

# GRUPA EUROCASH

Corporate Social Responsibility Report (CSR) for 2016

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

# PART B

NON-FINANCIAL REPORT  
- CORPORATE SOCIAL RESPONSIBILITY

KOMORNIKI, March 15th, 2017

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## 1.1. STRATEGY

Eurocash Group is the largest Polish company in the field of wholesale distribution of food products and marketing support for independent Polish entrepreneurs in the retail business. The management of Eurocash Group aims, through its activities, to reach sustainable development of the business of the Group and its clients. The underlying objective of Eurocash Group is to ensure competitive advantage to independent retail in Poland, to offer added value for our customers, and to increase return on investment for the Group shareholders.

The Group implements 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

The development of Eurocash Group is a response to the needs of the customers operating in the traditional retail market. Having acquired the best businesses in those distribution formats where the Group had not operated at all or operated to a limited extent, we significantly expanded our customer base as well as the forms of collaboration we offer.

The strategy of Eurocash Group assumes further organic growth in each distribution format, combined with continued acquisitions of the best players in their respective segments of wholesale and franchise chains. Such transactions allow us to achieve the synergies of scale relatively fast, which translates into better trading conditions for Eurocash customers, and reinforced competitive power and market position for the Group.

## 1.2 MISSION

Eurocash aspires to be the leading Food and FMCG distributor in Poland. Through combination of our business know-how with the entrepreneurship of our clients and employees, we want to maximize our share in daily need products for the consumers in the countries where we operate.

## 1.3. VALUES

### **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.

### **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.

### **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.

### **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 analyse 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.



## 1.4. SUSTAINABLE DEVELOPMENT AND STAKEHOLDERS OF EUROCASH GROUP

Eurocash Group is a leading, in regards to sales value, active distributor of food and drinks for independent retailers in Poland. Through its activities, the Group strives for sustainable development, including social prosperity and health, and takes into account the expectations of stakeholders, while adhering to the law and international conduct standards.

In realizing its strategy of supporting competitiveness of independent store in Poland, the Group identifies the influence on a series of stakeholders, mostly on:

- Clients
- Suppliers
- Employees
- Society
- Environment
- Shareholders

## 2. CLIENTS AND SUPPLIERS

Eurocash Group cooperates with a number of app. 79 thousands customer selling FMCG products and with 1 820 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.

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

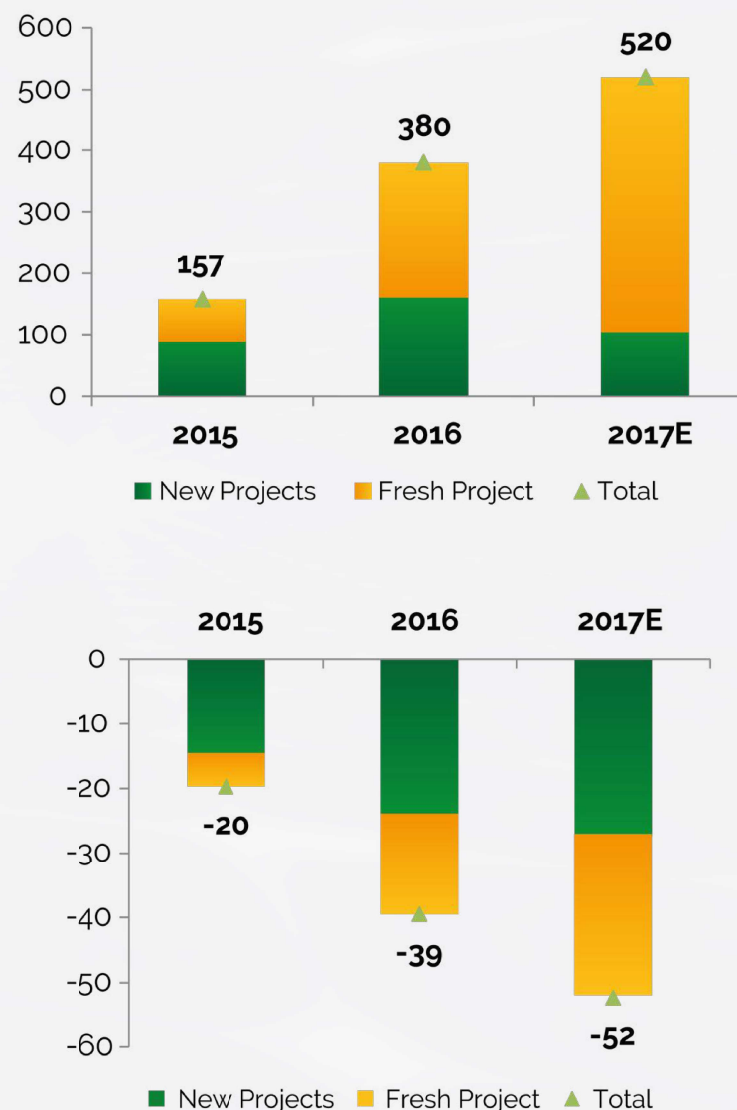
stores and is at a comparable or even higher level than in the large-format retail chains.

