH GROUP			
WHOLESALE	RETAIL	PROJECTS	OTHERS
CASH&CARRY	DELIKATESY CENTRUM	DUŻY BEN	
TOBACCO	INMEDIO	KONTIGO	
ALCOHOL		ABC NA KOŁACH	
FOOD SERVICE		OTHERS	
DISTRIBUTION			

abc	Lewiatan	RETAIL PARTNER CHAINS ORGANIZED BY THE WHOLESALE SEGMENT
Gama	Groszek	
Euro Sklep	Koliber Chemists	

Source: Own study

Below we present current split for the following segments and formats:

Wholesale – wholesale distribution formats:

- **Eurocash Distribution** consisting of:
 - active distribution companies (Eurocash S.A. after merger with Tradis Sp. z o.o., DEF Sp. z o.o., AMBRA Sp. z o.o.);
 - companies organizing or supporting franchise chains of retail shops: Euro Sklep S.A., Lewiatan Holding S.A., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o.;
 - Detal Podlasie Sp. z o.o. (company operating retail stores in Lewiatan chain).
- **Cash&Carry** – a national network of discount Cash & Carry type warehouses under the “Eurocash Cash & Carry” brand, as part of which the loyalty program for the “abc” network of stores operates;
- **Tobacco & Impulse** – active distribution of tobacco products and fast moving consumer goods through Eurocash Serwis;
- **Alcohol Distribution** – wholesale and retail distribution of alcoholic beverages throughout Poland;
- **Eurocash Food Service** – supplies for restaurant chains, hotels and independent food outlets;
- **Other** - sales revenue of PayUp Polska S.A., Cerville Investments Sp. z o.o.

Retail – retail sales of Eurocash Group and wholesale sales of Eurocash to Delikatesy Centrum franchisees:

- **Delikatesy Centrum franchise stores** – a franchise system for retail stores operating under the brand “Delikatesy Centrum”;
- **Delikatesy Centrum own retail stores** – own retail stores operating by companies that Eurocash hold 50% of shares: Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o.;
- **EKO** – own retail stores under brand Delikatesy Centrum and EKO operated by EKO Holding S.A.;
- **Mila** – own retail stores under brand Mila operated by Mila S.A.;
- **Inmedio** – press retail kiosks under Inmedio brand.

Projects – sales revenue of new projects running by Eurocash S.A. and its subsidiaries: Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o., Eurocash Detal Sp. z o.o., ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Sushi 2Go Sp. z o.o., 4Vapers Sp. z o.o. and sales of fresh product distribution to Delikatesy Centrum stores realized by Eurocash S.A.

Others – sales revenue and costs of other companies through Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash VC3 Sp. z o.o. and Central Head Office costs consolidation not related to any of above segment.

Table 1 Eurocash Group: Highlights of financial data

	PLN m	2018	2017
Sales revenues (traded goods, materials)		22 832,89	20 849,46
Remuneration (including social security and other benefits)		1 217,54	1 023,01
Gross profit on sales		155,55	20,31
EBITDA		373,86	360,71
Net profit*		66,90	84,84

*Excluding the impact of one-off events such as: costs of potential VAT liabilities in 2017 and revenues from the sale of 100% shares in PayUp Polska S.A., provision for restructuring costs and costs of the Mila process

The head office of the Eurocash Group is located in Komorniki near Poznań. The Eurocash Group operates only in Poland, which in terms of economic conditions and business risk can be considered as a homogeneous area.

1.1 NUMBER OF OUTLETS

As at 31 December 2018, the Eurocash Group's wholesale trade network comprised 180 Cash&Carry warehouses, under which a network of „abc” partner stores was organized, which included 8 708 local grocery stores. In franchise and partner networks cooperating with Eurocash Dystrybucja, there were 5,024 stores associated.

The retail network included **1,539 small supermarkets, including 1,328 operating under the Delikatesy Centrum brand** and 448 Inmedio press salons. The table below presents information on the number of Cash & Carry wholesalers, the number of small supermarkets, including Delikatesy Centrum, „abc” chain stores , Inmedio stores and stores associated under Eurocash Dystrybucja.

Table 2 Number of Cash & Carry Warehouses, small supermarkets including Delikatesy Centrum stores, 'abc' network, Inmedio newsagents and franchise stores

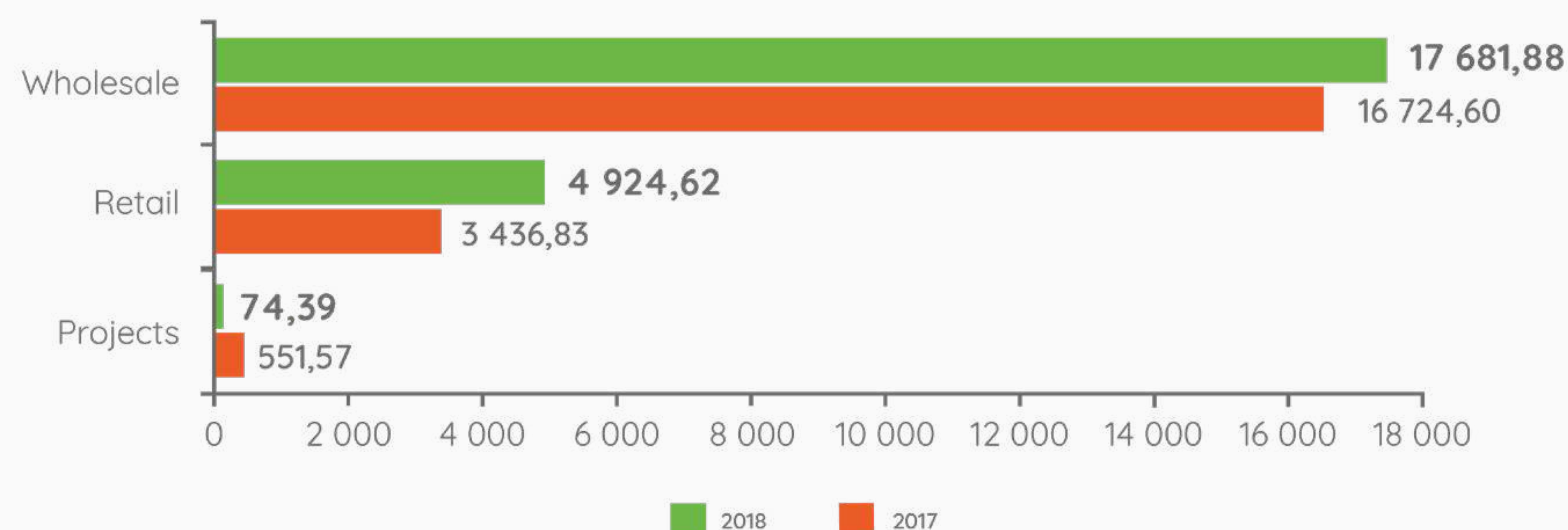
	As at 31st December 2018	As at 31st December 2017
Cash & Carry Warehouses	180	180
'abc' store network	8 708	8 531
Franchise and partner stores of Eurocash Distribution*	5 024	4 905
Inmedio newsagents	448	452
Small Supermarkets	1 539	1 344
Incl. Delikatesy Centrum	1 328	1 171

*Groszek, Euro Sklep S.A., Lewiatan, PSD

1.2 THE SIZE AND STRUCTURE OF SALES

The sales structure divided into individual sales segments (PLN m) for 2017 and 2018 are presented in the chart below.

Chart 2 Eurocash Group: Sales in 2018 according to the segments (PLN m)

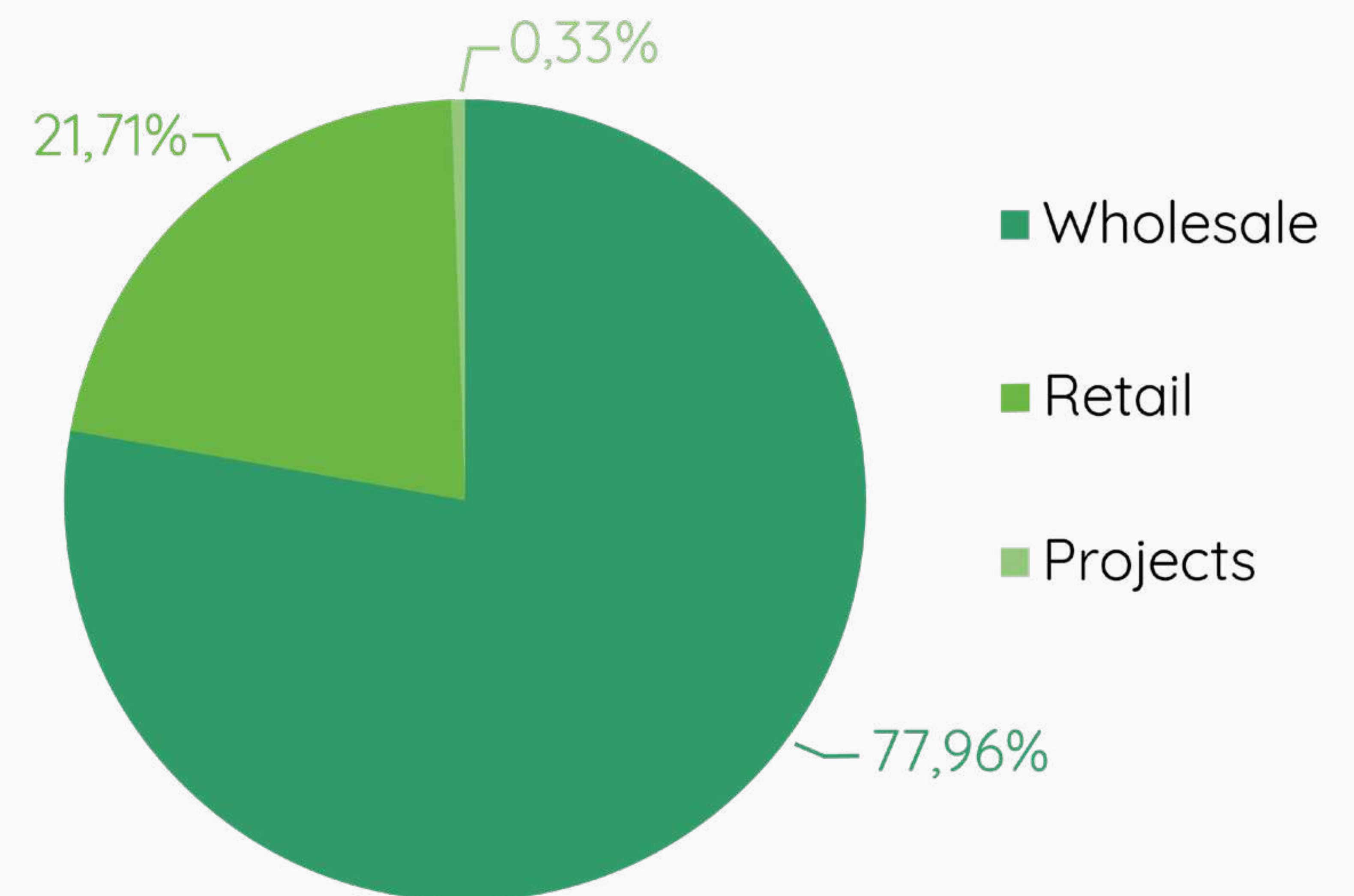


Source: own study

* Data are presented according to the new division, in force since 2019. The Fresh project is now presented in the Retail segment.

Below we present the distribution of sales revenues for 2018, split on two new business segments.

Chart 3 Eurocash Group: Presentation of the Group's segments by retail and wholesale segments (PLN bn)

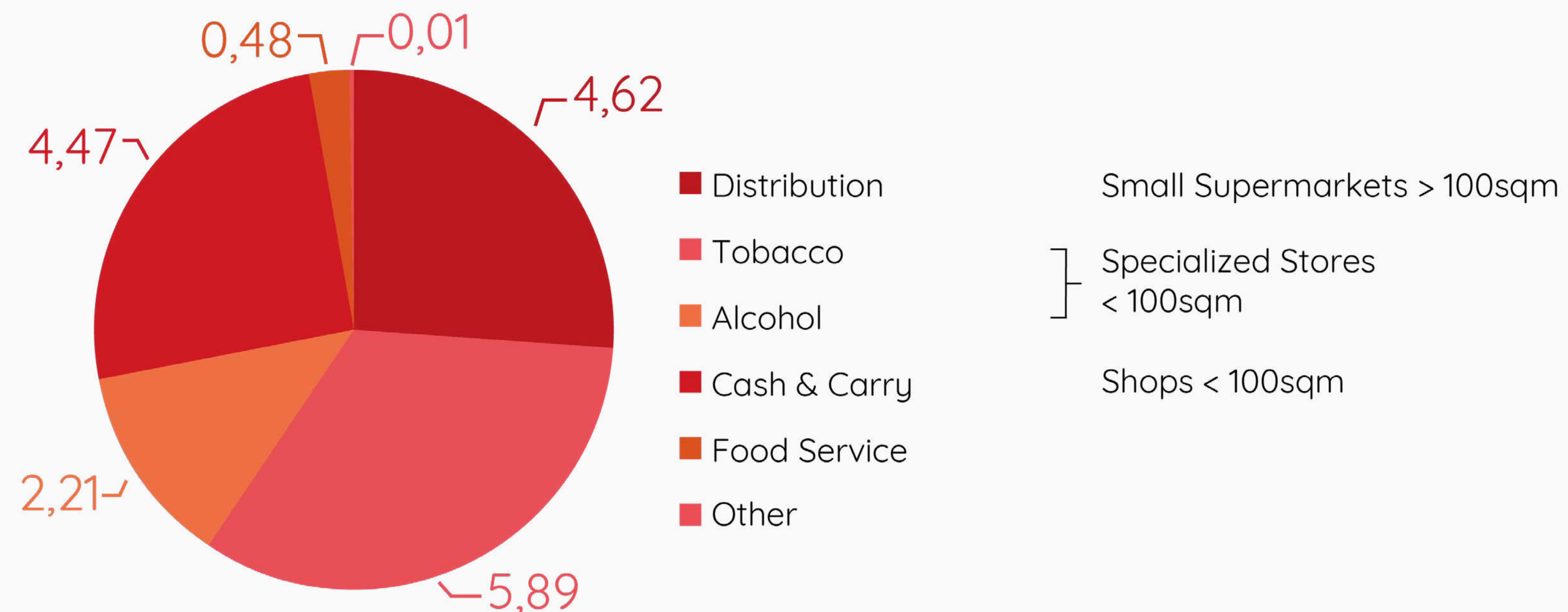


Source: own study

* Data are presented according to the new division, in force since 2019. The Fresh project is now presented in the Retail segment.

