



IN
EXTRAORDINARY TIMES
EXCEPTIONAL PEOPLE
EMERGE

THANK YOU

The Mission

Fill bellies

“Prescribe the final consumer with bolts/solutions that meet their needs

to eat, drink, and for personal, home and animal
care...

... always ensuring Food Safety, Maximum Quality
(healthy), Maximum Service (sustainable), Minimum
Budget and Minimum Time”

The Vision

“To achieve a Sustainable Food Chain, that people want and are proud
of, led by Mercadona and with ‘The Boss’ as our lighthouse”



MERCADONA
2020 Annual Report



**A GREAT EXAMPLE
FOR SOCIETY**

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Our most significant achievements in 2020

PORTUGAL

20
stores

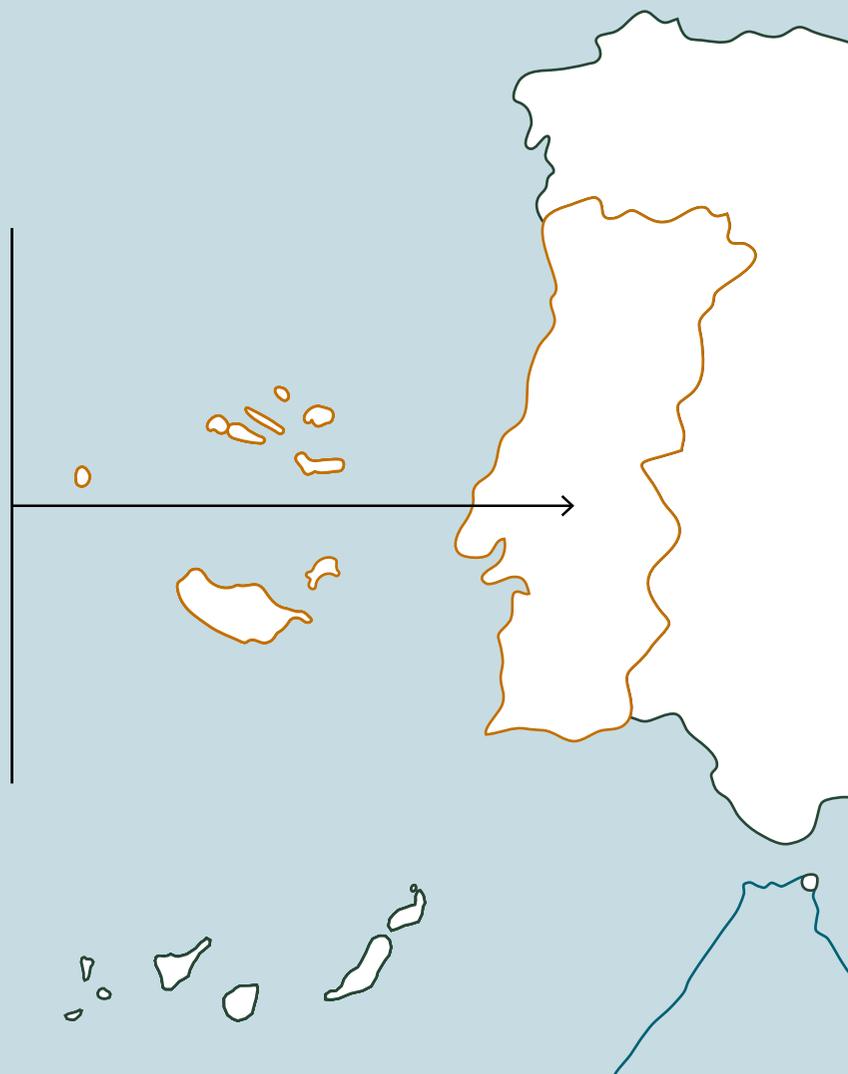
1,700
employees

800
new jobs

€369 M
in purchasing

€186 M
in turnover

€113 M
in investment

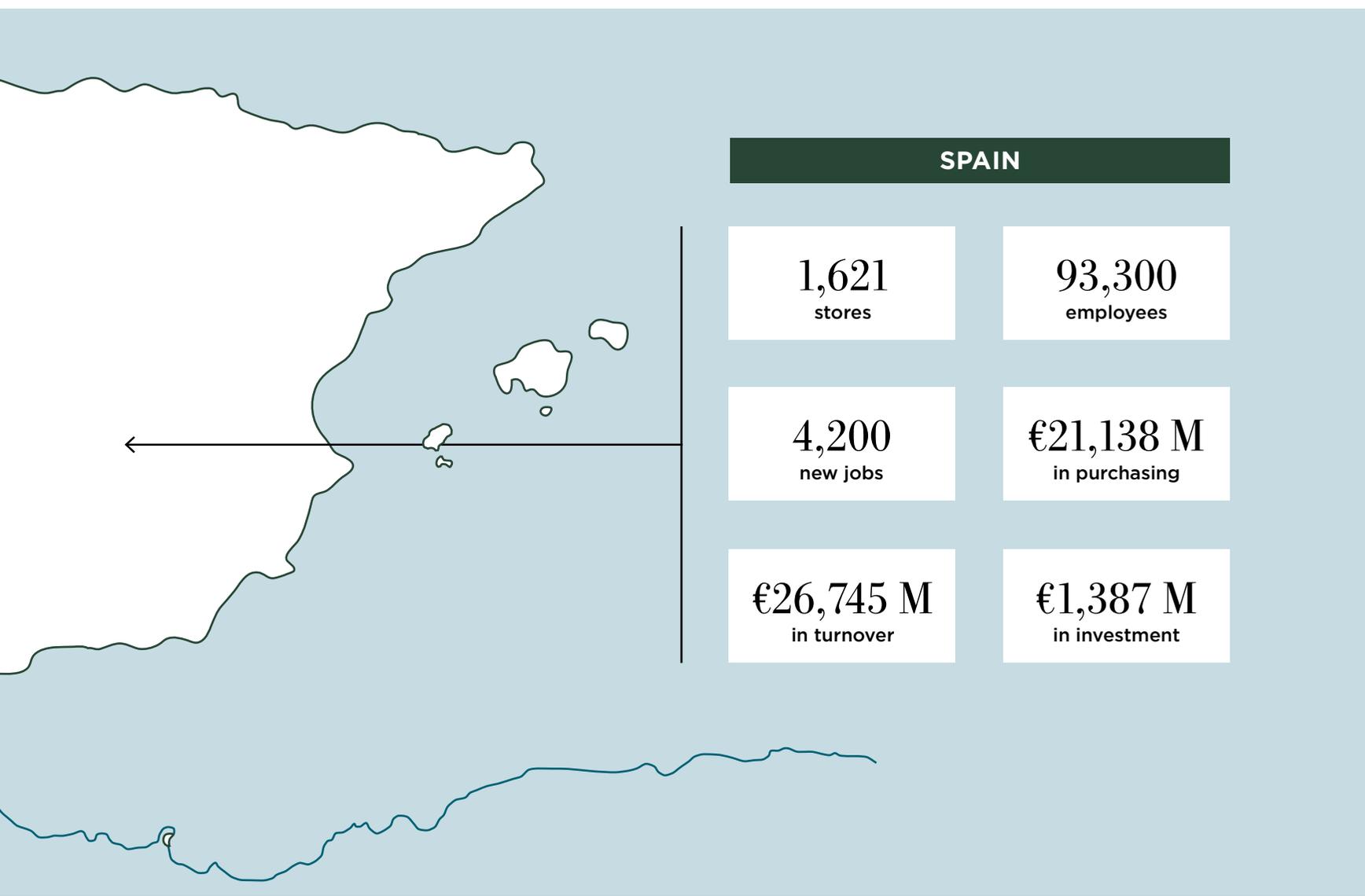


Mercadona
consolidated group

1,641
stores
70 openings
65 closures

15.5%
market share
in total sales area
in Spain

95,000
employees
5,000
new jobs



SPAIN

1,621
stores

93,300
employees

4,200
new jobs

€21,138 M
in purchasing

€26,745 M
in turnover

€1,387 M
in investment



Message from the President

2020 has been an extraordinarily demanding and challenging year. It has been especially complicated since last March, when we were not yet aware of the complexity of this pandemic. However, I had the opportunity to share with the company what would become one of our main obligations: to convey a sense of tranquility to society with the commitment to guarantee supply for our "Bosses", as our customers are known internally, reinforcing protection and safety measures for both "the Bosses" and our staff.

In making this commitment, I knew that I was supported the best team: the 95,000 employees at Mercadona and the 3,000 suppliers along with the 500,000 staff members in these companies. Their willingness to face challenges and not set themselves limits inspired the *#ThisdoesNOThavetoSTOP* movement. Once again, THANK YOU for your hard work and effort: your great level of commitment has served as support and an example to society.

In extraordinary times, exceptional people emerge who, through their effort and ability to excel, have handled the various waves of uncertainty that we have faced by doing what they do best: applying the methods and values that are at the heart of our company model, to open stores every morning and give their personal best to offer excellent service to our "Bosses".

This tough, strange and challenging year has enabled us to reaffirm that the true strength of the transformation in which the company is immersed is the people who form part of this project. In spite of these adverse conditions, we have all been capable of making courageous decisions and working together.

Thanks to this, and considering the fact that health and the economy are equally important, though health comes first, I would like to highlight the great work carried out by the Mercadona Medical and Prevention Service team. Their leadership day in, day out, has opened up channels for listening, addressed our concerns at all times and has been able to be there for us in difficult times. We have overcome the present challenges and are facing those to come with the clear objective of continuing to satisfy the needs of our customers and the rest of the company's

components: Employee, Supplier, Society and Capital.

Management, management and management, reflected in action, facts and results, has undoubtedly been the lighthouse of the company and our "pick and shovel" for successfully facing the various challenges that have arisen. Its implementation has accelerated Mercadona's brutal transformation, because when there aren't answers for everything, it is best to prioritise what truly adds value.

Over these twelve months, Mercadona has not let up and has continued to promote its growth. We have continued opening and refurbishing supermarkets, and we ended the year with 1,641 stores, 20 of which are in Portugal. These refurbishments have enabled progress in the efficient store model (Store 8), currently present in 1,000 supermarkets, and in the implementation of the Ready-to-Eat section in over 650 stores. We have also accelerated our commitment to making Mercadona greener by activating our Strategy 6.25 in more than 70 stores. These six actions have the threefold objective of reducing plastic by 25%, making all packaging recyclable and recycling all plastic waste by 2025. We are carrying out this project together, along with the involvement and collaboration from our customers.



Throughout the year, Mercadona has intensified its innovation and digital transformation process to remain connected to the needs of the “Bosses” and to the new social reality. To do so, this past April, coinciding with one of the toughest moments of the pandemic, we opened a new warehouse exclusively intended for providing online services (Hive) to meet demand from our clients in Madrid, joining the Hives in Valencia and Barcelona. Also, the IT department has continued to work on various projects to lay the foundations for something that will speed the progress of our digital transformation: the ability to have unique, truthful and easily obtainable data for every single one of the company’s processes.

While we are tackling these challenges, we are also facing the great leap that Mercadona is making along with its 3,000 plus suppliers: improving our customers’ experience to the maximum by guaranteeing quality, quality, quality and, above all, quality every day and in every one of our products at an unbeatable price to continue increasingly differentiating ourselves from the market.

In taking on this great challenge, we have invested 1,500 million euros over the past twelve months, including investments aimed at optimising our logistics capacity and the multiple efficiency innovations we have carried out. All this has allowed Mercadona to increase sales across constant surface areas by 5.5%, reaching 26,932 million euros.

As a result, our net profit has increased by 17%, to 727 million euros. As an entrepreneur, I am extremely proud to achieve these results, because it reaffirms my belief in the company model that we are continuing to build: a company that people want to exist and feel proud of. Because Mercadona as we know it today would not be possible without promoting and maintaining shared prosperity on a daily basis or without creating

an ecosystem of values and actions focused on benefiting people, society and the planet, a non-negotiable decision that the company has accepted and from which there is no going back. As part of this commitment, we have redistributed more than 400 million euros among our staff as a bonus during a year in which, thanks to their daily effort and dedication, Mercadona has achieved the best management in its history. Also, after saying yes to caring for the planet, we must continue to make steady progress in order to have a more sustainable Mercadona.

“A company needs leadership that is capable of making all necessary changes; if not, it will cease to exist”

2021 is going to be a very, very difficult year. Our commitment, of which I am very proud, is for each of us to continue giving our best without waiting for anyone to ask us. I am convinced that if we all work together like we know how to, we will achieve what we set out to do. In addition to the talent within the company’s team and digitalisation, a company needs leadership that is capable of making all the necessary changes; if not, it will cease to exist. This happens due to our being able to approach the health and economic crisis as an opportunity to make the need to have business models

that generate sustainable development, productive efficiency and well-being for the five components visible in society.

I should not end this letter before thanking our shareholders and our Board of Directors for their support. Their trust in the company’s Management Committee has been a significant help in effectively handling this difficult year. And last but not least, I would like us to remember all the people who have struggled and have been able to overcome the disease over recent months, especially those who have directly suffered the loss of loved ones as a result of this pandemic.

Juan Roig

Management Committee

Ensures the smooth running of the organisation and the establishment and fulfilment of the policies and procedures established by the Board of Directors.



Juan Roig
President



José Jordá
Managing Director of Stores
and Perishables Prescription



David Cid
Managing Director of Petroleum
Byproducts Purchasing



Jose Miguel Fernández
Managing Director of Manufactured
Agricultural Products Purchasing



Pilar Sanz
Managing Director of
Bakery Purchasing



Héctor Hernández
Managing Director of Finance
and Marina de Empresas



Patricia Cortizas
Managing Director of
Human Resources



Patricia Tobía
Managing Director
of IT



Paco Espert
Managing Director of Dry
Products Prescription



Rafael Berrocal
Managing Director of Meat, Fish,
Fruit and Vegetables Purchasing



Guillermo Pérez
Managing Director of Milk and
Milk Byproducts Purchasing



Rosa Aguado
Managing Director
of Logistics



José Francisco Ruiz
Managing Director of
Construction and Expansion



Elena Tejedor
Managing Director of
External Relations

Board of Directors

The Board of Directors is the body in charge of the management, organisation and representation of the company.

President

Juan Roig Alfonso

Vice-president

Hortensia M^a Herrero Chacón

Secretary of the Board

Carolina Roig Herrero

Members of the Board

Hortensia Roig Herrero

Amparo Roig Herrero

Juana Roig Herrero

Rafael Gómez Gómez

Fernando Roig Alfonso

Audit Committee

Integrated into the Board of Directors, it is in charge of supervising accounting, tax and financial information, auditing services, compliance and financial risk management.

President

Juana Roig Herrero

Secretary

Carolina Roig Herrero

Member

Rafael Gómez Gómez



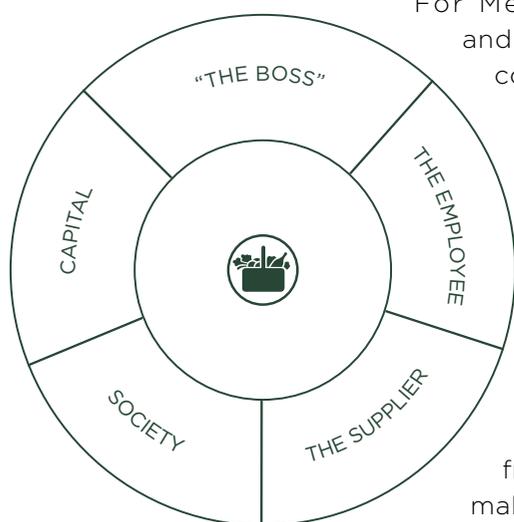


The Model

Founded in 1977, Mercadona is a business project in constant transformation that was built from the entrepreneurial dream of its President, Juan Roig: to promote a company model that society wants to exist and feel proud of. To do this, Mercadona employs the Total Quality Model, a distinctive corporate culture with a shared purpose that drives and promotes a passion for excellence to satisfy the company's five components day in and day out with the same intensity: "The Boss" (customers), The Employee, The Supplier, Society and Capital.

A model with a distinctive corporate culture

Since 1993, Mercadona has had its own company model that is responsible for supporting the company's principles and values. This management model, the Total Quality Model, aims to satisfy the five components of the company in the following order and with the same importance: "The Boss", as customers are known within the company, The Employee, The Supplier, Society and Capital.



For Mercadona, having a Model and people who always apply it correctly is synonymous with having a treasure. Thus, the Total Quality Model is the foundation for everyone who forms part of the Mercadona Project. Aware that the main driving force for success is people, the Mercadona Model is developed on universal truths and paradigms, and is the frame of reference in decision-making for everyone who forms part of its project.

It allows everyone, motivated by their own wish to obtain outstanding results, to move in the same direction and decide with agility how to act when facing the various circumstances that arise daily.

As a company that believes in constant transformation and evolution, Mercadona is dedicated to respecting the environment in the areas and places where it does business, starting right at the top with senior leadership and management. Fully committed to saying "yes to continuing to care for the planet", Mercadona promotes respectful practices in terms of sustainability and does business in accordance with this commitment. The company is aware of the role it plays with respect to improving and strengthening the social and economic environment in which it is involved, and the company knows that there is still a long way to go, which is only achievable through responsible management.

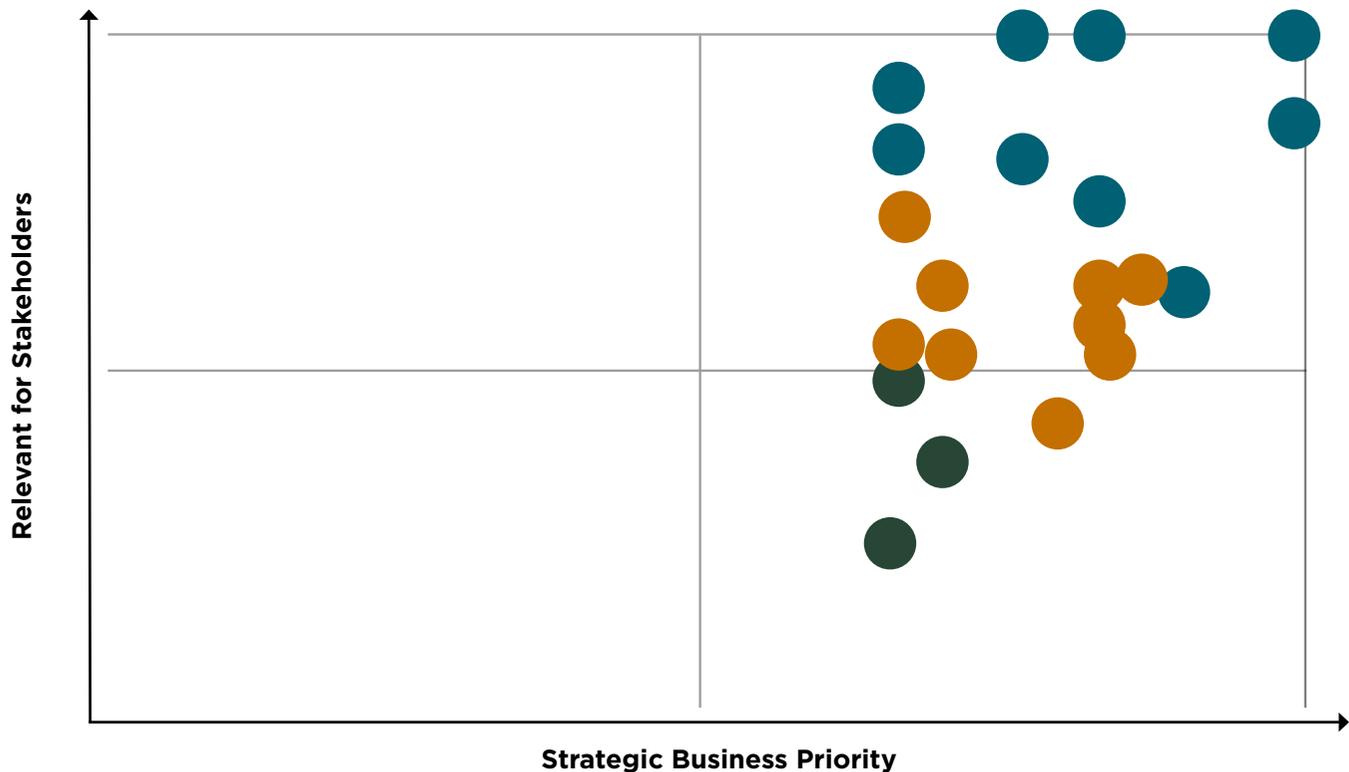


Materiality and stakeholders

In 2020, Mercadona assessed the materiality of each aspect of interest with regard to sustainability, translating the results into a matrix with a twofold axis. The stakeholders coincide with the five components identified in the Total Quality Model ("The Boss", The Employee, The Supplier, Society and Capital). All of them are significantly impacted by the activities, products and services of the company, which seeks to satisfy their needs. Knowing their expectations and demands is a fundamental aspect for creating value in the business.

