

SOCIAL, ECONOMIC AND ENVIRONMENTAL SUSTAINABILITY AT VALORA

This report provides an account of what Valora has done in 2015 to ensure it operates sustainably. In the area of social sustainability, we focus on developing our employees' skills and nurturing our relationships with customers and business partners. Our initiatives to maintain economic sustainability emphasise the importance of ethical behaviour, be it through adherence to the Valora Code of Conduct, observance of the laws protecting minors or strict compliance with hygiene standards. Appropriate use of resources and respect for the environment are equally important to us, in everything from anti-litter projects to the way we renovate our infrastructure. All our sustainability initiatives address current and future needs.

SOCIAL SUSTAINABILITY

THINKING AHEAD AND TRAINING FOR THE FUTURE

Internal training enhances the skills of our employees. For that reason Valora offers its staff a broad range of courses to prepare them for tomorrow's challenges. "Learning is a lifelong task, nowhere more so than in the workplace. Those who are always thinking ahead and constantly enhancing their own skills will be able to motivate others and get things moving. That certainly applies to us at Valora, because qualified employees provide us with a competitive advantage" says Peter Obeldobel, Chief Executive of Valora Retail Germany. That is why Valora has significantly expanded the training curriculum it offers in Germany. "In establishing the valoraCampus, we have created an environment devoted to the professional training of our employees, thus enabling them to progress further in their specific disciplines, in managing themselves and in leading others", he explains.

A key training initiative in Switzerland in 2015 was the four-day "Advising entrepreneurs" programme, a development course for sales managers focusing on the skills required for their multifaceted roles in working with Valora employees, agency partners and franchisees. A total of 25 sales managers from Switzerland, Germany and Luxembourg attended the course, which also helped participants to identify synergies and develop new cross-border networks. "Besides maintaining our tried and tested Leading@Valora modules and our Leadership Days for our managers, we also initiated a new personal-development course entitled "Unleash your inner potential", explains Christa Heinke, Head of HR Development at Valora Switzerland.

E-learning courses using the Aven-doo Learning Management System are another important element in Valora's training strategy. To prepare for the launch of ok.-cash, for example, Valora developed a new e-learning module which ensured that all outlet sales staff received the necessary product-knowledge training in a uniform and timely fashion. Other e-learning modules are used to ensure compliance with the standards required for money-transfer operations and compliance with anti-money-laundering laws. All staff, wherever they work and whatever

their working hours, can easily access these e-learning modules. Valora intends to make even greater use of them in future.

Since 2010, Valora has also been operating the Retail Lab Certificate Programme in partnership with the University of St. Gallen. To date, 22 Valora employees have attended modules in St. Gallen, Oxford and Barcelona, enabling them to put innovative ideas into practice. A further two Valora employees will participate in the programme in 2016. For Valora, the Retail Lab Research Workshops provide another excellent opportunity of presenting itself as an attractive employer.

YOUNG TALENT IS THE KEY TO FUTURE SUCCESS

"For the last 15 years, we have been committed to developing entry-level staff in the retail kiosk sector", says Monika Oppliger, Head of Vocational Training. 43 apprentices are currently carrying out their fundamental training in Switzerland. Of these, 33 are working towards their Federal certifications as retail assistants or as kiosk, food, beverage and tobacco retail professionals. Of the remaining ten, one is training as a system catering professional and nine are engaged in commercial apprenticeships. With Valora's business partners also investing heavily in training their young employees, the total number of apprentices working for or with Valora is now around 90. "Our new approach will enable us and our partners to build on the success we have already achieved in fundamental vocational training, so that we can continue to offer appealing career opportunities to young adults", Monika Oppliger confirms. Valora Retail Germany is similarly committed to developing its entry-level staff. Two apprentices are training as booksellers and a further seven as press retail specialists. After completing these apprenticeships, they will then be eligible for a further year of training to attain their retail sales diplomas.

Valora also continued to pursue its successful one-year graduate trainee programme in 2015, with two new management trainees hired in Switzerland and one currently studying for a dual degree in Business Administration in Germany. Once they have completed the programme, trainees take up attractive positions in corporate management or as junior sales managers. "We will continue to recruit trainees through this programme in the years ahead", Christa Heinke confirms.

Sustainability Report

SOCIAL PARTNERSHIP IN PRACTICE

Since 2009, Valora has operated a collective employment contract whose purpose is to foster and maintain harmonious relations with its employees by offering them conditions in line with current market practice. The agreement covers such topics as working time, wages, sickness and pension benefits. Valora's current partner for this agreement is the Syna trade union. "Valora is committed to the social partnership and maintains a regular face-to-face dialogue with employees' representatives through its participation in the bipartite commission", explains Jonathan Bodmer, Valora's Head of Human Resources. Valora's Spettacolo employees are covered by the collective employment agreement for the Swiss catering industry.