The retail segment accounted for around 22% in the Eurocash Group, while the wholesale segment was responsible for 78% of Eurocash Group's sales revenues.

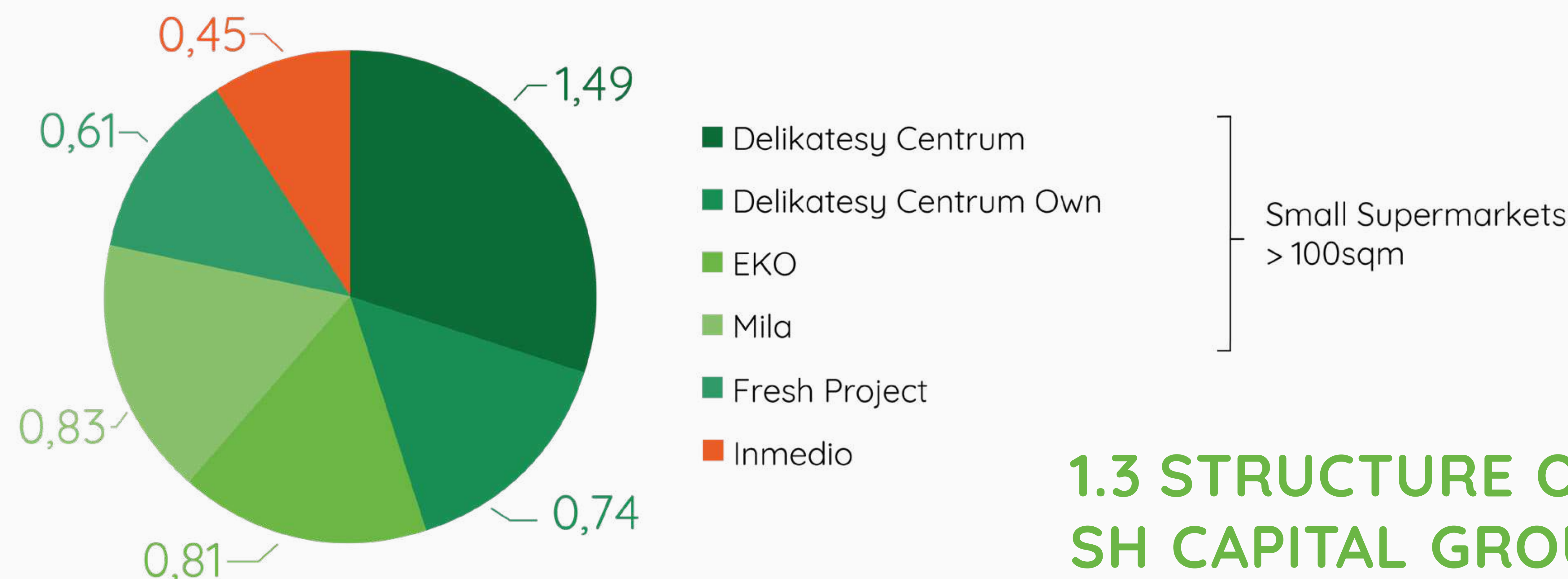
Chart 4 Eurocash Group: Sales of the wholesale segment by individual segments (PLN bn)



Source: own study

The largest share in the wholesale segment sales is generated by Tobacco – 33%, followed by Distribution – 26% and Cash & Carry – 25% of the wholesale segment's sales. The sales of Alcohol segment amounted for 13% of sales.

Chart 5 Eurocash Group: Sales of the retail segment by individual segments (PLN bn)



Source: own study

The Retail Segment consists mainly of wholesale sales to Delikatesy Centrum, which amounts to approx. 58% including sales of the Fresh Project (distribution of fresh products such as fruits, vegetables, meat and cold cuts). Delikatesy Centrum own stores run by companies in which Eurocash holds a 50% share (Rogala, FHC-2, Madas) constitute 17% of sales revenue, while stores run by EKO Holding (both Delikatesy Centrum and EKO stores) account for 19% of sales. The retail segment also includes the sale of Inmedio newsagents, whose share in the segment's revenue is 10%.

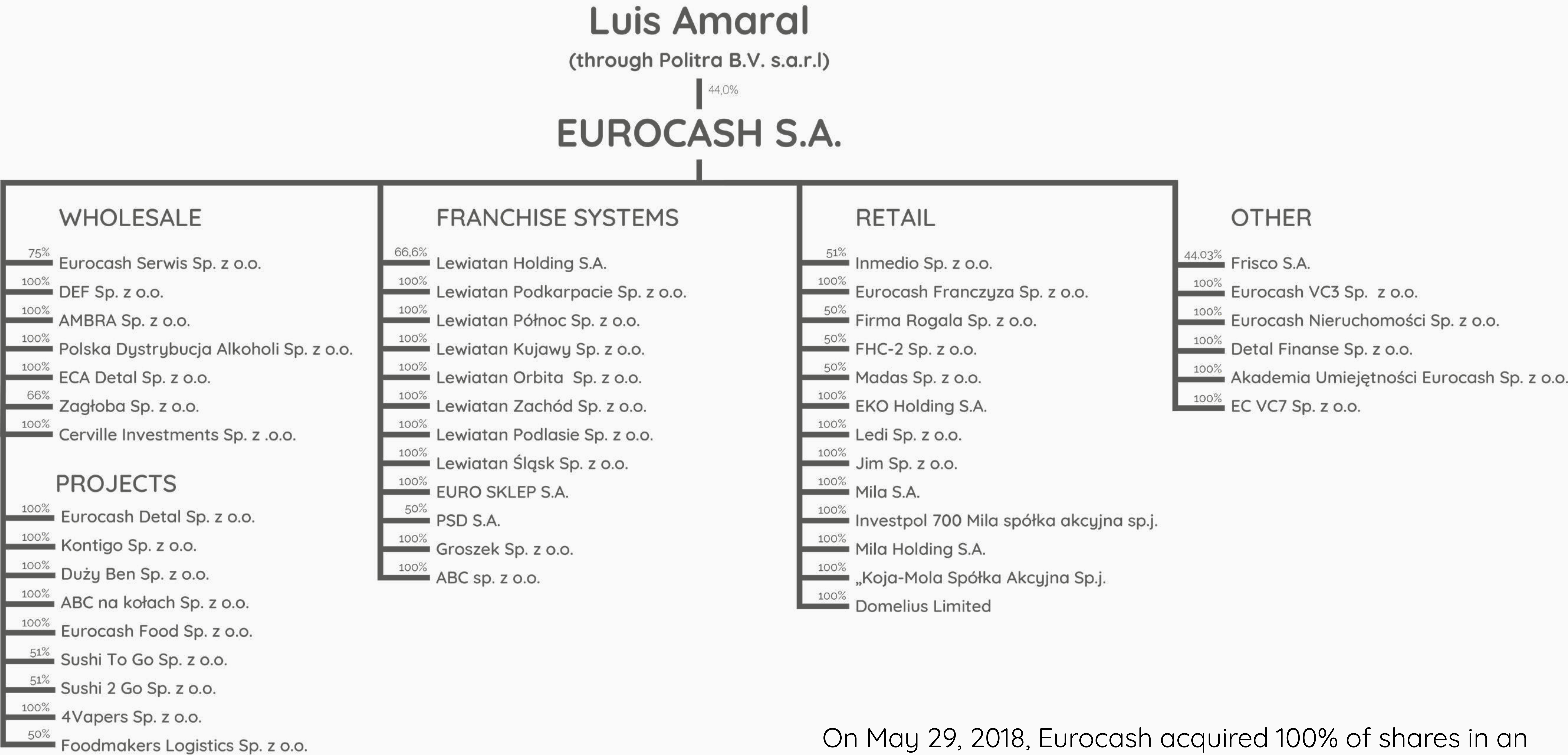
1.3 STRUCTURE OF THE EUROCASH CAPITAL GROUP

Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V. s.a.r.l.), with the shareholding of 44.04% as at 31.12.2018. Luis Amaral serves as President of the Management Board. The parent company in the Group is Eurocash S.A., which realizes the majority of the Group's sales.

As at 31 December 2018, Azvalor Asset Management S.G.I.I.C. S.A. together with the direct and indirect subsidiaries, held a total of 13,605,690 shares constituting 9.78% of the share capital of EUROCASH S.A. These shares entitled to 13,014,591 votes constituting 9,35% of the share in the total number of votes at the General Meeting of Eurocash S.A.

The structure of the Eurocash Group and its affiliated companies as at 31st December 2018 is presented on the next page.

Chart 6 The structure of the Eurocash Group and its affiliated companies as at December 31 2018



On May 29, 2018, Eurocash acquired 100% of shares in an entity controlling Mila S.A. - a company running a chain of Mila stores.

On December 19, 2018, the Eurocash Group concluded a promissory agreement regarding the sale of 100% of shares in PayUp Polska S.A..

1.4 MANAGEMENT BOARD

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board at the end of 2018 is presented below.

Table 3 *The composition of the Management Board at the end of 2018*

Name	Position
Luis Manuel Conceicao do Amaral	President of the Management Board
Rui Amaral	Member of the Management Board - CEO
Arnaldo Guerreiro	Member of the Management Board
Pedro Martinho	Member of the Management Board
Katarzyna Kopaczewska	Member of the Management Board – HR Director
Jacek Owczarek	Member of the Management Board – Financial Director
Przemysław Ciał	Member of the Management Board

The Management Board manages the Company's affairs and represents the Company. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a holder of a commercial power of attorney may submit statements of will and sign documents on behalf of the Company.

The work of the Management Board is headed by the President of the Management Board. All members of the Management Board are obliged and entitled to jointly manage the Company's affairs, in particular in scope of determine and implement development strategies and main objectives, define the organizational structure and determine the principles of HR and remuneration policies.

In the remaining scope, respective Management Board members are responsible for independent management of Company affairs resulting from an internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions.

1.5 SUPERVISORY BOARD

The Supervisory Board is composed of 5 members, whereby the right to appoint and recall 3 members of the Supervisory Board is held by Politra B.V.S.a.r.l. (or its legal successor), while 2 members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Supervisory Board member may be recalled only when the action is accompanied by a simultaneous

appointment of the new Supervisory Board member.

The composition of the Supervisory Board in the period January 1st – December 31st 2018 was as presented in the table below.

Table 4 The composition of the Supervisory Board in 2018

Name	Position
João Borges de Assuncao	Chairman of the Supervisory Board
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board
Hans Joachim Körber	Member of the Supervisory Board
Jacek Szwajcowski	Member of the Supervisory Board
Alicja Kornasiewicz	Member of the Supervisory Board

The status of independent Supervisory Board members is held by the following persons:

- Mr. Jacek Szwajcowski and Hans Joachim Körber as Supervisory Board members, appointed by the Company’s General Shareholders’ Meeting, and
- Mr. João Borges de Assunção and Ms. Alicja Kornasiewicz appointed by Politra B.V. S.a.r.l, who submitted representations which meet criteria of an independent Supervisory Board member.

Thus, 4 of the 5 Supervisory Board members of the Company are “independent members”.

The Board selects its President from amongst its members. The Supervisory Board may also recall the President of the Board from his function. The Supervisory Board exercises an on-going supervision of Company operations in all areas.

1.6 EUROCASH GROUP STRATEGY

The Management Board of Eurocash Group, through its activities, aims to sustainably develop the operations of the Group and its clients. The superior objective of Eurocash Group is to ensure competitiveness of independent retail stores in Poland, offering added value to the Group’s clients and increasing the value of the Group for its shareholders.

The Group implement its strategy by:

- meeting the customers’ needs by supplying various distribution formats and forms of cooperation, and by providing the customers with the expected level of quality and service
- creating sustainable competitive advantage of the Group using the economies of scale
- systematic cost optimization and operations integration in all business units within the Group

In response to the ongoing consolidation process on the

food distribution market in Poland, including the wholesale distribution of FMCG products in Poland, the Eurocash Group strategy also assumes further organic growth in each distribution format and continuation of acquisitions of other wholesalers, franchise networks and retail chains. Takeovers of other entities allow for relatively quick economies of scale, which translates into the ability to offer Group's clients (independent retail trade) better terms of goods purchase, which should also contribute to improving the competitiveness and market position of the Group.

In line with the updated strategy for 2023, the Eurocash Group intends to create the largest supermarket chain in Poland based on its own and franchise stores.

The source of the expansion the assumption of which is the establishment of a chain of stores with 2400 branches, will be the development of the network in the franchise model, supported by subsequent acquisitions of local chains and the construction of stores from the scratch (together with partners from the real estate sector). In this way, entrepreneurs from all over Poland will have access to a recognizable retail brand and marketing tools at the cost level comparable to the large-scale stores chain.

The mission of the Eurocash Group is to improve the competitiveness of retail stores run by independent entrepreneurs in Poland. Experiences developed in own stores will ultimately be transferred to franchisees. One of the tools made available to all Eurocash Group clients so far is the Eurocash Academy - an educational platform that gives independent entrepreneurs knowledge to which em-

ployees of competing large area networks do not have access. Another solution developed today on the basis of the Delikatesy Centrum network is the fresh products distribution platform, which is first made available to franchisees and partners associated in networks cooperating with Eurocash Distribution. Next, a Customer Relationship Management System based on the mechanisms developed at Delikatesy Centrum (Delikarta) will be made available. Ultimately, the customers of Eurocash Group will be able to take advantage of the online store solutions created on the basis of Frisco.pl experience.

As part of its wholesale activities, the Eurocash Group will focus on the integration of individual business units, sharing the best solutions developed by each of the formats and implementing group synergies. A healthy, reorganized wholesale business that generates strong cash flows from operating activities will be the main source of financing for the expansion of the retail segment. Further development of wholesale activities should be supported by the euro-cash.pl platform, which gives the owners of independent retail stores the opportunity to indirectly reduce costs and, above all, better address the needs of consumers.

In order to preserve the competitiveness of independent stores trade in Poland, the Eurocash Group continues to invest in innovative projects: Duży Ben, abc on wheels, Kontigo, distribution of high quality fresh products and others. After successful projects in the previous years: Faktoria Win and PayUp, the Company decided to develop the concept of Big Ben and make it available to franchisees and distribution of high quality fresh products to Eurocash Dys-trybucja clients.

Eurocash Group goal

The goal of the Eurocash Group is to become the leading distributor of food and other FMCG products in Poland. By combining know-how with the entrepreneurship of customers and employees, the Group wants to maximize market share in the distribution of products of everyday needs for consumers in Poland.