With strong position of such a model of food distribution, entrepreneurship in the retail trade in Poland remains relatively higher in comparison to the European average. Despite decreasing number of stores recent years, small-format stores still have relevant importance and its market share in retail FMCG distribution reaches 39%.

## 2.1. INVESTMENT INTO NEW PROJECTS

The Eurocash Group, aiming to ensure long-term competitiveness for its clients in the area of distributing fast moving consumer goods, made the decision to invest in new projects, which aim to ensure that the independent entrepreneurs in Poland competitive advantage, professionalism and enable generational succession. The long-term target of these activities is transforming many retail stores often managed by one person, into professional retail establishment, conducting business in many retail formats. An example of these research activities, are, among others, projects: Faktoria Win, Duży Ben, 1 minute, Kontigo, abc na kołach and the fresh product distribution project (Projekt Fresh). In 2016, the influence of the projects on the EBITDA of Eurocash Group amounted to PLN -39 m, and in 2017 the income is estimated at PLN -52 m EBITDA, excluding the Faktoria Win project, which successfully influenced the rebuilding the wine category in independent small format stores in Poland. The Faktoria Win project, should achieve a positive result on the EBITDA level in 2017.

**Chart 1.** Eurocash Group: Sales realized by New Projects and Project Fresh (PLN m)



**Chart 2.** Eurocash Group: EBITDA realized by New Projects and Project Fresh (PLN m)



## 2.2. EUROCASH SKILLS ACADEMY

In 2016 a new, developed **Eurocash Skills Academy** has begun its activities – it's the first comprehensive qualification raising program in Poland, aimed at owners and employees of independent retail stores. A conference was organized in the framework of this project, which took place at the PGE National stadium. The list of participants included nearly 5000 owners and employees of franchise and partnership stores: abc, Delikatesy Centrum, Euro-Sklep, Gama, Groszek and Lewiatan. The participants took part in a series of lectures led by Eurocash Group experts and Academy partners – leading partners from FMCG companies and research institutions.

The Eurocash Skills Academy is a unique at a national scale training project which aims to expand knowledge regarding managing retail grocery stores, on the basis of changing trends in the FMCG market. The Academy was created in 2010 and since then educates owners and employees of stores on topics tied to managing a retail store in Polish market realities.

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 three pillars:

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

**Education platform** available at [www.akademiaeurocash.com.pl](http://www.akademiaeurocash.com.pl). The new version of the service gives the user unlimited online access to multiple e-learning trainings tailored for the needs of grocery stores. The multimedia trainings available on the platform tie together lectures with practical uses for the knowledge gained. With the use of personalized service the users will also be able to register for workshops taking place in all of Poland and download materials from conferences.

**Workshops** is the practical part of the training program realized by the Eurocash Skill Academy. The participants take part in trainings, such as "Personnel management", "Grocery store employee" and "Losses in a grocery store". Monthly newsletters with interesting facts from the market and expert opinions serve as a supplement of that knowledge.

**Substantive conferences** are a meeting place for thousands of entrepreneurs from all of Poland during which the

participants receive information necessary to run a store and current market knowledge. These meetings are an opportunity to broaden the knowledge on managing stores and to exchange experience. Taking place during the conference are also workshops, consultations and meetings with market experts from Poland and the world.

The Eurocash Skills Academy operates under the patronage of the Main School of Economics, the Polish Chamber of Commerce, Polish Franchiser Organization, Franchising.pl and the Retail Learning Institute. Media patronage for the Academy is supplied by Poradnik Handlowy. Partners of the academy are: Carlsberg, CEDC, Coca-Cola HBC, Colian, E.Wedel, McCormick, Rybhand and Spomlek.

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

## 2.3 COMPLAINTS AND RESOLVING DISPUTES

Direct clients have the ability to register complaints with the dedicated Customer Service Center which is responsible for transferring information to the appropriate department and finding solutions. At the same time, Eurocash Group makes

the necessary effort, so the products being delivered are fresh and of highest quality.

## 2.4 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.

## 2.5 COMMUNICATION AND DIALOGUE

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.

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

## 2.6 BUSINESS RELATED CONTRACTS

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.





### 3.1 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 31.12.2016 Eurocash Group (excluding acquired in December 2016 companies) employed 11 966 people in comparison to 11 622 at the end of 2015. The employment structure in by gender division of the employees and management, education and age has been presented below.

