



# GRUPA EUROCASH

Corporate Social Responsibility Report (CSR) for 2014

*The report is an integral part of the annual report*



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

Eurocash Group identifies some actions that are guided by the idea of Corporate Social Responsibility (CSR). Most of these activities directly or indirectly have influence on realization of Eurocash Group mission and empowering position of small format stores market in Poland.

Below is a breakdown of our stakeholders by groups.

Chart 9. Stakeholders Map of Eurocash Group



Source: Own elaboration

## 3.1. Shareholders

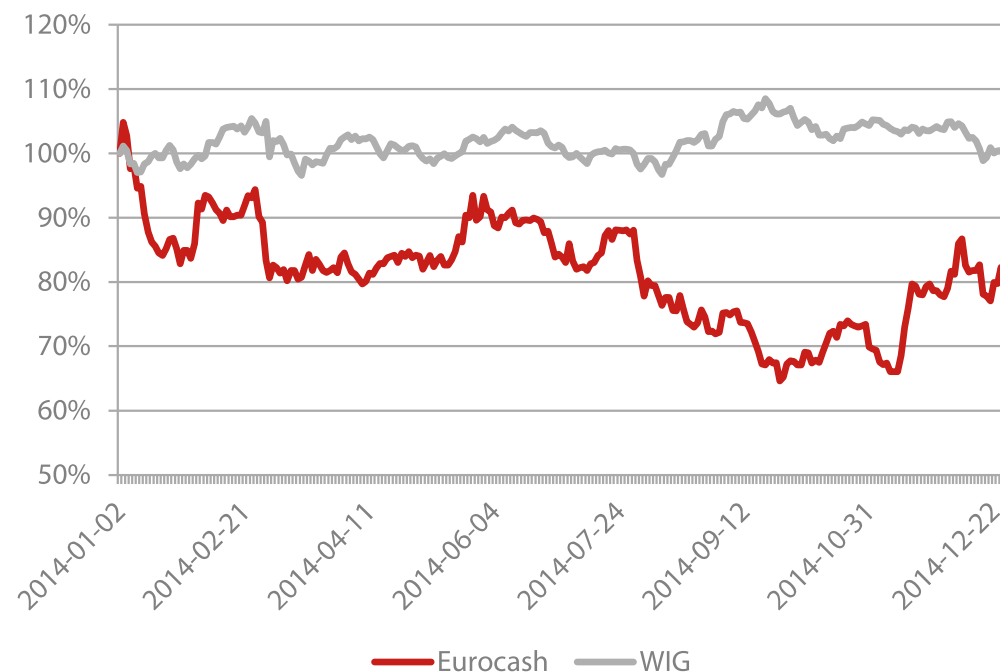
Eurocash Group applying the principle of transparency fulfills the obligations towards the shareholders and investors. The following are the results achieved by the Eurocash Group on the Warsaw Stock Exchange during 2014.

### Eurocash Listing on Warsaw Stock Exchange

Eurocash S.A. debuted on the Warsaw Stock Exchange in May 2005. The shares of the Company are traded on the primary market in a continuous trading system and are a component of the WIG, WIG20, WIG30, WIG-Poland, WIGdiv and MSCI Poland Standard.

At 2014 year end, the price per share was 20% lower against the corresponding period in 2013. 2014 opened with the price per Eurocash share at PLN 47.69 (closing price as at 30 December 2013) and closed with the price per Eurocash share at PLN 38.00. Average share price in 2014 was PLN 38.77.

**Chart 10. Eurocash share price performance vs. WIG Index in 2014**





## 3.1. Shareholders

As at 31 December 2014, company capitalization amounted to PLN 5 269.86m against the value of PLN 6 601.61m noted at the end of 2013. The average number of Eurocash shares traded daily in 2014 was 456 013.

The table below presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2012-2014. In 2014, the total trading volume of Eurocash shares was PLN 113.57 m (81.9% of the Company's share capital). The chart 11 presents monthly trade volume in 2014.