1.7 CORPORATE SOCIAL RESPONSIBILITY STRATEGY

The main areas of Eurocash's business activity in which the idea of Corporate Social Responsibility are implemented are: the natural environment, products that Eurocash sells, the working environment and relations with franchisees and local communities.

PILLAR 1: EUROCASH' IMPACT ON THE ENVIRONMENT

Eurocash as a large company that operates in many facilities and which important area of activity is transport

has a direct impact on the natural environment through pollution into the atmosphere, waste production and energy consumption. Therefore, we feel a special responsibility for the reduction of our potential impact on the environment and we try to reduce carbon dioxide emissions, the amount of packaging and food waste as well as electricity consumption.

PILLAR 2: FOOD SAFETY AND QUALITY

Food trade brings big challenges at various stages of the logistics chain. The growing emphasis we place on the sale of fresh products makes it necessary to constantly increase the level of quality control of products that we accept from producers and supply to stores cooperating with us, as well as raising safety standards and maintaining food quality in storage and transport.

PILLAR 3: GOOD WORKING ENVIRONMENT

We believe that the foundation of sustainable development is the creation of an appropriate - motivating and friendly - work environment for all our employees. We are aware of the varied expectations and requirements of employees, depending on the type of work we do. We strive to provide employees with physical work primarily with safety in the workplace. In the group of office workers and managerial staff, we focus on the development of professional skills. With regard to all employees, we place emphasis on health, good contact with superiors and a high work ethic.

PILLAR 4: THE FUTURE OF ENTREPRENEURSHIP AND ITS INFLUENCE ON LOCAL COMMUNITIES

At the foundation of Eurocash's success lies the belief in the strength of Polish entrepreneurship. At the same time, we are aware of the many challenges facing our franchisees in the face of strong competition from large chains. Therefore, in order to build a common future with them, we try to support them in various ways in the development of their entrepreneurship - by expanding their knowledge, introducing innovative solutions to better develop business or succession program. At the same time, it is important for us that local communities in which our franchisees operate should have noticed and appreciated their role and importance for the city or region. We believe that supporting Polish entrepreneurship will allow us not only to survive, but also to attract a new generation of entrepreneurs to retail.

1.8 EUROCASH GROUP VALUES

The values, principles, standards and norms of the organization's conduct have been collected in codes of conduct and ethical codes. Below we present the 8 main values of the Eurocash Group:

Responsibility

Each of us has precisely set business objectives, and is responsible for achieving them. Through effective use of all means available, we aim at meeting the challenges. Therefore, we all contribute to the Group growth and to the increase of its generated profit.

Accountability

We believe we are masters of our destiny; the challenges we face are only an opportunity to test ourselves and to apply new solutions and make improvements. We believe in the 360 philosophy, where each of us is assessed both by our superiors and by peers, subordinates, and internal clients.

Teamwork

In such a complex and dynamically growing organization as Eurocash Group, results may be achieved only through effective cooperation, ability to adjust to the changing environment, and strong motivation of all employees. Dynamic action, creativity and the synergies of teamwork help us achieve goals that bring satisfaction to both the whole company and the individual employee.

Profit sharing

When Eurocash Group achieves the goals set, employees also have their share in the profit. Each of us is evaluated on the basis of our achievements – those with best results are rewarded higher than others. Courage in decision making, flexibility, effectiveness-increasing attitude and undertaking ambitious challenges are all highly valued.

Transparency

In Eurocash Group we follow high ethical standards whenever dealing with employees, customers and suppliers. Each of us shall act in accordance with the law and fair practices, and respect all entities and persons with whom we do business. We comply with the rules of corporate governance of public companies, and information on the company actions and results is fully available.

Client service attitude

We believe that only by meeting and exceeding our clients' expectations we may grow and generate profit. Eurocash Group priority is and always will be to fulfil our clients' needs and to introduce solutions enhancing their competitiveness, owing to which our clients can reinforce their market position and increase their profitability.

Work enjoyment

In Eurocash Group we care about being an attractive employer. We achieve that by justly rewarding achieved results. It is also very important, that our employees gain satisfaction and pleasure from overcoming challenges set before them. The work environment in Eurocash Group is informal, enabling development and gaining experience in an exciting environment, full of passion and energy.

Entrepreneurial spirit

Entrepreneurship is in our DNA. We believe that in each of us there is a soul of an entrepreneur and, when properly motivated, it allows us to reach the impossible.

We actively analyze our environment to identify the opportunities for developing our customers and our businesses. We innovate and consciously chose to take risk, believing that it would allow us to be the number one.

1.9 MEMBERSHIP IN ASSOCIATIONS

Eurocash participates in numerous associations in which, through cooperation and exchange of experience, it contributes to achieving the set goals. These organizations include, among others:

- United Nations Global Compact
- Partnership „Together for the environment” UNEP
- Polish Chamber of Commerce
- Polish Organization of Franchisors
- Polish Business Council
- Employers of the Republic of Poland

1.10 GROUP'S STAKEHOLDERS

Group's stakeholders can be divided into two groups in terms of materiality: crucial and others.

Table 5 Stakeholders of the Eurocash Group

Crucial	Others
Clients Warehouse agents Franchisees and owners of independent stores Consumers	Local communities and non-governmental organizations Natural environment Property owners Other contractors Competition
Employees	Other EC companies
Suppliers and subcontractors of Products Services (transport, cleaning, etc.)	Financial institutions Education sector: universities and industry schools Industry and consumer organizations Certifying organizations Media
Shareholders	Public administration and environmental protection institutions

Table 6 Communication with stakeholders

Method of communication with crucial stakeholders:

Customers

- customer service offices, participation in the Eurocash Academy, own and industry publications, information systems to handle orders, special events, website, research, CSR reports

Employees

- employee portal, social workplace portal, posters, information boards, meetings, newsletter, opinion survey

Suppliers and subcontractors

- daily cooperation, meetings, conferences, newsletters, audits, website, CSR report

Shareholders

- special section on the website, financial and non-financial reports, press releases and conferences, investor relations department

The Group’s stakeholders were identified based on their impact on the Company and the impact of the Group on the situation of stakeholders.

The most common form of contact between stakeholders is by telephone and via electronic means of communication.

1.11 RISK MANAGEMENT SYSTEM

The Eurocash Group runs a risk management system that covers all aspects of the operations of the entities comprising it. The system focuses both on internal and external areas, taking into account, among other things, the impact of the Group’s activities in relation to social, employment, environmental issues, respect for human rights and counteracting corruption.

The Group’s risk management is based on a series of internal procedures and policies, as well as on complementary and systematically performed internal control tasks through dedicated resources. In addition, the Eurocash Group has an Internal Audit function which, through its tasks, plays a consultative role in the field of quality and efficiency of the above mentioned audits.

Below are the most important elements of the risk management system related to the broadly understood social and natural environment, along with an indication of the chapter of this report, which contains a detailed description of all activities mitigating these risks.

Table 7 Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling	Reference to the report chapter
Ethics and counteracting corruption	<ul style="list-style-type: none"> ● Risk of corruption in relations with contractors ● Risk of fraud against employees ● Risk of fraud against contractors 	<ul style="list-style-type: none"> ● Eurocash Group’s Code of Ethics ● Eurocash Group values - clearly defined and communicated to employees ● Line of trust for employees to anonymously report cases of 	Chapter III.8 ETHICS Chapter III.7 EMPLOYEES’ RIGHTS

corruption, abuse and breaches of the Code of Ethics

- Anti-mobbing policy
- Training for employees on Eurocash Group values and ethics rules
- Instructions for accepting gifts from contractors (giving gifts for charity)

Human resources/ workplace

- Risk of losing employees
- Risk of non-compliance with labor law by employees
- Risk of low employee involvement
- Risk of mobbing and other abuses towards employees
- Risk of unfair assessment of employees' professional development
- Risk of lack of professional development opportunities for employees
- Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations
- Activities and agreements with trade unions
- Established and uniform rules for the use of the Social Benefits Fund
- Ensuring compliance with labor law by training for management and continuous monitoring of working time records
- Procedures and instructions for hiring new employees
- Benefits system for employees (private medical

Chapter III. GOOD
WORKING
ENVIRONMENT
FOR OUR EMPLOYEES

- Risk of low employee satisfaction with work
 - care, co-financing for sports activities)
 - Co-financing of education for employees
 - Cyclical survey of employees' opinions
 - Eurocash Group values - clearly defined and communicated to employees
 - Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics
 - Work results management system
 - Annual employee development assessments
 - Talent development programs (Management Trainee and Sales & Operational Trainee)
 - E-learning platform with numerous employee trainings
 - External training according to the needs of given roles / functions / departments
 - Anti-mobbing policy

- Activity in social media

Employees' health and safety

- Risk of accidents at work
- Risk of fire and other accidents that may endanger the life and health of employees
- The risk of access to unauthorized facilities that may endanger the safety of employees
- Risk of assault on employees in the field and branches
- Risk of occupational diseases (work at the computer, work in a warehouse, etc.)
- Internal health and safety procedures and instructions
- Systematic checks on compliance with health and safety procedures and instructions
- Health and safety training for employees
- Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.)
- Devices and means ensuring safety in crisis situations (fire, evacuation, etc.)
- Providing AED (defibrillator) devices in the Group's facilities with a large number of employees
- Protection against access by third parties and protection of objects
- Ensuring the physical protection of employees and facilities
- Systematic training in first aid

Chapter III.2
Occupational Health
and Safety

- A program to increase driving safety
- Co-financing for sport activities and private medical care
- Functioning of sports clubs enabling integration and recreation of employees

Food Quality and Safety

- Risk of marketing food that is not tested, of dubious quality or does not meet legal standards
- The risk of food being placed on the market after the expiration date
- Risk of breaking the cold chain for fresh products
- Risk of inadequate storage and transport of food products
- Risk of inadequate disposal of overdue, defective or damaged products
- Risk of non-compliance
- The implemented HACCP food safety program
- IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group
- Internal analysis and quality audits in distribution centers and branches
- A dedicated team of food quality controllers covering geographically all regions of activity
- OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport

Chapter II. FOOD QUALITY AND SAFETY

with sanitary requirements

- In the case of own brand products - systematic audits at manufacturers' factories
- Complaint process regarding both returns from customers and suppliers

Social and business environment

- Risk of stopping the development of entrepreneurship
- Risk of stopping the development of local communities due to the lack of local entrepreneurship development
- Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition)
- Risk of failure to comply with legal provisions
- Risk of unauthorized/unlawful disclosure of personal information
- Risk of selling alcohol
- Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.)
- Innovative business tools - eurocash.pl platform
- Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.)
- Applying good business practices
- Support for equal treatment of entrepreneurs by producers ("Equals in business")
- Satisfaction surveys of clients/entrepreneurs from cooperation with the Eurocash Group

Chapter IV.
THE FUTURE OF
ENTREPRENEURSHIP
AND ITS INFLUENCE
ON LOCAL
COMMUNITIES

- for resale to recipients without valid alcohol concessions
- Risk of cooperation with counterparties unreliable in the tax context
- Risk of unfair business practices applied by the Group's employees
- Dedicated Compliance function in the EC Group (compliance with legal regulations)
- Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act)
- On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements
- Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale
- The ban on trading on non-commercial Sundays
- Verification of contractors' credibility
- Cooperation regulated by contracts with producers and suppliers
- Cooperation with the Large

3+Family Union

- Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need

Natural environment

- Risk of contamination or poisoning of the environment
- Risk of excessive CO2 emissions
- Risk of uncontrolled energy consumption in buildings and the transport fleet
- Risk of generating waste unfavorable to the environment
- Risk of a significant amount of waste (e.g. damage, food processing)
- Risk of improper waste and secondary raw materials segregation
- Energy efficiency audits
- Introduction of a fleet of hybrid cars
- Introduction of the eco-driving program
- Monitoring fuel consumption, driving style and emissions
- Continuous improvement of the efficiency of the logistics chain
- Continuous optimization of loss management in logistics
- Cooperation with food banks
- Waste segregation and management of recyclable materials

Chapter I. EUROCASH' IMPACT ON ENVIRONMENT

2. REPORT

For many years, the Eurocash Group has been reporting issues related to social responsibility on an annual basis. This report applies to the period from January 1, 2018 to December 31, 2018. The previous report was published on March 22, 2018.

The methodology of this year's report is based on own standard, referring qualitatively to the standard adopted last year, which allows to standardize information and select indicators suitable for Eurocash Group operations.

As part of the adopted CSR strategy of the Group, the following important aspects have been identified:

Table 8 Important aspects of the Eurocash Group CSR reporting

Reporting aspect		The impact of the aspect within the organization	The impact of the aspect outside the organization
Place of work	<ul style="list-style-type: none"> • employment conditions • security • ethics and company values • equal opportunities in the workplace 	+	-
Environment	<ul style="list-style-type: none"> • energy consumption • fuel consumption and emissions from transport • waste management 	+	+
Food quality and safety	<ul style="list-style-type: none"> • care for the quality and safety of products and packaging • criteria for selecting suppliers and tools for their verification 	+	+
Market	<ul style="list-style-type: none"> • ensuring competitiveness of independent retail stores in Poland • response to clients' needs, including innovation in products targeted at them 	+	+

In most cases, the identified aspects have a bilateral impact, inside and outside the Group, and differ in the degree and nature of impacts and the importance for individual stakeholders.

In connection with the acquisition of the Mila Group on 29 May 2018 and the integration of the companies acquired at the turn of 2016 and 2017, i.e. FHC-2 and Madas, Polska Dystrybucja Alkoholii and EKO Holding, data on the employment structure and the number of accidents for 2017 were presented again with taking into account the above-mentioned units.

If you have any questions regarding this report, please Group Marketing.

3. EUROCASH'S IMPACT ON THE ENVIRONMENT

The Eurocash Group adheres to the precautionary principle 15 of the Rio de Janeiro Declaration on Environment and Development through risk management at every planning stage. Below we present the most important activities of the Group in this respect.

Environmental Policy

Eurocash, as the wholesale distribution leader for FMCG products for the polish market, taking into account the respect for the natural environment, conducts its business, aiming to minimize its influence on the environment.