The process to identify relevant aspects has consisted of three phases: first, detecting and prioritising stakeholders, then, defining material aspects, and finally, a step to validate the information to be provided on material aspects.

As a result, 21 material aspects have been identified and grouped into 8 main categories, which are detailed in the following materiality matrix and discussed throughout this Report, with regard to both the management and the continuous assessments of the aspects that we carry out:



- Critical aspects
- Relevant aspects
- Other relevant aspects

MATERIAL ASPECTS

1. Satisfying “The Boss”	1	Food safety and quality
	2	Customer Service
2. External dialogue and commitment	3	Corporate communication and dissemination
3. Quality Employment	4	Attracting and retaining talent
	5	Work-life balance
	6	Training
	7	Equality and diversity
	8	Health and safety
4. Responsible management of the Supply Chain	9	Ethical and ESG* criteria in the supply chain
	10	Sustainable production
5. Environmental impact	11	Managing food waste
	12	Reducing packaging and waste
	13	Sustainable logistics
6. Regulatory compliance	14	Product labelling and information
	15	Data security and protection
7. Ethics and Good Governance	16	Corporate Governance Best Practices
	17	Preventing fraud and corruption
	18	Information transparency
8. Socioeconomic impact	19	Food donations
	20	Integration in the community
	21	Support for entrepreneurship

(*) ESG: ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Commitments to Sustainable Development Goals

Mercadona is conscious of its ability, as a company, to contribute to the social development of the areas in which it is present. As part of its commitment to creating shared value, since 2011 Mercadona has been a signatory of the Global Compact, an initiative through which the United Nations promotes the different Sustainable Development Goals (SDGs).

For this reason, and within the framework of its sustainable and responsible business model, Mercadona works to address the needs set out by those SDGs on which the impact of its activity is strongest through numerous actions that, as a whole, contribute to the achievement of these objectives.

		Ongoing actions for the SDG	Components impacted:*				
			B	E	Su	So	C
	No poverty Mercadona supports initiatives and associations whose aim is to help reduce poverty among the most disadvantaged groups.	<ul style="list-style-type: none"> Donations to food banks, soup kitchens, and other entities. 					●
	Zero hunger Collaboration with soup kitchens, food banks and other entities promotes food redistribution and facilitates access to healthy food for people at risk of exclusion.	<ul style="list-style-type: none"> Donations to food banks, soup kitchens, and other entities. 					●
	Good health and well-being For Mercadona and its suppliers, the most important thing is always offering maximum food safety, through a wide range of fresh and healthy products, and protecting the well-being of the five components.	<ul style="list-style-type: none"> Quality Management and Food Safety System. Action protocols and measures adopted to face the COVID-19 pandemic. 	●	●			
	Quality education Mercadona regularly supports the skills and knowledge of its employees and is committed to ongoing training.	<ul style="list-style-type: none"> Workforce training and development. Collaboration with educational entities such as EDEM and creation of the Mercadona Circular Economy Chair with the UPF Barcelona School of Management. 				●	●
	Gender equality The company is governed by the principle of equity "equal responsibility, equal pay" and offers the same opportunities for internal promotion to all staff.	<ul style="list-style-type: none"> "Equal responsibility, equal pay". Participation in official campaigns against gender-based violence. 				●	●
	Decent work and economic growth Mercadona's workforce has stable, quality employment with permanent contracts and above average salaries for the sector.	<ul style="list-style-type: none"> Stable and quality jobs with pay above the sector average. Contribution to shared growth in the countries in which Mercadona is present. 				●	● ●

* Components: **B** "The Boss" **E** The Employee **Su** The Supplier **So** Society **C** Capital

	<p>Industry, innovation and infrastructure</p> <p>The company collaborates with manufacturers and suppliers to promote shared and sustainable growth, generating value through the joint development of new products and improvements to products.</p>	<ul style="list-style-type: none"> • Efficient Store Model. • Co-innovation Model. • Supplier Relationship Model, which supports an industrial cluster. 	
	<p>Reduced inequalities</p> <p>Mercadona offers equal conditions and opportunities to all employees, with no discrimination of any kind.</p>	<ul style="list-style-type: none"> • Non-discrimination policy. • Workplace harassment prevention protocol. 	
	<p>Sustainable cities and communities</p> <p>The company is fully committed to environmental protection, the efficient use of natural resources and the Circular Economy.</p>	<ul style="list-style-type: none"> • In-house Environmental Management System to help support the transition to a Circular Economy. • Strategy 6.25: reduction of plastic and waste management. 	
	<p>Responsible consumption and production</p> <p>Both Mercadona and the suppliers that collaborate with it apply best practices and promote responsible production.</p>	<ul style="list-style-type: none"> • SPB sales policy (Always Low Prices). • Commitment to animal welfare with responsible production models in the agri-food chain. • Commitment to reducing waste and food waste. • Strategy 6.25: reduction of plastic and waste management. 	
	<p>Climate action</p> <p>Mercadona has its own Environmental Management System with the aim of making the most of natural resources, optimising its processes and reducing waste and greenhouse gas emissions.</p>	<ul style="list-style-type: none"> • Emissions Reduction and Action Plan and logistics optimisation. • In-house Environmental Management System to help support the transition to a Circular Economy. 	
	<p>Life below water</p> <p>The company works alongside suppliers to ensure their commitment to sustainable fishery products.</p>	<ul style="list-style-type: none"> • Sustainable Fishing Policy. 	
	<p>Life on land</p> <p>Mercadona's Environmental Management System features strategies for reducing and reusing waste to prevent it from ending up in nature.</p>	<ul style="list-style-type: none"> • Strategy 6.25: reduction of plastic and waste management. 	
	<p>Partnerships for the goals</p> <p>Mercadona collaborates closely with different entities and associations to promote compliance with the SDGs.</p>	<ul style="list-style-type: none"> • Partnerships with social and sector-based organisations (AECOC, ASEDAS, CEOE, AVE, Fundación ÉTNOR, etc.) to advance compliance with the SDGs. 	



Sustainable development and prevention of possible risks

For Mercadona, transparency and dialogue are indisputable values that the company defends and promotes across the board. Consequently, it shares its growth and results with employees, suppliers and society through various meetings and channels

such as this Annual Report, the Environmental Report, the press conference on satisfying the Five Components, the internal communication channel Activo2, the website and social networks and the transparency portal.

COMPONENTS	RISKS
1. "THE BOSS" Our main objective is the complete satisfaction of our customers	Food Safety
	Changes in consumption habits
	Data protection
	Digital transformation
2. THE EMPLOYEE Those who satisfy "The Boss" must also be 100% satisfied	Equality and diversity
	Occupational risk prevention
	Work-life balance
	Data protection
3. THE SUPPLIER Totaler Suppliers are the backbone of Mercadona's Sustainable Agri-food Chain	Best business practices
	Data protection
4. SOCIETY The company considers contributing towards the country's sustainable development and social progress to be one of its duties	Sustainable mobility in cities
	Responsible use of resources
	Relationships with local communities
	Environment and climate change
	Data protection
5. CAPITAL The goal is to earn profit as a result of doing things the right way	Legal issues inherent to the different aspects within the business (health, commerce, consumption, industry, employment, finance, environment, etc.)
	Increase in the price of raw materials
	Liquidity

In accordance with its Total Quality Model, Mercadona requires compliance with current legislation and includes any strategy that contributes to ensuring the satisfaction of the company's various stakeholders within its

management. In addition, the Management Committee includes the interests of all stakeholders involved and determines the policies to identify, prevent and manage the risks inherent to the company's activity.

POLICIES AND STRATEGIES	PERFORMANCE 2020
<ul style="list-style-type: none"> • Food safety model 	✓
<ul style="list-style-type: none"> • Efficient Assortment: conclusive quality at an unbeatable price • Healthy food selection • Global Fresh (products) Strategy • Efficient Store Model • Ready-to-Eat 	∞ ∞ ∞ ∞ ∞
<ul style="list-style-type: none"> • Consumer data protection 	✓
<ul style="list-style-type: none"> • Customer Service • Cross-cutting innovation • Mercadona Online 	✓ ✓ ∞
<ul style="list-style-type: none"> • Permanent contracts/salaries above the sector average • Principle of equity: equal responsibility, equal pay • Performance-related bonuses • Equality and diversity plan • Training, transparency (Activo2) and internal promotion 	✓ ✓ ✓ ✓ ✓
<ul style="list-style-type: none"> • Medical service. The Employee should feel secure in terms of healthcare • Occupational risk prevention 	✓ ✓
<ul style="list-style-type: none"> • Work, life and personal balance • Store Organisational Model • 5+2 Work Week • Annual calendar • Social environment 	✓ ✓ ✓ ✓ ✓
<ul style="list-style-type: none"> • Data protection 	✓
<ul style="list-style-type: none"> • Code of Good Commercial Practices • Ethical Conduct Guidelines for Suppliers • Sustainable Agri-food Chain • Generation of industrial infrastructure • Animal Welfare Policy • Sustainable Fishing Policy • Co-innovation with suppliers 	✓ ✓ ∞ ✓ ∞ ✓ ✓
<ul style="list-style-type: none"> • Data protection 	✓
<ul style="list-style-type: none"> • Sustainable Logistics Model 	∞
<ul style="list-style-type: none"> • Environmental Management System • Anti-exclusion programme: food donations 	∞ ✓
<ul style="list-style-type: none"> • Dialogue and transparency • Relationship model with local communities and NGOs • Promoting entrepreneurship • Management to handle neighbourhood suggestions and complaints 	✓ ✓ ✓ ✓
<ul style="list-style-type: none"> • Environmental Management System to improve the sustainability of our activity in the environment and the supply chain • Strategy 6.25: reduction of plastic and waste management 	∞ ∞
<ul style="list-style-type: none"> • Neighbour data protection 	✓
<ul style="list-style-type: none"> • Crime prevention and anti-corruption policies • Staying abreast of legislation and adapting internal processes to comply with legislation 	✓ ✓
<ul style="list-style-type: none"> • Growth and profitability 	✓
<ul style="list-style-type: none"> • Financial risk management policies • Reinvestment and long-term vision • Wealth generation and shared value 	✓ ✓ ✓

The value of innovation

For Mercadona, innovation is an essential value that sets us apart, included in the Total Quality Model with the sole aim of satisfying the five components. Through innovation, we support continuous improvement in processes and products. The company studies customer needs and wishes to offer them, in an agile manner, the best solutions in an increasingly changing context. And Mercadona responds to customers through its cross-cutting innovation and collaborative and open procedures with employees, suppliers and, especially, “The Boss”.

Aware that the more it invests in innovation and the more it innovates the higher the return will be, Mercadona maintains constant collaboration with specialist suppliers to jointly search for new solutions. In 2020, this joint work made it possible to launch 290 new products. Just one example is the range of +Proteínas Hacendado milks and shakes, produced by the Totaler Supplier Lactiber, which has been recognised by the Observatory for Innovation in CPG 2020, promoted by the Institut

Cerdà, as one of the sector’s top innovations over the last year.

Mercadona has continued its commitment to social innovation by reinforcing already established initiatives, such as urban gardens located on the roofs and façades of various stores that, in addition to providing environmental benefits to the surroundings, create jobs for people with intellectual disabilities who are in charge of the construction and maintenance of some of these green areas. This is also the case with the *trencadís* murals that can be found in the seafood section at all of the chain’s supermarkets, which are made by over 1,000 individuals with intellectual disabilities, or the recent implementation of the Strategy 6.25 to reduce plastics and manage waste.

Moreover, the company has continued working on the open innovation project that it decided to launch in 2019. The Lanzadera Corporate initiative, the business accelerator supported by Juan Roig with his personal sponsorship, offers entrepreneurs



Hacendado Tahini sesame spread from Totaler Supplier Laboratorios Almond.

the possibility of carrying out concept tests with the corporations with which they have a collaboration agreement, including Mercadona.

Within the digital transformation process, Mercadona's IT department continued to innovate and promote projects that create significant value for the company. In 2020, Mercadona invested 54 million euros to finalise the migration of the computer programmes to the Data Processing Centre in Villadangos del Páramo (León). The system is equipped with the latest technology, reinforcing both the company's productivity and information security.

All these initiatives, and many more, have enabled Mercadona to strengthen its Innovation Model which, since 2019 and in line with the recent updates of the Oslo Manual of the Organisation for Economic Cooperation and Development (OECD) for the collection and analysis of information relating to innovation, is divided into two categories: product innovation and process innovation.



Facilities inside the Hive in Madrid, Madrid.

PILLARS OF INNOVATION

PRODUCT INNOVATION

- 290 new products and 171 improvements to the assortment, with an 82% success rate.
- 20 co-innovation centres: 19 in Spain and 1 in Portugal.
- 12,500 joint innovation sessions with “The Bosses”.
- 3 selection warehouses: 2 in Spain and 1 in Portugal.

PROCESS INNOVATION

- Avoid overexertion and unnecessary expenses and strengthen productivity.
- New offices at the Jarro Co-innovation Centre (“Jarrods”).
- Opening of the Madrid Hive.
- Digitalisation of range management.
- Construction projects for “BIM” Logistics Centres.

Irmãdona: Mercadona in Portugal

Since Mercadona made the decision to launch its internationalisation project in 2016, which became apparent with the opening of its Co-innovation Centre in Matosinhos in 2017, its first 10 stores and the Póvoa de Varzim Logistics Centre in Portugal in 2019, Irmãdona, which means “Mercadona’s sister”, has not stopped growing. And it has done so with the same philosophy and enthusiasm, with the aim of doing whatever is necessary to satisfy “O Chefe” (“The Boss”).

Thanks to this, the company has doubled its presence in Portugal, expanding like a blooming flower that has resulted in the opening of another 10 stores throughout the year, reaching 20 stores in total at the end of the year. This effort has enabled Mercadona to have supermarkets in four different cities: Porto, Braga, Aveiro and, joining the list, Viana do Castelo.

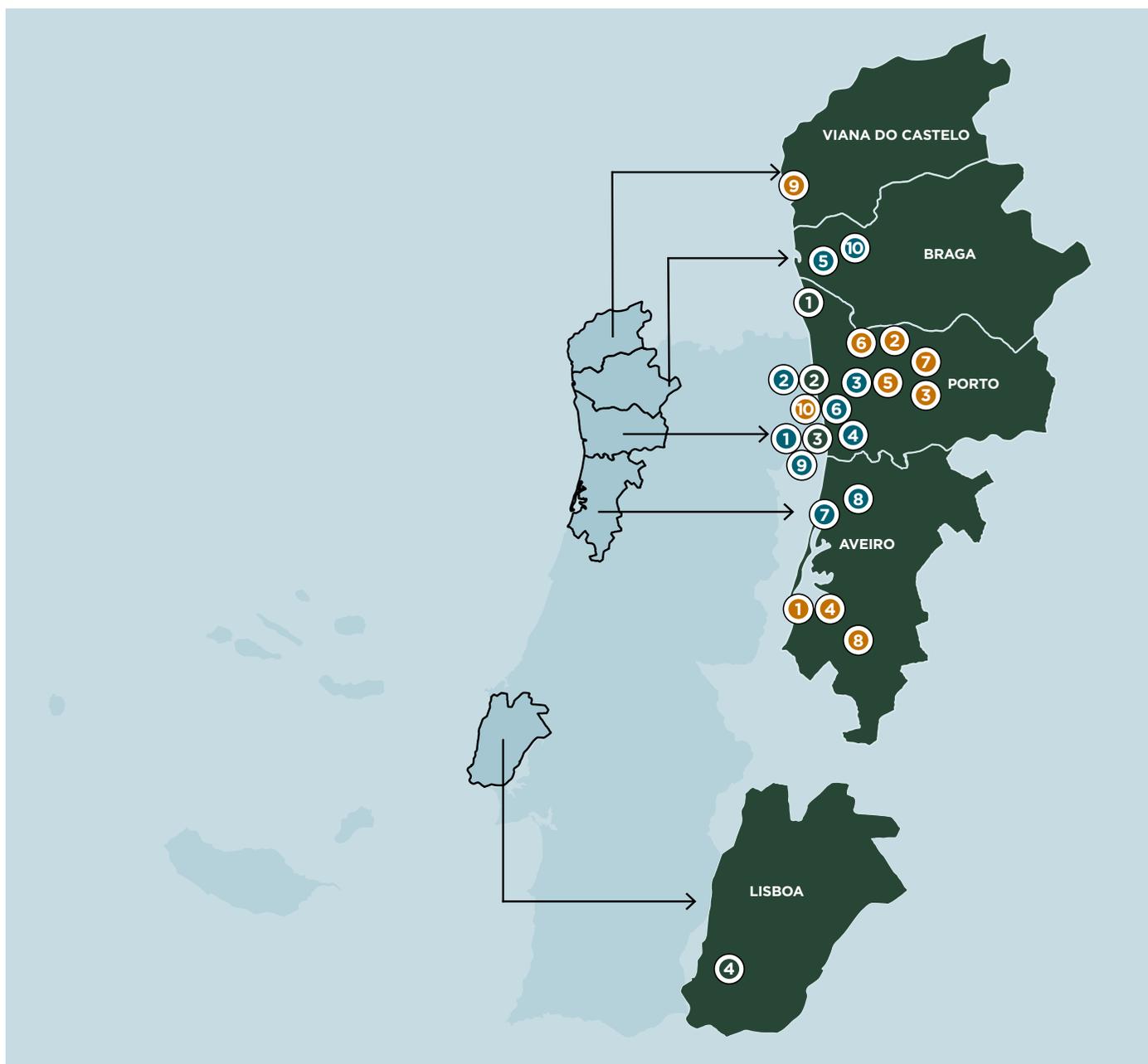
This growth has also been completed with the opening of a new office building that the company has created from scratch, a new concept fully adapted to the needs of the company and the workforce. The project, which involved an investment of 8 million euros, was inaugurated this past June. Located above the store on Avenida Dom João II in Vila Nova de Gaia, its facilities house 150 workers and its infrastructure covers expected needs in terms of growth.

Furthermore, the company continues to apply its model in Portugal, a sustainable model that creates value and contributes to strengthening bonds with the areas in which it is present. Mercadona is doing this not only through revitalising the areas in which it does business, but also through its involvement in the recovery of traditional values, as shown with the opening of its supermarket in Ermesinde last August. In this case, Irmãdona built the supermarket in an old industrial warehouse that was in an advanced state of decay, a building with great historical value in this Portuguese city in the Porto area. Thanks to this initiative, which forms part of the company’s Corporate Social Responsibility policy, Mercadona was able to renovate the façade

of the old Fábrica de Tejidos e Hilado de Sá factory along with its original chimney stack. In addition to all this, a new garden open to the public was built, which is currently enjoyed by neighbours of the store.

All these projects are a clear example of the commitment that Mercadona maintains with Portuguese society. A commitment that began in 2016 and that, since then, has not stopped growing and consolidating in a country, Portugal, which represents a clear opportunity. In Portugal, the company engages in its activity as a Portuguese company with a Total Quality Model of Spanish origin and headquartered in Valencia. Mercadona has made this all happen thanks to an effort clearly reflected in the figures and evidenced by the 113 million euros invested in 2020; constant job creation, which has made it possible to close the year with a workforce of 1,700 people, 800 more than in 2019; and our commitment to the primary sector and the country’s agri-food industry through 369 million euros in purchasing from Portuguese suppliers. The company will continue to expand this project in 2021 with the opening of 9 more supermarkets, showing our ongoing commitment to satisfying the Portuguese “Boss” and creating wealth and sustainable growth in Portugal.