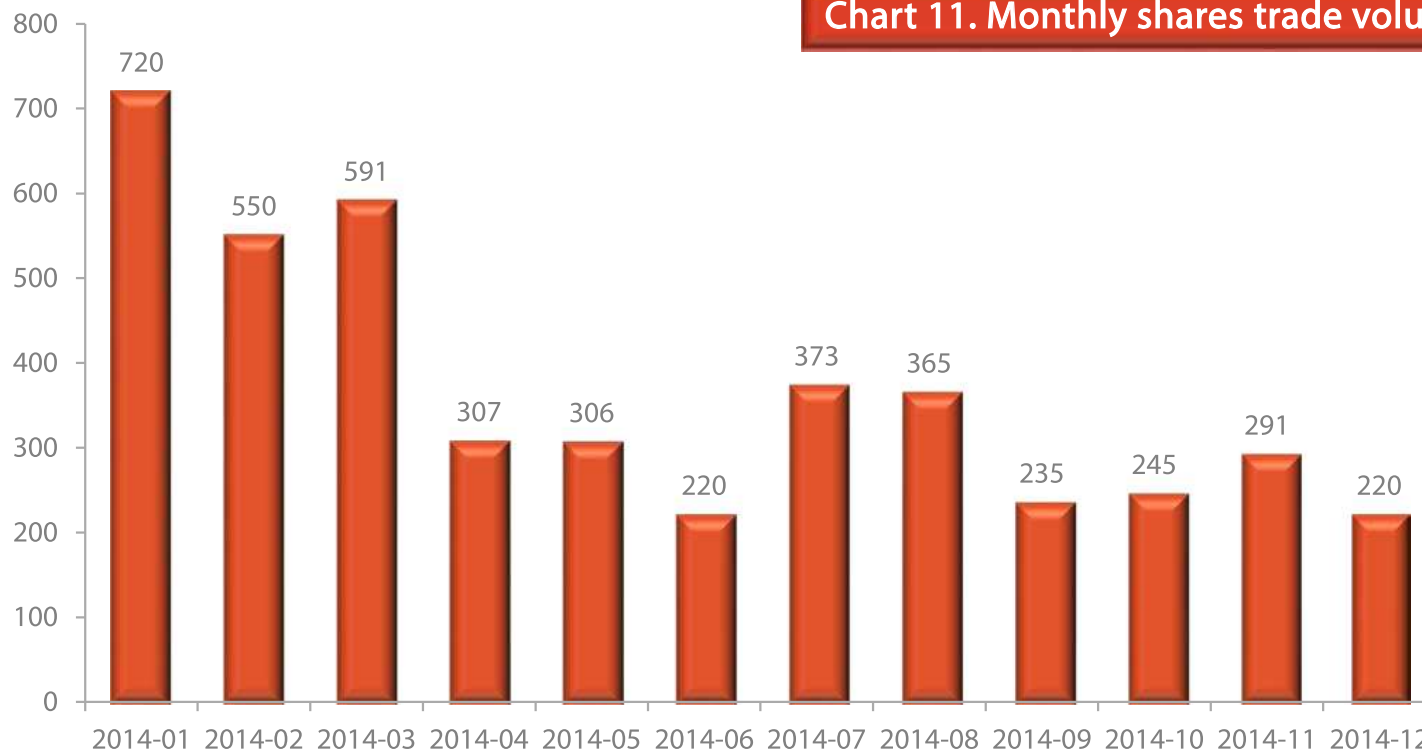
**Table 4. Key share quotation data of the Company on the Warsaw Stock Exchange**

	Unit	2012	2013	2014
Number of shares issued	million	138	138	138
Closing price from the last day of trading in the year	PLN	43,70	47,69	38,00
Market value of the Company at year's end	PLN m	6 030	6 601	5 270
Highest closing price in the year	PLN	47,00	65,64	50,00
Lowest closing price in the year	PLN	28,30	43,00	30,80
Average trading volume per session	'000	214	449	456
Dividend paid in the fiscal year from appropriation of profit for the prior year	PLN/share	0,18	0,90	0,79

## 3.1. Shareholders

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

Chart 11. Monthly shares trade volume in 2014 (PLN m)



## 3.1. Shareholders

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

**Table 5. Capital market ratios**

		2012	2013	2014
EPS (PLN)	Profit for the period/number of shares	1,81	1,6	1,32
P/E	Price per share/earnings per share	24,08	29,87	28,78
MC/S	Market capitalization/revenues from sales	0,36	0,40	0,31
P/BV	Price per share/book value per share	7,76	7,46	7,22

### Investor Relations

Eurocash S.A. communication with the investors' environment is being executed through mandatory actions i.e. through current and periodical reports, participation in numerous investors' conferences, road shows and meetings with analysts and portfolio managers.