Awareness of the importance of ecological topics, in relation to the future development of the company, causes the company's function to adhere to current rules and standards for environmental protection and other local conditions, and taking into account environmental aspects. In order to improve the effects of environmental activity, the following targets have been set:

- Adhering to any legal requirements and regulations in the area of environmental protection and influence, which apply to the activity being conducted
- Systematic raising of ecological awareness among the employees and outside the company, with particular focus on separate collection of waste and recycling
- Preventing environmental pollution, including reducing the amount of waste and harmful emissions
- Rational usage of natural resources, including air, water, energy and fuel
- Perfecting technology and logistic processes in such a manner, that they are environment friendly and fulfill the needs and requirements of current and future contractors, as well as other parties
- Preventing emergencies
- Creating proecological activity among suppliers and clients

The abovementioned targets, are tied to Eurocash's economic activity. The Board commits itself to plan environmental protection activities, supplying means to carry out these activities, and to evaluate the effectiveness of the actions undertaken.

The Management and all employees of Eurocash Group are obligated identify themselves with the letter of the accepted Environmental Policy and to realize the targets it sets.

3.1 ENERGY CONSUMPTION AND CO² EMISSION

Electricity consumption in the Eurocash Group is one of the important aspects of environmental impact. As electricity in Poland is mainly produced from coal, this aspect is associated with the consumption of raw materials for its production and the emission of carbon dioxide during combustion.

In 2018, energy consumption in the Eurocash Group amounted to approximately 0.49 million GJ. The energy is mainly used in our distribution centers, offices and warehouses.

As a result of direct emission from the combustion of fuels in the buildings and cars of the Group, approx. 25,355 t CO₂ was emitted. Combustion of fuel in transport (63%) and heating of buildings (37%) contribute to the emission.

3.2 ENERGY CONSUMPTION IN BUILDINGS

A) ENERGY EFFICIENCY AUDIT

Every five years, the Energy Efficiency Audit is conduc-

ted at the Eurocash Group, the last one took place in 2017. It included both buildings and transport. Within its framework, there were identified places where it is possible to increase the efficiency of processes in terms of energy consumption. His results will be used to plan activities in this area in the coming years.

Every five years, an energy efficiency audit is carried out at the Eurocash Group, the last one took place in 2017. It included both buildings and transport. Within its framework, there were identified places where it is possible to increase the efficiency of processes in terms of energy consumption. His results will be used to plan activities in this area in the coming years.

B) LED LIGHTING REPLACEMENT

In 2018, Eurocash Group continued the project of lighting replacement in Distribution Center and Cash & Carry wholesalers for modern lighting equipped with LED bulbs. The investment in the project, beside a beneficial influence on the natural environment, will also bring economical savings to the Group. As a result of modernization, savings in locations on energy consumption by lighting amounted the level of 60-75% depending on the type of previous lighting. The return period for the investment into lighting replacement for a Distribution Center is estimated at between 2,7 to 5,7 years

At the end of 2018, new LED lighting was already present in 15 of 16 Distribution Centers. At the same time, LED lighting was introduced to over 72% of the Cash & Carry warehouse.

C) ECOLOGICAL OFFICE BUILDING IN WARSAW

In order to limit the impact on the environment, the new Group office in Warsaw was located in a building with the BREEAM (BRE Environmental Assessment Method) certificate. This certificate assesses the building in terms of its environmental performance, especially energy consumption. The solutions in the new office building went further than the minimum requirements of the certificate, thanks to which it obtained a very good ecological grade.

3.3 ENERGY CONSUMPTION IN TRANSPORT

A) IMPLEMENTATION OF EFFECTIVE LOGISTIC SYSTEM

In our Group, we prepared and implemented a modern logistical system enabling rational usage of means of transport, which allowed the influence the traffic of trucks on the environment. Eurocash Group constantly monitors traffic routes, and sets new ones in a maximally optimal manner. The means of transport carry products to multiple destinations at once, which allows for optimization of routes. Thanks to that, a truck operated by an external company, sent to a destination does make the return trip without a load. A transport service company has the ability to optimally utilize trucks during the return trip, completing orders from other companies. This policy allows for

a significant reduction of exhaust being emitted into the environment.

B) EXHAUST FUMES EMISSION MONITORING SYSTEM FOR EMPLOYEE CAR

Moreover, we constantly monitor the exhaust emitted during the activity of the Eurocash Group's employees, by setting fuel consumption limits for each personal vehicle, used for business activity. The Fleet Management Department, in case of significant deviations from set standards, takes actions aiming to identify and eliminate the problem, which contributes to increased fuel consumptions, and in relation to that, increased exhaust emission into the environment.

C) PROGRAM TO INCREASE SAFETY AND ECOLOGY OF DRIVING

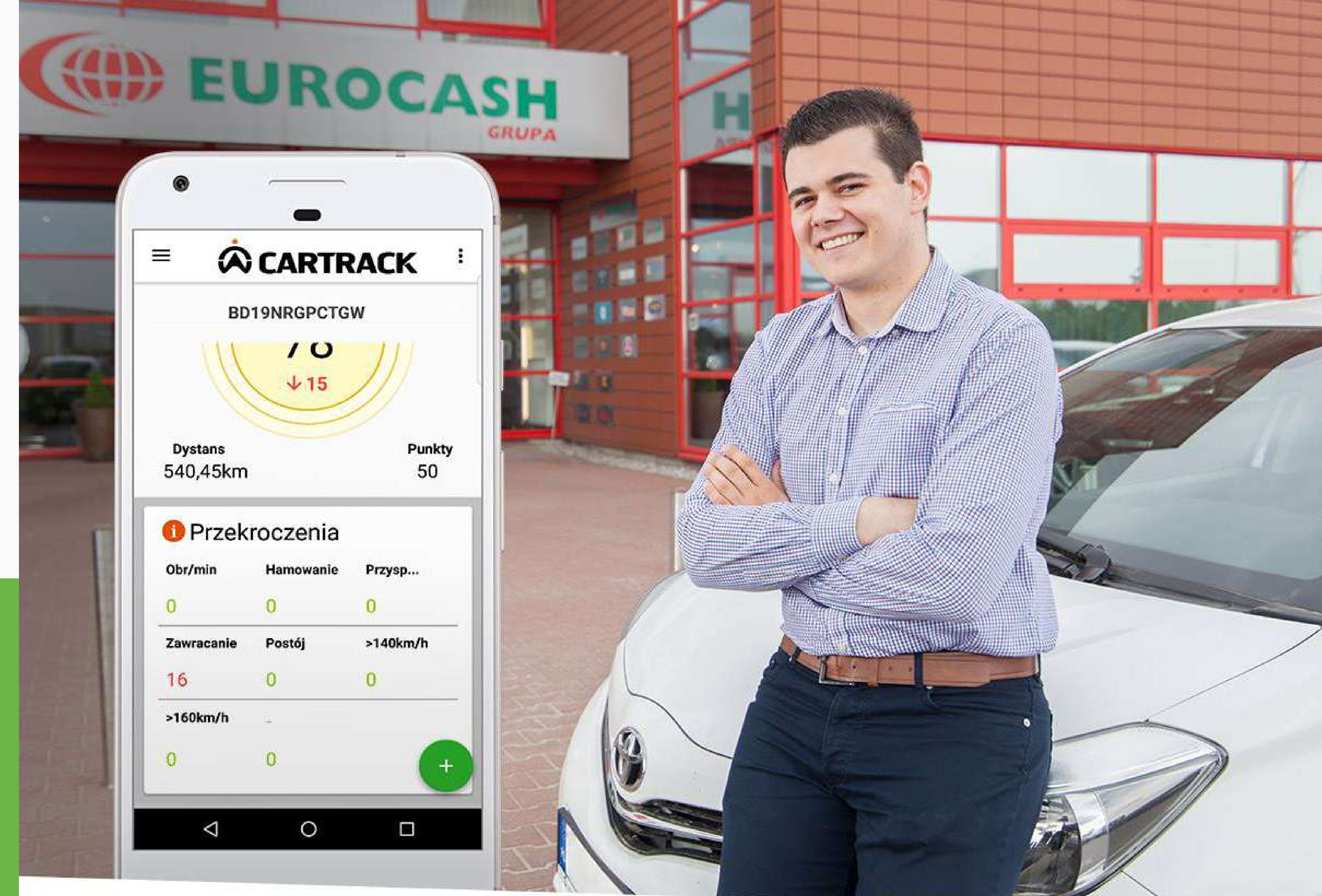
The „Safety and Driving Ecology Improvement Program” was developed in 2017. Its task is to significantly reduce the emissions from cars in the Group and increase the safety of people traveling with them.



As part of the program, 11 Principles of Ecodriving in the Eurocash Group have been identified and prepared for implementation:

- Anticipate the traffic situation
- Brake the engine
- Drive in the highest gear possible and at the lowest possible speed
- Accelerate dynamically
- Do not warm up the engine when the vehicle is stationary
- Reduce air resistance
- Control the tire pressure
- Turn off unnecessary power receivers
- Take care of the car
- Avoid driving at short revs
- Plan trips and refueling

Their verification is controlled through a mobile application and driver rankings.



It is worth emphasizing that as a result of implementing the above-mentioned principles, we managed to reduce the amount of fuel burned for each kilometer driven which is a very important indicator from the point of view of the environment. The introduced practice has increased the number of kilometers traveled per 1 liter of fuel by over 10%.

D) FLEET OF HYBRID CARS

The problem of air pollution from car transport is becoming an increasing problem in Poland. Eurocash decided to contribute to reducing its emissions also by replacing conventional cars with hybrids. Vehicles with hybrid drive consume less fuel, emit less harmful substances and are quieter than classic cars with combustion engines.

At the end of 2018, the Eurocash Group fleet consisted of **545 Toyota Hybrid** cars compared to 400 in 2017. These cars have created the largest company fleets of vehicles with alternative drives in Poland. Cars were additionally equipped with this Toyota Safety Sense safety system, including an early response system in the event of PCS collision risk, automatic wipers or signaling of unintentional lowering of the lane.



3.4 WASTE MANAGEMENT

From the stream of waste generated by Eurocash Group, in 2018, 10,326 tons were separately collected, including 6006 t of waste paper and 1497 t of foil. In total, 88% of generated waste was recovered, of which 23% were bio-waste. After returning to authorized treatment facilities, the organic content of the waste was used as a substrate for biogas plants or other biological transformation processes, and damaged packaging as an alternative fuel. The data presented concern waste generated as a result of the Group's main activities and does not take into account municipal waste generated by employees.

Table 9: Waste generated in the Eurocash Group and how to handle it

Type of waste	Material recovery [t]	Mechanical-biological processing [t]
Packaging made of paper and cardboard	5 689,18	0
Foods that are out-of-date or unhelpful	0	2 156,72
Plastic packaging	1 320,82	0
Other	134,169	0
Total	7 144,17	2 156,72
	76,8%	23,2%

A) WAREHOUSE LOSSES OPTIMIZATION PROGRAM

In 2018, in some Delikatesy Centrum stores, after the acquisition of Eko Holding S.A., a new warehouse losses optimization program has been developed and implemented. The implemented process assumes among others the application of a new method of loss coding, weekly loss level reporting, appointment of a special loss group, which analyzes the current level of losses during weekly meetings and develops special recovery programs. The work process was also implemented with TOP 20 stores with the highest warehouse losses for which special repair plans are being developed.

In addition, the additional analysis is conducted for, among others, the quantity and quality of goods delivered to stores. The quality of orders is assessed as a way to help store managers create optimized orders. The stores also introduced a modified system of goods receipt and a complaint process. In warehouses, however, there is an improved model of pallet picking and shipment of goods to stores. All these activities contributed to a significant reduction of warehouse losses at the end of 2018.

B) COOPERATION WITH FOOD BANKS

In 2018, the Eurocash Group established permanent cooperation with Food Banks in order to provide them with terminating food. Thanks to this, a large part of the food from the Eurocash Group's facilities which has been utilized so far, has been used by those in need. In 2018, Eurocash Group saved 37.7 t of groceries worth 405 thousand

zlotys in this way. This food provided as many as **75,358 meals for those in need.**

C) PROMOTION OF WASTE SEGREGATION

Our partner network Gama runs its own programs to increase ecological awareness, especially for children. Image Action „Gamuś Bawi i Edukuje” under the slogan „Pamiętajcie dzieci – segregujcie śmieci” (“Remember children - segregate waste”) a new educational program - waste segregation. Learning to segregate waste by fun in the age range from kindergarten to first classes of primary school. The aim of the action is to familiarize children with the concept and the essence of waste segregation.

3.5 OTHER INITIATIVES

A) EKO-OFFICE

As part of the implementation of environmentally friendly solutions, the following actions have been implemented in the Eurocash Group offices:

- In order to reduce the amount of wasted paper and inks, a central printout system was introduced, which normally uses only black and white ink and double-sided printing;
- To recover raw materials in offices in Poznań and the surrounding area have been equipped with containers for used paper, and a new office in Warsaw in sorting conta-

iners for paper and plastics.

- In order to reduce emissions by car trips, delegates have implemented teleconferencing systems and promoted shared trips. Announcements concerning joint journeys can be placed in the special section of the employee portal and on the group on the workplace platform.

4. FOOD QUALITY AND SAFETY

We are the largest Polish company in wholesale distribution of fast-moving consumer goods of food products, household chemicals, alcohol and tobacco products, cooperating with 1,809 producers. As a partner of such a large number of entities Group creates an important part of the supply chain of FMCG products throughout the country.



**1 809
SUPPLIERS**

Producers in cooperation with the Group benefits from the efficient distribution of their products through a network of the Group's customers, both in major cities and low-populated towns. Through this collaboration, the producers have may concentrate on the production process and brand awareness building, and at the same time avoid investment into own logistics system. Cost-effectiveness of Eurocash Group distribution is achieved through the use of logistics infrastructure to service many manufacturers at the same time regardless of the size of the order of selected by client products.

On the other hand, clients by cooperation with the Group benefit from economy of scale, negotiation position and marketing support what they could not achieve acting alone. Thanks to the various distribution formats, and also offer of a number well-developed franchise and partnership systems, the Group's customers have the opportunity to select a dedicated offer corresponding to the individual needs of consumers in their local market. Economy of scale of Eurocash Group at the end translates into possibility of usage a logistic system and the „know-how” by thousands stores and is at a comparable or even higher level than in the large-format retail chains.

Due to the still strong position of such a food distribution model, entrepreneurship in retail is relatively high in Poland

compared to the European average, despite the declining number of stores in recent years. The entities running independent small-format stores, which share in the distribution of FMCG products in 2018 amounted to over 41%, are still very important.

4.1 CHARACTERISTICS OF THE SUPPLY CHAIN

The Eurocash Group focuses on the distribution of products which is carried out through the Logistics department, employing from 3,500 to 4,000 employees, depending on the season.