Stores opened in 2019:

- 1 Canidelo (Vila Nova de Gaia, Porto)
- 2 Sousa Aroso (Matosinhos, Porto)
- 3 Vermoim (Maia, Porto)
- 4 Fânzeres (Gondomar, Porto)
- 5 Rua Filipa Borges (Barcelos, Braga)
- 6 Domingos Sequeira (Porto, Porto)
- 7 Ovar (Ovar, Aveiro)
- 8 São João da Madeira (São João da Madeira, Aveiro)
- 9 Av. Dom João II (Vila Nova de Gaia, Porto)
- 10 Lamações (Braga, Braga)

Stores opened in 2020:

- 1 Av. Europa (Aveiro, Aveiro)
- 2 Arco Têxteis (Santo Tirso, Porto)
- 3 Penafiel (Penafiel, Porto)
- 4 Silva Rocha (Aveiro, Aveiro)
- 5 Ermesinde (Valongo, Porto)
- 6 Trofa (Trofa, Porto)
- 7 Paços de Ferreira (Paços de Ferreira, Porto)
- 8 Av. 25 de Abril (Águeda, Aveiro)
- 9 Abelheira (Viana do Castelo, Viana do Castelo)
- 10 Campanhã (Porto, Porto)

Other:

- 1 Póvoa de Varzim Logistics Centre
- 2 Matosinhos Co-Innovation Centre
- 3 Vila Nova de Gaia Offices
- 4 Lisbon Offices

Handling COVID-19

In extraordinary times, exceptional people emerge

On 14 March 2020, a State of Alarm was decreed in Spain due to the impact of COVID-19. In less than 36 hours, Mercadona adapted its 1,600 plus supermarkets to address the situation, with two main objectives: to protect the health and safety of the “Bosses” and employees and to guarantee supply.

This extremely abnormal situation forced us to become even more agile to adapt and take decisions constantly. Between March and August alone, 18 extraordinary in-person Management Committee meetings were held to address the avalanche of changes that had to be put in place.

Thanks to this commitment, the company opened its stores on 16 March fully adapted to the new reality. Mercadona’s employees began their

work day with all protection measures available. They were given preventive material such as masks, gloves, hand sanitizer, protective screens and protective eye glasses; in addition, store employees’ schedules were adapted to limit their exposure to the public and facilitate work-life balance. Crucial work was undertaken to rapidly detect employees who were especially sensitive to the disease, a total of 2,609 people, who were told that they should stay home as protecting their health was of the utmost importance.

To cope with the situation, the in-store workforce was reinforced with new hires, and 1,800 additional logistics hires were made with the aim of guaranteeing supply. The company also worked closely with suppliers to adapt to the new circumstances and be able to address different setbacks, such as



deciding to establish new lines of credit and forgiving payments. At the same time, given the magnitude of the crisis, Mercadona augmented aid to food banks, soup kitchens and other entities, aware that they needed the company's collaboration more than ever. This meant Mercadona made its largest food donations ever, as was appropriate in these extraordinary times: 17,000 tonnes of products were delivered by the end of the year, the equivalent of 283,000 shopping trolleys.

One of the first things that the company clearly confirmed during the pandemic was that communication was more necessary than ever in management. With this in mind, the company regularly listened to employees, which would not have been so effective without the existence of Activo2. This internal tool was also key to being able to convey to everyone the ongoing measures

that were being adopted and, most importantly, for introducing improvements and solutions via employees' suggestions and contributions.

Thanks to this, the company has been able to detect weaknesses, fix errors and enhance its strengths. Mercadona has been able to respond to each situation that arose during the pandemic, always prioritising people's health and safety: the "Bosses" in the supermarkets, each employee in their jobs and suppliers at the access points in the different facilities.

During the initial months of the pandemic, various temporary measures were implemented, while others are still being applied. Overall, more than 100 initiatives were launched that made it possible to keep all facilities safe and operational, involving a total investment of 200 million euros by the end of the year, the result of constant effort and dedication.





Signs and loudspeaker

Informational signs with different prevention measures were placed at supermarket entrances and other Mercadona facilities such as logistics centres, Hives and offices.



Hygiene and prevention for staff

Masks, hand sanitizer, gloves, protective glasses and protective screens at supermarket tills and in warehouse receiving and dispatching areas.



Hygiene and prevention for "The Bosses"

Hand sanitizer, paper towels and gloves at all stores in the chain.



Ongoing listening, communication and learning

Use of the Activo2 application to inform workers about measures, listen to their needs and suggestions and learn alongside them to improve management.



Over
200
million euros



COVID Call Centre

Launch of 3C (COVID Call Centre) to address employee concerns and to follow up on cases and staff who have had close contact with people affected by the disease.



Reactivating the economy

Expansion of reverse factoring lines worth 2,100 million euros and payment forgiveness, in addition to the enabling of equipped spaces for hygiene, food and rest in the logistics centres.



Recognition of effort

A bonus of 20% of their salary was distributed to all employees in March 2020. 43 million euros in total.



Shut down of certain services

Home Delivery Service, Teleshopping, Ready-to-Eat, ham slicing and freshly squeezed orange juice are some examples of activities that were progressively reactivated.



Closures for store renovations and actions

They were shut down with the aim of providing the best service to "The Boss" and ensuring availability and safety.



Ensuring supply

Strengthening of the workforce at stores and logistics centres and personnel support from other areas within the organisation.

Ensuring physical distancing

Markings both inside and outside the stores, including areas to leave shopping trolleys and avoid unnecessary contact; removal and redistribution of items on the sales floor, such as shelves and islands; and hiring external security personnel.



Increased disinfection and cleaning

Around 190,000 disinfections done at supermarkets, logistics centres and Hives at a total cost of 20.5 million euros.



Protection of vulnerable staff

Preventive measures starting in February 2020, facilitating teleworking where possible and clocking in to work in a coordinated manner.



Increased donations

Delivery of 17,000 tonnes of product, an 86% increase over 2019, to Food Banks, Soup Kitchens and other entities in Spain and Portugal.



#ThisdoesNOThavetoSTOP and #EActiVate

Creation of the Thiswillpass initiative, inspired by Mercadona suppliers, which evolved into #ThisdoesNOThavetoSTOP and #EActiVate so the wheels of the economy could continue moving.



Application of 3M

Using a mask, maintaining physical distancing and hand hygiene at all worksites.



Adapted work schedules

Implementation of the 4+3 Schedule at stores for employees to work 4 days a week and rest for 3 days, thus limiting exposure for staff and facilitating work-life balance.

Opening of the Hive in Madrid

In April 2020, the new online shopping service was launched in the province of Madrid to satisfy the needs of the "Bosses".







“The Boss”

Rising to the challenges Mercadona faced in 2020 would not have been possible without trust from “The Boss”. Of the many lessons we have learned during the pandemic, the main one has been that, with the customer as our lighthouse, the company must focus on accelerating the brutal transformation in which it is immersed in order to confidently anticipate expectations and continue to offer excellent service with a top quality Efficient Assortment and food safety at unbeatable prices.

1.1 Pursuing excellence

Throughout 2020, Mercadona was aware of the complexity that the year would entail, and that the best way to offer continuity in the new normal was through an active and constant search for excellence. With this in mind, and with the aim of responding to a changing and increasingly demanding context, the company furthered its commitment to strengthening its management model, based on Total Quality, which has been translated into concrete actions and results that have enabled us to continue growing in a responsible manner.

Efficient supermarkets (Store 8)

To continue solidifying its sustainable growth, Mercadona dedicated significant resources to strengthening its network of supermarkets in 2020. As a result, the year ended with a total of 1,641 stores, 20 in Portugal, after having opened a total of 70 supermarkets, 10 of which were in Portugal, while 65 stores that were not adapted to the current standards demanded by the company closed in Spain.

As part of these efforts, Mercadona invested 388 million euros throughout the year, in addition to the 443 million euros spent on renovation and improvement work done at a total of 152 stores, 298 million euros for the acquisition of new land and sites, not to mention the actions taken at supermarkets and equipping and furnishing the stores opened in 2020. In total, made over 1.1 billion euros in investments, an impetus through which the company has continued to implement its project and introduce effective improvements across its stores.

Within this commitment and dedication to constant improvement and offering the “Bosses” excellent service, the company has continued to work on implementing its Efficient Store Model, called Store 8 internally, which is already present in more than 1,000 supermarkets. This model involves a pioneering design that offers more spacious and comfortable spaces with a better arrangement of the assortment and numerous modern advances in facilities and technologies that, combined, contribute to improving the customer’s shopping experience and optimising the time they spend at the store.

The Store 8 model also represents progress for employees, giving them better equipped internal departments and more modern services, such as collaborative devices and tools that enable information to be shared from any section of the store by connecting the invoicing system with the actual stock. These features are implemented in sustainable facilities that make the most of efficiency, thus reinforcing the commitment to respect and care for the environment that the company has maintained for years.

Within the responsibility of continuing to care for the planet and minimising the impact that its activity has on the environment, Mercadona’s Efficient Store Model offers solutions that allow up to 40% in energy savings compared to a conventional store. To make this a reality, Mercadona is committed to LED lighting and has introduced measures that optimise energy consumption to the greatest extent possible, such as the fitting of doors in the freezer islands

SUSTAINABLE DEVELOPMENT GOALS

9. Industry, innovation and infrastructure

Mercadona dedicates significant resources to adapting its facilities to the needs of the “Bosses”. In 2020, the company continued expanding its Efficient Store Model (Store 8), with over 1,000 supermarkets now featuring these characteristics.



to reduce cold losses, floating condensation in the refrigeration system, automated air conditioning, an overpressure system, reviewing critical points to detect and avoid refrigerant gas leaks, and hallways at entrances to avoid draughts.

With this in mind, Mercadona has launched new sustainable initiatives in its stores throughout the year, such as installing solar panels in 8 of its supermarkets in Spain and Portugal which now have renewable solar power generation on their roofs for self-consumption. The installation of these 1,400 solar panels has led to electricity energy savings of 15% per store over the year. Due to the positive results obtained, the company plans to allocate 3.4 million euros to expand this initiative to 36 stores throughout 2021, which will allow it to reach an accumulated generation of 4,200 kW of solar power installed for self-consumption by the end of said year. The transcritical CO₂ refrigeration facility carried out at 41 supermarkets falls under this same efficient consumption framework, which was an investment of 5 million euros to considerably reduce

greenhouse gas emissions into the atmosphere. The improvements made to the thermal enclosures at different facilities as well as the protection in the door frames of the cold storage rooms to prevent cold leaks due to the imbalances that sometimes caused by bumps from pallet trucks are also worth mentioning.



Interior of the Moyúa supermarket in Bilbao, Bizkaia.

Mercadona Online

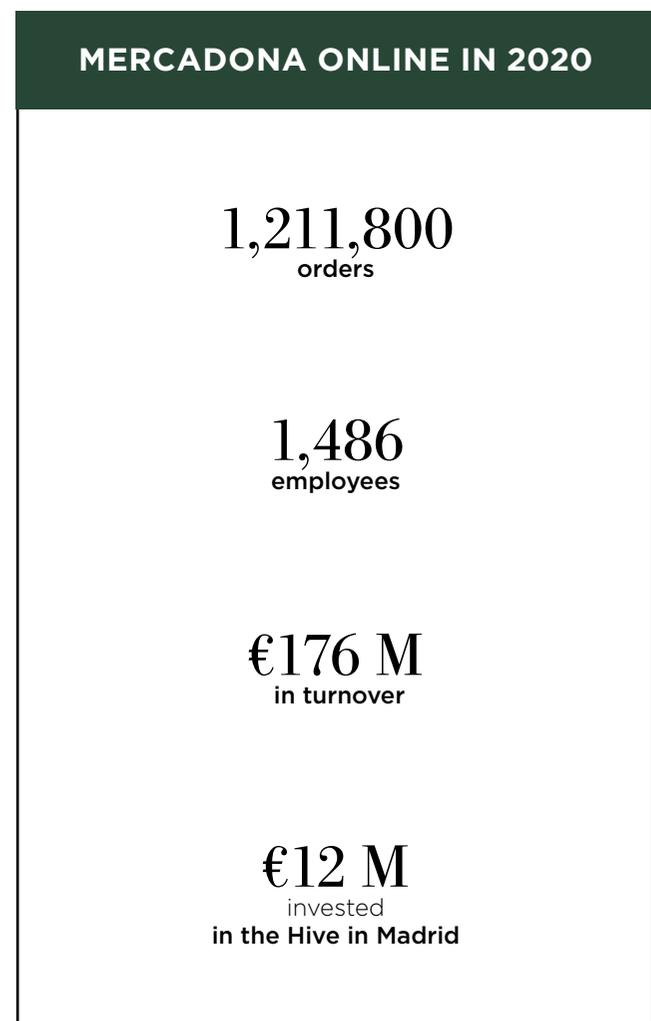
Mercadona, a physical and online supermarket company, has intensified its digital innovation process throughout 2020 to stay abreast of customer needs. To do this, it has continued working on the development of its online shopping service which began in 2018. In 2020, Mercadona has reached sales of 176 million euros through this channel in which the "Bosses" placed over 1.2 million orders during the year.

To achieve these figures, the company strengthened its network of Hives, the warehouses that it uses exclusively to manage and prepare online orders. As a concrete example, Mercadona launched its new Madrid Hive in April 2020, right in the middle of the lockdown. This new online distribution centre has required an investment of 12 million euros and spans 15,000 square metres, of which 3,800 metres are meant for fresh products, including a cold storage room for refrigerated and frozen products. Orders in this area are prepared on the perimeter, thus eliminating overexertion and keeping employees from being within the room.

The Madrid Hive, where over 500 people currently work, covers a total of 37 postal codes in the province of Madrid. This made it possible to reach 319,000 orders between April and December 2020.

In addition, this Hive features items that contribute to considerably reducing energy consumption, such as solar panels and specialised insulation for the cold storage area. Also, the level of loading docks has been shortened so delivery vehicles that are used in the city centre, which are smaller than those used in regular deliveries, can be easily loaded to facilitate last-mile delivery.

This Hive for handling and preparing online orders joins the ones already present for the company in Valencia and Barcelona, in which a 1,486 team members work, including the 123 IT employees that work in the Mercadona Tech offices in Valencia.





Mario and Coral, employees at the Madrid Hive.

Ready-to-Eat

Mercadona launched its new Ready-to-Eat section in August 2018. Since then, the company has continued to develop this space at its stores to offer quality and varied ready-made dishes so the "Bosses" can maintain a complete and balanced diet. Thanks to this, the company had a total of 650 Ready-to-Eat sections at stores by the end of 2020, including its 20 supermarkets in Portugal where the project is known as *Pronto a Comer*.

This effort, which involved practically doubling the number of supermarkets with the Ready-to-Eat section in just one year, holds special relevance considering the context in which it took place. In fact, in March 2020, and as a preventive measure against COVID-19, Mercadona made the decision to interrupt the operation of this section, which was present in 350 stores at the time. This decision was reversed two months later and the service was gradually reactivated, in addition to continuing to

be implemented in other supermarkets that did not yet feature it.

During this entire time, Mercadona continued working to introduce various improvements in the section: from including a selection of roasted meats in the *Hot Deli* in all stores to offering the use of a microwave at 500 stores so "The Boss" could heat up any dish or from the introduction of a specific and more complete Christmas assortment in 600 supermarkets to the introduction of trays of appetisers and stuffed chicken or pork. Mercadona also adapted to the tastes of Portuguese customers, who were able to enjoy the typical *leitão* during the holidays.

The Ready-to-Eat team has continued to be dedicated to innovation and constant progress. The team has made quality improvements, such as with omelettes, and has lowered prices for pasta and stews through larger portion sizes.



Silvia, employee in the Ready-to-Eat section at the Avenida Adolfo Suárez supermarket in Dos Hermanas, Sevilla.

Moreover, the Ready-to-Eat offer has continued to be expanded, thanks to the “Bosses” through co-innovation leading the launch of fish dishes (sea bream, salmon and cod) and typical recipes from the different regions. This has led to the introduction of pasta with tomato sauce and chorizo in Spain; and in Portugal’s *Pronto a Comer*, the “Bosses” now have the option to choose new dishes such as *Creme de legumes*, *Creme de espinafres* and *Salada de bacalhau com grão de bico*. We have also encouraged exchanging recipes between the countries, which has resulted in the arrival of Portuguese *Frango* in Spain or the introduction of Spanish Potato Salad and Paella in the offering in Portugal.

At the same time, Mercadona has made progress in the shopping experience, with an ordering method that has streamlined the process and always guarantees service, as has been proven throughout the year, both for the Christmas Season offerings and for the rest of the assortment. The development

of this IT improvement involved an investment of 300,000 euros.

This section continues to promote sustainability and the principles of the Circular Economy through the use of environmentally friendly packaging, made with cardboard and cellulose pulp extracted from sugar cane; the placement of recycling bins for plastic, cardboard, organic and general waste in the areas set up in several supermarkets of the chain where customers can place them, and offering reusable cutlery in the Ready-to-Eat areas.

in little more than two years, and despite the shutdown caused by COVID-19, Ready-to-Eat has been a project that continues to become stronger at Mercadona. And it is doing so through quality and help from the “Bosses”, who enrich the assortment with new, balanced and healthy dishes that respond to their needs through co-innovation. By the end of 2020, Mercadona has invested 170 million euros in this project.



Liliana, employee at the Abelheira supermarket in Viana do Castelo.



Customer Service

For Mercadona, communication is essential in carrying out its activity, which is why the company maintains an attitude of dialogue and transparency with the “Bosses”, who are informed about issues that the company considers of interest. To do this, Mercadona offers free Customer Service (SAC), both in Spain and Portugal, in which 91 people work (81 in Spain and 10 in Portugal). The team is committed and highly coordinated, striving every day to provide the best customer service to customers.

In a year like 2020, when the arrival of COVID-19 has only increased the demand for information, the individuals on Mercadona’s SAC team have understood how to handle the situation and address every query received. Once the Mercadona Customer Service team receives a request, it is transmitted to the managers involved, who then study requests individually to uncover the best solution for “The Boss”. In this way, the team handled a total of 270,775 queries (260,000 in Spain and 10,775 in Portugal) throughout the year.

Mercadona also has profiles on various social networks, specifically Facebook, Twitter, Instagram, YouTube and LinkedIn. By the end of 2020, the company had held a total of 394,500 conversations with customers through these channels, 352,000 in Spain and 42,500 in Portugal to be specific, highlighting the trend in growth of dialogue with customers through these channels.

This work, which is the result of communication, has made it possible to detect points for improvement and to consolidate Mercadona’s Customer Service as one of its main tools to reinforce satisfaction for “The Boss”. In addition, the company has carried out significant technical improvements throughout the year, making it possible to streamline responses on social networks and monitor their content to find out what information was most in demand and what the main questions were. One example of this has been the decision to implement the virtual assistant service via WhatsApp, called Carol,

a channel through which personal queries have been addressed 24 hours a day, 7 days a week.

CUSTOMER SERVICE CHANNELS IN SPAIN



www.mercadona.es
www.facebook.com/mercadona
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CUSTOMER SERVICE CHANNELS IN PORTUGAL



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Co-innovation with "The Boss"

For Mercadona, satisfying "The Boss" is the fundamental key to its activity and customers are always placed it at the centre of the company's decisions. With this in mind, Mercadona has a pioneering Co-innovation Model which it has carried out since 2011 through its Apron Strategy: sharing experiences and habits with customers to later transmit them to suppliers and promote direct collaboration to develop the best products.

The company dedicated 1 million euros to this project in 2020, which features a network of 20 co-innovation centres in Spain and Portugal, after inaugurating a new one in Bétera (Valencia) where the facilities are used for joint innovation on meat products. At the centres, 150 specialists have held a total of 12,500 sessions with the "Bosses", not to mention the online work done with customers considering the new circumstances caused by COVID-19.

As just a few examples, these sessions have led to the introduction of innovations such as the 70% Alcohol Cleaning Spray, a product from the Totaler Supplier Francisco Aragón, which has been a pleasant surprise for the "Bosses" as it is suitable for disinfecting any type of object or material; and the Mango flavoured Cider, manufactured by the Totaler Supplier Font Salem, which was brought about thanks to a Portuguese "Boss" who demanded a different and more refreshing option for this drink.



Francisco and Aurora, "Boss" and employee at the Cream and Milk Co-innovation Centre in Córdoba.

1.2 Guaranteeing safety and supply

In a year as complex as 2020, marked by the impact of COVID-19, Mercadona has focused its efforts mainly on a twofold objective: to reinforce safety in facilities through preventive measures to guarantee the health of customers and employees; and to ensure the supply at each of the chain's supermarkets day in and day out.

Since last March, Mercadona has worked to incorporate solutions at stores to strengthen safety throughout the entire product chain, such as offering various disinfection points both at street level entrances and within parking garages or the protective screens installed at checkout lines.

Furthermore, to make spaces more open, thus facilitating physical distancing to the greatest extent possible, certain changes have been made such as moving the scales in the fruits and vegetables section to include them in the tills, or removing tables and chairs in entrances.

In addition, the company has hand sanitizer, gloves and paper towels for the "Bosses" and employees at all of its sites; it has marked physical distancing limits with tape; and it has enabled specifically designated parking areas for shopping trolleys while customers browse products to avoid possible contacts between customers. And, despite the fact that the European Food Safety Authority (EFSA) confirmed that "food is not a transmission route of COVID-19", Mercadona, during a year focused on increased safety for all "Bosses", has voluntarily conducted over 1,400 analyses on products and surfaces, corroborating the EFSA's conclusions thanks to these efforts.

