

## SUSTAINABILITY AT VALORA – LONG-TERM, FORWARD- LOOKING AND ENDURING

This report details the work carried out by Valora in 2016 to keep its activities sustainable. Given the many individual initiatives taken, it has only been possible to present a limited number of them here. In the field of social sustainability, Valora has focused its efforts on employee development and on nurturing its relationships with its customers and business partners. As far as economic sustainability is concerned, the emphasis has been on ethical behaviour, as exemplified by adherence to the Valora Code of Conduct, observance of the laws on the protection of minors and compliance with hygiene standards. In the case of environmental sustainability, particular attention has been paid to the careful husbandry of resources.

### SOCIAL SUSTAINABILITY

#### FOCUSING ON EMPLOYEE SATISFACTION

An important objective for Valora is to ensure that it provides its employees with opportunities for ongoing development and that they feel happy and motivated in their work.

To gauge employee satisfaction, Valora commissioned an experienced external service provider to carry out an initial employee survey in the second quarter of 2016. These will be repeated at regular intervals in the future. The survey encompassed employees at Retail Switzerland, bob Finance, Brezelkönig, Ditsch in Mainz and the Group's head office in Muttentz. Topics covered included employee satisfaction and the organisational framework. In all, 59% of the 2396 employees invited to give their views took part in the survey. Once evaluated, the responses were openly shared with all staff across the entire organisation.

The results showed that Valora employees set particular store by professional and personal development, a good flow of information and systematic customer focus.

A series of team discussions was then held, enabling their participants to work together on defining appropriate measures and initiating their implementation. One such measure involved the establishment of platforms to host regular exchanges of ideas across all hierarchical levels. To that end, in 2017 Valora organises so-called Inspiration Lunches for its employees. These provide an informal environment for identifying and discussing business topics currently relevant to Valora. The first Inspiration Lunch, which attracted some 150 registrations, was devoted to the digital developments at Valora Retail. Valora publishes details of the outcome of all

these initiatives on its intranet site. In the spring of 2017, Valora Retail Germany will be using the same setup to conduct a survey among its employees. The next employee survey at Group level is planned for 2018.

#### SUPPORTING EMPLOYEE DEVELOPMENT

Valora offers a wide range of internal training and continuing education opportunities to further the development of its employees. In 2016, Valora Germany made coaching an important part of its leadership culture, with more than 20 managers attending a seminar on "The manager's role as a coach" over a period of several days.

To reinforce Valora Germany's team of trainers and to ensure that the courses are of high quality, in October 2016 ten Valora colleagues working in the company's specialised departments also enrolled for a five-month continuing-education course at the Hamburg Chamber of Commerce, attending classes alongside their regular working duties. In addition to introducing them to creative learning techniques and methods for managing group processes, the course focused on methodological and didactic aspects of seminar design.

*"It is important for us that our employees have opportunities for ongoing development and that they feel happy and motivated in the work they do."*

Jonathan Bodmer,  
Head of Human Resources Valora

# Sustainability Report

“Well-trained employees are the key to our success. The coaching we provide, our “train the trainer” courses and the Valora Campus have enabled us to create an environment that supports the professional development of our employees, thus enabling them to gain additional qualifications in their specific disciplines, to learn new self-management skills or to progress in their management of others”, explains Peter Obeldobel, Chairman of the Executive Board of Valora Retail Germany. In Switzerland, Valora holds regular management courses for sales staff and leadership weeks for experienced executives. These courses, which are taught by external specialists, make a significant contribution to their participants’ ongoing personal and professional development. In addition, each of the Valora retail formats holds an annual conference for all its outlet managers. These kiosk, agency partner and franchise partner events provide their participants with an opportunity of finding out more about their business, sharing ideas with each other and, above all, developing and maintaining their own personal networks.

The dissemination of knowledge through e-learning is becoming an increasingly important part of Valora’s training and continuing-education activities. This is a logical consequence of the Group’s strategy of promoting the use of innovative platforms and implementing new digital initiatives. For its e-learning activities, Valora uses the Avendoo learning management system. The system makes it possible to provide all sales staff working at retail outlets with a uniform set of knowledge more or less simultaneously. Avendoo also helps to ensure that staff are aware of the statutory requirements relating to money transfer and the prevention of money laundering. This information can be made available to employees irrespective of where and when they work or whether they work full time or part time. Based on the substantial positive feedback it has

received regarding these e-learning initiatives, Valora has decided to develop them further in the years ahead.