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

Other regular instrument in the process of communication with investors is the website of the Company.

## 3.2. Clients

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

### Direct clients

In group of direct customers are included:

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

As part of building long-term relationships and strengthen the position of direct customers on the Polish market Eurocash Group applies:

### Honest practices relating to contracts

Franchise Agreements or the sales signed with customers in line are always lawful

### Complaints and Dispute Resolution

Direct Customers have the possibility of submitting complaints to professional Customer Service, responsible for their solution and redirect information to proper department. At the same time, Eurocash Group strive to ensure that delivered products are always fresh and of the highest quality.

### Support

Direct Customers can rely on direct support from experienced staff of Eurocash Group. In particular, Franchisees are provided with the support of experienced Relationship Managers, IT and Sales Representatives who support the daily conduct of business. Customers have a possibility to use created by Eurocash Group marketing strategy and promotional activities including promotional newsletters, thematic catalogs, directories of private label – Dobry Wybór and loyalty programs.

## 3.2. Clients

### *Communication and dialogue*

Customers can communicate with each other and Eurocash Group by a range of communication tools, primarily the Internet: e-platform, internal forums and dedicated web pages. Customers also have the opportunity to contact us by phone, e-mail, and also personally. Regular meetings are organized with the managers of the group.

In order to adjust the strategy to the changing environment Eurocash Group provides marketing researches among customers - primarily satisfaction survey and Mystery Shopper research in franchise stores.

### *Building long-term relationships and loyalty*

Eurocash Group regularly organizes conferences, trade fairs, congresses, as well as training, where customers can familiarize with the newest retail market trends.

### *The abc Stores Congress*

On 14th June 2014 in Warsaw an abc Stores Congress took place. The leitmotif of the Congress was *The 15 years of abc chain. Joint success. Joint future.* More than 2,500 franchisees had appeared on the event.

### *Annual Delikatesy Centrum Franchisees Ball*

In January 2014 Eurocash Group organized Annual Delikatesy Centrum Franchisees Ball. The event last two days, first day was dedicated to workshops from "Retail Outlet Management" including enterprise finance management, marketing and investments and business development. Second day was dedicated to trade fairs and afternoon integration franchisee ball, with 1100 participants (entrepreneurs together with their partners).

## 3.2. Clients

### *Skills Academy Eurocash*

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

### *Business-related contract*

Eurocash Group has negotiated for its direct customers a number of dedicated proposals, which offer an optional supplement of Eurocash Group franchise network. As part of this activity, customers can take advantage from

preferential conditions for the supply of energy, telecommunications, automobiles, lighting and insurance policies. I.e. from the offer of life insurance policies in 2014 benefited more than 6 800 employees of stores belonging to 450 franchisees.

### **Final clients**

Eurocash Group has indirect influence on consumer - Final Clients - all who are buying goods from direct clients in order use and consume (customers). The trying to predict customer's behavior supply to direct client promotional materials, especially promotional newsletters, posters in stores informing about promotions and dedicated websites. A special moment is to open a new store facility - on this occasion are organized numerous attractions for the local community. The most important action dedicated to final customers in 2014 was the biggest in the history of Polish FMCG market lottery "MEGALOTERIA", which took place in almost 10 000 Eurocash franchise shops.

Additionally to ensure the highest quality of daily shopping Eurocash Group regularly provides in franchise outlets the mystery shopper researches and reward stores with the highest consumer service



## 3.3. Employees

Employees are stakeholders with high influence on the strength of the company and its operations. On their work, commitment and approach largely depends the financial result of the Group. A human and intellectual capital are intangible assets of the company. Eurocash at the end of 2014 employs more than 11 300 people to whom identifies following influence areas:

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

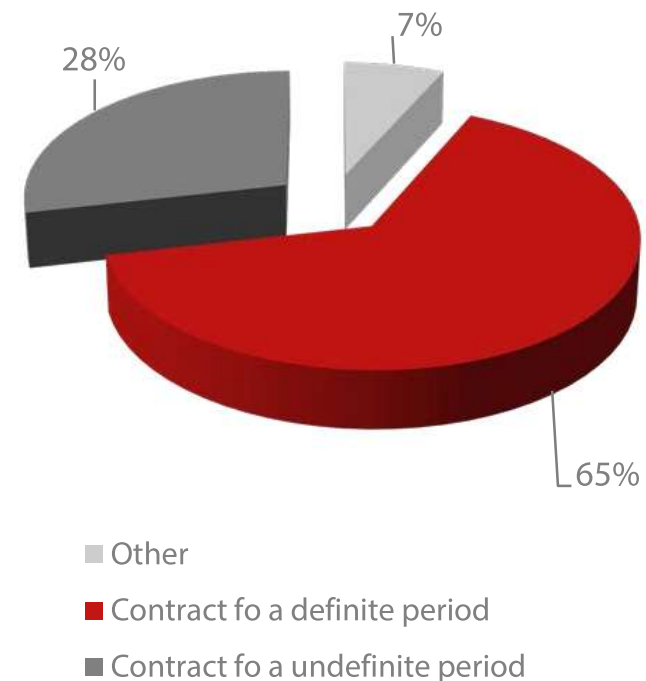
### Employment and labor relations

The vast majority of Eurocash Group employees are employed on a contract of indefinite duration.

The largest group among all employees at the end of 2014 were employees with secondary education. Taking into account the age of employees in the Group, the largest number of employees is in the range of up to 30 years and 31-40 years (both 38%). Not much smaller group consists of

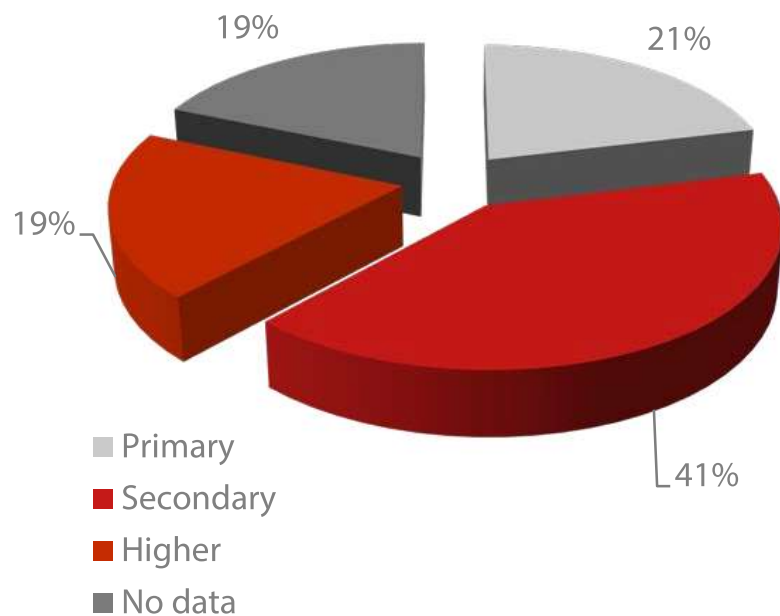
workers aged 31 to 40 years, acting in 38% of all employees. Among employees in 2014 the dominating group in a case of gender were men, 65% of staff of the Group.