Moreover, through collaboration with approved vector control suppliers, continuous disinfection has been carried out across all stores, Hives and logistics centres.

Within this novel context, the company has been able to adapt to customers' new needs due to COVID-19, which has led to a change in the definition of its assortment, such as offering hygienic face masks for adults and children at all its stores, and other products, such as the range of 70% alcohol disinfectants for the home and alcohol-based lotions and gels for hand cleaning.





1.3 Conclusive Quality

In 1993, Mercadona launched the SPB (Always Low Prices) strategy after observing and verifying that the products that sold the most had conclusive quality at an unbeatable price, always in that order, and their prices were not regularly changed. Throughout all these years, the company has not let up on its commitment to quality, which is one of the main challenges that all the chain's departments face on a daily basis and whose impetus represents a clear opportunity to continue offering "The Boss" distinctive products, each and every one.

All this is done through a strategy that encourages conscious and critical consumption guided by social and environmental criteria and which pursues a clear objective: to ensure consumption of the highest quality products with the least possible

impact, thus helping to improve the quality of life of the people who inhabit our planet and for future generations.

Ensuring food safety at all times

One of Mercadona's main responsibilities is offering its "Bosses" a completely safe assortment of products. Aware of the importance of food safety, Mercadona dedicates significant efforts and resources to this imperative year in and year out, which is shared by and in which all suppliers are equally involved, guaranteeing that everything is cross-checked product by product, even during the pandemic.

To do this, Mercadona has been committed for years to exhaustively monitoring every single



Honey-flavoured chamomile tea from the Totaler Supplier Martínez y Cantó.

process in the supply chain, from the source to the end consumer. The company does this through its internal Quality Management and Food Safety System, and in collaboration with all suppliers, with whom Mercadona also conducts drills to detect possible points for improvement to increase its levels of food safety. Thanks to this ongoing collaboration, in which various governmental entities also participate, Mercadona reinforces the skills of the people who participate in these simulated scenarios, enabling them to face possible future contingencies with greater assurance and offering solutions with greater agility and efficiency.

The company’s definition establishes that any product in its assortment must necessarily guarantee, and in this order: food safety, quality, care, an Efficient Assortment and the lowest price. With this in mind, Mercadona has food safety guidelines at Totaler Suppliers, the objective of which is to assess and verify food safety levels in an agile and continuous manner.

Certain of the importance that food safety has for both its activity and society, the company has had a Scientific Advisory Committee for 17 years. This independent panel of renowned professionals provides technical support to always guarantee the food safety and quality, in this order, of all its products. The extremely positive work that it has carried out over all these years has led the company to replicate this initiative in Portugal, where a counterpart Scientific Advisory Committee was created in 2020 that works to defend consumer health and safety, in this case in Portugal. Composed of six doctors who are experts in different fields, the members of this new committee, together with those who are part of the Spanish committee and the internal team of specialist scientists, carry out crucial work to validate Mercadona’s internal processes, strengthening and accelerating the company’s accomplishments in food safety.



Gluten and lactose free assortment

As just one example of the responsible commitment that Mercadona maintains with “Bosses” who suffer from food intolerances or allergies, the company continued to expand its assortment of gluten-free products in 2020. Collaboration with clients who cannot consume this type of protein, specialist suppliers and different leading entities in Spain and Portugal has been key to closing the year with more than 1,300 gluten-free products.



Within this framework, the company has continued to work closely with different leading entities in Spain, such as the Federation of Celiac Associations of Spain (FACE) and its regional associations, Coeliacs of Catalonia (SMAP), the Lactose Intolerant Association of Spain (ADILAC), the Coeliac and Gluten Sensitive Association (ACSG) and the Spanish Association of People with Food and Latex Allergies (AEPNAA); as well as with its counterpart in Portugal, the Portuguese Coeliac

Association (APC), with which the company signed a collaboration agreement in May 2020 with the aim of promoting actions aimed at people with coeliac disease or gluten sensitivity.

Efficient Assortment and transparent labelling

Mercadona has a “live” assortment featuring around 8,000 products that cover all the needs of its “Bosses” for food, housekeeping, personal hygiene and pet care. The company’s Efficient Assortment efforts are dedicated to guaranteeing food safety and conclusive quality at an unbeatable price, which contributes to reducing waste and encouraging responsible consumption.

Within the objective of achieving this, Mercadona has continued to promote its Global Fresh (products) strategy through which it offers customers a distinctive and fresh assortment with the highest possible quality and care. The company has dedicated 516 million euros in investment to incorporate this sales model that includes all improvements in fresh products to nearly the entire chain, now reaching 1,563 stores counting the 20 in Portugal.



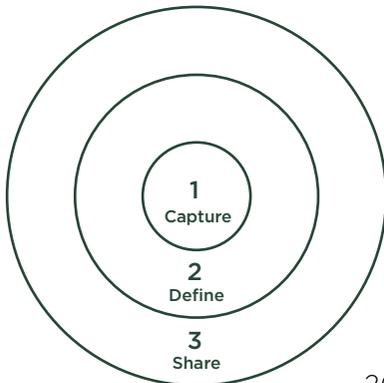
SUSTAINABLE DEVELOPMENT GOALS

3. Good health and well-being

With the objective of always offering maximum food safety, Mercadona has cross-cutting teams in Spain and Portugal get training on, study and prevent possible risks.

12. Responsible consumption and production

Mercadona implements commercial policies, such as SPB (Always Low Prices) or the Efficient Assortment, through which it encourages “Bosses” to shop and consume responsibly.



To define the Efficient Assortment, Mercadona has relied on collaboration with its "Bosses" and Totaler Suppliers. With the "Bosses", this has been done through work sessions held at the 20 co-innovation centres

the company has between Spain and Portugal. With suppliers, it has been done through constant and close work, the result of which is translated into active and concrete solutions that regularly anticipate customers' needs. This process begins in the first phase of compiling the requirements of "The Boss", and continues with the definition and development of the product with the inputs gathered from "The Boss", and ends with sharing, or rolling the product out to customers.

The continuous search for quality and distinctiveness did not let up in 2020 despite the difficulties of the context. By doing this, Mercadona

has continued to support, to strengthen quality and distinctiveness to the greatest extent possible, managing the assortment product by product. Thanks to this, the company has strengthened specialisation and, as a result, it can feature an assortment adapted to real needs: an Efficient Assortment made up of products with an emphasis on quality and safety, yet also making the most complete offer.

Likewise, the company is aware of the importance of the information it provides its "Bosses" to help them maintain an active role in caring for their health. To do so, the company has transparently identified its Mercadona brands - Hacendado, Bosque Verde, Deliplus and Compy, among others - and its suppliers who make them.

In this way, consumers have all the necessary, factual information they need to freely choose the food they want to include in their diets. All this is possible thanks to a relationship with ongoing communication and our very own method that is committed to the principles of identification and information.

MERCADONA BRANDS

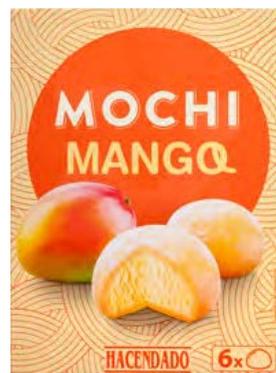
Since 1996, Hacendado, Bosque Verde, Deliplus and Compy are, among others, brands developed by Mercadona that are clearly identified and labelled.

HACENDADO

deliplus

BOSQUE VERDE

Compy



Commitment to a healthy assortment

Mercadona is conscious of the importance of nutrition in society and of the role that, considering its activity, it must play in order to create an assortment that can ensure its customers have a healthy diet. The company has spent several decades working closely with suppliers, with the "Bosses" and with different organisations and entities to search for an assortment with better features. With this commitment, Mercadona offers healthy alternatives that, while guaranteeing safety and quality, are also adapted to new needs and are perfect for maintaining a balanced diet.

In 2020, the company focused its efforts on promoting natural ingredients, such as the different types of turkey cold cuts offered in the delicatessen section, made entirely with turkey meat; reducing fat, added sugars, salt and other additives in its products, such as the Mozzarella Light, made with 30% less fat compared to the original recipe; and adapting to new trends, such as offering products that are suitable for vegans.

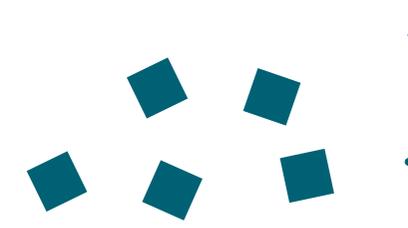
In this area, Mercadona also maintains a solid commitment to promoting healthy food and habits through collaboration with the National Strategy on Nutrition, Physical Activity and Obesity Prevention (NAOS). In 2020, the company recrafted over 400 products to achieve the objectives set by the NAOS Strategy. In addition, Mercadona signed on to the Advertising Self-Regulation Code (PAOS code) and has also collaborated since 2018 in the Plan to improve food and beverages, drafted by the Spanish Agency for Food Safety and Nutrition, whose objective is to combat obesity, excess weight and improve nutritional quality by reducing salt, sugar and saturated fat quantities.

Any improvement the company makes is always done with the greatest scientific rigour. To do this, Mercadona and the Totaler Suppliers rely on collaboration with highly specialised, recognised and prestigious experts in the field of nutrition. Their work makes it possible to introduce the new items to the assortment, always at the most competitive price possible.

Turkey cold cuts made entirely with turkey meat and present in the delicatessen section at the chain's 1,641 stores



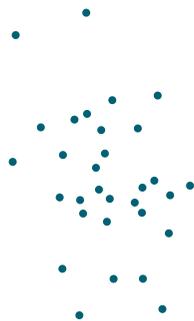
Hacendado sliced turkey chorizo from Totaler Supplier Embutidos Monter.



Focused on reducing fat, added sugars, salt and other additives in products

New **99%** chocolate bar without added sugar

30% less fat in the Mozzarella Light



Variety of products that are suitable for vegans



Natural plant-based desserts that are also sugar free

New **Oats and Coffee** drink available in the refrigerated sections at all stores



Hacendado 99% black cocoa chocolate bar from Totaler Supplier Imperial.



Hacendado natural soy dessert from Totaler Supplier Triballat Noyal.





The Employee

In a year as atypical as 2020 was, Mercadona confirmed once again that it has an exceptional workforce that was capable of making decisions every day by facing their fears through effort, courage and bravery. Because in extraordinary times, exceptional people emerge; and the company's workforce, made up of 95,000 employees, has worked together, excelled and been an example for society.

2.1 A workforce with exceptional individuals

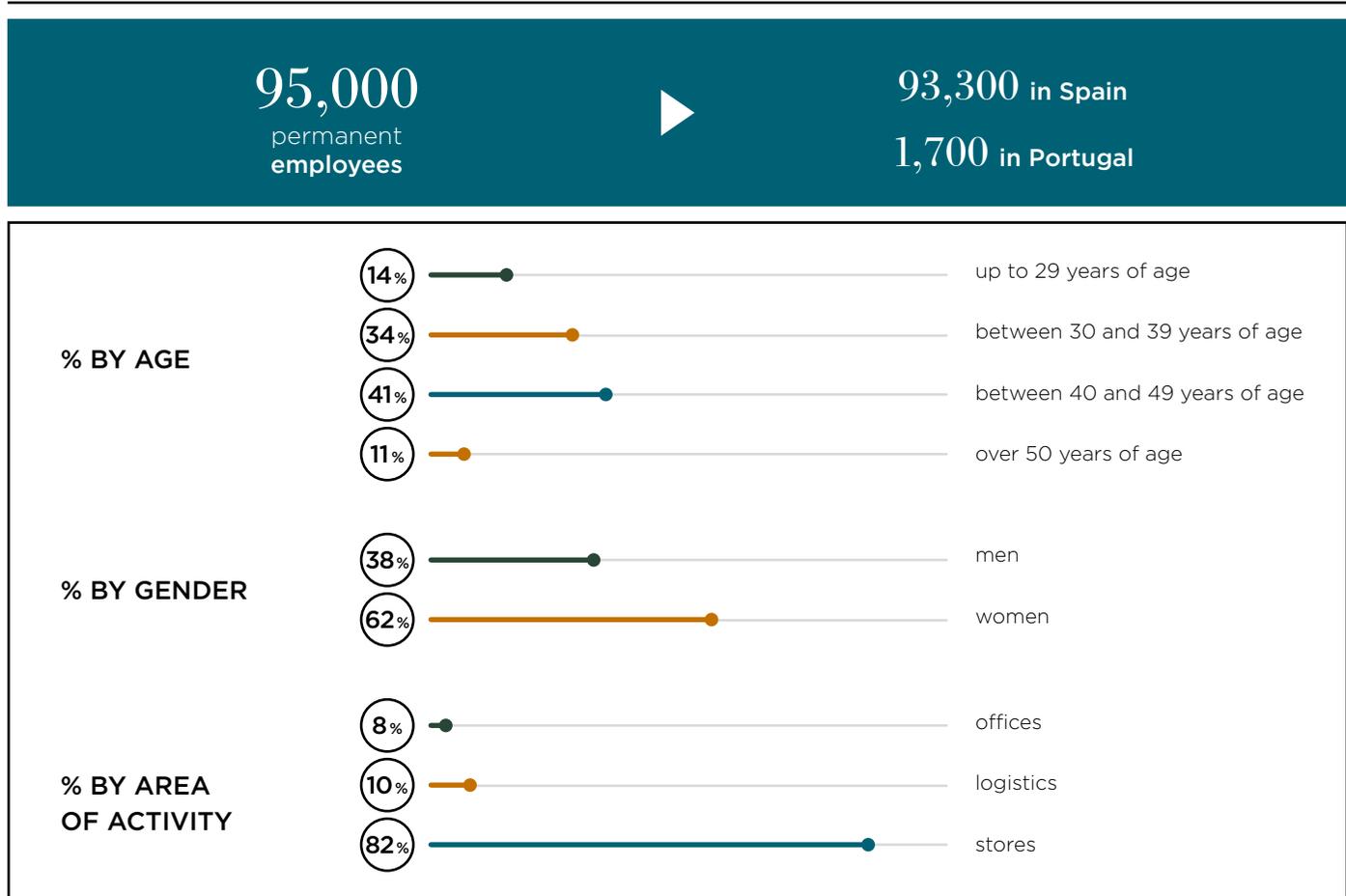
One of Mercadona's main levers for growth is its human resources: an exceptional workforce that, in extraordinary situations, such what was caused by COVID-19, knows how to work as a team and make courageous decisions to take on challenges that are present.

This ability to adapt and face new realities was key in 2020. The team effort by all Mercadona employees not only made it possible to guarantee the company's operation during these complex times, but they also did so day after day through excellence in service. All this was done with the aim of offering solutions to "The Boss", even during such challenging situations, which allowed Mercadona to continue solidifying its sustainable development at the same time.

Staff indicators

To continue carrying out the brutal transformation in which Mercadona is immersed, the company relies on the talent, perseverance and effort of 95,000 highly committed individuals. Their work is recognised and appreciated through a human resources policy based on providing stable and quality employment, with salaries above the industry average, as well as providing specific and ongoing training. Furthermore, Mercadona is committed to equal opportunities among all members of its workforce. Employees are given the opportunity to have a successful professional career and grow on a personal and professional level at the same pace as the constantly changing and evolving company itself.

STAFF DISTRIBUTION



Creation of stable and quality jobs

To ensure the development and growth of its business project, Mercadona has always placed its trust in people and in the skills and effort of the employees who form part of its project. In 2020, a year in which COVID-19 multiplied demands exponentially, the company has once again reinforced this commitment by incorporating 5,000 more people to its workforce, reaching 95,000 at the end of the year. Out of this total, 93,300 form part of the workforce in Spain, where 4,200 new workers were hired, while the remaining 1,700 are part of the team in Portugal, which employed 800 people in 2020.

From the very first day, and just like the rest of the staff, all new hires are guaranteed a stable and quality job with a salary above the sector average and in a work environment that encourages permanent employment and work-life balance. Mercadona believes in each person's ability and promotes training and the creation of opportunities.

To do this, everyone who joins Mercadona's staff begins with a general and specific onboarding plan right from the start. This plan outlines the

characteristics of the Mercadona Model. This business project is committed to shared growth and the company's business directly impacts economic and social progress in the areas where Mercadona is present.

Furthermore, and as a company immersed in a digital transformation process, Mercadona has continued to promote the hiring of talent in the IT department, currently home to over 850 employees. In 2020, the company brought on 126 people through internal promotion and new hires, in addition to the 200 employees who started working in this area in the previous year.

Thanks to this Model, based on the universal truth that "to be able to receive, we first must give", Mercadona has once again solidified a highly-performing workforce in 2020: 95,000 exceptional individuals who made the most of their skills and personal development abilities to satisfy "The Boss". The company's highly competitive team, through leadership and specialisation, works cohesively to offer the 5.5 million families who place their trust in Mercadona excellent service and the best possible shopping experience.

SUSTAINABLE DEVELOPMENT GOALS

4. Quality education

Mercadona has an extensive and well-developed training plan for all employees starting as soon as they join the company, as well as collaborations with entities such as EDEM, which supports their personal and professional growth.

8. Decent work and economic growth

Mercadona's staff is made up of 95,000 individuals, 93,300 in Spain and 1,700 in Portugal. Our team is committed and cohesive, with permanent contracts and salaries above the sector average.



TABLE OF EMPLOYEE SALARIES IN 12 MONTHLY PAYMENTS PER YEAR

Spain				
Seniority	<1 year	2 years	3 years	>4 years
Gross/month	€1,338*	€1,470	€1,631	€1,811*
Net/month	€1,198	€1,265	€1,360	€1,488
	▼			▼
	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>≈ 21% ↑ the Official Minimum Wage</p> </div>		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>≈ 63% ↑ the Official Minimum Wage</p> </div>	
In force 01/01/2021				
* The minimum wage at Mercadona Spain is approximately 21% higher than the Spanish Official Minimum Wage (1,108 euros gross/month), with the last bracket, over 4 years employed, 63% higher (extra payments included).				

Portugal					
Seniority	bracket 1	bracket 2	bracket 3	bracket 4	bracket 5
Gross/month	€907*	€ 1,007	€ 1,118	€ 1,241	€1,377*
Net/month	€761	€823	€900	€986	€1,055
	▼				▼
	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>≈ 17% ↑ the National Minimum Wage</p> </div>			<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>≈ 78% ↑ the National Minimum Wage</p> </div>	
In force 01/01/2021					
* The minimum wage at Mercadona Portugal is approximately 17% higher than the National Minimum Wage (775 euros gross/month), with the last bracket 78% higher (extra payments included).					

Performance-related bonuses must be added to the gross annual salary which is one monthly payment starting from the first year of employment up to the 5th bracket, and two monthly payments starting from the second year in the 5th bracket. In 2020, the recognition of effort bonus was also added to this for handling COVID-19, shared with the entire staff in March.



Araceli, employee at the El Pinillo II supermarket in Torremolinos, Málaga

Equality and diversity

Equality and respect for diversity are cross-cutting values for Mercadona, which are integrated into its Management Model. Consequently, Mercadona maintains a corporate neutrality policy both in Spain and in Portugal that neither tolerates nor allows any type of discrimination, whether based on gender, sexual orientation, marital status, disability, age, race, political and/or religious beliefs, union affiliation or anything else.

The company has an Equality Plan, which is based on the commitment of the company's Management Committee and employee representatives to implement labour relations that promote and guarantee respect for equality and diversity. The current plan is valid for five years (2019-2023) and is the third signed agreement that, with the same enthusiasm as the first one that was signed in 2009, seeks to continue advancing equal treatment and opportunities between women and men, continue considering gender perspectives in the company's management, ensure the right to personal, family and work balance, promote shared responsibility between women and men in the company and guarantee pay equity.

This ongoing commitment is clearly reflected in the data, shown by the fact that women represent 62% of the company's workforce. Moreover, 348 female employees were promoted in 2020, and there are a total of 1,955 women in managerial positions, making 45% of the total.

The company has also been a signatory to the National Pact against Gender Violence since 2013 and belongs to the group Companies for a Society Free from Gender-Based Violence. Mercadona takes advantage of all collaboration opportunities that contribute to reinforcing the defence of equality and diversity within its organisation. Just one example of this is the partnership agreement in place since 2019 with the Fundación ONCE, through which both entities are dedicated to working together to improve workplace inclusion for people with different levels of disability. Another example is the awareness campaign that the company launched for International Day for the Elimination



SUSTAINABLE DEVELOPMENT GOALS

5. Gender equality

Gender equality is a cornerstone at Mercadona, the reason why it has a transparent and egalitarian wage policy based on the principle of "equal responsibility, equal pay".