In determining the restructuring measures which became necessary following Valora's purchase of Naville, partnership-focused cooperation also provided the basis for the social plans voluntarily agreed with the Unia trade union for Naville staff and with Syna for Valora staff. The integration of Naville was a multi-faceted undertaking, requiring new structures which redefined established processes at both Valora and Naville. Cultural and linguistic differences also had to be taken into account. "By actively involving the employees concerned, we were able to define a new structure in which staff from both firms had their place. The cooperation of the employees' representatives was a significant factor in the successful implementation of the integration project", as Jonathan Bodmer explains.

Just under

6000

Valora employees receive training each year in topics such as:

**PROTECTION OF MINORS,
ANTI-MONEY LAUNDERING LAWS
AND STAFF LEADERSHIP.**

PROMOTING A HEALTHY WORKPLACE

Workplace health and safety are important concerns for Valora. Valora Retail Germany, for example, regularly organises inspections of its working premises by safety-at-work experts, company doctors and occupational physicians. Individual workplaces are assessed, requirements with regard to factors such as ergonomics and lighting are recorded and the necessary modifications made where possible.

LONG-TERM PARTNERSHIPS

Long-term collaboration is critical to Valora's B2B strategy. For decades, Valora has worked with Swiss Federal Railways, Swisslos and the Loterie Romande, Switzerland's two main lottery operators, and with Selecta, Europe's leading vending-machine company.

"Valora and its forebears have already been working with Swiss Federal Railways for over 100 years. Today, Valora operates some 300 outlets in various formats at Swiss railway stations. Our long-standing partnership is based on a professional and collegial collaboration which goes beyond the usual ties linking landlord and tenant.

While our day-to-day dealings with Valora focus on expansion and contract administration, our shared and overarching goal is to meet our customers' needs. The combination of Valora's retail know-how with our expertise in station management generates genuine added value for the customers we both serve. Our shared focus on the interplay between retail premises and marketing helps us to ensure that our offerings remain demand oriented", explains André Bagioli, Head of Premises Management and Development.

"The close and successful partnership between Valora and Swisslos began back in 1937, when our company was founded. Our relationship has always been characterised by professionalism, trust and mutual respect", explains Luc Iseli, head of Retail Services at the Swisslos Intercantonal National Lottery. Thanks to its nationwide outlet network, Valora makes a significant contribution to Swisslos's overall sales. The net profit generated by the Swisslos Federation flows back to the cantonal lottery and sports funds, enabling them to support some 12000 projects in the fields of sport, culture, the environment and social welfare. By distributing lottery tickets through its 929

outlets in Switzerland, Valora plays its part in these efforts.

Valora has also been working with the Loterie Romande for over 30 years. With the enhanced presence in French-speaking Switzerland resulting from Valora's acquisition of Naville, that partnership has been significantly intensified, particularly since the two companies share similar values and objectives. "Valora and the Loterie Romande are both dynamic, forward-looking companies. Both are using digital technologies to respond to a changing market and evolving customer needs. The two companies' numerous joint lottery projects are testimony to the long-term, innovative vision they both share", as the Loterie Romande explains.

Selecta is Valora's chosen coffee partner for all its Swiss retail formats. While the collaboration between the two companies is the result of their shared history, Selecta's partnership with the Retail and Trade divisions was further enhanced following the Selecta IPO in 1997. A key reason for this enduring collaboration is that both place a strong emphasis on their daily contact with large numbers of customers. "This relationship is based on the great respect we have for each other's core expertise and our open and direct lines of communication, which ensure we meet our shared objectives sustainably. Moreover, the success of our jointly developed coffee offering is mainly due to the excellence of Valora's outlets and their highly motivated staff", says Thomas Nussbaumer, the Selecta Group's Central Region Managing Director.

AGENTS AND FRANCHISEES

Valora maintains a harmonious partnership with its 990 agency outlets and 711 franchise operations. In Switzerland, a total of 14 committees and working groups have been established to ensure the requisite uniformity and coordination. Working in close collaboration with its partners, Valora also organised 20 training days covering employment law, business administration and pension-fund arrangements. Dialogue is also fostered by annual meetings with agency and franchise partners. While these events were held separately in 2015, the first joint annual meeting, with both agency and franchise partners, will be held in 2016.