Employment structure by gender	2016	2015
Women	39%	36%
Men	61%	64%

**Table 1** Employment structure by gender in Eurocash Group as of 31.12.2016

Management structure by gender	2016	2015
Women	37%	37%
Men	63%	63%

**Table 2** Management structure by gender in Eurocash Group as of 31.12.2016

Employment structure by education	2016	2015
Basic	29%	26%
Professional	63%	63%
Secondary	16%	17%
Higher	22%	22%

**Table 3** Employment structure by education in Eurocash Group as of 31.12.2016

Employment structure by age	2016	2015
under 31 years	34%	39%
31-40 years	39%	39%
over 40 years	27%	25%

**Table 4** Employment structure by age in Eurocash Group as of 31.12.2016

Employment rotation	2016	2015
number of hired employees	4032	4352
number of employees who ceased employment	4191	4432
net result	-159	-80

**Table 5** Employment rotation level in the period from 01.01.2016 to 31.12.2016

*\*The above data does not take into account employment structures in companies take over at the turn of 2016 and 2017 ie.. FHC-2 i Madas, Polska Dystrybucja Alkoholi and EKO Holding.*

## 3.2 WORKPLACE HEALTH AND SAFETY

### A) HEALTH AND SAFETY DEPARTMENT REPORT

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, focused 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

Amount of accidents	2016	2015
at work	221	223
on the way to work	49	40

**Table 6** Amount of accidents

Workplace Health and Safety trainings	2016	2015
periodical	4529	3594
% of all employed	38%	31%
first aid	745	1373
% of all employed	6%	12%
hand trucks	496	744
% of all employed	4%	6%

**Table 7** Trainings carried out in the framework of Workplace Health and Safety

## 3.3 EUROCASH FOUNDATION: SCHOLARSHIPS

Eurocash Group developed its scholarship programs, the aim of which is supporting gifted children of employees and clients of the Group, in gaining knowledge and developing their talents. In 2016, 136 children in total took advantage of these scholarships, including 50 children of Eurocash Group employees, and 86 children of people employed by Group franchisees.

## 3.4. TRAININGS

### A) DEVELOPMENT AND EMPLOYEE TRAINING POSSIBILITIES

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 permits 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. The development needs reported after that time, are realized as far as the budget allows, in accordance with priorities of individual business units.

In order to effectively realize the employee development program Eurocash Group introduces a multi-step division of responsibility, in which appropriate roles are assigned:

#### **Employee Role**

- taking responsibility for their own development: question about feedback, conversations with superiors about their skills and development needs, proposing development solutions
- taking part in development/training programs in accordance with a set plan
- using gained skills and knowledge in practice
- travel arrangements when taking part in an open training / conference

#### **Supervisor Role**

- identifying development needs of an Employee in accordance with the needs of the company/position or planned development path of the Employee
- verification of the Employee's progress in development and communicating feedback during 1on1 meetings and yearly review
- giving Employee support during the learning process and using new skills in practice

## Personnel Department Role

- advisory in regards to choosing appropriate development methods
- looking for suppliers and development programs fulfilling the reported needs
- reporting and registering employee participation in open programs
- reserving accommodations in case of open trainings, conferences
- organizing group programs (including travel, accommodation)
- supporting the Supervisor in the Employee evaluation Process

## DETAILED DESCRIPTION OF RULES

### 1. WORKPLACE DEVELOPMENT

**A.** Developing skills "in the workplace" is one of the most effective learning methods, following the rule that adults learn the quickest by doing

**B.** Eurocash Group strives to ensure the Employee's development possibilities in the workplace, mainly through:

- the possibility of realizing ambitious tasks in the framework of their positions
- rotation in work positions and moving in the framework of other business units
- taking part in project group activities
- coaching and supervisor support

### 2. TAKING PART IN TRAININGS AND CONFERENCES

**A.** Eurocash Group ensures the possibility of taking part in trainings and conferences for all Employees in the Company on the basis of the employment contract, after finishing the three month trial period.

**B.** Taking part in a development program for the Employee employed for a trial period, replacement contract and civil-legal contract requires the consent of the Personnel Director of the Eurocash Group.

**C.** Confirming the Employee's participation in a training/conference an e-mail submission to the Personnel Department, no later than 5 days before the training/conference starts.

### 3. EDUCATION FUNDING

**A.** Firma, na wniosek Pracownika, może dofinansować różne formy edukacji. Firma nie dofinansowuje studiów/programów edukacyjnych, które kończą się przygotowaniem pracy dyplomowej i egzaminem dyplomowym (głównie dotyczy to ww. trybu zakończenia edukacji na studiach licencjackich, magisterskich, podyplomowych, MBA).

### 4. CERTIFICATIONS AND PERMITS (IT, HEALTH AND SAFETY PERMITS, ETC.)

**A.** The Employer cover the certifications costs for employees, and the costs of them obtaining the required permits, in cases where the necessity of obtaining a certificate/permit stems from the range of tasks of their current position.