10. Reduced inequalities

Mercadona is committed to a non-discrimination policy that prevents inequalities based on gender, sexual orientation, marital status, disability, age, race, political and/or religious beliefs, union membership or any other basis.

17. Partnerships for the goals

The company continues to add alliances every year to achieve its objectives, among which the signing of the Pact Against Violence in Portugal stands out.

of Violence Against Women on 25 November, with relevant internal and external outreach both in Spain and in Portugal. The signing of the Pact Against Violence in Portugal is also worth noting as formalises Irmãdona's commitment in this area with the Secretary of State for Citizenship and Equality and with the Commission for Citizenship and Gender Equality.

The company's diversity management has been recognised internationally through the ranking of leading companies in diversity management, part of the *Financial Times Diversity Leaders 2021* report. Mercadona ranked 39th out of 85 in the wholesale trade group, and 407th in the overall ranking. This recognition for managing of equality and diversity was earned by the company whose team includes employees from over 57 different nationalities, with different beliefs and ages; and various employees

with different levels of disability. Mercadona also collaborates with numerous special employment centres in this area.



Guillermo and Naiara, employees at the Zuazo supermarket in Galdakao, Bizkaia.

The power of listening

One of the main lessons Mercadona learned in 2020 has been the importance of listening to its employees and fostering a culture in which people are part of its history and are involved in its development. In order to take on this challenge, the Activo2 tool took on a special role throughout the year. This mobile application for internal use has allowed Mercadona and Irmadona workers to not only stay informed of every new development, but also to get involved and participate.

Activo2, which was launched in February 2019, became even more robust during this past year as a key communication and learning platform, in which 1,500 daily work examples and experiences have been shared and 253 publications have been made both on the evolution of the company and

on new methods to adapt the company's business to the situation caused by COVID-19, reaching a total of 16.2 million views. Activo2 is an invaluable communication tool for Mercadona as employees' comments and opinions have been key to developing numerous health and safety measures to address the pandemic and, above all, to continue overcoming challenges together. The 95,000 plus views reached on content related to the pandemic is clear evidence of its usefulness.

The year gave clear proof that the ability to work in a team, active listening and constant commitment are key in managing and responding to the needs of "The Boss". In this area, Mercadona's employees have been essential.



Recognised effort

Mercadona has a highly-performing human resources team that combines its commitment, effort, collaboration, enthusiasm, capacity and leadership to work together. To retain all this talent, as well as to continue motivating the entire workforce and promoting their efficiency, the company offers employees highly competitive working conditions, both in terms of wages and in work-life balance or professional development.

In the area of remuneration, Mercadona offers salaries that are above the sector average and well above the Official Minimum Wage. In addition, the company rewards the commitment and daily effort of employees through its own variable remuneration policy, which is based on the principle of equity.

In 2020, a year with an extraordinary situation in which the entire Mercadona workforce amply showed its ability to respond, the company has for yet another financial year shared profit earned throughout these twelve months with all employees who have been employed with the company for over a year and whose dedication made it possible for them to meet the personal objectives specifically agreed for their position. Specifically, a total of 366 million euros was distributed among the 99% of employees who have reached these goals. The 43 million euros that Mercadona distributed to its entire workforce in March in recognition of the effort made to continue offering excellent service to "The Boss" during the pandemic must also be added to this amount. A total of 409 million euros shared with employees.



2.2 Safe work environments

Contributing to employee health and safety is an ongoing and essential objective for Mercadona, which it takes on as a priority responsibility. This commitment only grew stronger in 2020 due to the COVID-19 pandemic, and has led the company to focus even more on ensuring health and safety for its workforce. To do this, and conscious that health and economy are important, although health comes first, Mercadona's medical and prevention service team has done enormous work throughout the year which has resulted in numerous initiatives, many of which are still in operation, with a global investment of 77.4 million euros including the new anti-COVID-19 measures.

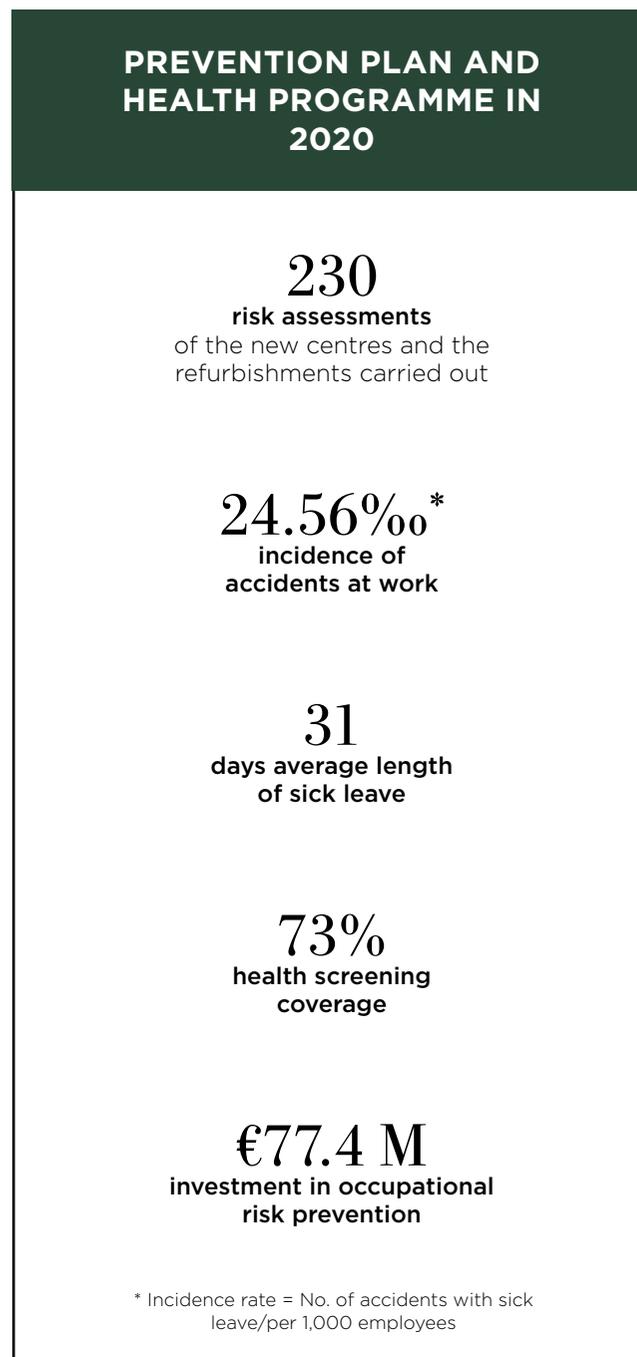
Prevention Plan

Mercadona has an in-house Prevention Plan and Health Programme that is dedicated to ongoing training. Through this plan, the company encourages and maintains the highest level of health and safety at work and provides the appropriate conditions for preventing occupational accidents and diseases from occurring.

To do this work, Mercadona relies on a medical and prevention service made up of 199 professionals and counts on the support and involvement of 9 mutual insurance companies that collaborate with Social Security (Asepeyo, Fremap, Ibermutuamur, MAC, MAZ, Montañesa, Mutua Balear, Mutua Navarra and Umivale). In addition, the company collaborates with the third-party prevention services of Cualtis, Preving, Previs and Quirón Prevención, which have supported Mercadona in the field of health monitoring, training, establishing criteria and developing new processes throughout the year.

Thanks to the help of all these teams of specialists, in addition to the teams at the suppliers themselves, Mercadona has continued to review each job and production process. As a result, the company has

established and developed new criteria that support employees' health, both in general and to combat the spread of COVID-19 in concrete.





Raquel and José Francisco, employees at the Logistics Centre in San Isidro, Alicante.

Measures against COVID-19

Mercadona has dedicated significant resources to guaranteeing employee health and safety, always following instructions from the Ministry of Health. The entire workforce has been provided hygiene and prevention items at every workstation, such as disinfectant gel, paper towels, gloves, masks, eye protection glasses and perspex screens for protection and separation in checkout lines at the supermarkets and at the receiving areas at the logistics centres. The daily disinfection and cleaning processes at each store, logistics centre and Hive have also been reinforced and expanded, a task that is carried out by specialised external companies.

Moreover, and conscious of how important it is to transmit information properly and the need to acquire information regarding something as new

and unknown as COVID-19, the company decided to create the 3C (COVID Call Centre), an additional telephone service that provides healthcare assistance 24 hours a day to the entire workforce, both in Spain and in Portugal.

Through this service, calls related to COVID-19 have been filtered and directed to the corresponding medical service, while cases and workers who have been in close contact with sick people have been monitored, all in constant communication with the relevant healthcare authorities. Made up of 61 staff members who are all specialised in the field of health who were promoted internally, the 3C has continued adapting to new circumstances and has made improvements with the aim of helping the company's medical service to the greatest extent possible.

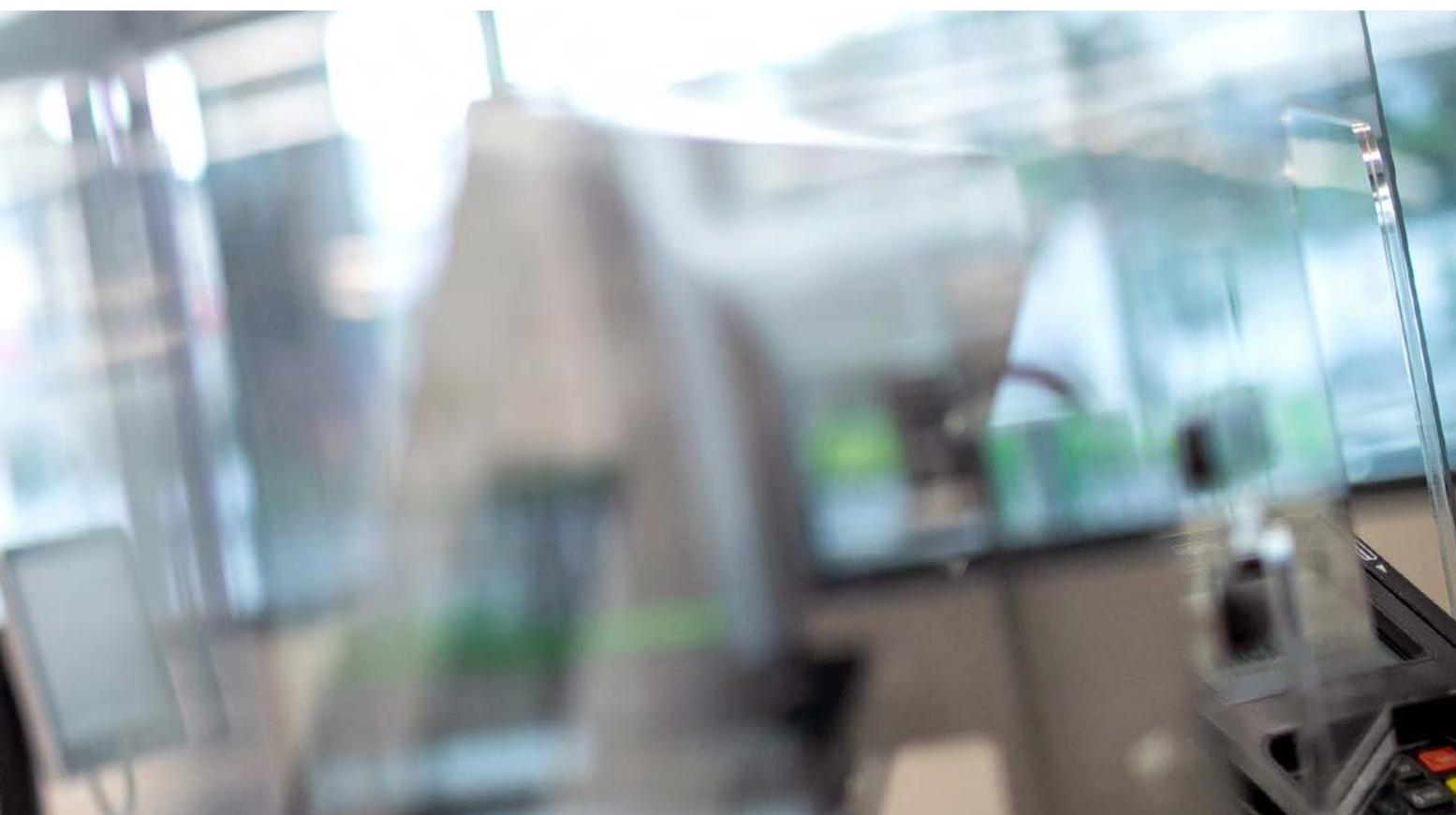


This project, the launching of which involved an investment of 1 million euros, has answered a total of 130,000 calls between Spain and Portugal, a fact that highlights the relevance of this service and its positive reception among employees.

In addition, and right from the beginning of the pandemic, Mercadona decided to promote flexible schedules, work-life balance and remote work during the State of Alarm. The company also implemented a special protection policy for employees who could be sensitive to COVID-19, such as pregnant workers and staff members suffering from chronic diseases. This meant that a total of 2,609 people remained at home between the months of February and July, and employees whose jobs could not be

adapted to remote work also kept 100% of their salary. Subsequently, Mercadona designed a plan to safeguard employees' health when they came back to work, which was planned in a phased manner. The company also strengthened its human resources during the toughest months of the pandemic and relied on collaboration from staff from other parts of the organisation in stores and logistics centres.

These combined measures, in addition to the awareness efforts regarding the importance of applying the 3M rule at all times at every single work site (masks, physical distancing and hand hygiene), enabled Mercadona to have a low transmission rate throughout the year.



2.3 Leadership for growth

Mercadona dedicates all necessary resources, both personal and material, to promoting the talent and skills of its staff through a model that is committed to personal development, one of the company's drivers of growth.

Training and supporting talent

In 2020, aware that investing in training means supporting employee development and leadership, thus investing in transformation and the future, Mercadona has continued to invest in training. The company allocated more than 75 million euros to training activities, with an average of 713 euros spent per person in Spain and 4,835 in Portugal.

These efforts were undertaken in a year in which many training sessions had to be postponed due to the extraordinary situation caused by COVID-19. Along these lines, the company adapted several of these activities so they could be taught online. This meant that more than 800,000 euros were invested in audiovisual and videoconferencing systems to adapt office meeting rooms and over 1,470 stores.

Specialisation is also evident in the in-house training that Mercadona gives to its managers. In 2020, a total of 201 people, both in Spain and Portugal, received training in the Management Leaders programme. The company launched this programme in 2009, through which it teaches leadership and executive management skills. In 2020, this training meant an average investment per manager of 20,472 euros between Spain and Portugal.

Thanks to this effort, more than 2.5 million training hours were offered, both general and specific, enabling workers to apply the fundamentals of the Mercadona Model, improve their skills and carry out their routine work in an efficient and autonomous manner. One clear example of the commitment to specialisation is the LIFE Project (Onboarding, Training and Development Laboratory), launched in 2020 in the purchasing departments. Employees who take part in this project receive theoretical training on work processes and tools, as well as negotiating skills and the legislation applicable to their routine tasks. This learning is combined with hands-on activities, led by a tutor, which allows these employees to enhance their skills and expand their efficiency and productivity in their jobs.

Rebeca Zalaya, director of food safety and quality in purchasing, teaching one of the LIFE Project sessions.





New ways of working

As part of its transformation process, Mercadona adapted certain infrastructure in 2020 with the aim of promoting work in cross-cutting teams and encouraging collaboration and agility.

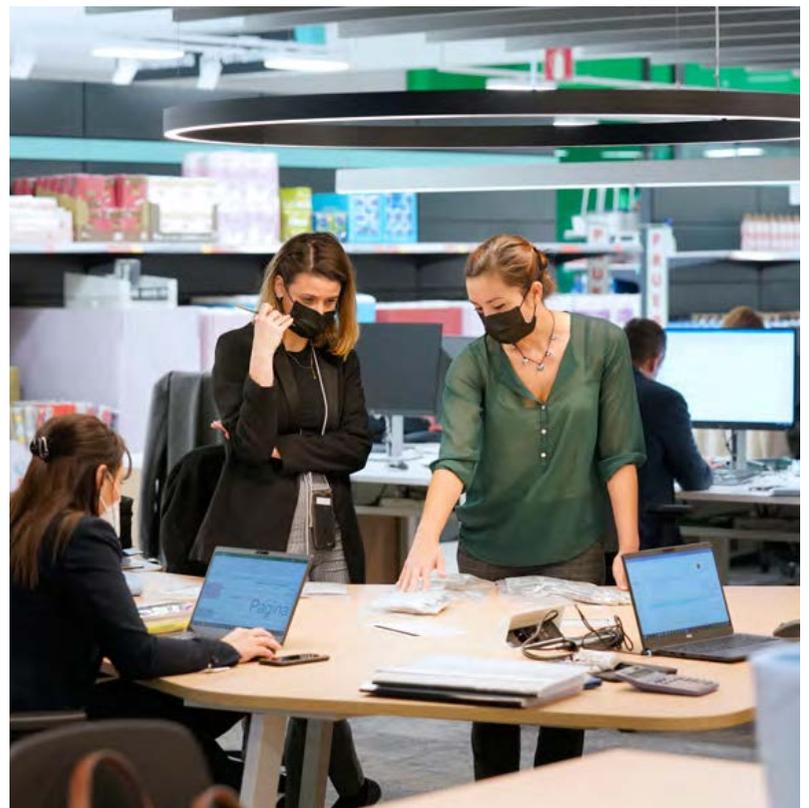
This is the case of the company's facilities at the Jarro Co-innovation Centre ("Jarrods"), which is located in the Valencian town of Paterna, and in which 1 million euros have been invested. Its new design is adapted to the company's business at all times and is a versatile space with optimised resources. The facilities have gone from having three types of spaces (workstations, meeting room and training room) to 40 (workstation, flexible workstation, telephone operator positions, collaboration rooms, meeting rooms, training workshops and study rooms, among others). Material resources such as printers and lockers are also shared at the facilities, which feature the most advanced technology for being able to work as a team, and the site is committed to sustainability with eco-efficient measures and minimised paper consumption.

Also, to improve the agility, comfort and efficiency of its workforce, the company inaugurated its new offices in Portugal this past June, built above the supermarket on Avenida Dom João II and which is currently home to 150 employees. The three floor, 2,500 square metre building has meant an investment of 8 million euros and involved collaboration with 132 Portuguese SMEs during the construction process. In addition, the supermarket features a 3,500 square metre landscaped roof.

For their part, the Mercadona Tech facilities located in the city of Valencia were expanded last September. Employees can take advantage of several types of differentiated spaces depending on the kind of activity being conducted, from more open areas that enhance interactions between the workforce to closed rooms which allow greater privacy and concentration.



in investment at the Jarro Co-innovation Centre ("Jarrods") offices,
which feature a collaborative work model between the purchasing, prescription and supply department teams



Jéssica, Yaiza and Ainhoa, Mercadona employees at the new Mercadona offices at the Jarro Co-innovation Centre ("Jarrods") in Paterna, Valencia.



New offices in Portugal located above the supermarket on Avenida Dom João II, in Vila Nova de Gaia (Porto)

€8 M
in investment

Collaboration with
132
SMEs in Portugal



New floor at the **Mercadona Tech offices in Valencia**



123
technology experts work in the offices



Joana, Ana Sofia and Facundo, Mercadona employees in the new corporate offices in Vila Nova de Gaia, Porto.



Detail of the Mercadona Tech facilities in Valencia.

Work-life balance

Mercadona's management model is focused on people, which is why the company supports initiatives that encourage their personal and professional development. To this end, for years it has promoted a policy of respect for the working day and time management, and is committed to a work-life balance to facilitate employee wellbeing.

With the aim of continuing to improve in terms of work quality and work-life balance, Mercadona has taken yet another step forward by introducing a new five-day work schedule for the staff for its supermarket employees last August. This measure, internally called the 5+2 Work Week and which had already been tested in Portugal since the start of operations there, allows store employees to rest two full days a week in addition to being able to enjoy eight long weekends (Saturday, Sunday and Monday) a year. This means that employees have an annual calendar with all their planned days off indicated, a measure that has made it possible to make significant progress in terms of work-life balance.

In fact, the 5+2 Work Week, which was implemented after conducting tests at 31 supermarkets and through support and approval from the Inter-centre Companies Committee, formed by the UGT and CCOO trade unions, represents a milestone in the distribution sector. This pioneering measure supports work-life balance and rest and allows store managers, for example, to enjoy a total of 140 days off per year, including rest, vacation, Sundays and holidays.