Distribution of products on a national scale requires cooperation with many suppliers, their number for 2017 and 2018 is shown in the table below.

Table 10: The number of suppliers in the Eurocash Group

	2018	2017
Number of suppliers	1 809	1 817

Each supplier of the Eurocash Group is obliged to fulfill the requirements contained in the document General Terms of Delivery of Products, which regulates, among others: features and documentation of products, principles of audits, determination of the purchase price, organization of deliveries, returns, documentation workflow, promotional activity, financial flows, penalties.

4.2 NEW FOOD SAFETY SYSTEM

In accordance with the current food safety policy, Eurocash S.A. executes deliveries that meet the requirements and expectations of clients, while maintaining the principles guaranteeing the safety of products, which in 2018 was confirmed by maintaining the certificates of quality standards:

- ISO 22000:2005 DEKRA Certification - all Eurocash S.A. locations. in the field of warehousing, distribution and wholesale of groceries.
- BRC Global Standard - Storage and Distribution Lloyd's Register (Polska) Sp. z o.o.- warehouse in Sosnowiec, warehouse in Plewiska, warehouse in Błonie
- IFS Logistics DEKRA Certification – warehouse in Sosnowiec, warehouse in Plewiska, warehouse in Błonie

As part of the supervision and improvement of the Food Safety Management System, **348 internal audits** were carried out, including quarterly audits of distribution cen-

ters, and 444 managers were trained in operational units. As part of cooperation with demanding network clients and acquiring new clients, the Sosnowiec, Plewiska and Błonie EC Gastronomy branches additionally obtained the MSC and ASC Supply Chain certificate, which means that the sale of these stores includes fish and seafood exclusively from sustainable, certified fisheries or farming. As part of the food safety supervision, 67 warehouse, 72 load audits and 236 transport audits were carried out during deliveries to the clients in addition, **912 persons** were trained in quarterly recurrent trainings.

In order to provide its customers with secure products of the Eurocash Good Choice! Own Brand of the highest and repeatable quality, in 2018 a total of **2533 laboratory tests** were carried out, sensory evaluation was carried out during 321 tastings, a total of 1154 passports, labels and stickers were approved. In addition, 33 of the household chemistry products Good Choice! has been subjected to certification in accordance with the BRC CP standard. Clients can recognize products certified by the presence of TUV Nord logos on the label. As part of increased supervision over suppliers of own-brand products, the number of audits carried out has also increased to 148.

A) REMOTE ELECTRONIC TEMPERATURE MONITORING IN ALL FACILITIES

In 2017, the Eurocash Group introduced to its logistics facilities a Blulog temperature control system, based on radio technology - active RFID. The system has been installed in most Distribution Centers throughout Poland and in Eurocash Gastronomy warehouses.

As part of the system, wireless temperature sensors have been installed in the warehouses, which send data via radio to the relays, and these to the database on the server. The system allows for maintaining high quality of all products and minimizing losses resulting from temperature changes.

4.3 FRESH PRODUCTS QUALITY VERIFICATION

The fresh products quality control process in the Eurocash Group is carried out in accordance with the main stages described in the above diagram and other tasks, ensuring the fulfillment of quality parameters agreed with the EC customer, and above all to guarantee the health security of the distributed food.



Table 11: Number of suppliers' audits executed

A) AUDITS AT SUPPLIERS'

We always start cooperation with food suppliers for our Group from the so-called an initial audit in terms of food safety, which will allow us to assess a potential supplier. The initial audit is carried out on the basis of an audit list prepared by Eurocash, by a qualified team of auditors. Further negotiation talks are conducted only with those suppliers who will obtain a positive result of the pre-audit. In addition, periodic audits of suppliers are carried out during the cooperation.

In 2018, the number of suppliers' audits was increased to **461** (Table no. 11)

CATEGORY	AMOUNT
MEAT/COLD CUTS	133
FRUITS/VEGETABLES	103
CONVENIENCE	94
EGGS	8
FISH	12
BREAD	30
DAIRY PRODUCTS	55
FROZEN PRODUCTS/ ICE-CREAM	8
OTHER, INCLUDING PHARMACY	18
SUM	461



461
AUDITS

B) QUALITY CONTROLS

Designated quality controllers and technologists regularly carry out quality checks at suppliers'. They supervise the preparation of fresh products (meat, fruit - vegetables, fish) directly at the manufacturers' premises. In 2018, **675 quality controls** were carried out.

In the central magazines of the Eurocash Group, quality controls of fresh products also take place. They are implemented by a team of quality controllers with expert

qualifications. Each delivery is controlled in terms of compliance with the parameters specified in the product specifications, developed by a team of technologists.

C) ACTIVITIES IN THE SCOPE OF STORAGE AND PICKING

As part of maintaining the highest quality of fresh products, daily warehouse inspections are carried out to ensure quality during the storage process.

Cyclical checks are carried out on the correctness of picking fresh products before shipment to customers.

D) LABORATORY TESTS OF FRESH PRODUCTS

In 2018, the frequency of microbiological and physicochemical testing of products delivered to Delikatesy Centrum was increased, including:

- **fruits and vegetables- 24**
- **meat- 97**
- **fish - 64**

E) TRAINING FROM THE SCOPE OF FRESH PRODUCTS

The Quality Control Department trained **511 employees** of Delikatesy Centrum stores and operational departments in the field of security and rotation of fresh products.

For training purposes in the field of managing the display of fresh products, local visits to our customers are also held. In 2018, the quality controllers carried out 174 visits.



511 EMPLOYEES

F) COMPLAINT PROCESS

The quality control department handles the complaint process of fresh products 7 days a week, providing answers 24 hours from reporting complaints on dedicated platforms.

As part of the complaint process, local visits to our clients are also carried out.

G) REPORTING SYSTEM

Each process supervised by the department of quality control of fresh products is completed with a report sent to specific recipients. Reported areas include deliveries of fresh products, level of complaints, rotation, discounts, storage tests and laboratory tests.

5. GOOD WORKING ENVIRONMENT FOR OUR EMPLOYEES

5.1 EMPLOYMENT STRUCTURE

The employees have an invaluable influence on the shape and functioning of the Eurocash Group. The Group's financial result is largely reliant on their engagement and attitude. Creating human and intellectual capital is an intangible asset of the company. As of 31.12.2018, Eurocash Group employed **21 404 people** in comparison to 17 157 people at the end of 2017. The employment structure in division by gender and age of the employees has been presented below*.

Table 12: Employment structure by gender in Eurocash Group as of 31.12.2018

Employment structure	2018	2017
Woman	64,7%	57,9%
Man	35,3%	42,1%

Table 13: Employment structure by age in Eurocash Group as of 31.12.2018

Employment structure	2018	2017
Below 31 years old	29,3%	30,5%
31 - 40 years old	35,5%	37,2%
Above 40 years old	35,2%	32,2%

Table 14: Structure of newly employed in 2018 by gender

Structure of employees	Woman	Man
Number of persons	5 287	2 938
% of employees	64%	36%

Table 15: Structure of newly employed in 2018 by age

Structure of employees	Up to 30 years old	31 to 49 years old	50 years old and more
Number of persons	4 320	3 318	587
% of employees	53%	40%	7%

Table 16: Employment rotation in 2018

Rotation	2018	2017
Number of hired employees	8 257	5 972
Number of employees who ceased employment	8 756	5 928
Net result	-499	44

* The data includes both wholesale and retail companies belonging to the Eurocash Group. 2017 does not contain data for the Mila Group acquired on May 29, 2018.

5.2 WORKPLACE HEALTH AND SAFETY

Health and Safety in Eurocash Group in most of all a system, the aim of which is preventative security and work environment monitoring all persons employed at the Eurostar Group. The Group employees specialized professional, whose task it is to, among others: increase awareness of security and work safety in the employees everyday lives, and their loved ones.

The activities conducted by them, focus on, among others:

- conducting periodical work and safety trainings
- spreading knowledge and increasing skills from the range of giving first aid
- conducting activities in the area of fire safety
- organization of prevention programs

In 2018, there was a decrease in accidents by 1,33% compared to 2017. All accidents were light, most often involving forklift trucks overruns or falling out of the cab.

Table 17: Number of accidents in Eurocash Group

Type of accident	2018	2017*
At work	377	373
On the way to or from work	68	78
Total	445	451

** The data includes both wholesale and retail companies belonging to the Eurocash Group. 2017 does not contain data for the Mila Group acquired on May 29, 2018.*

A) SAFETY PROBLEMS REPORTING SYSTEM

In 2018, a „register of potentially accidental events” was introduced in several Distribution Centers. Each employee can report such an event. Every month, the results are summarized and the applications are forwarded along with recommendations for implementation.

B) PREVENTION PROGRAMS

In the Eurocash Group in 2018, two preventive programs were conducted: „Bull’s eye” (“Strzał w 10-tkę”) and „Zero tolerance for non-compliance” (“Zero tolerancji dla nieprzestrzegania przepisów”). The „Bull’s eye” program includes short meetings with em-

employees, lasting about 10 minutes. They consist in discussing a selected topic, e.g. manual transport, truck service etc. This is often accompanied by a practical demonstration of the most important threats and their prevention. Short films are often presented from accidental events that took place in the Group, and the employees themselves present their observations, indicate errors.

The „Zero tolerance for non-compliance” program includes flagging of OSH documentation and presentations with action logo, posters on preventive issues, setting minimum acceptable results of health and safety control and their reporting and comparative analysis to other parts of the Group.

Another initiative is the so-called „security cross” - the communicator about the number of days without accident updated every day. It is placed in a visible place for everyone. In addition, monthly comparisons of units are carried out in the subject of accidents. This comparison is based on two parameters: severity of accidents and frequency of outings. In addition, information is provided to the management about the causes of the occurrence of adverse events and post-accident recommendations for implementation.

C) FIRST AID TRAININGS

Among our society, and therefore also among the employees of the Group, there is insufficient knowledge to provide medical assistance to others, which is why the Eurocash Group Management decided that 20% of people in

each department should have practical first aid skills. However, at the request of the Cash & Carry business, mandatory first aid training for all employees was introduced. Therefore, the Health and Safety Department annually organizes a series of open trainings on first aid.

During the trainings, participants acquire knowledge, skills and develop the proper attitude necessary to bring invaluable help in conditions threatening human health and life.

In 2018, trainings were organized in 11 Eurocash Group offices throughout Poland. A total of 973 employees of the Group were trained.

In Distribution Centers, however, trainings for the so-called Rescue Groups were conducted, which apart from the ability to provide first aid, practice the rules of conduct in the event of a collective accident and other hazards involving a larger number of injured people.

E) PROGRAM TO INCREASE SAFETY AND ECOLOGY OF DRIVING

One of the two objectives of the program developed in 2017 was to increase the safety of people using company cars of the Eurocash Group.



As a result of implementing 11 principles of Ecodriving in the Eurocash Group and their verification by means of a dedicated mobile application, it was possible to identify people who require additional support in the field of safe driving - the assumption of the project was to reach this type of people.

Thanks to the program, the level of awareness of employees using company cars on the subject of safe car driving increased above all. Each of them receives a detailed report on their behavior on the road, thanks to which they can make appropriate changes on an ongoing basis. Persons who require support in this area may benefit from the support of appropriate specialists.

The resultant improvement of the driving style of employees and increase their attention on the road is greater fluidity of driving, and ultimately a higher level of safety of drivers and their passengers, and thus, lower emission of harmful substances into the atmosphere.

Another indicator that is important from the point of view of the natural environment is fuel consumption for every kilometer driven. The introduced practice has increased the number of kilometers traveled per **1 liter of fuel by over 10%**.

F) HIGHER SAFETY REQUIREMENTS FOR NEW CARS

From 2018, new requirements for car specifications for the Eurocash Group were introduced. They are aimed at increasing the safety of our employees in road traffic. All cars ordered from 2018 are compulsorily equipped with, among others, an early response system in case of collision risk or lane change signaling. In addition, D segment cars have a parking assist system. All Group cars are also equipped with instructions for first aid and the EcoDriving principle.

5.3 EMPLOYEES HEALTH

In the area of health care for employees at the Eurocash Group in 2018, a number of projects were organized, the most important of which were indicated below:

- daily provision of fruits to employees;
- all employees of the Group are provided with free private Medcover medical care;
- employees of the Group have the option of buying fitness cards on attractive terms;
- employees also receive support in sports competitions in which participation is financed, sportswear is provided. Employees also participate in the Running-Friendly Company program.

5.4 HUMAN CAPITAL DEVELOPMENT

A) TRAININGS AND DEVELOPMENT

In caring the development of employee skills, Eurocash Group adopted a Policy of Development and Employee Trainings, adhering to basic rules:

- development in the workplace
- taking part in trainings and conferences
- financing education
- certifications and permits (IT, BHP etc.)
- learning foreign languages

In accordance with the adopted policy, an initial analysis of individual and group development/training needs is conducted during the budgeting process (August-October) of each year. The results of this analysis, are the basis of preparing a budget for development activity in the next year. Detailed plans of development/trainings (individual and group), regarding the next year, are accepted after the yearly employment process is finished for the current year.

Aiming at improving the professional qualifications of employees, we organize trainings and workshops for them by a team of internal trainers or external companies. In addition, employees have the opportunity to use the e-learning platform and library, and can apply for funding for studies. In 2018, the Eurocash Group started supporting the

vocational training of another 16 employees.

The implemented so-called "Eurocash open trainings" are a response to the employees' need of development, address the most important development areas, and standardize the level of knowledge, as well as enable employees to exchange experiences. Topics that enjoyed the most interest were "Assertiveness", "Self-management in time", "Work performance management" and trainings related to the development of managerial competences.

Unlimited access to the e-learning platform gives the employees of the Group the opportunity to decide at what pace they will implement the given training topic, ensures constant access to these materials so that they can return to the selected content at any time. This form prepares employees for traditional training as well as helps them complete and consolidate the already acquired knowledge. Last year, employees completed 16,790 e-learning courses comparing to 5,088 in 2017.

The company's library is a response to the employees' need to broaden their knowledge by themselves. The Eurocash Group conducts and constantly updates the internal library from various fields useful in everyday work. Each employee, irrespective of the place of work, may report to the HR Department the desire to borrow a specific title, after which the book is immediately forwarded to the employee by internal mail. The list of titles and their availability can be checked at any time on the internal employee portal. In 2018, employees rented 255 books.