## FIT FOR THE FUTURE

For more than 15 years, Valora has been committed to the development of young retail talent. In Switzerland alone, 20 apprentices are currently training with Valora. Of these, 13 are working towards their Federal certifications as retail assistants or as kiosk, food, beverage and tobacco professionals. Of the remaining seven, one apprentice is training as a system catering professional and six are engaged in commercial apprenticeships. The Ditsch pretzel bakery is equally committed to providing its staff with continuing training opportunities. Every year, more than 40 apprentices receive training at the company’s Mainz and Oranienbaum facilities. The overarching objective is to ensure that these young people acquire the skills they need during their apprenticeships, so that they can find suitable employment with the company once they have successfully completed that phase of their careers.

2016 also saw a continuation of Valora’s successful one-year trainee programme for university graduates in Switzerland. In addition, Valora also

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Peter Obeldobel,  
Head of Executive Board Valora Retail  
Germany/Luxembourg

offers a twin-track programme for university students in both Switzerland and Germany. Once they have successfully graduated, participants in these programmes will have the opportunity of taking up attractive longer-term positions at Valora either in corporate management or as junior sales managers. “Both programmes have proven highly effective in attracting young talent to Valora and we therefore plan to continue with them in the years ahead”, Christa Heinke, Head of Staff Development at Valora Switzerland, is keen to emphasise.

## WORKING SUCCESSFULLY WITH AGENCY AND FRANCHISE OUTLETS

Valora maintains collegial working relationships with its agency and franchise outlets. In Switzerland, the company holds regular committee and working-group meetings with outlet representatives to ensure that important issues can be discussed in detail. Valora and its agency and franchise partners work together to develop training courses on issues such as employment law, business administration and pension plans. The company also hosts a three-day introductory training course, which was held a total of four times during 2016. Valora offers these courses to all its new agency and franchise partners to familiarise them with key aspects of their future day-to-day duties. These include tasks such as business administration, stock taking, inventory discrepancy management, staff leadership and pension-plan arrangements. These courses are very much appreciated by Valora’s future agency and franchise partners.

As Ankul Lal, who has been a Valora agency partner since 2014, puts it, “The support Valora gave me from day one has proved a huge help to me in getting my own business started”. Baidullah Naroei, who has been running his own

# Sustainability Report

kiosk since March 2015, takes a similar view. In his words, "Thanks to the professional introduction Valora provides, agency partners are well prepared for every aspect of their future work." He also appreciates the opportunity Valora has given him of running his own outlet, adding that "I think it is great that Valora enables people from outside the company, like myself, to set up their own business. Besides, working with a strong partner like Valora opens up a range of possibilities, as well as providing additional security."

Valora also maintains an active dialogue with its agency and franchise partners in Germany. Once a year, all agency and franchise partners are invited to attend a three-day conference. The theme of last year's conference, held in May 2016, was "Valora – A Customer Company". In addition to reviewing numerous industry trends, the meeting also focused on Valora's new strategic direction. Customer orientation was a common feature of all aspects of the programme. Having spent the day attending interesting presentations and workshops, the participants were then able to enjoy an attractive series of evening events which also gave them the opportunity of exchanging ideas with their peers, establishing new contacts and maintaining existing ones. These events are very popular with agency and franchise partners and Valora will be hosting a similar conference in 2017. The programme for this year's event, which will again take place in May, features a range of renowned external speakers who will be making presentations on "generating customer enthusiasm". An established part of each year's programme is the eagerly awaited announcement of the franchise partner or store manager of the year. This provides recognition to partners whose superb work and exemplary commitment has enabled them to excel.

Cooperation based on mutual trust and fair dealings between both parties are equally important to Ditsch, which

now has more than 200 agency partners. Providing them with training courses to support their ongoing professional development is a key element of this collaboration.

To ensure an even more effective flow of information between its head office and the retail outlets, Valora will be introducing a new system for communicating with its outlets from the summer of 2017. Its objective is to help ensure that information can be shared more simply, more efficiently and in a more structured manner.

## PROMOTING SAFETY AT WORK

The health and safety of its employees at their place of work is an important concern for Valora. That is why Valora Retail Germany regularly has its premises visited by safety-at-work professionals, company doctors and occupational physicians. An assessment is made of each individual workplace, requirements with regard to factors such as ergonomics and lighting are recorded and the necessary modifications made where possible.

Valora also sets great store by providing its employees in Switzerland with a healthy working environment. Since 2011, a group solution has been in place

for Valora Schweiz AG to ensure that employees work in safe conditions and that their health is not put at risk. Swiss law requires that these group solutions are periodically reviewed and submitted to the authorities for recertification. Working in collaboration with a health-and-safety professional with extensive experience of the Swiss retail industry, Valora joined forces with occupational physicians, work hygiene experts and its own qualified specialists to prepare for the forthcoming group solution review. Recertification by the health-and-safety authorities is scheduled for March 2017.