This type of initiative reflects the company's commitment to labour and social innovation and the efforts it makes year in, year out in collaborating with union representatives to offer stable and quality employment to Mercadona's entire workforce. In fact, many of these measures have been incorporated for years in the 2019-2023 Company Collective Agreement and Equality Plan in Spain, signed with the UGT and CCOO trade unions, including increased leave for childcare until children reach the age of 12; or the option for employees who have a reduced working day and who care for a child up to the age

of 12 to be able to request a change to a part-time contract until the child reaches the age of 15, with the additional possibility of going back to a full-time contract once their personal circumstances change and if they so desire.

As such, Mercadona takes on the responsibility for guaranteeing access, both for women and men, to work-life balance measures which encourage joint responsibility and the equitable distribution of family responsibilities. And the company does so in an ongoing manner, which is backed up by the data. For example, a total of 2,770 working mothers and fathers decided to extend their maternity or paternity leave by 30 days in 2020. Furthermore, 15,301 employees chose to enjoy reduced hours.



An internationally recognised model

The Mercadona Human Resources Model is based on the Total Quality Model and encourages the creation of inclusive and collaborative work teams. In 2020, this policy stood out once again.

Mercadona has once again been recognised as the number one most attractive company to work in the distribution sector, and second overall in the Merco Talent ranking by the Spanish Corporate Reputation Monitor. Likewise, the company has held a prominent place in the *Financial Times Diversity Leaders ranking*, organised by the Financial Times newspaper and by the market research company Statista. The company ranked 39th place in diversity management within the Wholesale Trade group.

Mercadona's management model had already been recognised by the Harvard Business Review

for "getting the most out of its staff by leveraging their creative and problem-solving skills to make improvements".

These recognitions reflect the sustained commitment that the company has made, since its founding to become one of the companies that treats its human resources best and they also represent a learning opportunity to introduce improvements that contribute to the personal and professional development of the company's staff.



Chari, employee at the Avenida Doctor Pascual Parrilla supermarket in Murcia.





The Supplier

The commercial, non-commercial and service providers and transport companies with which the company collaborates are a fundamental part of the Mercadona Project. Their commitment and effort have made it possible to turn the health crisis into an opportunity to continue to exceed expectations and reinvent itself, all while guaranteeing daily supply across all stores in the chain.

3.1 A model based on specialisation

Mercadona's Supplier Model strives to achieve constant specialisation to offer "The Boss" products with conclusive quality at unbeatable prices. To do this, the company collaborates with a network of 2,700 commercial suppliers with which it develops the best range so the "Bosses" can put together their Shopping Trolley Menu* at the lowest cost.

With the aim of shaping this range made up of approximately 8,000 products, in 2020, the company relied on the support of 1,400 Totaler Suppliers who are specialists for every product and who pursue excellence through introducing improvements that add value to customers. To make this possible, Totaler Suppliers hold a long-term relationship with Mercadona based on mutual trust. This unique relationship model is based on co-innovation as a driver of growth and enables a sustained investment effort to be made by having an open-ended product purchase guarantee as long

as the agreed conditions are met. This relationship allows Mercadona to adapt its range with innovative and distinctive products with agility.

As such, the Totaler Supplier Model has continued to become solidified as a project for shared and sustainable growth in which all parties come out winners. The project is socially responsible and its values are endorsed by a growing and increasingly involved cluster.

In its commitment to specialisation as a distinctive value, and to be able to adapt to the needs of "The Boss" with an Efficient Assortment, Mercadona has supported its purchasing and prescription departments for years. Counting over 580 employees, in 2020, these teams collaborated closely with fresh and dry goods suppliers and took advantage of shared knowledge to develop new products and to continue to surprise customers.

As part of this quest for continuous improvement, and with the aim of making the leap towards quality, quality, quality and, above all, quality, Mercadona launched the LIFE Project (Onboarding, Training and Development Laboratory) in 2020. Through this initiative, new employees specialised in managing the various products that make up Mercadona's assortment have joined the purchasing departments. These teams receive theoretical and hands-on training to contribute through their work to achieving this objective of conclusive quality. In addition, the teams are built entirely through internal promotion, a fact that demonstrates confidence in the human potential present within the organisation itself.

*Shopping Trolley Menu: the "Boss's" Total Shopping purchase with the highest quality at the lowest monthly cost.

IN MEMORY OF A GREAT BUSINESSMAN, PEPE MOYA

Our thoughts go out to Pepe Moya who passed away last January. The partnership that Mercadona maintained for over 20 years with the President of the supplier Persán helped to solidify a relationship that transcended the commercial sphere and made it possible to turn a great manufacturer and a great businessman into a friend as well. His way of doing things and his legacy will remain with us forever.

TOTALER SUPPLIER

A supplier that maintains a Relationship Model with Mercadona based on a long-term relationship with an open-ended contract, provided that the agreed conditions for each product are met and that, in partnership with Mercadona, it produces the best product through co-innovation initiatives from "The Boss" back down the line, always ensuring:

- Food safety.
- Quality defined from "The Boss" and with "The Boss" every day.
- Service.
- Competitive price on the market.
- Sustainable and socially responsible production processes.



3.2 A sustainable commitment

Mercadona's relationship model with its suppliers is based on shared responsibility. Therefore, the company requires a firm commitment to ethical management, so they must comply with and respect the regulations of the countries in which they operate and develop their activity using sustainable strategies and business plans.

Furthermore, the company demands collaboration that respects Ethical Conduct Guidelines for Suppliers at all times, established as part of its commitment to the United Nations Global Compact and founded upon the principles of the International Labour Organization (ILO). With these guidelines, the company provides a fair and appropriate response to the challenges of globalisation through the commitment of suppliers to comply with and respect the regulations in terms of human rights, business ethics, safety and hygiene in the workplace, relationships with third parties, the environment and sustainability in the countries in which they do business.

Mercadona's suppliers are also committed to applying specific policies such as the Seafood Purchasing Policy and the Animal Welfare Policy, for example. In fact, all extractive fishing and aquaculture suppliers adhere to Mercadona's Seafood Purchasing Policy. Through this policy, Mercadona and its suppliers fulfil the twofold objective of substantially improving the sustainability of seafood products

and their traceability through exhaustive compliance with current standards, guaranteeing zero risks in the processes and being socially responsible.

An example of the actions carried out in the field of sustainable fishing is the collaboration with the Totaler Supplier Ecurís and with the International Seafood Sustainability Foundation (ISSF), with which the total origin of Hacendado canned tuna is guaranteed to be from responsible and sustainable fishing grounds. Likewise, the fresh salmon sold in Mercadona's seafood section comes from fish farms that have been certified in food safety, the environment and animal welfare, and the supplier that supplies it, Leroy Seafood, is audited annually to verify its commitment to responsible management and sustainability. As another example, the company's cephalopod supplier Grupo Profand has signed an agreement with the Spanish National Research Council (CSIC) to implement a predictive and cognitive inspection system for risks associated with anisakis and other parasites, thus strengthening the overall safety of these products sold exclusively by Mercadona.

Regarding animal welfare, it is worth highlighting that 100% of Mercadona's fresh meat, eggs and milk come from approved suppliers who have taken on



SUSTAINABLE DEVELOPMENT GOALS

9. Industry, innovation and infrastructure

Mercadona collaborates with 2,700 suppliers, 1,400 of which are Totaler Suppliers, contributing to the promotion of a significant industrial cluster.

12. Responsible consumption and production

The suppliers that work with Mercadona adhere to Ethical Conduct Guidelines which demand respect for human rights and environmental protection. With this in mind, work is being done to optimise logistics processes, the efficient use of resources, sustainable production and animal welfare.

14. Life below water

The company has a sustainable fishing policy in which it collaborates with various entities to improve the sustainability of marine resources.

the commitment to have certifiable animal welfare standards in 2021 both at the farm stage and during transport and subsequent slaughter. To do this, suppliers carry out ongoing audits and participate in various institutional programmes to defend animal welfare such as those of the Institute for Agri-food Research and Technology (IRTA) and the Institute for Technological Research and Development (NEIKER - Tecnalia). Proof of this is the fact that all suppliers of cow's milk and fresh chicken for sale in Spain are

already certified under recognised and endorsed animal welfare standards.

Likewise, meat and milk suppliers have committed to sign up to the antibiotic resistance plans promoted by the Spanish Agency of Medicines and Medical Devices and the Ministry of Health. Furthermore, suppliers with slaughterhouses are committed to having image recording and storage systems in place by the end of 2021.



Bread roll production line at Totaler Supplier Artadi Alimentación in Zumaia, Gipuzkoa.



See the Mercadona Animal Welfare Policy (document in Spanish):

<https://info.mercadona.es/es/cuidemos-el-planeta/nuestros-hechos/asi-es-la-politica-de-bienestar-animal-de-mercadona/news>

See the Mercadona Sustainable Fishing Policy (document in Spanish):

<https://info.mercadona.es/es/cuidemos-el-planeta/nuestros-hechos/asi-es-la-politica-responsable-que-hay-detras-del-pescado-de-mercadona/news>

See the Ethical Conduct Guidelines:

<https://info.mercadona.es/en/suppliers-ethical-conduct-guidelines>

Collaboration with the primary sector

Mercadona has been committed to the modernisation of the primary sector as a lever for growth and solidifying agri-food production for years. Conscious of the strategic and fundamental role that Mercadona plays in supporting the economy, the company makes great efforts to strengthen its ties with the agricultural, fishing and livestock sectors, with which it works on a daily basis with the aim of building a sustainable, efficient and distinctive agri-food chain in which all links in the chain are winners.

To do this, the company supports a joint collaboration framework that is committed to shared effort and knowledge. This allows all links to work together, gain synergies and promote projects and initiatives that are a source of value and wealth through modernising the primary sector.

In 2020, Mercadona's Agri-food Chain continued to strengthen and strongly demonstrate that teamwork and unified criteria are key for the primary sector. And the company has done so, for example, with the Totaler Suppliers Emfacar and Seafood, two family-run businesses from Isla Mayor (Seville) that are specialists in seafood products. These companies buy crayfish from around 100 local fishermen, supporting 75 permanent jobs throughout the year and creating up to 300 temporary jobs during seasonal peaks, all of which are directly with the companies, with 75% of the positions held by females.

Aceitunas Cazorla in Alicante is yet another example of the social and economic drive materialised through this type of relationship. This company, which is home to 150 hectares of manzanilla and



gordal olives, collaborates at the beginning of the season with cooperatives and farmers in the area who supply it with the necessary raw materials to be able to reach required production volumes. In addition to the boost this activity involves, Aceitunas Cazorla is committed to sustainability in its day-to-day activities, as shown by the fact that 100% of its factories have biomass boilers for the work carried out at their facilities, which contributes to significantly reducing CO₂ consumption, in addition to their choice to use only recycled cardboard boxes.

Similar initiatives carried out in Portugal fall within this same context. Mercadona has reinforced its commitment to the Algarve orange in Portugal, which is known for its sweetness and high juice content due to the climate conditions in the fields

where it is grown. Mercadona relies on collaboration with the Portuguese Totaler Supplier Frutalgoz, from which the company bought more than 600 tonnes of this product in 2020 intended for the Portuguese market.

Flor de Sal is another example of adapting to the market and the specialisation that Mercadona pursues. This product, entirely Portuguese and deeply rooted in its culinary traditions, is perfect for seasoning food after cooking and it often replaces refined salt in Portugal. Since 2020 Flor de Sal has been part of the Irmãdona assortment following the agreement reached with the Totaler Supplier Necton, which has been producing and harvesting this high quality, additive free and magnesium rich salt for years with traditional techniques handed down over generations in the Ria Formosa (Algarve).



MAIN STRATEGIES OF MERCADONA'S SUSTAINABLE FOOD CHAIN

Stability

Productivity

Planning

Dialogue

Shared growth
and sustainability

Shared growth

The Mercadona Project involves constant transformation through which each link contributes its experience and specialisation to achieve the established objectives. In 2020, this joint commitment involved 2,700 commercial suppliers, over 13,000 non-commercial and service suppliers and more than 200 carriers, from which Mercadona's purchasing volume was 21,507 million euros overall, 21,138 million euros in Spain and 369 million euros in Portugal. Despite the challenging context, all of these suppliers made an extraordinary effort to keep their businesses operational and, in doing so, guarantee the daily supply of their network of supermarkets, which resulted in creating industry, activity and employment and was a driver of shared growth and a boost to local economies.

To strengthen its assortment and service, and as part of its ongoing search for the best option for "The Boss", the company has a presence in 11 countries in addition to Spain and Portugal. Mercadona has 37 employees abroad who work with the best suppliers to reach the highest quality in the company's assortment. The efforts made by the Asia team in 2020 stand out: a total of 19 employees worked tirelessly to obtain protective products that have become essential for "Bosses" and employees such as face masks and gloves.

Code of Good Commercial Practices

Mercadona adheres to the Code of Good Commercial Practices in Food Procurement, a voluntary agreement that is part of the Law on Measures to Improve the Functioning of the Food Chain in Spain. This project, promoted by the Ministry of Agriculture, Fisheries and Food (MAPA) in collaboration with different associations across the entire national agri-food chain, represents a significant advance in the promotion of fair commercial practices.

Aware of its responsibility as a company, Mercadona promotes fair business practices in the food chain as the basis for commercial agreements. Likewise, the company has been a signatory to the Code of Good Practices in the Agri-food Chain in Portugal since 2019.

Growing raspberries at the Totaler Supplier Sudoberry in Odemira, Beja.





Examples of Totaler Supplier investment and employment

Spain

JESÚS NAVARRO

Novelda (Alicante)

New warehouse for finishing spices

€3.5 M investment

61 new jobs



SAPLEX

Canovelles (Barcelona)

New lines of compostable bin bags

€2.7 M investment

12 new jobs



PRIMAFLOR

Pulpí (Almería)

New fresh-cut salad lines

€1.7 M investment

23 new jobs



RNB

La Pobra de Vallbona (Valencia)

New lines of hand sanitizer and other new items

€2.8 M investment

40 new jobs



CALADERO

Zaragoza (Zaragoza)

New recycled and recyclable plastic trays

€1.4 M investment

28 new jobs



CARPISA FOODS

Griñón (Madrid)

New hamburger lines for Ready-to-Eat

€2.2 M investment

5 new jobs



UCC COFFEE SPAIN

Nájera y Logroño (La Rioja)

New lines and quality improvements

€9.1 M investment

9 new jobs



RUBIO SNACKS

Bullas (Murcia)

Expansion of crisps production

€7 M investment

50 new jobs



Portugal



FRUTAS PATRÍCIA PILAR

A dos Cunhados (Lisboa)

New warehouse and storage rooms

€8 M investment

50 new jobs



PASTO ALENTEJANO

Sousel (Portalegre)

Various improvements at the facilities

€1 M investment

26 new jobs



INQUIBA

Guareña (Badajoz)

New lines and quality improvements

€5.2 M investment

30 new jobs



CONSERVAS ESCURÍS

A Pobra do Caramiñal (A Coruña)

Quality improvement and capacity expansion

€12.8 M investment

31 new jobs



The power of unity

Collaboration has always been one of Mercadona's essential values, and the company's shared project is much more than just the sum of individuals. For this reason, and aware of its responsibility, the company decided to launch the ThisWillPass initiative in March 2020 to work against the economic slowdown associated with the lockdown that was put in place and to value and support everyone who worked hard day in and day out so that business kept going.

Joined by over 5,000 companies from all around Spain, the initial movement evolved into #ThisdoesNOThavetoSTOP and then to #EActiVate once things began opening up. This initiative pursued two common objectives: to accelerate and activate the Spanish economy to overcome the social and economic consequences that the impact of the health crisis produced by COVID-19 caused to the business and industrial sectors; and to publicly recognise and value the efforts

of all companies, businessmen, businesswomen, freelancers, entrepreneurs and employees who, through their ongoing work, managed to reactivate business activity and ensure, thanks to their constant efforts, that the wheels of the economy did not stop at any time despite the complexity of the situation that was and continues to unfold.

This project has proven that, in extraordinary situations, giving exceptional responses is necessary, because setting the example means leading. This statement is backed up by the figures: more than 2,000 items of content produced on the website, and nearly 2 million page views. This social initiative also served as an example in various forums and conferences held in 2020, such as the Business Summit of the Spanish Confederation of Business Organisations (CEOE), the 35th AECOC Mass Consumption Conference, the 19th CEDE Conference of Directors and the Business Act for the Mediterranean Corridor.



Elisa, employee with the Cañigueral-Costa Brava Mediterranean Foods Group, supporting the initiative #ThisdoesNOThavetoSTOP during the early weeks of the pandemic.



Juan Roig, President of Mercadona, and Rafael Gómez, member of the Mercadona Board of Directors, along with José Ignacio Goirigolzarri, Chairman of CaixaBank, in the Mediterranean Corridor 2020 Business Event held at the Valencia Convention Centre.

The infographic features the word "EACTIVATE" in large, stylized letters. The letters are colored in shades of orange, black, and teal. The background is a light blue illustration of a city with buildings, gears, and people walking. A central building has a sign that says "ACCELERATE".

E 14/03/2020
Companies, Freelancers, Businesspeople, Entrepreneurs and Employees stop due to the State of Alarm

A 16/03/2020
#ThisdoesNOThavetoSTOP is created to make the wheels of the economy continue moving

C 19/03/2020
Over 200 companies that aren't stopping go into ACTION

T 20/04/2020
Over 3,000 companies unite to showcase the VALUE of their work

I 24/05/2020
#EACTIVATE
We accelerate because "Creativity is born from anguish"

V

A

T

E

ACCELERATE

VALUE

It's about more than not stopping, we have to accelerate.
WE NUMBER OVER 5,000 CREATORS.
This is no time for limiting ourselves.
Entrepreneurial initiative is the wind in the sails that moves a country forward.

#EActiVate

3.3 An efficient logistics network

Aware of the need to have a solid logistics network, Mercadona has added the commitment to centre its focus within this area on the “Bosses” and the more than 1,600 supermarkets it has in Spain and Portugal in order to reinforce the network at a greater rate and based on customer needs.

In order to supply its supermarket chain, Mercadona has spent years investing in the development and management of its logistics network, which exceeds 1.2 million square metres. Composed of 15 operational logistics centres, 2 satellite warehouses and 2 regulating warehouses in which 12,000 people are employed, 240 of whom in Portugal, in 2020 the company continued to modernise and transform its logistics activity, reinforcing its efficiency and optimising resource consumption.

In this way, Mercadona has a sustainable logistics network that is managed based on the principle of “transporting more with fewer resources, minimising the impact on society”. The company’s logistics are managed through green initiatives and socially responsible protocols, allocating significant resources to the introduction of cutting-edge technology and taking advantage of innovation to reduce overexertion.

In 2020, the company continued to reinforce these environmentally friendly strategies. As an example, Mercadona committed to reducing weights and taking advantage of the effective load, and achieved one tonne more per truck on average than the rest of the sector. With this objective to make the most of transport, thereby reducing fuel consumption and the generation of emissions, the company has continued to contract mega-trailers for certain routes and to promote the use of gas-powered trucks and rail transport, all while launching tests with electric vans. Along the same lines, Mercadona has continued to carry out “ex-works buying”, a technique that improves the efficiency of each trip, and the company has also taken advantage of intermodal transport.

In addition, the company has continued supporting the efficiency of its distribution network by introducing a more global vision of logistics that involves facilitating restocking work at Mercadona’s 1,600 plus supermarkets, resulting in an increase in productivity. To

do this, the company has launched various initiatives, such as the movement called AB2+AB3, through which it has been possible to optimise restocking times at stores after having made the decision to palletise by product families in the logistics centres.

The transformation effort that Mercadona has made in its distribution network has also included significant improvements to its infrastructure, and the company invested 204 million euros towards it in 2020, which allowed the completion of the construction of the logistics centres in the Basque Country, Zaragoza and Madrid, in addition to making important advances in other facilities.

In the Basque Country, specifically, the company completed the construction of the Vitoria-Gasteiz Logistics Centre with the opening in February of a warehouse for dry goods and another in August for refrigerated products, in which Mercadona invested over 187 million euros and created 480 jobs. Located in the Jundiz industrial estate, it supplies supermarkets in the Basque Country, Navarra, La Rioja, Cantabria and Burgos, and has fully automated facilities to eliminate overexertion and ensure that products are handled correctly and their quality is maintained.

Regarding the Plaza logistics platform in Zaragoza, the construction of which will come to a total investment of 50 million euros, Mercadona started up these facilities last February with the start of the grouping activity and later with the installation of automated fresh produce preparation. After having begun its construction in 2018, the company began to incorporate services in November 2020 and plans to continue the implementation gradually until the end of March 2021.