**B.** In cases of facultative certifications/permit, which are obtained as a result of the Employees initiative, the Employer will make a separate decision on reimbursing

- compliance with requirements of the position
- compliance with the training program for the year
- Employee evaluation – required yearly review at performer or top performer level, and positive Supervisor opinion
- individual contribution and initiative of the Employee into preparing for the certification and gaining permits

## 5. Learning foreign languages

**A.** Learning foreign languages will be reimbursed by the Employer in the following cases:

- one of the requirements for the work position is ongoing contact with foreigners
- the Employee's knowledge of the foreign language is not sufficient to ensure free contact with a foreigner
- The Employee achieved a satisfying result in a language test in the previous year (applies to people which already use the subsidy system)

**B.** The decision to grant subsidy for a given year, its amount and form of classes is made by the Managerial Staff Development Manager.

**C.** Verification of progress in learning a foreign language is made on the basis of the results of test organized at the end of every school year by the language school chosen by the Employer.

**D.** In case the required progress is not achieved, the Employer can halt the subsidy.

### B) TRAINING STATISTICS

	2016	2015
Sales and customer service	575	598
Technical and product trainings	1180	1185
Managerial skill	1204	560
<b>Total</b>	<b>2959</b>	<b>2343</b>
% of all employed	25%	20%

*Table 8 Eurocash Group employee trainings*

### C) LIBRARY

Keeping in mind the willingness to expand the employees knowledge, Eurocash Group conducts and constantly updates a library encompassing many areas useful in everyday work. Each employee, regardless of their workplace, can report their willingness to rent a certain book to the Personnel Department, after which the book is immediately transferred to the employee by internal post. A list of titles and their availability can be checked at any moment on the internal employee portal.

Books type	Amount
Economy and Business	77
Foreign language books	65
Psychology handbook	39
Encyclopedias and Guides	32
IT	21
Others	20
Marketing	10
Dictionaries	9
<b>Total</b>	<b>273</b>

**Table 9** Types of books in the Eurocash Library and their amount

## 3.5 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:

- 1. Setting targets** - defining targets for the current calendar year
- 2. 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 development, allow to evaluate the status of target fulfillment. It is recommend that these meetings occur at least 1 per quarter.
- 3. 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.

360 evaluation	2016	2015
Number of participants	2193	1833
% of all employed	18%	16%

**Table 10** Amount of people which took part in 360 Evaluation

## 3.6 CAREER PATHS

### A) MANAGERIAL 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.

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, after around 2 years, they assume Regional Sales Manager positions. The target position after finishing the SOT program is the Regional Operations Director.

Participating in managerial programs	2016	2015
Amount of participants	15	17

**Table 11** Amount of people which participated in Eurocash Group Managerial Programs

## B) 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.

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.

Participating in the summer internship program	2016	2015
Amount of participants	23	20

**Table 12** Amount of people which participated in the Eurocash Summer Internship Program

## C) INTERNAL RECRUITMENT

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.





## 3.7 EMPLOYEE ENGAGEMENT SURVEY

In 2016 Eurocash Group has conducted Employee Engagement Survey for the first time. During the Survey employees can share their opinions, feeling and needs in regards to their work environment. The Survey has been carried out in complete confidentiality, and its results were gathered and analyzed by a company specialized in this type of survey– 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.

## 3.8 INTERNAL COMMUNICATION

To better recognize the needs of employees, Eurocash Group conducts widely understood dialogue with employees. Communication channel with employees are:

- Twitter and Facebook,
- Employee portal, which contains the most important and newest information related to life “inside” the company. It also contains the “Idea Box” – a place which the employees can present and comment on ideas for changes inside the company – the best ones will be realized.
- EUROpress – an internal publication with information regarding current events, presenting employees of individual business units. The average circulation of the magazine amounted to 10 500 in 2016.
- Traditional channels – message boards, posters



## 3.9 MOTIVATION AND INTEGRATION

**In 2016, Eurocash Group used the below tools and methods of non-fiscal motivation for employees:**

- **Eurocash Group gift cards** - modern tool allowing to make holiday purchases in grocery stores. In 2016 nearly 11 043 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 2016, 7 444 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 2016, 22 755 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 2016 over 320 drawn works were submitted for the contest.
- **Ticket drawing** - 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 event for which they drawn tickets. In 2016, 44 drawings were

organized, to which over 24 500 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. Eurocash also supports athletically gifted children, which require subsidies for sports camps, which are key to shape young talents. In 2016, 497 children of Eurocash Group employees took advantage of summer camps. An important element of social activity is granting non-refundable financial subsidies, Christmas vouchers for employees and packages for children.
- **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 2016, 1 695 people took advantage of these cards.

## 3.10 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 or send a text message to that same number, or send an e-mail to [linia.zaufania@eurocash.pl](mailto:linia.zaufania@eurocash.pl) or by traditional mail, by writing Trust Line on the envelope (address: Wiśniowa 11, 62-052 Komorniki). Any noticed abuse can be reported directly, without prior exhaustion of formal methods. Accepted are named and anonymous reports (in case named reports, each case will exhaustively investigated, in case of anonymous reports – the investigation will be decided by an Audit). 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.