Table 18: Average number of training hours of Eurocash Group employees in 2018

Employees participating in training (excluding e-learning)	Average number of hours per employee	Number of people covered by the training	Number of persons/ training events*
Woman	25,40	1 133	1 663
Man	26,90	1 190	1 842
Total	26,15	2 323	3 505

* persons/training event - the number of people participating in the training including multiple participation in the training of individual participants
 ** The data includes both wholesale and retail companies belonging to the Eurocash Group. However, they do not contain data for the Mila Group acquired on May 29, 2018.

Table 19: Average number of training hours by grade in 2018

Employees participating in training (excluding e-learning)	Average number of hours per employee	Number of people covered by the training	Number of persons/ training events **
Specialist	19,19	1 240	1 648
Manager	33,10	1 083	1 857
Total	26,15	2 323	3 505

*persons/training event - the number of people participating in the training including multiple participation in the training of individual participants
 ** The data includes both wholesale and retail companies belonging to the Eurocash Group. However, they do not contain data for the Mila Group acquired on May 29, 2018.

Table 20: Number of people who completed e-learning courses by grade in 2018.

Employees participating in e-learning trainings	The number of people covered by the training
Specialist	14 332
Manager	4 000
Total	18 332

Table 21: Number of people who completed e-learning training broken down by gender in 2018

Employees participating in e-learning trainings	The number of people covered by the training
Woman	9 344
Man	8 988
Total	18 332

B) PERFORMANCE MANAGEMENT POLICY

The realization of the Eurocash Group's strategy requires engagement from all employees. The managerial staff and employees of central departments are encompassed by a performance management, on an annual basis.

Managing Performance is a management method allowing the company strategy to be realized by translating it to aims and daily practices of managers and employees. To put it simply:

- „playing” as Company, on team, for one goal,
- clearly defining, what is expected of the employee,
- regular meetings between the superior and employees concerning their progress in achieving targets
- the employees taking part responsibility for defining the method of achieving targets
- work method, in which managers help their employees and give them regular feedback
- reliable performance evaluation on the basis of clear criteria and feedback obtained during the whole year

The Performance Evaluation Process is comprised of the following stages:

- Setting targets – defining targets for the current calendar year
- 1on1 meetings – supervisor feedback for the employee, in regards to realizing aims and return – feedback from the employees for the superior. These meeting aim to define the expectations for each employee, foster their de-

velopment, allow to evaluate the status of target fulfillment. It is recommend that these meetings occur at least 1 per quarter.

- Yearly employee evaluation, a part of which is a 360 evaluation – an evaluation of the level of fulfillment of targets set for the employee for the previous calendar year, achievements and work skills.

In the framework of the 360 evaluation, the employees receive feedback regarding the skill not only from their supervisor, but also from their subordinates and employees in parallel positions. Thanks to that, they can recognize areas in which they can improve their skill, and therefore develop faster. In 2018 there was an increase in the number of persons participating in evaluation, to 2 253.

Table 22: Number of people which took part in 360 evaluation

360 evaluation	Women	Man	Total
Number of people	1 086	1 167	2 253

Table 23: Number of people which took part in 360 evaluation in division to positions

360 evaluation	Specialists	Supervisors	Managers	Board and directors
Number of people	1 132	905	143	73
% covered by evaluation	50,24%	40,17%	6,35%	3,24%

C) MANAGEMENT PROGRAMS



In order to enable quick development of talented, ambitious and competitive students and alumni, Eurocash Group manages two managerial programs – Management Trainee (MT) and Sales & Operations Trainee (SOT). Both management programs aim to educate managerial staff able to conduct complicated projects in different departments of the Eurocash Group. The second one aims to trainee a staff specializing mostly in sales and logistics.



SALES & OPERATIONS TRAINEE



ODWAŻ SIĘ
#BARDZO

Each person joining the Management Trainee program, goes through an intensive 3 month training in different Eurocash Groups departments and locations. The next stage is an internship in two different departments, 6 months in each. After finishing the internship, the employee assumes a Junior Manager position in a chosen Eurocash Group Department, retaining the ability for further development and to take over key positions in the company, in the next few years.

Trainee program, the participants develop the skill working after an initial training as Sales Representatives and Client Advisors in the largest Eurocash business units, and after around 2 years, they assume Regional Sales Manager positions. The target position after finishing the SOT program is the Regional Operations Director.

Table 24: Number of people who participated in Eurocash Group Managerial Programs

Participating in managerial programs	2018	2017
Woman	7	4
Man	10	7
Total	17	11

D) INTERNAL RECRUITMENT AND PROMOTIONS

Eurocash Group regularly makes information available on currently conducted recruitment processes. Thanks to that the employees have the ability to apply for a position, which should enable their further development. In the framework of internal recruitment, the employees can also recommend their friends and loved ones.

In 2018, in the Eurocash Group, **546 employees were promoted to higher positions***.



**546
PROMOTED
EMPLOYEES**

* The data includes both wholesale and retail companies belonging to the Eurocash Group, excluding the Mila Group taken over on May 29, 2018 and the Companies Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas sp. z o.o., .

E) SUMMER INTERNSHIP PROGRAM

Eurocash Group invests in the development of youth studying at higher learning institutions in Poland, giving them the ability to take part in a paid Summer Internship Program in the vacation period, i.e. free of university classes. The internship is intended for students at any point in their studies, of any major, who want to learn and develop, and most of all, characterized by curiosity, openness, commitment, motivation and courage.



#BARDZO CIEKAWY PRAKTYKI LETNIE

Chciałbyś zdobyć
ciekawe doświadczenia
w trakcie wakacji?



Table 25: Number of people who participated in the Eurocash Summer Internship Program

Participating in the summer internship program	2018	2017
Woman	14	16
Man	6	7
Total	20	23

The recruitment for the program is usually conducted on the turn of March and April. People who qualify for the program after a short internal turning and integration, have the ability to take part in a 2-3 month internship in a chosen Eurocash Group department.

F) COOPERATION WITH UNIVERSITIES



The Eurocash Group regularly cooperates with Polish universities. The Ambassadors Program is run at universities, thanks to which in the academic year 2018/2019 the Group is represented by 9 Ambassadors - Students (6 women and 3 men). In Warsaw, one Ambassador at the Warsaw School of Economics and one at the University of Warsaw, Ambassador at the Warsaw University of Life Sciences, Ambassador at Warsaw University of Technology.

#BARDZO CIEKawe DOŚWIADCZENIE

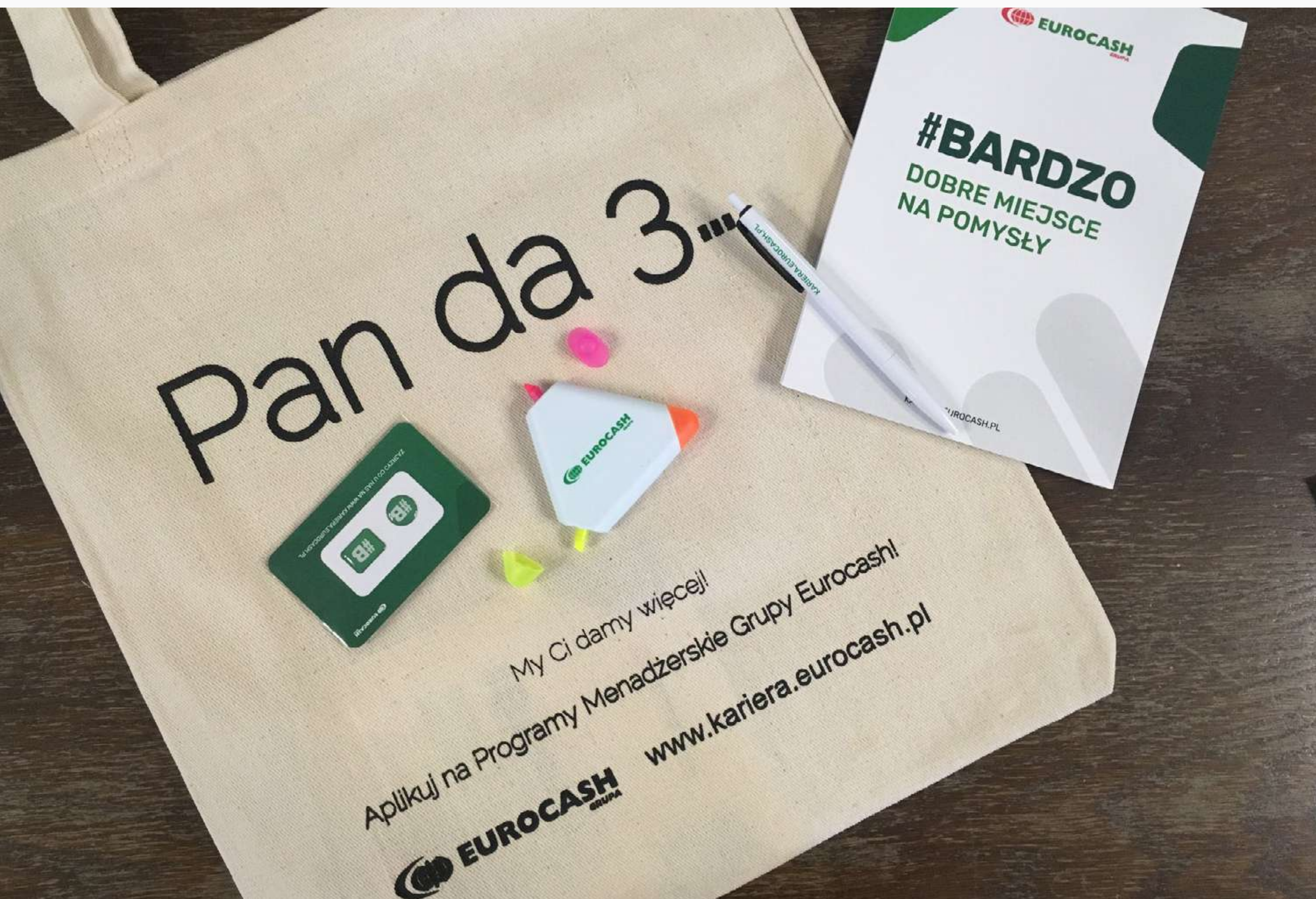
Chciałbyś zdobyć
pierwsze doświadczenie
podczas studiów?



SPOTKANIE AMBASADORÓW 21.02 WARSZAWA



In Poznań, two Ambassadors at the Poznań University of Economics and Business and one each at Poznań University of Technology and Adam Mickiewicz University. Ambassadors support the Group in regular events held at universities such as "Wyprawka dla Pierwszaka", "Santa Claus from Eurocash" and numerous lectures and workshops. Ambassadors also help to establish cooperation with student organizations operating at given universities.



In addition, Eurocash is a business partner of the University of Economics in Poznań, and Luis Amaral - President of Eurocash S.A. - since 2017, he is the deputy dean of the Partner Club of the University of Economics in Poznań.

G) EUROCASH FOUNDATION SCHOLARSHIPS

The Eurocash Foundation, which has been operating for five years, runs a scholarship program for talented young people - children of employees of various business units of the Eurocash Group as well as employees of franchise stores and partner companies cooperating with the Group. All-year scholarships for the school year and academic year 2018/2019 was granted to 146 pupils and students, who are not only distinguished by their academic performance, but also social activity, special achievements in various fields and the attitude I WANT, SO I CAN. In this number, 70 people are children of employees of various business units of the Eurocash Group, and 76 - children of persons employed in various networks cooperating with us. For five years of operation, the Foundation financed nearly 750 full-year scholarships, supporting 440 young people on their way to dreams. The difference between these two numbers is due to the fact that you can apply for a scholarship every year. Some scholarship holders managed it even five times!



Scholarships are granted on a ranking basis; they are received by the best candidates selected by the Qualification Committee. The criteria are transparent, clearly defined in the Regulations.

The effect of the program is to support almost **440 young people** in pursuit of dreams, with a significant financial relief of the same number of families. We have people in the group of scholarship holders, for whom the scholarship literally decided about their future - without the financial support of the Foundation, they would not be able to study.

5.5 DIALOGUE WITH EMPLOYEES AND PARTICIPATION

To better understand the needs of employees, the Eurocash Group conducts a broad dialogue with employees. Communication channels with employees are as follows:

- Facebook,
- Employee portal and social platform, where you can find the most important and the latest information related to the “inside” life of the company,
- Traditional channels - notice boards, posters
- Road Show – field meetings with the management staff allowing to ask questions and exchange opinions on the company’s strategy
- Weekly newsletter of “Have a nice week” to Employees from the President of the Management Board, Luis Amaral
- Chat with representatives of the Board - allowing you to ask questions and exchange opinions
- Strategic meetings with the Management Board for managers

A) EMPLOYEE OPINION STUDIES

Eurocash Group conducts regular Employee Opinion Studies. During the Study employees can share their opinions, feeling and needs in regards to their work environment. The Study has been carried out in complete confidentiality, and its results were gathered and analyzed by a compa-

ny specialized in this type of studies – Aon Hewitt. After finishing the study, Eurocash Management, along with their employees, determined actions which enable the creation of a friendly work environment, enable further development and an increase in commitment in the employees. The responsibility to take action and make decisions on the basis of study results has been divided between 3 parties, which were assigned different roles in the process of building high Employee commitment:

- Management – whose roles is to remove barriers, which currently hinder the building of high commitment and planning group-wide initiatives.
- Personnel Department (Management and Trainers) – whose roles is to furnish the managers with knowledge and skills in the area of communicating results and planning actions.
- Managers – whose largest roles in engaging their people, because they’re in the closest contact with their people and can most effectively choose and implement actions on the basis of study results.

B) WORKPLACE PLATFORM

In order to improve internal communication, the employees of the Group as one of the first in Poland started using the Workplace by Facebook platform. It is a social networking site for employees, largely reminiscent of the Facebook portal, however, differing in certain functions that facilitate communication in the company. With its application, Group has received new opportunities to improve internal communication and build engagement among employees.

Platform users create their own profiles, integrate into groups on topics of interest, talk, "like", etc. Some departments use it for everyday internal communication. Each employee can access the platform through a browser or application on a mobile phone. The portal also allows you to send important messages to employees and receive immediate feedback from them.

C) ROAD SHOW

From 2017, the initiative of organizing field meetings with management staff was undertaken, aimed at enabling direct asking questions and exchanging opinions on the company's strategy. During the meetings, Eurocash Group's results and plans for the current year are presented. In 2018, Road Show came in 8 cities, gathering a total of 765 people. Board members involved in 2018 in the project are Luis Amaral and Katarzyna Kopaczewska.

D) WEEKLY NEWSLETTER "HAVE A NICE WEEK!"