A new logistics centre has been added to the list in the town of Getafe in the Madrid region, with an investment of 30 million euros to improve the service capacity in the Madrid area to supply dry, perishable and frozen goods. Furthermore, significant progress has been made at other logistics centres, such as Parc Sagunt (Valencia), with an investment of 16 million euros to continue advancing in its construction; and in Guadix (Granada), with 16 million euros invested to start up the fully automated frozen warehouse in the summer of 2021.



- Logistics centre in operation
- X Logistics centre under construction
- A Satellite warehouse
- R Regulating warehouse
- Radius of action
- @ Hives (online warehouse)

<p>1 RIBA-ROJA DE TÚRIA, Valencia</p> <p>2 ANTEQUERA, Málaga</p> <p>3 SANT SADURNÍ D'ANOIA, Barcelona</p> <p>4 SAN ISIDRO, Alicante</p> <p>5 HUÉVAR, Sevilla</p> <p>6 GRANADILLA DE ABONA, Tenerife (Santa Cruz de Tenerife)</p> <p>7 CIEMPOZUELOS, Madrid</p> <p>8 INGENIO, Gran Canaria (Las Palmas)</p>	<p>9 VILLADANGOS DEL PÁRAMO, León</p> <p>10 ZARAGOZA, Zaragoza</p> <p>11 GUADIX, Granada</p> <p>12 ABRERA, Barcelona</p> <p>13 VITORIA-GASTEIZ, Araba/Álava</p> <p>14 PÓVOA DE VARZIM, Distrito Porto (Portugal)</p> <p>15 GETAFE, Madrid</p> <p>16 PARC SAGUNT, Valencia (under construction)</p>	<p>A1 MERCAPALMA, Palma de Mallorca (Balearic Islands)</p> <p>A2 FUERTEVENTURA, Fuerteventura (Las Palmas)</p> <p>R1 RIBA-ROJA DE TÚRIA REGULATING WAREHOUSE, Valencia</p> <p>R2 SANT ESTEVE REGULATING WAREHOUSE, Barcelona</p> <p>HIVES (online warehouse)</p> <p>VALÈNCIA</p> <p>BARCELONA</p> <p>MADRID</p>
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Innovative and sustainable logistics centres

Mercadona is constantly committed to creating safe work environments at its warehouses. The company has been committed for years now to eliminating overexertion through innovation and technology, thus preventing and reducing the risk of occupational accidents, supporting sustainable storage, optimising efficiency and creating skilled jobs.

To make this a reality, the company launched a cutting-edge project in 2007, with the inauguration of its first intelligent logistics centre, called 21st Century Warehouse, in the town of Ciempozuelos (Madrid). This fully automated infrastructure, a pioneer in the sector, has proven since its start up that, in addition to eliminating overexertion, it is a driver of competitiveness and productivity. For this reason, the 21st Century Warehouse project has been growing over recent years, and 3 more logistics centres featuring these characteristics have been added to the list: Villadangos del Páramo (León), Abrera (Barcelona) and Vitoria-Gasteiz (Araba/Álava). For their part, the logistics facilities in Guadix (Granada), Zaragoza (Zaragoza) and San Isidro (Alicante), they are in the final phase of adapting to this warehouse model.

In 2020, external suppliers and workers who did business at the logistics centres have had specific areas in these facilities with services exclusively for them such as toilets equipped with daily cleaning and disinfection, cafeterias with carry out food beverage service and physical measures designed to minimise the risk of contagion, such as perspex screens in the receiving and dispatch areas and individual benches for rest.

Likewise, in order to continue making progress with its commitment to sustainability in its logistics processes, the company joined the Lean & Green initiative during the financial year, promoted by the AECOC in Spain. To make this possible, Mercadona has drawn up an Emissions Reduction Action Plan, audited by EY, with which it intends to certify the reduction by 20% of the emissions produced in its logistics processes thanks to actions that the company has already been applying for years, such using gas powered trucks and Bifuel vans. This plan envisages including another package of measures aimed at reducing emissions a further 10% in 2023, for a total reduction of 30%.

Mercadona is conscious of the importance of its logistics network to guarantee excellent service and the company will continue to strengthen and transform its infrastructure throughout 2021, during which time it plans to invest more than 240 million euros in infrastructure.









Society

Mercadona's firm intention is to "be a company that people want to exist and feel proud of", which is why it is committed to shared prosperity and actively collaborates in the surroundings in which it is present to respond to people's needs. In 2020, the company reinforced this commitment to help overcome the effects of the pandemic and to demonstrate, more than in any other year, that its involvement in building models that benefit people, society and the planet has a direct return as reflected in the support and recognition Mercadona received.

4.1 Recognition of commitment

In 2020, Mercadona strengthened its social commitment through direct collaboration with society to respond to the challenging situation caused by COVID-19, a dedication to which it has allocated significant resources.

The efforts made both in the routine work by the 95,000 people who form part of the staff that allowed ensuring supply and through the company's involvement in various solidarity initiatives, Mercadona has been perceived and thanked by society, which recognised how Mercadona handled things during the pandemic. These gestures are a cause for gratitude and pride for the company, which is simultaneously aware of the responsibility it bears in supporting collaborative and mutually beneficial relationships in the places in which it is present in addition to transforming society in these areas.

In this context, Mercadona attended the State Ceremony to pay homage to the victims of the pandemic, which was held at the Royal Palace in Madrid on July 16, 2020, and in which the involvement of civil society and the heroism of everyone who forms part of it were publicly

thanked. On behalf of all supermarket employees, Raquel Causanilles, Manager of the Francesc Tàrrrega de Vila-real (Castellón) store, attended as part of the Official Committee of the President of the Government of Valencia, after he suggested that a Mercadona employee accompany him as an homage to and recognition of the vast efforts made by the sectors most affected by the pandemic, distribution in concrete.

This capacity for adaptation and improvement shown by all employees was also highlighted by Their Majesties the King and Queen of Spain, whom Mercadona would like to thank for their interest in finding out first-hand about the extraordinary situation the company was going through. Practically at the beginning of the lockdown, in the month of March, they recognised the work and effort that both Mercadona and the agri-food chain were making to guarantee the supply of basic goods.

In addition, Mercadona has been lauded by various social entities, such as the Canary Islands Red Cross which considered it an exemplary company for the donations it made during the pandemic. Also, the



1. Raquel Causanilles, Manager of the Francesc Tàrrrega supermarket in Vila-real, Castellón during the State Ceremony to pay homage to the victims of the pandemic. 2-3. The Gómez Gómez siblings, Mercadona shareholders, continued to strengthen their social commitment in 2020, a year marked by the COVID-19 pandemic.

company has been able to demonstrate society's appreciation for it through recognition offered countless times by the "Bosses" at store entrances and supportive applause for the company at various instances when all the efforts made were appreciated.

In response to all these efforts, Mercadona's management of the COVID-19 crisis has been recognised by the Spanish Corporate Reputation Monitor (MERCO), which considered Mercadona the second most responsible company in Spain and the first in its sector in its extraordinary "Commitment and social responsibility of companies during the pandemic" ranking.

The Gómez Gómez siblings, shareholders in the company, recognised the efforts of healthcare professionals and the Police made throughout the pandemic in Antequera (Málaga) through the Patrocinio Gómez Award, an award created in memory of their mother, and the Juan Antonio Gómez Prize, in memory of their father.

Though Mercadona received other recognitions in testament to its sustainable and supportive Management Model, it has not lost sight of how much it can still improve and continue to contribute to society. Mercadona was also given the Regional Revitalization award by the Camp de Morvedre Business Association for the impetus that its activity represents, a driver of shared growth.

Likewise, the General Business Ranking 2020 by the Spanish Corporate Reputation Monitor (MERCO) placed Mercadona as the leading company in the general distribution sector and the second company with the best reputation in Spain for yet another year. The monitor also names Juan Roig, President of the company, the most reputable business leader at first place in the General Leaders' Ranking 2020.

THE SPANISH ROYAL FAMILY RECOGNISES THE EFFORTS OF THE DISTRIBUTION SECTOR



(Source: The Royal House of Spain).

On March 25, 2020, at the height of the State of Alarm, Their Majesties the King and Queen of Spain, King Felipe VI and Queen Letizia, held a videoconference from the Zarzuela Palace with the President of Mercadona, Juan Roig, and representation from the company's Management Committee.

The company greatly appreciated this meeting, in which the King and Queen showed interest in the situation of the distribution sector and highlighted the value of the agri-food chain in supplying businesses with all necessary products on a daily basis during such complex times that were being experienced.

4.2 A model that benefits people and society

Mercadona is aware that it can contribute to leading initiatives that promote sustainable development, create wealth and promote social improvements with the ultimate goal of being "a shared, sustainable project in continuous transformation that society wants to exist and be proud of".

The company takes on this challenge in a cross-cutting manner through its Total Quality Model in which the universal truth that "to be able to receive, we first must give" is fundamental in its implementation. Mercadona does this day in and day out, through dialogue and transparency; through an attitude of active listening that enables the company to understand the situation and actual needs of the different communities with which it does business at the local, national and global levels; and with people who take on present challenges with concrete answers through empathy and the company's ability to offer solutions and be involved in their implementation.

In 2020, Mercadona once again demonstrated the positive impact that its activity has on society, both through the investments it made and through the creation of stable and quality jobs. With this in mind, and despite the situation, Mercadona invested a total of 1,500 million euros over the past twelve months to continue promoting a responsible and sustainable company model. As a result of its growth, Mercadona created 16 new jobs on average per day, reaching the creation of a total of 5,000 new stable jobs by the end of the year, with 4,200 in Spain and 800 in Portugal.

In addition to this, the company's growth throughout the year produced a significant domino effect across its entire assembly chain as 661,000 direct, indirect and induced jobs were created, a figure that represents 3.9% of total employment in Spain according to data provided by the Valencian Institute for Economic Research (Ivie).

Another clear example of Mercadona's footprint and support for social development is the tax contribution it made in 2020 to Spanish Public Administrations. Specifically, the company incurred and paid 1,901 million euros in taxes, of which 907 million were payments to Social Security, 220 million to corporate tax, 636 million to VAT and personal income tax, and 138 million to the payment of various taxes and duties. These figures reflect the magnitude of the Mercadona Project, whose overall contribution represents 2.22% of the national GDP, 24,900 million euros to be specific, and is much higher if its indirect and induced activities are taken into account along with its direct activities, the value of which reached 9,046 million euros in 2020, representing 2.2% of the total estimated taxes collected by Spanish Public Administrations.

The company also maintains the same degree of commitment in Portugal through Irmãdona, which is growing hand in hand alongside Portuguese society. The result of understanding its business in this way, of this active involvement, is the contribution of a total of 32 million euros in taxes incurred and paid, of which 9 million euros went to Social Security, 2 million euros in corporation tax, 17 million in personal income tax and VAT, and 4 million euros in other taxes and duties.

SUSTAINABLE DEVELOPMENT GOALS

8. Decent work and economic growth

As a business project that is committed to shared growth, Mercadona has paid, in 2020, 1,901 million euros in taxes to Public Administrations in Spain and 32 million euros in Portugal. Likewise, the company has contributed 24,900 million euros to the Spanish GDP.



IMPACT OF MERCADONA'S ECONOMIC ACTIVITY

Total contribution of income, employment and tax revenues*

€24,900 M
 aggregate
 contribution to GDP
 2.22% of GDP

661,000
 jobs
 in Spain
 3.9% of Spain's total
 employment

€9,046 M
 in taxes collected
 2.2% of the estimated total tax
 collected by Spanish Public
 Administrations (including Social
 Security contributions)

Mercadona tax contribution (SPAIN)

Taxes incurred and paid

€1,901 M

Mercadona Tax Contribution Incurred

▼
 Social Security
€760 M

Corporate Tax
€220 M
 (21% effective tax rate)

Other taxes and duties
€138 M

Mercadona Tax Contribution Paid

▼
 Social Security
€147 M
 Income Tax
€383 M
 VAT
€253 M

Irmãdona tax contribution (PORTUGAL)

Taxes incurred and paid

€32 M

Irmãdona Tax Contribution Incurred

▼
 Social Security
€6 M

Corporate Tax
€2 M

Other taxes and duties
€4 M

Irmãdona Tax Contribution Paid

▼
 Social Security
€3 M
 Income Tax
€4 M
 VAT
€13 M

* Data updated according to the methodology used by the Valencian Institute for Economic Research (Ivie) in 2020.

4.3 Management committed to continuing to care for the planet

For Mercadona, protecting the planet is an undisputable responsibility that the company addresses in all its processes. Aware of how much still remains to be improved as part of this commitment, the company has its own Environmental Management System through which it works to reduce the impact of its activity on the environment and make efficient use of natural resources.

Mercadona bases this management model on the Circular Economy, which involves sharing, reusing, recycling and renewing materials to reduce consumption to the greatest extent possible, create added value and extend product life cycles. In fact, the company has been part of Circular Economy in Action since 2020, an alliance that includes companies and business organisations such as Mercadona that demonstrate, through actual and concrete projects, the reality of the Circular Economy and its ability to become a driver of national reconstruction through a green and circular economy that is committed to ecological transition as a general framework for action.

Likewise, in 2020, the company joined the Lean & Green initiative supported by the AECOC in Spain. With the aim of achieving the objectives defined at the Paris Climate Change Conference (COP21), Mercadona has implemented an Emissions Reduction Action Plan, audited by EY, through which the company intends to certify that the emissions produced in its logistics processes have been reduced by 20%. The Action Plan aims to certify an additional reduction of 10% in 2023, reaching a cumulative decrease of 30%.

Throughout the year, this ongoing effort involved an investment of 47 million euros towards environmental protection and implies the introduction and implementation of specific initiatives that the company groups into three fundamental areas: logistics optimisation and sustainable transport, energy efficiency, and waste management, including food waste prevention. These efforts hold a prominent place in the company's strategies and are already helping to generate competitive and sustainable growth within the framework in addition to the achievement of the Sustainable Development Goals (SDG) promoted by the United Nations (UN).

Strategy 6.25 signs at the La Nucía Pueblo supermarket in La Nucía, Alicante.



¿SABÍAS
QUE?

...

DID YOU
KNOW?

...

**PUEDES RECICLARME
EN LA ENTRADA
DE LA TIENDA**

**YOU CAN RECYCLE ME
AT THE STORE
ENTRANCE**

Sustainable logistics

With the overall objective of “transporting more with fewer natural resources”, Mercadona has continued working for yet another year to reduce total vehicle weights by eliminating and reducing items that do not add value. This has enabled Mercadona to load a tonne more per truck than the market average and end the year with an average fill rate of 85%. Similarly, the company has continued to take advantage of higher capacity vehicles, such as the 38 mega-trailers active in the fleet of its transport providers, with loads of up to 36 tonnes per trip. Mercadona has also continued running tests with bitrailers, vehicles with a load capacity of 44 tonnes.

As part of its resolve to reduce emissions, the company has reinforced its commitment to sustainable vehicles. Mercadona has a regular service fleet of 96 trucks powered by liquefied natural gas (LNG) under contract to supply urban centres with high pollution; and has 7 trucks powered by compressed natural gas (CNG), 2 more than in 2019. Additionally, the company has continued to carry out tests with 100% electric vans for home delivery and has made progress with the plan to transform diesel vans to dual fuel diesel/LPG for the delivery of orders from the Hives and for home service in Madrid. At the same time, Mercadona has continued to demand the highest emissions standards, as shown by the fact that 99% of its logistics provider’s truck fleet is made up of engines with Euro VI, Euro VI C and Euro VI D standards, currently the most restrictive in terms of polluting emissions.

Among these good logistics practices, the “ex-works buying” strategy also stands out, which involves going to the supplier’s facilities to collect the goods, thus improving the use of the fleet and truck loading. Another example is the use of inverse logistics through what is called the “Eight Strategy”, in which products are transported from suppliers to logistics centres and stores, where reusable packaging and recyclable materials are then collected and returned to the logistics centres for processing. Furthermore, the company has continued to expand silent urban unloading, from which 777 supermarkets in Spain and Portugal now benefit.



Mercadona has **96 trucks powered by liquefied natural gas (LNG)** under contract for regular service, 21 more than in 2019



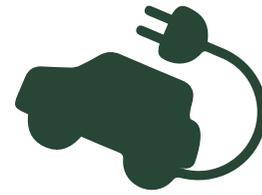
Truck powered by liquefied natural gas at the Logistics Centre in Riba-roja de Túria, Valencia.



Silent urban unloading to supply stores in off-peak hours, when the activity of the cities is less

777

supermarkets

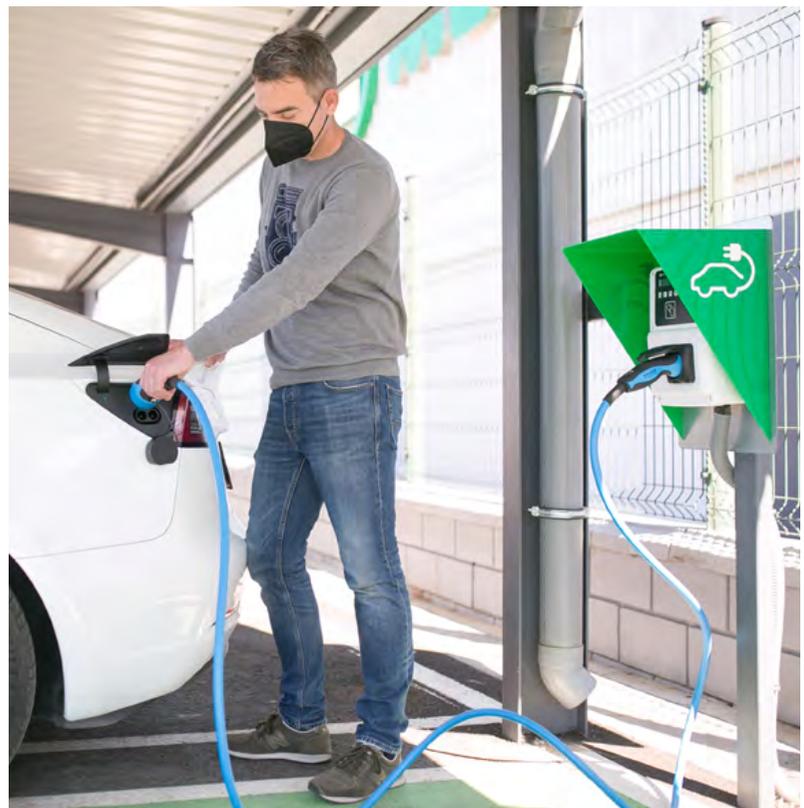


1,433
charging stations

Mercadona has increased the number of electric vehicle charging points at its stores, logistics centres and offices in Spain and Portugal



Silent nighttime unloading at the supermarket in José María de Haro, Valencia.



Sergio, Mercadona "Boss", using an electric vehicle recharging station.

Energy efficiency

The objective of Mercadona's Environmental Management System is to use solely and exclusively the energy needed to carry out its business. For this reason, the company promotes initiatives that support the responsible use of energy resources and that encourage energy savings, an attitude that is shared by everyone who forms part of the Mercadona Project.

Mercadona's efficient stores are a response to this philosophy as they incorporate significant energy savings and efficiency measures that allow energy savings of up to 40% compared to a conventional store. In 2020, the company added a total of 1,277 stores featuring these characteristics, a figure that represents 78% of the company's supermarkets in Spain and Portugal. This standard is expected to continue to be rolled out until all of the company's stores are adapted to it by 2023.

This supermarket model includes improvements in the insulation of the enclosures and refrigerators, incorporates LED lighting and performs intelligent management of energy consumption throughout the entire site. At the same time, Mercadona has more modern and efficient refrigeration facilities which minimise the use of fluorinated gases and greenhouse gas emissions, resulting in an 18.2% reduction in direct CO₂ emissions in 2020 compared to 2019.

To encourage responsible use of natural resources, Mercadona's eco-efficient stores also have an energy saving system in the air conditioning units that automatically adapts consumption based on the outside temperature (free cooling/free heating). Moreover, the company has increased its

use of waste heat recovery and utilisation systems. In addition, the company has implemented an automatic system to manage opening and closing times which is responsible for ensuring that the lighting, extraction and air conditioning systems are only switched on when strictly necessary. In this area, and as part of its commitment to renewable energy, Mercadona invested 600,000 euros in the installation of 1,400 solar panels at 8 of its stores in 2020, 7 in Spain and 1 in Portugal. With this initiative, it has been possible for the company to save 15% of electrical energy per supermarket, reaching 590 kW.