## 3.11 CODE OF ETHICS

To ensure a high standard of work ethics and transparent business relations, Eurocash Group introduced ethical rules and standard, which apply to all Eurocash Group employees. These rules are complementary to Polish law, to which Eurocash Group adheres. Eurocash Group assumes, that all of its employees conduct themselves in an ethical manner, respecting Eurocash Group values, and adopting the Code of Ethics aims to define conduct standards required from all Eurocash Group employees, in a clear and transparent manner. Adopting the Code of Ethics also aims to strengthen ethical templates and create a work environment, which promotes the values of the Eurocash Group.

### 1. PRACTICES WHICH BREACH THE CODE OF ETHICS OF THE EUROCASH GROUP:

#### Bribes

Giving and taking bribes or other benefits, financial or non-financial, is forbidden in the Eurocash Group. Making payments (for legal or physical entities), which can be used for aims not described on an invoice or on a contract is forbidden.

#### Gifts

Giving gifts is allowed only as a show of courtesy (not to achieve any gains), cannot infringe on the law (f.ex. money, narcotic drugs, pornographic materials and other illegal materials) and have to be adequate to the occasion and appropriate (f.ex. a small gadget, occasional Christmas gifts). Gifts can be given only, when it is in accordance with customs, generally accepted practices and cannot infringe on anybody's dignity or common

decency. The maximal value of these gifts is 200 PLN gross. Gifts which exceed that amount, are considered a material gain, which is to be taxed and has to be settled with a PIT8C form by the person receiving the gift. That document has to be given to the person being given the gift along with the gift, so that the receiving person can decline the gift.

Accepting gifts from by employees is forbidden. All gifts, independent of format and occasion should be given over to the Personnel Department. Offering a gift to an employee, cannot influence their business decisions.

It is forbidden to use other physical or legal entities to circumvent any of the above entries.

#### Conflict of interest

Business transactions have to be conducted with the best interest of Eurocash Group in mind, while respecting rules of transparency and equal treatment for contractors. A Eurocash Group employee: cannot utilize any other business possibilities for targets conflicting with the interests of the Eurocash Group, cannot undertake any other form of employment, business activity or investment, which can come in conflict with interests of the Eurocash Group, cannot undertake any other form of employment, business activity or investment, which would make them unable, or would limit their ability to fulfill their duties to the Eurocash Group, cannot use the fact that they are a Eurocash Group employee to gain any additional benefits in an inappropriate manner, conflicting with common decency, their duties, and the interests of the Eurocash Group, is obligated to disclose if their spouse, relative or any person related by

way of remaining in contact with Eurocash Group employee as a part of their business relations, is hired (this duty is also applicable in situations where the spouse, relative or related person conduct individual economic activity, are shareholders in companies, or sit on the board of companies with which the employee remains in business relations), cannot work to the disadvantage of the company.

Each potential conflict of interest should be immediately reported to a supervisor.

### **Labor law and discrimination**

Eurocash Group operates in accordance with labor law.

Eurocash Group commits to support a workplace environment free of discrimination, molestation and mobbing. The success and promotion of individual employees are solely reliant upon the evaluation of their skills and work effectiveness. Eurocash Group does not tolerate discrimination on the basis of gender, creed, nationality, disability, race, age, sexual orientation, legal status, convictions and others. Molestation or mobbing are forbidden in any form (verbal, physical and mental).

Decisions regarding recruitment are made solely on the basis of the evaluation of ability, skill and aptitude of the employee, necessary to start work in a certain position.

Each case of discrimination, molestation or mobbing should be reported to a supervisor, or to HR. Each such case will be investigated, and appropriate remedial actions and workplace consequences will be taken. A trust line has been made available, where the employees can report any abuse or actions not in accordance with the code of ethics.

### **Eurocash Group Property**

No material or immaterial assets which are the property of Eurocash Group cannot be used for purposes not in accordance with the law, or used by the employees privately or for the interests of third parties.

### **Finacial reporting**

It is forbidden to enter false data into the accounting books or to present false date in order to enter it into the accounting books.

## **2. DUTY OF CONFIDENTIALITY**

The employees are obligated to keep confidential any information and confidential data regarding the employer, as well as their contractors and clients, and especially, not to reveal that data in any way, or transfer it to any parties. Confidential information include: any company secrets, any technical, technological, organizational data and any other information which carry economic worth, which is not widely known. Confidential data, can be any other information which is not a company secret, but if revealed, can damage the company.

## **3. RADING BONDS USING CONFIDENTIAL INFORMATION**

The Eurocash Board adopted any procedures regarding limiting access, use and revealing confidential data in the Eurocash Group, limiting bonds trade issued by Eurocas S.A. (stocks and bonds), is bonding to the management staff and all other employees and cooperators of the Eurocash Group, which have or can have access to confidential data, as understood by the 23 September 2005 financial instrument trade act (Dz. U. from 2005, No. 183, pos. 1538) and implementing regulations issued on its basis ("Financial Instrument Trade Act").