For two years, the Eurocash Group regularly informs all employees, both office and those working in distribution centers and halls, about important topics related to the company, employees, as well as the entire FMCG industry and the trends prevailing in it.

The "Have a nice week!" Newsletter is sent by the President of the Board - Luis Amaral. It is received by all employees with business emails, every Monday at 7:00. In addition, it is printed and displayed in prominent locations in the Gro-

up's locations.

E) #VERY VALUABLE CAMPAIGN

The campaign was initiated in May 2018. As part of the campaign, employees were able to nominate their employees - people who in their daily work realize fully company values. As part of the campaign, the managerial staff also recorded videos explaining the meaning of our values. We also recorded the statements of board members about what particular values mean to them and how to understand them. In addition, every month we looked at one selected value and collected employee nominations. Everyone could submit their candidate in individual categories. In total, almost 150 applications were submitted during the campaign. The campaign ended with a solemn meeting of the distinguished people with the President and Members of the Board, during which Luis Amaral personally thanked all the honored people. At the meeting, we also created the possibility of open conversation between employees and the Management Board.



5.6 MOTIVATION AND INTEGRATION




All employees - regardless of their working hours - have equal access to additional services. As the Eurocash Group in 2018, we used the following tools and methods of non-wage employee incentives:

Eurocash Group gift cards - modern tool allowing to make holiday purchases in grocery stores. In 2018 nearly 13 630 gift cards were issued to employees of the Group.

Christmas packages - in the Christmas period, the children of the employees receive gifts of candy from the Eurocash Group. In 2018, 10 021 packages were given out.

Family picnics - an important element of holiday meeting of the employees and their families. They occur each year in 13 locations in all of Poland. In 2018, over 22 thousand people took part in the picnics (employees and their families). The picnics are a lot of fun for the kids and the adults.



Art contest - each, a contest is organized for the children of employees, which gives them the ability to exhibit their ideas and interpretation of a subject chosen by them. The best works are rewarded with prizes. In 2018 over 260 drawn works were submitted for the contest.

Ticket lottery - each month, tickets are drawn for interesting events in Poland. Independently from the location, in which employee works and/or lives, they can take part in the drawing, and along with an accompanying person, take part in a given even for which they drawn tickets. In 2018, 55 drawings were organized, to which over 15 600 applications were sent.

Holiday parties - each year, in all of Poland, holiday parties are organized for Christmas and New Year. It is a possibility, to spend time in holiday atmosphere, thank each for a year's hard work, and meet colleagues from other cities and locations.



Private medical care - all Eurocash Group employees have the ability to buy, on preferential terms, a medical package from of the companies offering private healthcare services.

Services for employees - Eurocash Group offer a package of various services in the framework of employee social support. The main element of this activity are the summer camps, which in 2018 were participated by 630 children of Eurocash Group employees during the holiday season.

Fitness Cards - Eurocash Group in cooperation with external partner, provides the employees, on favorable terms, cards which allow them access to different athletic and entertainment institutions in the whole country. In 2018, 3 340 people took advantage of these cards.



5.7 EMPLOYEE RIGHTS

A) ANTIMOBGING POLICY

Eurocash Group assumed an Internal Antimobbing Policy, which sets the rules for counteracting mobbing in the Group. Eurocash Group Management counteracts mobbing and does not tolerate any actions and behaviors which show signs of mobbing. The policy defines, in detail, the method for submitting mobbing complaints by the employees, as well as the mode of explaining and handling complaints. Being familiar with and utilizing the Policy is the obligation of every Eurocash Group employee. The Eurocash Personnel Director is responsible for supervising and realizing those policies.

B) TRUST LINE

Each day, sever thousand Eurocash Group employees works honestly and reliably to realize their and the company's targets. However, it is possible, that individuals can put their own gains over the team's or act against the ethical and moral code, ignoring the effort and reliability of their colleagues. To quickly identify these situations and react appropriately (and eliminate such incidents in time), the Group launched a companywide Trust Line. The Trust Line is used to report cases of:

- Theft
- Fraud
- Infringing on company Policies

- Mobbing
- Sexual harassment
- Other unethical conduct

Cases of abuse can be reported to a dedicated phone number, which is attended by a dedicated employee on each Monday (10.00 – 12.00) and Thursday (14.00-16.00). At any other time, the employees can leave a voice mail, send a text message, an e-mail or traditional mail. Any noticed abuse can reported directly, without prior exhaustion of formal methods. Accepted are named and anonymous reports. Each case will be carefully considered. If the report contains contact data of the person reporting, the reported will be constantly updated on the case's development. Eurocash Group ensures complete confidentiality.

C) DIVERSITY IN THE WORKPLACE

The Eurocash Groups employees every person, regardless of their age, gender, nationality, ethnicity, race, creed, disability, sexual orientation and political views. The Group does not tolerate any actions and behaviors which bear the sings of any type of discrimination of another employee, contractor or third party.

5.8 CODE OF ETHICS

In the interests of high ethical standards of work and transparency of business relationships, the Eurocash Group adopts the Code of Ethics, which aims at defining the standards of conduct expected from all Eurocash Group employees in a clear and transparent manner. It contains key Group values: customer orientation, profit sharing, entrepreneurship, responsibility, reliability, transparency, job satisfaction and team work.

The Code facilitates the conduct of employees in particular in situations related to, among others with gifts, information confidentiality, discrimination or conflicts of interest.

Every new employee undergoes ethics training in the Group. For this purpose, an obligatory e-learning training was prepared in which information on the values and principles of ethics together with specific examples of their use has been systemized. Persons without permanent computer access receive the Codex in paper version. Superiors are required to ensure compliance with ethical principles by their employees.

Members of the Board regularly resemble e-mails addressed to everyone about the most important principles, eg during holiday periods when it is more common to practice giving gifts. In the Group, a ban on accepting gifts is strictly forbidden when a situation arises in which, despite everything, the employee receives a gift, he is obliged to hand it over to the head office, then the presents are distri-

buted among all employees at various company events. The adoption of the Code has led to the strengthening of ethical standards and the creation of a working environment in which the values of the Eurocash Group are promoted.

6. THE FUTURE OF ENTREPRENEURSHIP AND ITS INFLUENCE ON LOCAL COMMUNITIES

6.1 PROMOTION OF ENTREPRENEURSHIP



C) EUROCASH SKILLS ACADEMY

Online presence allows independent store owners and their employees to receive the support necessary for survival and development on the market, where they compete with large-area retail chains (including hypermarkets and discounters). An important element is to provide franchisees with the opportunity to acquire knowledge in the field of work and management of a grocery store based on current trends.

Eurocash Skills Academy is the largest comprehensive

educational and training program in Poland supporting Polish independent retail stores associated in franchise and partner networks of the Eurocash Group. The program is attended by representatives of the Eurocash Group's franchise and partner networks: abc, Delikatesy Centrum, Euro Sklep, Gama, Groszek, Lewiatan, Duży Ben and Kontigo. As part of the Academy, shop owners and employees use the e-learning platform, workshops and conferences, thanks to which they can gain knowledge in the field of work and store management.

In realizing this project, the Group set itself three targets:

- giving partners access to current expert and specialist knowledge,
- ensuring the possibility of using modern education forms and methods and
- supporting an ongoing exchange of experiences.

The Eurocash Skills Academy is based on four pillars:

- an interactive education platform,
- workshops and
- conferences
- postgraduate studies.

The Eurocash Skills Academy operates under the patrona-



ge of the Warsaw School of Economics, the Polish Chamber of Commerce, Polish Franchiser Organization, Franchsing.pl and the Retail Learning Institute. Media patronage for the Academy is supplied by Poradnik Handlowy. Partners of the academy are also: Carlsberg, CEDC, Coca-Cola HBC, Colian, E. Wedel, McCormick, Rybhand and Spomlek.

Since 2010, a total of over 62,000 people have benefited from the educational offer of the Skills Academy.

Thanks to the Academy, Eurocash Group is able to supply the Clients with knowledge on modern standards which will allows them to strengthen their position in the independent retail market in Poland and beat their competitors.

In 2017, the Eurocash Skills Academy received the Special Hermes prize. The jury of the competition appreciated the scale of activity, professionalism, high quality of the offer and a personalized approach to the client.

In 2018, the Eurocash Skills Academy obtained ISO 29990 certificate in the scope of educational services, which confirms the highest quality and effectiveness of the Academy's educational offer. The ISO certificate ensures that the teaching processes conducted by the Academy are constantly improved, which means that the Academy provides access to the highest level of knowledge.

6.2 1ST PILLAR OF THE ACADEMY – EDUCATIONAL PLATFORM.

The educational platform is available at www.akademia-eurocash.com.pl. The new version of the website provides users with unlimited online access to over 70 e-learning courses on topics corresponding to the needs of grocery stores. Multimedia trainings placed on the platform combine lectures with the practical use of acquired knowledge. The courses cover all areas of the store's operation - from financial management, personnel, fresh departments, to customer service and merchandising. The offer of over **70 e-learning courses** includes 11 conducted in Ukrainian.

The platform also provides access to specialist and expert articles in the field of modern store management. A novelty in 2018 on the platform were, among others, e-learning courses and articles about succession, which aims to protect business and family assets and effectively hand over the store to the successors (children, family). Monthly newsletters with market curiosities and expert opinions sent to all users of the platform complement the knowledge. **In 2018, 12,400 people used the educational platform.**



**70
E-LEARNING
COURSES**

6.3 2ND PILLAR OF THE ACADEMY - WORKSHOPS

With the help of a personalized website, users have the opportunity to register also for workshops conducted throughout Poland by trainers-practitioners with 20 years of experience in trade. Workshops are a practical part of the training program implemented by the Eurocash Skills Academy. Participants can use the extensive thematic offer of training, the most popular topics are: "Meat-cold cuts stand", "Customer service", "Losses in the grocery store", "Fruit-vegetables stand". From the beginning of the Eurocash Skills Academy over **31,000 people** participated in the workshops, including over 6,000 shop owners and employees trained in over 70 locations across Poland in 2018.

In 2018, the Eurocash Skills Academy also launched, under the patronage of the Education Development Center, a special program of training and educational workshops for vocational school students, which shows young people from all over Poland that the profession of the seller gives interesting career prospects, and with appropriate involvement can also bring satisfying salary. Over 130 students from all over Poland took part in the meetings at vocational schools.

6.4 3RD PILLAR OF THE ACADEMY – EDUCATIONAL CONFERENCES

Substantive conferences are meetings of thousands of entrepreneurs from all over Poland, during which the participants deepen their knowledge about store management and learn about the latest trends and solutions in retail trade. The annual Congress of Polish Trade Entrepreneurs is a great opportunity to exchange experiences and integrate people who work every day in the same industry. During the conference, workshops, consultations and meetings with market experts from Poland and around the world are organized. So far, over 18 thousand people participated in educational conferences organized by the Eurocash Group, of **which almost 5,000 people in 2018.**

6.5 4TH PILLAR OF THE ACADEMY – POSTGRADUATE STUDIES

Experiences of the Eurocash Skills Academy have shown that store owners and employees want to develop their professional skills, which is why the Group decided to go "a step further." In October 2017, in cooperation with the Warsaw School of Economics, Eurocash launched the first edition of the postgraduate program "Business management in retail trade" for people who will take over and run grocery stores in the future. 45 listeners take part in the first edition. This is the first study of this type in Poland, which was created thanks to the cooperation of a university and a company from the FMCG sector.

Postgraduate studies allow franchisees of the Eurocash Group to obtain, within a year, comprehensive knowledge needed to manage the store. The program is adapted to



the current requirements of entrepreneurs and consumers. After graduation students will be prepared to run grocery stores according to current market standards, and professionally managed outlets will contribute to improving the quality of service in the so-called "on the corner" stores. In addition, students receive access to tools and knowledge previously reserved only for large, often international, hypermarket and discount chains.

In order to become a participant in the studies, you must have a bachelor's degree, an engineer's or master's degree and have, among others, one-year work experience in a commercial enterprise. The study program includes 166 hours of classes devoted to many different areas, such as personnel management, finance or marketing. The lecturers are professors of renowned universities and external experts with many years of experience in the food market. The form of passing the studies is to develop a business plan for a specific undertaking. At the end, participants will receive a postgraduate diploma and a diploma from the Eurocash Skills Academy.

Studies also contribute to changes in the perception of shopkeepers. The direction created by the Eurocash Group shows that running a store requires appropriate knowledge and positions Polish retail entrepreneurs as representatives of a dynamically developing field of economy.

In 2018, at the Warsaw School of Economics, a Supplementary Training Course Academy of Retail Trade Business Administration was simultaneously established, for persons without higher education, which comprehensively develops the knowledge and skills of participants in the

field of store management. In 2018, 30 people completed the course.

Postgraduate studies and the Academy of Management also contribute to changes in the perception of shopkeepers. The major created by the Eurocash Group shows that running a store requires appropriate knowledge and positions Polish retail entrepreneurs as representatives of a dynamically developing field of economy.

B) PROMOTION AND SUPPORT IN SUCCESSION

Succession in business project is spreading knowledge about succession among 15 thousand franchisees associated in the Eurocash Group through lectures, training, disseminated articles and educational films addressing psychological, financial, legal and social aspects that prepare the seniors to hand over their family businesses to their chosen successors. The project for sharing knowledge on succession conducted by the Eurocash Skills Academy is the only such initiative in the trade sector.

In 2018, the following actions were taken:

- The Eurocash Skills Academy in 2018 disseminated knowledge about succession during 39 information meetings, 2 conferences and dozens of information trainings, in which a total of over 8,000 participants took part.
- The succession was the subject of a separate lecture module at the postgraduate studies and the training course "Business management in retail trade" at Warsaw

School of Economics among 115 students.

- Legal aspects of succession were the subject of 2 e-learning courses and 8 substantive articles published on the educational platform of the Skills Academy, which is used by 12.4 thousand users.
- The Academy has published three substantive articles on succession (in March, June, September 2018) in the Handbook of the Merchant with a circulation of 70,000 copies.

C) PROMOTION OF THE SELLER'S PROFESSION

Eurocash trains future sellers. Over 130 students took part in the pilot program of the Eurocash Skills Academy for selected vocational and professional schools from the Podkarpackie, Śląskie and Dolnośląskie voivodships. Each of the students took part in three workshops.

In 2017, the Eurocash Skills Academy began cooperation with selected vocational/professional and technical schools, educating students in the fields of salesman and salesman technician. The pilot program covered selected schools from the Podkarpackie, Śląskie and Dolnośląskie voivodships. In the school year 2017/2018, a total of 25 workshops were organized, attended by 138 students (each of them took part in three workshops). The topics of the classes concerned issues related with customer service and merchandising in the grocery store. Initiative of the Eurocash Skills Academy received the patronage of the Center for Education Development.