Sustainability Report

VALORA'S SOCIAL COMMITMENT

Valora's support for projects outside the company is also making a difference. Spettacolo continued to contribute to water projects in Africa during 2015. Having collected CHF 30400 for rainwater tanks in Tanzania in 2014, Spettacolo began contributing to a new project in Mali in September 2015, under which World Vision Switzerland will build 3 water fountains worth a total of CHF 24000 in the Neguela region of southwestern Mali. In addition to the direct contributions made by Spettacolo customers to the collection tins at the coffee bars, Spettacolo also donated CHF 0.50 for each caffè grande ordered in September, thus enabling Valora to contribute CHF 28566.85 to this World Vision project.

Simple ideas can also make a big difference, as Valora staff demonstrated by organising two charity flea markets at company headquarters in Muttenz. The proceeds were donated to the Herzensache and Glückskette charities and to Syrian refugees. Valora Retail Germany made a contribution by donating ok.- bottled water to refugees arriving in Germany. Just before Christmas each year, Ditsch makes a donation to cancer research.

ECONOMIC SUSTAINABILITY

QUALITY ALWAYS PAYS OFF

Valora is constantly reviewing its processes for quality assurance, crisis management and product recall. The focus here is on verifying the manufacturers' own quality-assurance procedures, ensuring that product information and the products themselves comply with the law and checking delivery conditions. "Large manufacturers and suppliers operating on an industrial scale must have certification from either the BRC, the IFS or the ISO, and preferably from more than one of these. Their HAACCP self-monitoring procedures must also have been no more than two years old", explains Michel Vaucher, the project manager at Valora Retail Switzerland. Smaller-scale regional suppliers and manufacturers must also comply with these same HACCP standards, which require a risk analysis, the definition of critical monitoring points, a defined range of acceptable values for risk monitoring results and

"For a company producing and distributing bakery products, this certification guarantees that its processes are sound and reliable".

Michel Gruber,
Managing Director, Brezelkönig

a defined set of risk controls. Specific corrective actions and working instructions for adherence to good manufacturing practice also form an integral part of the HACCP concept.

Suppliers are required to provide product specifications for every item in the Valora product range. Swiss food producers must provide written confirmation that their products meet Swiss food-law requirements. Foreign food producers must submit a certificate of conformity issued by a specialised laboratory in Switzerland. Swiss package-labelling requirements, on matters such as sell-by dates, apply to both food and non-food articles. Sell-by dates and storage requirements must also be adhered to while goods are in transit.

Valora's private-label ok.- brand products also adhere to strict quality requirements. Every new ok.- product is tested for its conformity with all applicable regulations, with further tests being conducted for every packaging change. Suppliers are also required to carry out regular laboratory tests. "At least once a year, every energy drink is also subjected to both internal and external testing in a certified laboratory", adds Philipp Brühlmann, Valora's Head of Brand Management.

In October 2015, Brezelkönig once again successfully obtained ISO certification, this time for the new ISO 9001:2015 standard. "For a company producing and distributing bakery products, this certification guarantees that its processes are sound and reliable", Michel Gruber, Brezelkönig's Managing Director, confirms. Furthermore, both the production plants in Germany have been awarded IFS (Higher Level) and BRC (A-Grade) certification. In addition to their annual scheduled recertification inspections, these conformity-monitoring schemes also conduct unannounced audits. These audits car-

ry out food-safety and hygiene checks at less than one hour's notice.

Brezelkönig has also substantially increased the number of internal audits it conducts at its outlets. Any shortcomings are recorded as required improvements which must then be systematically implemented.

Furthermore, Brezelkönig introduced a new, optimised cleaning concept for its production facilities and outlets in 2015. This involved checking the suitability of a whole range of cleaning products with regard to their cleansing properties and their use near food. The new concepts have been introduced throughout Brezelkönig in a roll-out process which included half-day workshops on hygiene and HACCP standards for agency partners and staff.

PROTECTION OF MINORS

TOBACCO AND ALCOHOL SALES

Valora takes its duty to protect minors very seriously. Staff receive regular training to ensure they are aware of the issues involved. An e-learning programme is carried out each year to train and test employees on topics such as the sale of alcohol and tobacco or the display of erotic publications. Sales managers also hold meetings with their staff to discuss the importance of these rules and Valora's legal obligation to adhere to them. Participation at these meetings is recorded in signed documents.

Valora's new GK till systems also help to ensure compliance by displaying a "check purchaser's age" reminder whenever alcohol, tobacco or erotic publications are scanned into the system. In addition, notices are displayed behind each counter in Germany and Switzerland to remind staff of the local rules. Management, sales managers and outlet staff are all aware of the importance of these checks and it is in their interest to ensure adherence to the law by further improving the protection of minors.