**Chart 12. Structure of labor relations concluded by Eurocash and employees in 2014**

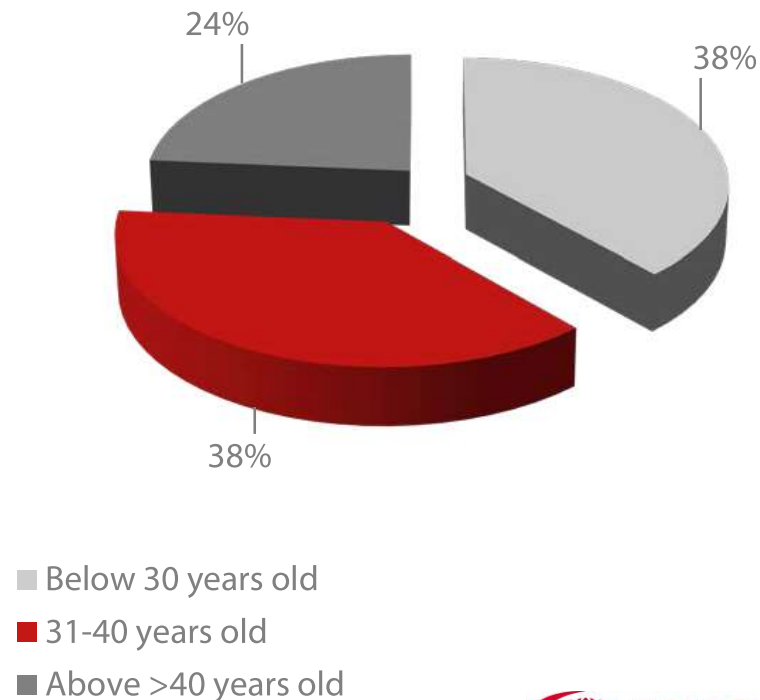


## 3.3. Employees

**Chart 13. Structure of employment by education in Eurocash Group at 31.12.2014**

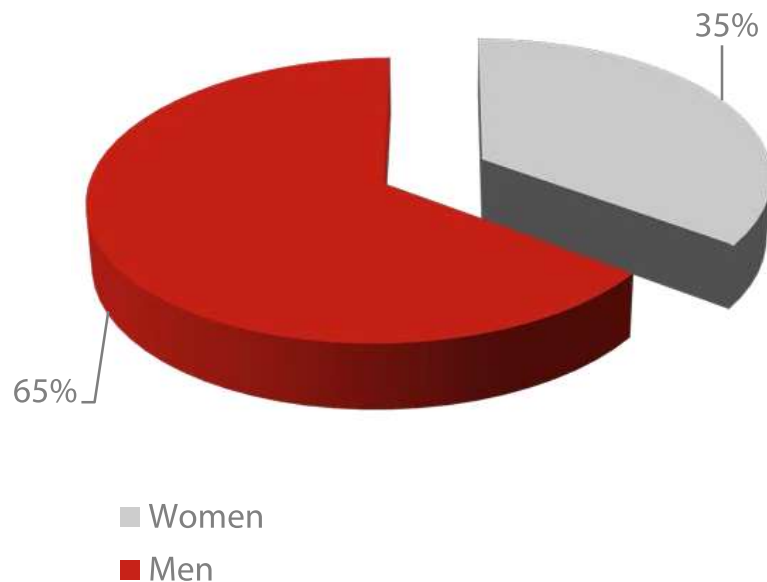


**Chart 14. Structure of employment by age in Eurocash Group on 31.12.2014**



## 3.3. Employees

**Chart 15. Structure of Eurocash Group employment by gender on 31.12.2014**



### Health and Safety

In 2014, Eurocash Group promoted the program 'Zero Tolerance for not obeying with health and safety regulations. It is a series of projects designed to emphasize the importance for the Group of health and safety regulations and their respect. .



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

## 3.3. Employees

In 2014, also was conducted activities related to developing skills in first aid:

- shows from the provision of first aid for EUROCASH GROUP employees during family picnics,
- FIRST AID TRAININGS with a wide group of staff from different parts of the Poland,
- meeting with the children of employees during EUROCASH 2014 SUMMER CAMPS, promoting the FIRST AID topic
- ICE card.

### Social help

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

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

Eurocash Group also provides scholarship programs aimed at supporting talented children of employees of the Group in the acquisition of knowledge and the development of their talents, regardless of the field, which are passionate about. In 2014 52 children were granted.

## 3.3. Employees

### Development and trainings in the workplace

#### Training policy

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

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

In 2014 almost 4000 people have participated in various forms of trainings, 36% in relation to total number of employees.

### Performance management

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

### Management Programs

In order to give a chance to the rapid development of talented and ambitious students and graduates, Eurocash Group operates two management programs - Management Trainee and Sales & Operations Trainee. In 2014 to both programs were 20 persons employed (adequately 15 and 5 persons).

## 3.3. Employees

### Dialogue

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

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

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

### Motivation and integration

In 2014 Eurocash Group offered to employees such a non-wage methods and tolls of motivation as presented below:

- **Eurocash Group Gift Card** - a modern tool for making Christmas shopping in selected stores belonging to our franchise networks. PLN 2.2m was invested in this activity in 2014\
- **Family picnics** - important element of the holiday meeting of workers and their families. It is held every year in 13 locations throughout the country. In 2014, attended by 21 000 people (employees and their families). Picnics are plenty of attractions for children and adults.
- **Drawing contest** - every year is organized for the children of employees the contest, which gives the opportunity to demonstrate their ideas and authorial interpretation of one of their chosen topics. The best of them are awarded by jury. In 2014 in competition participated above 340 drawings and photographic works.