The program "Eurocash Skills Academy for the promotion of the profession of salesman in vocational/industry schools and technical secondary schools" was created in response to the growing problem of the lack of qualified sellers in the labor market. The overriding objective of the cooperation of schools and the Eurocash Skills Academy was to promote the profession of a seller among young people.

From year to year there is a weakening interest in the direction of a salesman, which is why schools often connect different profiles in multi-professional classes or completely abandon the opening of subsequent years. In order to meet this situation, the Eurocash Group has created an initiative that not only enriches the current education program, but also shows students that the profession of the seller gives interesting career prospects, and as a result of appropriate involvement can also bring a good remuneration.

As part of the Skills Academy project, Eurocash organizes practical workshops for students, guests in vocational and professional schools during open days and organizes special meetings with parents. Students participating in the program have the opportunity to take paid apprenticeships in the franchise and partner stores of the Eurocash Group. In the course of learning and practice, Eurocash Academy of Skills trainers provide individual substantive support for students. As part of this year's edition of the program, Eurocash organized, among others, a trip for students of the Bieszczadzki Vocational School Complex Lech

Wałęsa in Ustrzyki Dolne to the logistics center in Krosno-Szczeпаńcowa, in which about 50 people took part.

6.6 SUPPORT FOR LOCAL COMMUNITIES

A) HEROES OF POLISH ENTREPRENEURSHIP - RETAIL TRADE PLEBISCITE



LOKALNI HEROŚI

100 inicjatyw przedsiębiorców na 100-lecie niepodległości

"Local Heroes - 100 entrepreneurs' initiatives for the 100th anniversary of independence" is the first all-Poland, pro-social grant project in which Polish enterprises were the inspiration for CSR activities- tens of thousands of shop owners associated in the Eurocash Group.

The inspiration for the project was the 100th anniversary of Poland regaining its independence. The campaign is a continuation of the "Heroes of Polish Entrepreneurship - Retail Trade Plebiscite", during which in 2017 Eurocash promoted best practices in running a business.

In this year's edition, the owners of stores supplying Eurocash in cooperation with non-governmental organiza-

tions or public institutions have submitted projects to improve life in the area. **Over 400 ideas** from 250 towns and cities qualified for the voting stage. 100 grants were fought for, supporting initiatives regarding sport, culture, common space, ecology and help for those in need. The total value of 100 grants in three categories: up to 10, 50 and 100 thousand PLN amounted to **PLN 1.5 million**. Points could be earned by sending receipts from the store and voting via the website - a total of almost 5.5 million points were awarded.

It was carried out with the Foundation Pracownia Badań i Innowacji Społecznych "Stocznia", under the honorary patron of the Ministry of Enterprise and Technology.



PLN 1,5 MILION

B) COOPERATION WITH LARGE FAMILY ASSOCIATION 3+

Eurocash Group and the 3+ Large Family Association (LFA), the biggest organization in Poland bringing together large families, work together on the basis of long term cooperation agreement, at a local and national level. The agreement is supposed to server to promote family values amongst clients of the Group and consumers shopping in

Eurocash Group franchise and partner stores.

A key current strategic direction for Eurocash Group is supporting polish traders in building professional retail companies, attractive for many generations. This strategy is perfectly supplemented by the cooperation with the 3+ Large Family Association, which allows gaining direct access to the consumers.

The cooperation agreement sing with the 3+ LFA also takes into account the following activities: sales dedicated to large families which are a part of the Association, communication support between the LFA and the Eurocash Group, Eurocash Group brand presence at LFA events in all of Poland, and financial aid for statutory aims of the Association. The brands which, during the cooperation period, will carry out actions dedicated to the Association's members will be the internet retailer Frisco.pl and Deilka-tesy Centrum.

C) CHARITY COLLECTIONS AND EVENTS FOR THOSE IN NEED

The Group's employees are eager to engage in pro-social activities when they learn about people or animals in need and help to organize help. The company supports this type of activities.

In 2018, collections were carried out throughout the Group, including for sick children of employees, animal shelters, glasses for the elderly, caps collection. Groups of employees were also involved in the nationwide shares of Szlachetna Paczka and the Great Orchestra of Christmas Charity.

D) CHRISTMAS TREE FULL OF WISHES

Every year, during the holidays in the Group, the largest collection for children from orphanages takes place. The Eurocash Group contacts the Family Children's Homes in Poznań, Warsaw and Lublin. It asks children/mothers for letters to Santa Claus or a list of things (gifts) that are necessary for them. Cards with the name of the presents are posted on Christmas trees in our locations, employees choose the wishes they want to meet and deliver gifts to the Group's headquarters, from where they are transported to individual outlets in the week before Christmas Eve. The campaign is very popular among employees every year.

In 2018, 74 children and mothers in Poznań, Warsaw and Lublin were helped. Our employees have prepared a total of 110 packages that went under the Christmas trees of the most needy children. Benefits from the action for the Group include employee satisfaction and pride with other help provided during the holiday season, for stakeholders - beautiful holidays with a full Christmas tree gift.



E) SECTION OF THE EMPLOYEE PORTAL "HELP!"

There is a special section on the portal dedicated to the employees of the Group with a list of people who need support. These are usually the employees' families, but employees can also report any other persons. Initially, this list was used to present people who can be supported by writing off one percent of the tax, however, over time, information about the possibilities of support in other forms was also placed there.

F) CHARITY RUNS

Every year, employees of the Group try to participate in charity sports events. The participation of employees in this type of events is financed by the Group.

The Charity runs have become a permanent element of the Group calendar: Wings For Life World Run, Company Run and Poland Business Run. Group employees took part in them also in 2018. The Eurocash Group's participation in the Company Run 2018 contributed to the transfer of a record amount of PLN 202 234 to the Everest Foundation's beneficiaries. Our employees are equally willing to engage in initiatives such as Color Run, cooperating with various charities.



G) BONE MARROW DONOR DAYS

For four years, Gama Stores together with the DKMS Foundation have been running annual: Bone Marrow Donor Days in Gama stores." In May 2015, the first action under the name "Gama against Leukemia" took place. 214 new donors were registered. With a very positive reception of shares by customers and a large involvement of store employees, the campaign entered a permanent schedule. In May 2016, the second "Bone marrow donor days" took place. This time, 453 new donors were registered and in May 2017 another ones were held - the third Bone marrow donors' day, which perfectly fit into the World Blood Cancer Day celebrated by DKMS. The DKMS database has been expanded by another 304 New Donors. In May 2018, the fourth "Bone marrow donors days" took place. This time, the Gama chain of stores has been awarded and covered by a special patronage as representatives of the World Blood Cancer Day celebrated in May. During the action, another 366 new donors were recruited. After four years, it can be safely said that a lot has been achieved together. More than 1,300 new donors were registered in the DKMS database during this period, of which two successful transplants were successfully executed.

H) ROAD SAFETY PROGRAM

The Gama chain of stores is carrying out the image-building campaign "Gamuś Bawi i Edukuje" under the slo-

gan "Safety on the Road". Gamma's mascots visit children in kindergartens and using special educational elements such as signs, pedestrian crossings - they teach children how to behave on the road. We want to educate our little ones so that the outside world is as safe as possible. At the end of the meeting, Gamuś gives children painting - in which he teaches basic safety rules on the road in a simple and friendly way. In many kindergartens, local police officers also join our action.

I) RESPONSIBLE SALES OF ALCOHOL

One of the first actions to which Gama partner stores joined was a nationwide social program: "Tu się sprawdza dorosłość" - addressed to shop owners and sellers who have alcohol products in their offer. The main goal of the program was to reduce the availability of alcohol for minors. The stores that joined the program have thus committed themselves to reliable control of identity documents of young people and non-selling of alcohol to persons under 18 years of age. These types of educational campaigns are very important, they make sellers aware of their legal and moral responsibility. The conscious approach to alcohol trading is important from the point of view of the seller's relationship with the consumer.

6.7 EUROCASH.PL – INNOVATIVE BUSINESS TOOL FOR INDEPENDENT ENTREPRENEURS



In September 2018, Eurocash.pl had its premiere - the largest e-commerce platform for independent trade in Poland. It provides entrepreneurs with knowledge about the local market, demographic data, rankings of the best-selling products and preview of the competition's newsletters. Eurocash.pl has functionalities that allow you to effectively manage the store and make the right business decisions. Thanks to this simple and intuitive tool, independent retailers can compete effectively with large-format trade. Its effectiveness includes, among other things, the fastest on the market, "learning" products search engine. In addition, retailers have access to smart shopping lists as well as can create their own lists. Eurocash.pl is also a knowledge base on the market. Data and analysis on the immediate surroundings of the store will allow entrepreneurs to make accurate purchasing decisions. The portal also collects information about products, market trends and many sales tips.

However, the greatest advantage of Eurocash.pl is its

mobility. You can use it both using a computer as well as through a mobile application. It gives an amazing opportunity to remotely manage your retail business. And the whole platform features guarantee greater optimization of activities and thus more time that can be spent on rest or further business development.

6.8 GOOD PRACTICES IN BUSINESS

A) EQUAL IN BUSINESS RANKING



The Eurocash Group and the Polish Chamber of Commerce in 2017 initiated the project: Equal in Business Ranking. The ranking assesses the distribution and pricing strategies of the 10 largest producers in Poland in order to publicize and raise awareness of the problem of small format channel discrimination by some FMCG producers and promote good business practices. The aim of these activities is to reduce inequalities between local stores, discount stores and supermarkets.

The ranking is prepared by Eurocash Group analysts based on the data of the Nielsen research agency for one year preceding its preparation. Eurocash Group analysts compare the market results of the ten largest producers (by sales value). The producers of beer, water, carbonated beverages, juices and nectars, vodka and milk are evaluated. Each of them is awarded points in five areas: price, distribution, market share, contribution to growth and dedicated products. Each area is assigned the appropriate weight in the final result: the price of 20%, distribution 25%, market share 20%, contribution to the growth of 25% and dedicated products 10%. The final number of points the manufacturer receives is the weighted average of the results of all these indicators. The more points, the more balanced the strategy of a given producer and the higher place in the ranking.

The ranking is not only to distinguish good practices among suppliers, but above all to promote them among Polish entrepreneurs and people who care about supplying stores. The results are publicized among producers, in industry and general information media. The second edition of the ranking showed that several producers were able to change their sales strategies in one year to reach the top of the list. However, there is still a lot to do in this topic.

B) BUSINESS SUPPORT

Direct clients can count on individual support from experienced Eurocash Group employees. In particular, Franchisees are ensured the support of experienced Client Advisors, IT staff and Sales Representatives. Clients have the ability to use a dedicated marketing strategy and promotional campaigns, encompassing promotional brochures, thematic catalogues, Own Brand Dobry Wybór! (Good Choice!) catalogues and loyalty programs.

C) BUSINESS RELATED CONTRACTS FOR CLIENTS

Eurocash Group negotiated a series of dedicated propositions for its direct clients, which are an optional supplement to the offers of franchise networks of the Eurocash Group. In the framework of this activity, the clients can utilize preferential conditions for the supply of, among others, energy, telecommunication services, cars, lighting and insurance policies.

D) COMMUNICATION AND DIALOGUE WITH CLIENTS

Clients have access to a series of tools used to communicate with the Eurocash Group, first and foremost via the internet: e-platforms, internal message boards, dedicated websites. The clients also have the possibility of contacting Eurocash by phone, e-mail and personal. Meeting with Eurocash Group managers are organized cyclically.

Workplace is one of the most interesting tools. Thanks to it, EC employees can communicate with Eurocash franchise Franchisees. All franchisees who log in to the service via the company's email delikatesy.pl have access to Workplace. Workplace gives you the opportunity to create special thematic groups, e.g. for regions, for Promotion, operations, events and more. EC employees may undertake a joint discussion with franchisees of Delikatesy Centrum. With Workplace you can also stream live events differently - an example of this may be the broadcast of Eurocash Skills Academy, which took place in September last year.

In order to tailor strategies to the ever-changing market environment, Eurocash Group conducts marketing research among its clients - most importantly satisfaction and loyalty level studies and Mystery Shopper studies in franchise stores.

D) COMPLAINTS AND DISPUTES RESOLUTION

Direct customers have the option of reporting complaints to a dedicated Customer Service Office which is responsible for providing information to the relevant department and finding a solution. At the same time, the Eurocash Group makes every effort to ensure that the delivered products are fresh and of the highest quality.

6.9 RESPONSIBLE PRODUCTS AND SERVICES

A) BIOLOVE



For customers who want to lead an ecological and healthy lifestyle, Kontigo network has created the brand of BioLove natural cosmetics. These products are made only from natural ingredients, do not contain SLS, PEG, silicones, parabens, dyes, preservatives and the like additives. Natural cosmetics are seen as expensive, but the BioLove brand has overturned all the myths on the subject, providing high quality at an affordable price. It is worth adding that all BioLove products are created in Poland.

B) ALL ABOUT ALOE



All About Aloe is a new cosmetics brand based on intensive care of aloe properties available in Kontigo. The products are distinguished by a simple composition, rich in valuable extracts of natural origin with deep moisturizing and nourishing effects. The brand's products do not contain harmful ingredients like silicones, parabens and SLS.

B) ABC ON WHEELS

Abc on wheels is a network of convenient, general grocery stores that regularly visit customers in the smallest towns. Regardless of the weather or the time of year, the ABC mobile stores on wheels reach places where there are usually no stationary outlets. Shoppers are often elderly people, living alone, less mobile - for them, a car-store is a comfortable form of supplying all products of everyday necessity.



In abc on wheels we take care that the range offered by us is of the best quality, while maintaining favorable prices. Shops are specialized vehicles adapted to transport food products equipped with refrigerators or freezers and meeting all standards of hygiene and food safety. The assortment offers all basic products such as dairy products, bread and sausages from local suppliers, as well as vegetables and fruits, sweets and drinks.

The network is actively involved in the life of the local community, for example by submitting the "Capuchinalia 2019" initiative as part of the project "Heroes of Polish Entrepreneurship". Thanks to the many votes cast, a family festival will be co-financed, the main purpose of which is to encourage families to spend time together.

Abc on wheels is also a chance for people from small towns to start their own business by becoming an abc on wheels representative. Business based on an agency agreement concluded with a strong and stable business partner, such as the Eurocash Group, is an attractive and flexible alternative for residents of small towns, where the labor market is often difficult and does not offer many career opportunities.

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