RESPONSIBILITY AND SECURITY IN FINANCIAL SERVICES

Like any other organisation that lends money, bob Finance is assuming a substantial responsibility towards its borrowers. bob Finance's services are designed for digitally adept customers looking for an efficient, online loan application process. By drawing on information from the Centre for Credit Information (in German "Zentralstelle für

Sustainability Report

“bob finance acts responsibly towards society, business and government, thus protecting our customers and our company.”

Hilmar Scheel,
Managing Director, bob Finance

Kreditinformation“ or ZEK) and the Consumer Credit Information Service (in German “Informationsstelle für Konsumkredit“ or IKO), bob Finance is able to ensure that its loans do not cause borrowers to fall into financial difficulties and that the amount of their borrowing is in line with the affordability parameters defined by Swiss consumer-finance legislation. With regard to the financial-markets legislation governing the prevention of money-laundering and terrorism, bob Finance is directly regulated by FINMA, the Swiss financial-market supervisory authority.

In the case of its ok.– cash product, Valora has deliberately and voluntarily chosen to require a minimum age of 25. Here too, the approval process involves information being obtained from a number of database sources. In addition to excellent creditworthiness, applicants must also be resident in Switzerland and have a mobile phone number.

Because security is of paramount importance to Valora, all data is protected by the most up-to-date security software. The data-transmission processes comply with a variety of certification standards, including EV SSL, the most stringent bank standard for the transmission of encrypted data.

INTEGRITY

The Valora Code of Conduct sets out the standards of behaviour which the company expects from its employees and other stakeholders. Through its eleven principles, the Code defines the high standards of moral conduct and personal integrity which Valora expects all its partners to observe. Valora also publishes a compliance handbook for its employees, to provide guidance on how to conduct themselves correctly. Valora staff also have access to an ethics hotline, which provides them with anonymous access to the compliance manager

to report any irregularities or criminal activities and to lodge complaints.

ENVIRONMENTAL SUSTAINABILITY

USING RESOURCES RESPONSIBLY

In 2015, Valora continued to emphasise the important environmental contribution made by PET recycling. Having already installed collection containers at all outlets with no collection facilities in their immediate proximity in 2014, Valora focused on raising staff awareness in 2015, both through training sessions and internal communication initiatives. Mystery shopping exercises were also carried out over several weeks to ensure compliance.

Wherever possible, Valora’s German outlets refrain from using disposable packaging. Drinks, for example, are sold in bottles requiring a deposit, thus incentivising recycling. Under the nationwide DPG deposit scheme, these bottles can be returned to any retail outlet in Germany, which then collects them for recycling. The same applies to scrap paper.

For some years now, Valora has participated in the Basel anti-littering working group, where representatives of business and local government jointly develop initiatives aimed at preventing littering. The “rubbish bag to keep things clean” campaign will be carried out for the third time in 2016. Instead of receiving their purchases in an ordinary plastic bag, customers are given a rubbish bag. The campaign is being promoted by posters on rubbish containers, refuse collection vehicles, advertising boards and on one entire tram to encourage passers by to dispose of their litter properly. In the 2015 campaign, a total of 500000 rubbish bags were distributed in this way, substantially raising public awareness of the littering issue.

EFFICIENT USE OF ENERGY

Ditsch was awarded ISO 50001 certification in 2015. The process involved the audited implementation of a new energy-management system over a three-year period. The first step, in 2013, was to document overall electricity and gas use. Additional data on the energy use of individual items of plant and equipment was then collected in order to identify

which were the most energy intensive. Final implementation took place in 2015. Energy teams calculated appropriate energy metrics for the various business areas based on consumption, output and sales data for the years from 2012 to 2014. “This provided management with a basis for setting new energy-use targets and defining operational and strategic energy objectives”, explains Nicole von der Weiden, who is responsible for energy management at Brezelkönig/Ditsch. From 2016 onwards, all electricity will be sourced only from power stations which demonstrably derive 100% of their energy from renewable sources. An energy-saving action plan has also been put into effect. Measures here include timing systems which automatically switch off individual machines at the outlets at specific times overnight. Since 2009, the production facility at Oranienbaum has been equipped with a heat pump which recycles calorific energy back to its heating installations.

A Group-wide inventory of all lighting installations is currently being carried, out with LED lighting being installed whenever outlets or other facilities are rebuilt. In Germany, LED illumination is being installed for all external advertising, thus reducing both energy usage and maintenance costs. Every outlet that is rebuilt is also being equipped with energy-efficient class A+ cooling cabinets, coffee machines and ovens. Because these generate less heat, food and beverages do not require as much cooling.

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Nicole von der Weiden, Head of Energy Management at Brezelkönig/Ditsch