## 3.3. Employees

- **The tickets lottery** - each month Eurocash raffle off tickets for interesting events in Poland. In 2014 60 raffles were organized in which participated more than 8500 employees.
- **Christmas parties** - every year in Poland are organized a meeting on the occasion of Christmas and New Year's Eve. It is a time to slow down the pace for a moment to the festive atmosphere, thank yourself for a year of hard work, and meet with colleagues from other cities.
- **Private Healthcare** - all employees of the Eurocash Group are able to purchase preferential medical package in one of the companies offering private medical care.
- **Employee benefits**

Eurocash Group provides a package of benefits under various social support for employees. First of all, it is a subsidy to holiday or sanatorium treatment, rehabilitation activities and recreation for children and youth workers (company organizes camps during the holiday season). Eurocash also supports talented children in sports that require funding for trips to sports camps, which are the key to development of young talent. In 2014 about 477 employee children went on a holiday camps.

### ➤ Incentive Scheme

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

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

## 3.3. Employees

Table 6. Incentive Scheme for 2012-2014

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

## 3.4. Suppliers

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2014 comprised over 1455 entities.

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

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

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

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



## 3.5. Social commitment

### The local community

As a wholesale and retail distributor of FMCG products Eurocash operates very close to the local community. Often stores are part of the community and take part in its formation. Such a phenomenon occurs especially in smaller towns, where the grocery store is often an information exchange and meeting point.

Being aware of these relationships, Eurocash Group try to positively influence the development of local communities by e.g.: contests for local nursery schools, sports events, music festivals.

### Creating jobs and skills

The Group cooperates with Polish universities, for example: Warsaw School of Economics, Poznań University of Economics, Wrocław University of Economics. Under this cooperation are organized open lectures and workshops conducted by experienced employees of the Group. In addition, during the holiday another year in a row the Group adopted to the work trainees. Students join the head office in Komorniki, Warsaw and Błonie for 2 or 3 months to gain valuable experience and skills. In 2014 in the holiday trainee program participated 22 student. Additionally 35 students participated in trainee programs organized in

cooperation with Poznań University of Economics and financed from resources of European Union.

### The Academy of Entrepreneurship

An innovative project that Eurocash Group proposes on the Polish market is Akademia Przedsiębiorczości (The Academy of Entrepreneurship). This is a unique program on the FMCG market, which suggests a young, enterprising persons to conduct franchise store under the brand name Delikatesy Centrum. Participants acquire the necessary knowledge and experience in running a grocery store before it is opened. According to this came a franchisee of Delikatesy Centrum has facilitated start of own business t and greatly increases a chance of success.

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

In 2014, at the Academy of Entrepreneurship trained were 59 people and opened 49 new Delikatesy Centrum stores.

## 3.6. Environmental protection

### Food Safety Policy based on ISO 22000:2005 standard

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

### Waste recycling

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

environmental friendly way. Number of this kind of waste is being monitored at least once a year.

### Transport optimization and fumes reduction

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



## 4.1. Eurocash Group Development Strategy



The primary goal of the Group is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Group's customers as well as to increase the value of the Group for its shareholders. The strategy of the Group is focused on and follows the customer who is the addressee of the Group's offer to enter into a range of cooperation options through specific distribution channel formats:

- for small and medium retail stores looking to be supplied with FMCG products whereby an appropriate level of profitability in the adjacency of their business location is ensured without the need for product deliveries – Cash & Carry warehouses and the loyalty program of stores which comprise the 'abc' network



## 4.1. Eurocash Group Development Strategy

- for small and medium retail stores looking for FMCG product supplies and support in running retail operations whereby an appropriate level of profitability is ensured – Eurocash Dystrybucja and partner programs under brands such as Lewiatan, Euro-Sklep, Groszek, Gama (PSD)
- for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network
- for customers looking for specialized deliveries of specific product categories, e.g.:
  - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through Eurocash Serwis (KDWT)
  - alcoholic beverages – distribution of alcoholic beverages through Eurocash Alkohole,
  - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products as well as high service quality – distribution under Eurocash Gastronomia and Eurocash Dystrybucja

The expansion of the Group's business operations took place in response to the needs of customers who operated in the traditional retail market in order to reach a new customer group or to expand cooperation with current customers. The expansion of the Group's business was accompanied by growing the customer base as well as adding new forms of cooperation to the offer, which took place through takeovers of entities which operated in distribution formats where the Group had not been present or had had a limited business presence.