Employee health is also a key priority for Ditsch. Through external partners, the company offers occupational health services to all its employees. Reintegration arrangements are also in place to help employees who have suffered from long-term illness to resume their working lives. In cases where an employee is not able to return to his or her original job, the company doctor, representatives of the relevant authorities and the employee's superior will determine alternative ways of enabling the employee to resume work with Ditsch.

## PARTNERSHIPS FOR THE LONG-TERM

Long-term collaborations are important to Valora. Its partnership with Swiss Federal Railways goes back decades, as do those with Swisslos and the Loterie Romande, Switzerland's two main lottery operators, Selecta, Europe's premier vending-machine company, and the leading German wholesale supplier Lekkerland.

Valora's cooperation with Swiss Federal Railways takes the form of a professional partnership which goes beyond the usual ties linking tenant and landlord. While the two organisations' day-to-day dealings with each other generate focus on topics such as expansion and contract management, their shared and

*"I very much enjoy working with Valora. That is because it offers its partners plenty of freedom while at the same time being there to lend them support."*

Renata Habdija,  
Agency partner

# Sustainability Report

overarching goal is to meet customers' needs. The combination of Valora's retail know how with Swiss Federal Railways' expertise in station management generates substantial added value for the customers they both serve.

Selecta is Valora's chosen coffee partner for all its Swiss retail formats. The collaboration between the two companies is the result of their shared history. This is a partnership based on each party's substantial respect for the other's core areas of expertise, which enables them to communicate efficiently and openly with each other to ensure that their shared long-term objectives are achieved.

The close and successful partnership Valora has established with Swisslos began back in 1937, when Swisslos was founded. Valora's extensive retail distribution network 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 12 000 projects in the fields of sport, culture, the environment and social welfare. By distributing lottery tickets through its Swiss retail network, Valora makes a substantial contribution to 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. The two companies' numerous joint lottery projects are testimony to the long-term innovative vision they both share.

In Germany, Lekkerland has been a trusted partner of Valora's for many years. In addition to supplying the company's German outlets, this wholesaler also shares valuable category management expertise with Valora. The success of this collaboration can be attributed to Lekkerland's high-quality door-to-door logistics and its lean administrative processes.

Long-standing cooperation also play an important part in Ditsch's business. The company sets particular store by establishing a high degree of trust with its business partners. It also places strong emphasis on ensuring that the companies it does business with provide their employees with working conditions that comply with all applicable legislation and that they adhere to recognised welfare and environmental standards.

## VALORA PROVIDES HELP WHERE IT IS MOST NEEDED

At Caffè Spettacolo, food which is of perfectly acceptable quality but which can no longer be sold because it has passed its sell-by date is donated to Schweizer Tafel and Tischlein deck dich, two charitable organisations providing free meals to the disadvantaged.

As part of the charitable cooperation established between ok.- and the FC St. Pauli football club in Hamburg, Valora makes a charitable contribution of € 1 000 for every team plays in home matches and for every goal it scores during extra time. In 2016, recipients of such donations included the St. Pauli cold-weather protection scheme (Anti-Kälte-Hilfe St. Pauli) and the NoBorder-Kitchen in Hamburg.

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Michel Vaucher,  
Projects Manager Valora Retail Switzerland

## ECONOMIC SUSTAINABILITY

### RESPONSIBLE BEHAVIOUR BASED ON INTEGRITY

The Valora Code of Conduct sets out the standards of behaviour the company expects from its employees and other stakeholders. The Code is based on eleven principles which define the high standards of moral conduct and personal integrity which Valora expects all its partners to observe. To support this initiative, the company publishes a compliance handbook for its employees, providing them with guidance on how to conduct themselves correctly. Valora staff also have access to an ethics hotline, which enables them to contact the compliance officer anonymously to report any irregularities or criminal activities and to lodge complaints.

### QUALITY ALWAYS COMES FIRST

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, en-

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Alexia Bühler,  
Legal Counsel & Compliance Officer

# Sustainability Report

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Michael Betschart,  
Brand & Product Manager Valora Retail  
Switzerland

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 HAC-CP self-monitoring procedures must also be no more than two years old”, explains Michel Vaucher, the projects manager at Valora Retail Switzerland. Smaller-scale regional suppliers and manufacturers must also comply with these same HAC-CP standards, which require a risk-analysis, the definition of critical monitoring points, a defined range of acceptable values for risk-monitoring results and a risk-monitoring system. 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 supply 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 observed 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. “Additionally, every ok.– energy drink is also subject to regular internal and external testing in a certified laboratory”, adds Michael Betschart, Brand & Product Management Retail Switzerland.

In order to ensure that it only accepts ingredients that have been produced in the most environmentally sustainable conditions possible, Ditsch became a member of the Roundtable on Sustainable Palm Oil (RSPO) back in February 2015. The RSPO organisation is committed to supporting sustainable palm-oil production across the globe. To that end, it ensures that palm-oil can be tested and certified at every stage of the supply chain.