To remain in accordance with these procedures, Eurocash Group employees, which can have access to confidential information, should, before completing a purchase or sale of Eurocash S.A. stocks or bonds, contact the Press Officer.

Moreover, before taking part in any meeting with investors or stock market analysts, Eurocash employees should contact the Press Officer.

## **4. RESPECTING THE CODE OF ETHICS IN THE EUROCASH GROUP**

Each employee receives the Code of Ethics in Eurocash Group when signing an employment contract and as an e-mail reminder. Each employee is obligated to adhere to Eurocash Group Code of Ethics.

## **5. INFRINGING ON THE CODE OF ETHICS IN THE EUROCASH GROUP**

The employee should immediately inform their supervisor or HR department about every case of infringement on or suspected infringement upon the Code of Ethics in the Eurocash Group. Also available is a trust line, to which any abuse or actions infringing on the Code of Ethics can be reported. Each reported case will be investigated and appropriate remedial actions will be taken.

### 4.1 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.



## 4.2 FOOD SAFETY SYSTEM

Eurocash S.A. functions on the basis of the Food Safety Management System, which conforms to the ISO 22000:2005 standard. In October of 2016, the functioning system was confirmed during another DEKRA certification audit, realized during an audit attempt in 73 locations, and was finished by obtaining a ISO 22000 certificate, in the area of storage, distribution and wholesale of foodstuffs. To supervise and improve the Food Safety Management System, internal audits (296) were carried out in all Eurocash S.A. locations, taking into account zero audits for newly opened wholesalers, as well as introducing quarterly auditing for Distribution Centers. To deepen the awareness of food safety in Eurocash S.A. units, 350 managers were trained. Since October of 2016, Distribution Centers in Piorunowo and Czeladź obtained an ecological company certification, which confirm the adherence to the required rules regarding the distribution of ecological products.

With the aim of delivering to the clients, safe Eurocash Own Brand Dobry Wybór! (Good Choice!) of the highest and regular quality, in 2016 1775 laboratory studies have been conducted. Also effectively developed, was the qualification process for suppliers, including the execution of 80 supplier audits on the basis of the IFS 6 standard, as well as increasing supervision over complaints from franchise stores. While introducing new products, a sensory evaluation was carried out during 462 tasting, 725 product passports, 943 labels and 55 stickers were approved.

In relation to increase in client requirements and expectations, 2 Gastronomy departments have been relocated to more convenient locations – Plewiska and Sosnowiec. In the

framework food safety supervision 154 storage and loading audits and 241 transport audits have been conducted during deliveries to clients. 368 persons have been trained. Centers in Błonie, Sosnowiec and Plewiska obtained, beside the ISO 22000 certificate, obtained a higher level IFS logistic certificate in 2016.

To ensure high quality of fresh products the number of auditors has been increased. In 2016 266 audits of fresh product supplier have been conducted, including: meat – 109, fruit and vegetable – 140, convenience – 51, fish – 6.

Quality and Food Safety	2016	2015
Food training safety	718	427
Quality researches at laboratory	1775	1645
IFS audits of suppliers	80	66
Fresh products audits	266	115

**Table 13** Food safety and quality

### 4.3 WASTE MANAGEMENT

In 2016 segregated from the waste stream generated by Eurocash were: 3419,88 Mg of waste paper and 1 217,15 Mg of foil. In the framework of ecological education in Eurocash S.A., Interseroh Package Recovery Organization S.A., delivered packages tied to a given resource being recovered from segregated was to three schools near our Distribution Centers – Lublin, Sosnowiec, Luboń. The “Ecopacks” (“Ekopaki”) is a series of education-entertainment boxes related to a certain package. The project is mainly related to the idea of a closed circulation of the resources, and aims to educate the youngest generation, on the methods of utilizing a given material.

Waste selection (Mg)	2016	2015
Paper	3420	3457
Foil	1217	1111

**Table 14** Waste selection

### 4.4 TRANSPORT OPTIMIZATION

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.

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.

## 4.5. ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSION

Energy consumption in Eurocash Group in 2016 amounted to approx. 347 990 MWh (1 252 764 GJ). It comprised mainly with electrical energy received from the power grid (66%), followed by the burning of liquid and gas fuels in transportation (25%) and the burning of gas, liquid and solid for heating purposes 9%).

As a result of the aforementioned energy utilisation, approx. 99 841 t CO<sub>2</sub> was emitted to the atmosphere. Contribution of electric power was 77%, transporta fuel 17% and the burning of heating fuel 6%.

Consumption	2016
Energy	229 423
CO <sub>2</sub> emission	99 841

**Table 15** Resource consumption



## 4.6.LED LIGHTING REPLACEMENT

In 2016, Eurocash Group realized a 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. The return period for the investment into lighting replacement for a Distribution Center is estimated at between 2,5 to 4 years.