In 2016, Brezelkönig again successfully obtained ISO 9001:2015 certification. “For a company producing and distributing bakery products, this certification guarantees that its processes are sound and reliable”, as Michel Gruber,

*“Valora takes the protection of minors very seriously. That is why all our staff receive regular training to ensure that they are aware of the issues involved.”*

Jean-Christophe Faré,  
Member of the Executive Board Valora Retail  
Switzerland

Brezelkönig’s Managing Director, explains. As further proof of their quality, Brezelkönig pretzels have also earned the right to carry the SUISSE GARANTIE label. To qualify for this seal of approval, a product must be made from ingredients which have not only been produced in Switzerland but which have been processed there as well.

## THE PROTECTION OF MINORS IS AN ADULT RESPONSIBILITY

### SALES OF TOBACCO AND ALCOHOL

Valora takes its duty to protect minors very seriously. That is why all staff receive regular training to ensure that they are aware of the issues involved. An e-learning programme is carried out every year covering topics such as the sale of tobacco or alcohol to young people and employees’ understanding of its content is tested. Participation in this programme is mandatory for all outlet staff, whether they are employed by Valora, an agency partner or a franchisee. Sales managers also work with their outlet sales staff to raise awareness both of the importance of protecting minors and of their statutory obligation to do so.

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 improving the protection of minors and clamping down further on violations.

### FINANCIAL SERVICES

Like any other organisation that lends money, bob Finance is assuming a responsibility towards its borrowers. bob Finance’s services are designed for digitally adept customers looking for an ef-

# Sustainability Report

*“Caffè Spettacolo intends to reduce the waste generated by paper beakers. That is why, for the last two years, our coffee-bar chain has been serving hot drinks in multi-use mugs as well as single-use beakers.”*

Franziska Kaiser,  
Sales Director Caffè Spettacolo

efficient, online loan application process. bob Finance carries out comprehensive and detailed credit assessments based on information from the Centre for Credit Information (in German “Zentralstelle für Kreditinformation” or ZEK), the Consumer Credit Information Service (in German “Informationsstelle für Konsumkredit” or IKO), other credit reference platforms and the details supplied by the loan applicant. This enables it to ensure that the amount of the loans it grants 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, such as the Centre for Credit Information referred to above. In addition to excellent creditworthiness, applicants must also be resident in Switzerland and have both a private e-mail address and a mobile phone number.

Because security is of paramount importance to Valora, all data is protect-

ed 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.

## ENVIRONMENTAL SUSTAINABILITY

### REDUCING THE VOLUME OF RUBBISH

For a number of years, Valora has been a member of the Basel anti-littering working group, which brings together representatives of business and local government to develop initiatives aimed at curbing the incidence of littering.

Since 2014, all Valora outlets in Switzerland have been equipped with containers for collecting empty PET bottles. In the same spirit, all Valora outlets in Germany have a policy of systematically avoiding products with single-use packaging wherever possible. As an example of this, preference is always given to beverages in bottles on which a deposit is payable, so that these are returned and can thus be re-used. These bottles can be returned to any Valora outlet in Germany, where they are collected and returned to the bottlers. Valora outlets also collect and recycle all their scrap paper.

*“We are proud that in the tests conducted by the German consumer organisation Stiftung Warentest Ditsch won first prize for both the baking aroma and the long-lasting crispness of its pretzels.”*

Thomas Eisele,  
CEO Food Service

For the last two years, Caffè Spettacolo has been serving its beverages in multi-use mugs as well as single-use beakers. In taking this initiative, this Valora-owned coffee-bar chain aims to reduce the amount of waste generated by paper beakers. To encourage adoption of the multi-use approach, Caffè Spettacolo now provides all customers who bring their own mugs with a free upgrade of their coffee order to ‘Grande’ size.

### PROTECTING THE ENVIRONMENT BY USING ENERGY EFFICIENTLY

Since 2016, all Valora outlets in Switzerland have been supplied with electricity generated from renewable sources. At Valora Retail Germany in Hamburg, all electrical power used is now environmentally sustainable. At Group level, Valora has also formulated an action plan with specific energy-saving initiatives. These include timing systems which automatically switch off individual machines at the outlets at specific times overnight.

In order to achieve a constant reduction in its environmental impact, Ditsch is focusing its efforts on using resources as efficiently as possible. As part of that initiative, the company already installed heat pumps at its production facilities back in 2009. These enable the calorific energy generated by the production plants to be recycled for heating the premises and providing them with hot water.

Following a Group-wide inventory of all lighting installations, LEDs are now installed as a matter of course whenever outlets or other facilities are rebuilt. In Germany, for example, all rebuilds and new outlet installations use LEDs exclusively, 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, the food and beverages in nearby chill cabinets do not require as much cooling.