### 5.1 LARGE FAMILY ASSOCIATION

Eurocash Group and the 3+ Large Family Association (LFA), the biggest organization in Poland bringing together large families, signed in 2016 a 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 Deilkatesy Centrum.

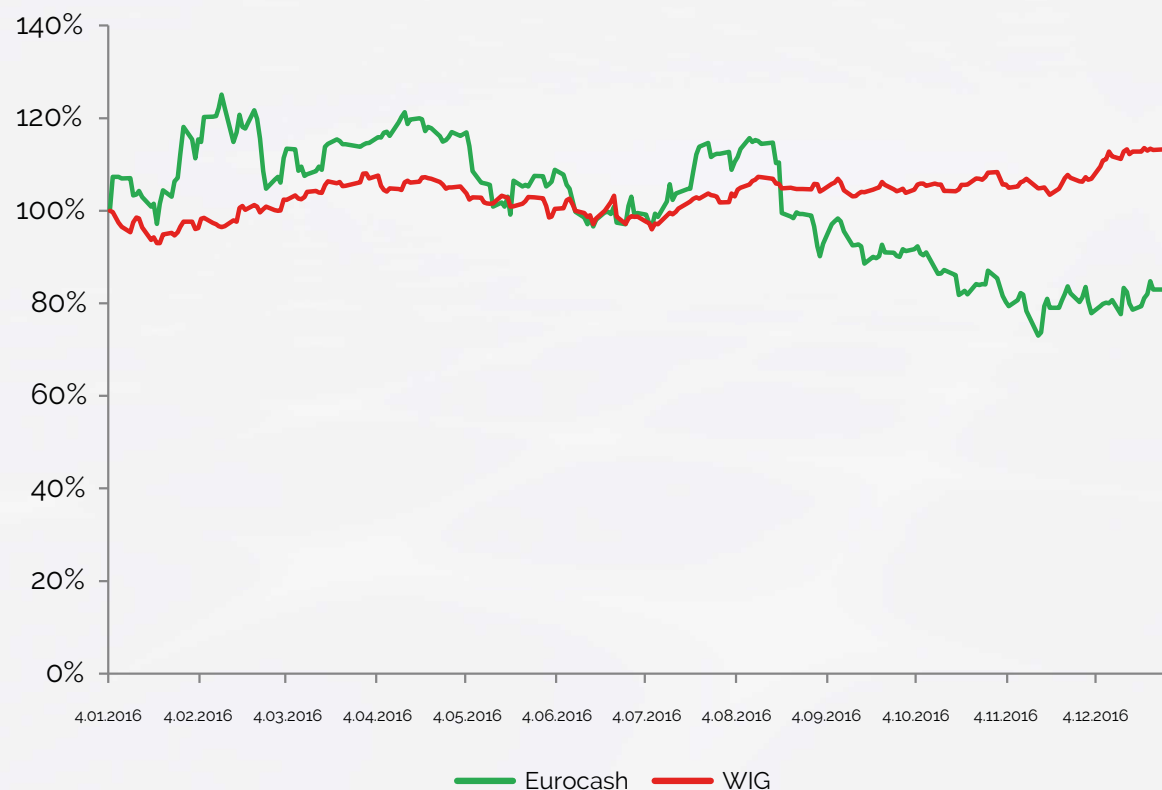
### 5.2 COOPERATION WITH UNIVERSITIES

Eurocash Group regularly cooperates with polish universities, especially by acting as a partner for, among others: the Economic University in Poznań, the Main Trade School in Warszawa, the Economic University in Wrocław, the Universtiy in Warszawa, and the Poznań University of Technology. In the framework of the abovementioned cooperation open lectures and workshops led by experience Group employees are being organized.



### Stakeholders

The Eurocash Group, adhering to the rule of transparency properly fulfills informational duties to its stakeholder and investors. Presented below, are the results Eurocash Group achieved on the Warsaw Stock Exchange in 2016.



### Quotations on the Warsaw Stock Exchange

Eurocash S.A. debuted on the Warsaw Stock Exchange in May 2005. The share of the Parent Company are quoted in the main market, in the continuous trading system, and in 2016 were included in the following indexes: WIG, WIG20, WIG30, WIG-Poland and WIGdiv.

The share price at the end of 2016 was 16% lower in comparison to the beginning of the year. 2016 started with a share price of 46.59 zł for each Eurocash share (price as of closing on 04.01.2016), and finished with a stock price of 39.34 zł. The average stock price in 2016 was 47.02 zł.

**Chart 3** The dynamic of the Eurocash stock price and the WIG index in 2016

Source: Own elaboration



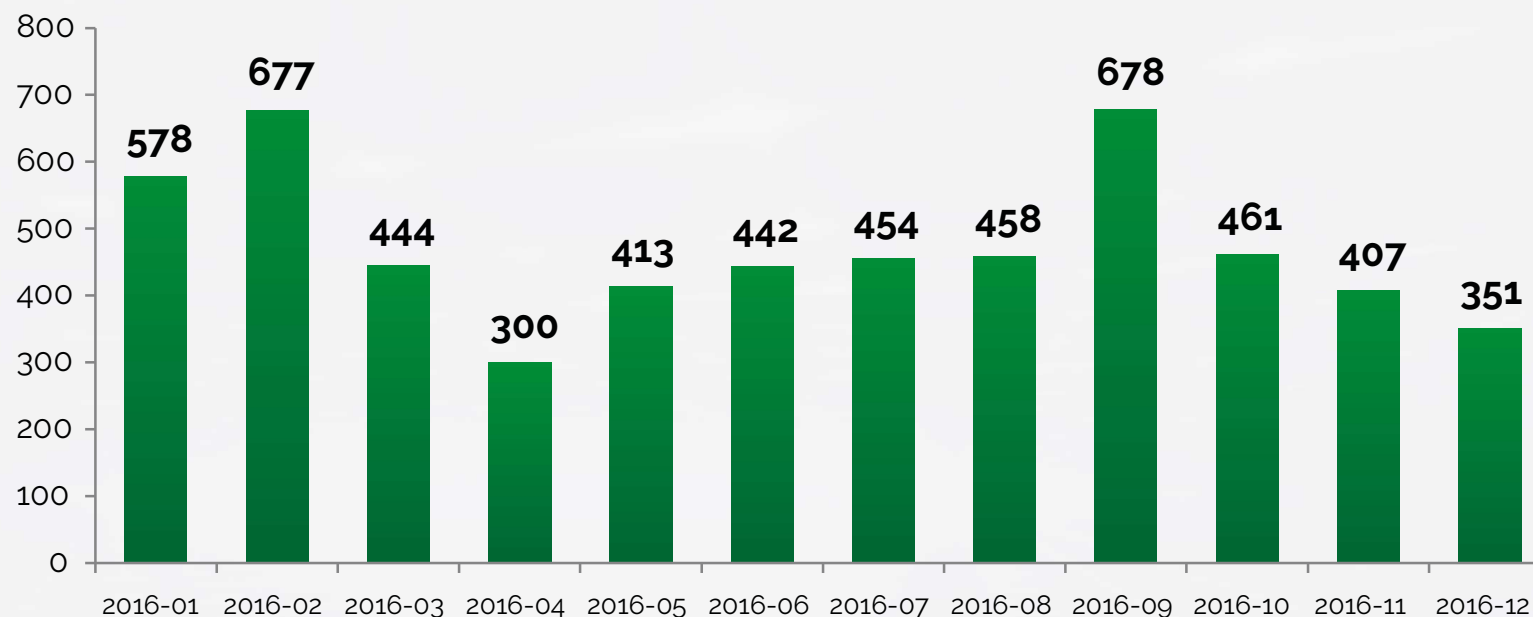
The capitalization of the company for 30 December 2016 was PLN 5 472,05 m in comparison to PLN 6 733,22 as of 31 December 2015. The average volume for EUROCASH S.A. for one day on the Warsaw Stock Exchange in 2016 was 487 720 shares. Presented in the table below, are key data points regarding the stock quotes of the company at the Warsaw Stock Exchange between 2014 and 2016. Total turnover in 2016 had amounted to 125,40 m of shares, which is 90,33% of the company's share capital. Chart 4 shows monthly value of trading the company's stocks in 2016.

		2014	2015	2016
Amount of shares	PLN	138	138,8	139,1
Closing rate from the last day of equations in a given year	PLN	38	48,5	39,3
Company capitalization for the end of the year	PLN m	5 270	6 733	5 472
Highest closing rate in a given year	PLN	50	55,52	58,25
Lowest closing rate in a given year	PLN	30,8	31,15	33,99
Average trade volume per session	thousand	456	500	488
Dividends paid out during a trading year from the division of income from the previous year	PLN/share	0,79	0,79	1,00

**Table 16** Key data points regarding EUROCASH S.A. stock quotes at the Warsaw Stock Exchange

Eurocash Group implements a policy of sharing its gains with shareholders. In the last three year, the company paid out dividends to the shareholders. The company predicts dividends being paid out in the coming year, assuming that it won't have a negative impact on the Company's further development.

**Chart 4** Monthly stock trading value in 2016 in PLN m



Source: Own elaboration

## Investor relations

Eurocash Group communicates with the investor environment with obligatory actions, i.e. by communicating publicly available current and periodical reports and by taking part in various investor conferences, road shows and meeting with analysts and Fund managers.

On the day Company periodical reports are published, teleconferences are organized for analysts and fund managers, during which members of the Board discussed the financial results published in the reports, and present key achievement in the individual periods.

Communication with investors is carried out by way of the Eurocash Group's website.