With respect to savings in water consumption, Mercadona continues to strengthen its real-time remote management system that allows it to detect leaks and incidents within the network. In addition to this, the company has built underground cisterns at three logistics centres that facilitate the collection of rainwater from the roofs, which the company then uses for irrigation, washing and exterior cleaning.

In 2020, Mercadona also inaugurated an urban rooftop garden at one of its stores located in the city of Toledo, an initiative in which the company invested over 230,000 euros and through which it encourages good relationships and coexistence with neighbours in addition to providing environmental benefits to the area. These green areas feature local plants with low irrigation needs that help reduce pollution and CO₂ levels and also support bird protection as they serve as a resting and feeding area. In this area, Mercadona works alongside the NGO SEO/BirdLife to protect migratory birds through various measures.



Lucía, "Boss" at the supermarket in Vilar do Colo en Fene, A Coruña.

Waste management and prevention of food waste

Waste management is a crucial issue for Mercadona, which applies Circular Economy policies in its processes: reducing, reusing, repairing and then recycling packaging at the end of its useful life. Firmly believing that “the best waste is waste that is not generated”, the company aims all its efforts towards prevention and reduction. Mercadona therefore strives to keep waste generation below 1% by weight with respect to the products served at stores, and even to reduce it further.

In order to prevent food waste, the company has a new ordering system in stores that allows employees to monitor sales in real time and offering “The Boss” the freshest possible products without generating waste. Furthermore, and to get the most out of food products, Mercadona carries out numerous actions to minimise food waste, such as exhausting fresh products and donating food that is fit for consumption but not for sale.

Since taking on a public commitment to “say yes to continuing to care for the planet” in 2020, Mercadona has implemented its Strategy 6.25, with the threefold objective of reducing plastic by 25%, ensuring that all plastic packaging is recyclable and recycling all plastic waste. With this in mind, the company has implemented six actions that will be completed by 2025: eliminating single-use plastic bags in all sections, eliminating disposable single-use plastic, reducing plastic in packaging, promoting the recyclability of packaging, recycling all plastic waste produced in stores, home delivery services and Mercadona Online, and educating and informing the “Bosses” on how to separate at home for recycling.

In fact, Mercadona has carried out work on all these actions throughout 2020, although efforts have focused on tackling the first two actions. Thus, single-use plastic bags have been eliminated from all sections at physical stores and from home

delivery and online shopping. To do this, the chain now makes compostable bags available to customers, made from potato starch, which should be deposited in the brown organic matter container after use. Also, to make separation and recycling easier for customers, pictograms have been added both to section bags and to the different options offered at the checkout lines: raffia bags, paper bags and bags with 65-70% recycled plastic. The company has also replaced single-use plastic disposable items with sustainable kitchenware made with different materials that are more respectful of the environment or even reusable in other cases.

Mercadona has inaugurated 72 supermarkets to provide information on Strategy 6.25, which, for example, have bins to deposit batteries, coffee capsules and paper, plastic and organic waste, applying the principles of the Circular Economy and contributing to the sustainability of the process. These stores have also served to assess the acceptance of these measures by customers, who have provided more than 1,300 suggestions and opinions that are helping to improve the various actions that are being implemented. The company plans to invest more than 140 million euros between 2021 and 2025 to achieve the Strategy 6.25 objectives and ensure that all its stores are adapted to the strategy by the end of 2021.

Moreover, as part of its involvement in promoting sustainable initiatives, Mercadona reached a three-year agreement with the UPF Barcelona School of Management in 2020. By virtue of this agreement, the Mercadona Circular Economy Chair has been created, with the aim of finding formulas to take advantage of saving resources, providing solid arguments to promote responsible debate and drawing lessons for strategic decision-making in this area. Likewise, in Portugal, in March 2020 Mercadona joined the Smart Waste Portugal Association and the Portuguese Pact for Plastics.

RESPONSIBLE WITH THE ENVIRONMENT: STRATEGY 6.25



Members who make up the Mercadona Strategy 6.25 work team.

ENVIRONMENTAL, EFFICIENCY AND SUSTAINABILITY MANAGEMENT

	in 2019	in 2020
Emissions		
CO₂eq EMISSIONS in kilos per cubic metre of goods*	38.88	33.35
Direct emissions from refrigerant gas leaks	6.93	5.61
Emissions due to energy consumption	14.79	10.75
Emissions from freight transport	17.16	16.99
Road transport		
Stores with silent urban unloading	760	777
Fleet engine standards for lorries (Euro VI, Euro VI C and Euro VI D)		
Euro VI	9%	4%
Euro VI C	90%	64%
Euro VI D		31%
Separated for recycling		
Tonnes of paper and cardboard	223,090	233,185
Tonnes of plastic (including expanded polystyrene)	17,079	16,701
Tonnes of wood	3,663	3,899
Recycling rate		
Recycling/Recovery	76%	78%
Destruction	24%	22%
Other data		
Energy consumption	7,847,064 GJ	7,858,278 GJ
Annual reduction of CO ₂ eq emissions	200,000 tonnes	209,000 tonnes

*All data refer to Mercadona's process, from transport from the supplier to the logistics centres and from logistics centres to stores during the period from December 2019 to November 2020. In-house study based on the GHG protocol.



SUSTAINABLE DEVELOPMENT GOALS

9. Industry, innovation and infrastructure

Alongside its product and service suppliers, Mercadona promotes innovation across the various processes in the assembly chain to help achieve an efficient and sustainable agri-food chain.

11. Sustainable cities and communities

Mercadona is involved in the communities it forms part of, energising urban environments thanks to its local supermarkets and its relationships with neighbours, sustainable mobility integrated into its Environmental Management System and dialogue with civil society that allows the company to be part of an increasingly sustainable community.

12. Responsible consumption and production

The company relies on its in-house Environmental Management System to improve logistics and reduce resource consumption and waste generation as part of its commitment to building a sustainable agri-food chain. Mercadona is committed to appropriate waste management so waste does not end up in the environment in addition to applying the principles of the Circular Economy in its packaging production processes and freight transport.

13. Climate action

Mercadona has been working for years to make its logistics system as efficient as possible, studying, researching and investing in alternative technologies and fuels to ensure transport with the lowest emissions possible without losing efficiency, safety or reliability. As a part of its strategy it also addresses the reduction of CO₂ emissions through its Efficient Store Model and controlling greenhouse gas leaks.

14. Life below water

Mercadona and its specialist suppliers work to improve production processes and apply Circular Economy principles to promote sustainable fishing.

15. Life on land

The company is committed to continuing to care for the planet through its Environmental Management System, which cuts across the entire company and which features strategies for reducing and reusing waste to prevent it from ending up in nature, thus advancing towards the circularisation of many of its processes.



Strategy 6.25 sign at the supermarket on Avenida Rosas in Manises, Valencia.

4.4 A social and responsible Mercadona

Since its founding, Mercadona has been a business project that is committed to society and conscious of the role it must take on to contribute to society's development. To make this a reality, the company relies on a Social Action Plan through which it channels all its solidarity initiatives and manages the different partnerships that it carries out year after year with numerous social institutions and entities both in Spain and Portugal.

Signatory to the Global Compact

WE SUPPORT



In 2011, Mercadona signed on to the United Nations Global Compact to promote a sustainable and responsible private sector along with over 13,000 other signatories from 170 different countries. Over

the past decade, and in 2020 as well, the company has been actively involved in this voluntary initiative, the largest social responsibility initiative in the world, in order to transform the global market based on 10 principles in areas related to human rights, labour, the environment and anti-corruption.

Collaboration with charities

As an active member of the society it forms part of, Mercadona is involved in the reality of the

surroundings in which it does business and is involved in providing solutions to the most urgent and necessary problems to the greatest extent of its abilities. To do this, the company leads solidarity partnership campaigns and takes part in many other similar campaigns that, together, contribute to helping the most disadvantaged groups.

In 2020, the company strengthened this commitment, conscious of the social impact that COVID-19 was creating and its health and economic consequences. And Mercadona has done so with the largest food donation it has made to date, the right thing to do in times such as those we are currently experiencing: 17,000 tonnes of products were donated over the past twelve months to soup kitchens, food banks and other charities, of which 15,800 tonnes were distributed in Spain and 1,200 in Portugal.

These donations, which are the equivalent of 283,000 shopping trolleys, represent 86% more than similar donations in 2019, and were delivered between 290 soup kitchens, more than 60 food banks and other social entities and charities that were able to distribute this food to the most disadvantaged groups. In addition, and considering the challenging



SUSTAINABLE DEVELOPMENT GOALS

1. No poverty

Mercadona continues to implement various initiatives in which it has participated across Spain and Portugal where it is present.

2. Zero hunger

The company has continued to promote the donation and redistribution of food to food banks, soup kitchens and other entities, increasing such donations due to the need caused by the COVID-19 pandemic.

17. Partnerships for the goals

Mercadona has been a signatory of the Global Compact since 2011, and is a partner of Forética, the Seres Foundation and the #PorElClima Community promoted by the Ecology and Development Foundation (ECODES).

circumstances, the company provided other particularly relevant aid, such as the food deliveries carried out between March and April to the field hospital established by the Community of Madrid in Ifema. Also, since April 2020, the company has made donations to the 6 Temporary Reception Centres for COVID-19 patients created in the north of Portugal.

Mercadona has also been involved throughout the year in various external food collection initiatives. As has become a tradition, Mercadona also showed its support for the "Great Collection" organised by the Food Banks of Spain, as well as the different "Operations Kilo" that were launched over the past twelve months. This support translates to a total donation of 3,800 tonnes of goods by the "Bosses" in 2020, the equivalent of 63,312 shopping trolleys. The solidarity shown by Mercadona's customers, in addition to help from employees and the involvement of the company's logistics network, has made it possible to cover the basic needs of countless people for yet another year.



Preparation of the 80 tonne food donation made by Mercadona to Portuguese social entities around Christmas time.

Commitment to equal opportunity

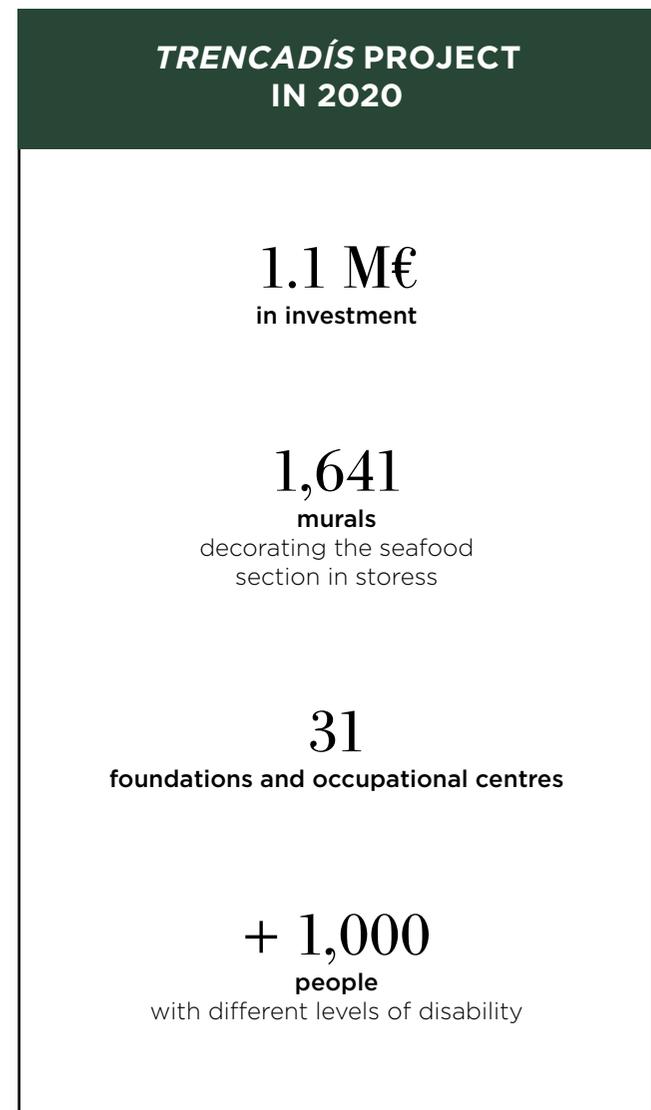
One of the lines of action in Mercadona's Social Action Plan is to try to encourage the inclusion of vulnerable individuals by creating job opportunities that help prevent risks of social exclusion situations.

To do this, the company has collaborated for years with the Capacis Foundation with the aim of supporting young people with intellectual disabilities to help them build their own futures through green initiatives such as the construction and maintenance of several of the urban gardens that Mercadona has on rooftops and facades at certain stores in Madrid.

With this same objective, the company continued to promote the social innovation initiative in 2020 that it decided to activate in 2011 together with Pamesa Cerámica: the *Trencadís* Project. Mercadona collaborates with a total of 31 foundations and occupational centres through this initiative. These entities coordinate over 1,000 people with different degrees of disability who make a daily effort at 80 different work tables to create the murals made with the *trencadís* technique that decorate the seafood sections at Mercadona supermarkets.

In 2020, Mercadona invested a total of 1.1 million euros to continue promoting this social project, the return on which goes far beyond the 1,641 murals adorning the seafood sections at the company's supermarkets in Spain and Portugal. In fact, this initiative has once again demonstrated how important joint collaboration is for achieving goals, guaranteeing the inclusion of its participants and creating a clear social benefit, something that would not have been possible without the efforts of everyone who forms part of the different institutions involved, whom Mercadona thanks for their dedication and commitment: Roig Alfonso Foundation, Down's Syndrome Foundation and Espurna Foundation; the Ivas, Tola, Di-Kapacitats and Monduber Special Employment Centres; the

El Rinconet School Farm; Afanías Association; the Torreblanca Occupational Centres, Ivas el Maestrazgo, El Molí, Ivas Belcaire, Buris-Anna, La Xara, Ayora, Estela Maris, El Castellet, Hort de Feliu, El Prat, La Ribera, Mislata, Xirivella, El Cau, Turís and Habilitare; the Socoltie Social Cooperative; Sueca, Requena and María Rafols Municipal Occupational Centres; and Bona Gent.



UNTIL WE MEET AGAIN, ALFONSO

In May of 2020, Alfonso Roig, the younger brother of Francisco, Amparo, Trinidad, Fernando and Juan, passed away from natural causes. Through the Roig Alfonso Foundation, Alfonso participated in the *Trencadís* Project and collaborated in crafting murals with this broken ceramic technique. For Mercadona, it has been a privilege to be able to count on his collaboration and enthusiasm throughout all the years during which Alfonso Roig contributed to strengthening this workforce integration social project and showed that enthusiasm is a value that can be shared, a key factor for self improvement.



4.5 A relationship of dialogue and transparency

Mercadona maintains an attitude that is open and features a spirit of dialogue with society and its surrounding environments. The company creates channels for regular listening and communication and defends transparency as an intrinsic value of its Social Action Plan, a non-negotiable value that enables Mercadona to build trust and stable relationships. The company also regularly shares up-to-date relevant institutional and economic information related to its business activities with society.

Strengthening the commerce sector

Commerce is a key sector for the productive framework and Spanish society, accounting for 13% of the economy and 17% of employment. Mercadona is firmly committed to developing and strengthening of this sector, which is why it is an active member of the CEOE Competitiveness, Commerce and Consumer Commission (C4). In 2020, the company continued its collaboration with this Commission, which pursues two fundamental objectives through dialogue and consensus: to provide commerce with a clear voice that allows better dialogue with stakeholders and for society to understand that commercial distribution is a strategic sector.



Pepe Álvarez, Secretary General of the Unión General de Trabajadores (UGT) trade union, and Patricia Cortizas, Managing Director of Human Resources and External Relations at Mercadona, during the visit to the Húevar del Aljarafe, Seville Logistics Centre in January 2021 to recognise the extraordinary effort made by the company's employees since the start of the pandemic.

Moreover, Mercadona is an active partner of CIP's Commerce, Services and Consumption Commission in Portugal, in which solutions are analysed and proposed for the main challenges faced by the commerce and service sectors, and promoting consumption in these difficult times.

Relationship with consumers

Understanding consumers and their habits and interests is essential in carrying out the Mercadona Project. To do this, the company maintains an ongoing relationship with the most representative associations in Spain and Portugal at national, regional and provincial levels, which enables Mercadona to strengthen its ties and know first-hand what needs it must address.

With this objective, the company participates in numerous events throughout the year in which, in addition to informing about the evolution of its activity and the objectives it is pursuing, Mercadona obtains deeper knowledge of the opinions and perceptions that consumers have regarding the Mercadona Project. Thanks to all this informative and educational work, the company detects opportunities



Ricard Cabedo, Managing Director of Business Relationships at Mercadona, along with Xiana Méndez, Secretary of State for Trade, during the visit to the supermarket in Castellana-Juan Gris, Madrid to find out about Store 8 and actions concerning the Circular Economy.

for improvement in all areas and takes advantage of them to strengthen and solidify its business project.

“Participatory Roundtable” project

Aware of how important it is to maintain a fluid and constant relationship with consumers and know their opinions first-hand, Mercadona decided to found the collaborative “Participatory Roundtable” project in 2014 along with the consumer and user association Confederations and Federations CECU, FUCI, UNAE and CAUCE. In 2020, this working group and discussion forum continued to grow stronger for yet another year, and prepared the “Consumption Habits 2020” survey, carried out thanks to the help of 3,500 families. The findings made it possible to analyse consumer purchasing habits in depth, which have been modified as a result of all the changes due to the new context caused by COVID-19. But, above all, the findings made it possible to take advantage of synergies and knowledge to be able to understand the behaviour, needs and motivations of consumers in greater depth, as well as the changes that this situation implies in the short and medium term.



Vicente Domingo, Director of CEMAS; Fernando Moner, President of CECU; Clara Medina, Director of Consumer Association Affairs at Mercadona; Alberto Garzón, Minister of Consumption; Cani Fernández, President of the CNMC; Gustavo Samayoa, President of FUCI; Manuel Martín, Legal Officer at UNAE; Juan Moreno, Secretary General of CAUCE; and Montaña Cámara, Professor of food science at the UCM during the presentation of the “Consumption Habits 2020” survey.

Collaboration with 140 consumer associations

90
meetings and events
with consumer
associations

42
visits
to Mercadona facilities

Participation in
7
congresses and conferences

29
collaboration agreements
with consumer, coeliac, intolerance and other
allergy associations

Support for
23
actions and events
promoted by the associations

Proactive management with neighbours

Respect, dialogue and empathy are the foundations for improving relationships with neighbours and the values upon which sound coexistence is built. This is how Mercadona sees things, which is why it has had the Proactive Neighbourhood Management project in place since 2014, through which it detects points for improvement and promotes solutions that allow it to do business without negatively interfering in the daily life of its neighbours.

As a result of this way of understanding coexistence, the company carries out important preventive work year after year. In 2020, for example, Mercadona carried out a total of 5,130 voluntary checks of its loading and unloading processes in stores, as well as 3,048 checks on internal processes across all its facilities. Throughout the year, Mercadona has also addressed a total of 586 suggestions, complaints and improvements from neighbours both in Spain and in Portugal, 82% of which were resolved satisfactorily in less than 30 days.

Likewise, since its founding, the company has been committed to the coexistence of commercial stores and traditional markets, the revitalisation of which it has been promoting since 2001. To do this, Mercadona has 37 stores at municipal markets in various parts of Spain.

Moreover, Mercadona offers solutions that improve coexistence and strengthen ties with each community. Just one example of this is the supermarket located in the Moyúa area, which, with an investment of over 5 million euros, has become its largest urban supermarket in Bilbao by taking advantage of one of the city's iconic buildings that previously housed the Consulado cinemas. The company preserved the original structures, such as the ceilings, floors and balconies.

Another example is the work done in Porto, specifically, the store Mercadona opened last December in the Portuguese civil parish of Campanhã. The project that was carried out made it possible to preserve the building's original industrial chimney stack, thus maintaining a characteristic symbol of the old industrial area. In addition, the project respected and strengthened the development plan that the city council had planned for this area, which it intends to rehabilitate in order to reactivate the economy.



Facade of the Ermesinde supermarket in Valongo, Porto.



HORÁRIO
9h.00-21h.30
SEGUNDA-FEIRA
A DOMINGO



Support for entrepreneurship

Training, innovation and talent are strategic elements for transforming and modernising societies and companies, thus boosting their development. For this reason, and due to its responsibility as a company, Mercadona promotes education and knowledge through numerous initiatives, such as the collaboration with Marina de Empresas, an entrepreneurial hub located in Valencia that forms part of the Juan Roig Legacy project. Composed of three pillars, EDEM, Lanzadera and Angels, its mission involves training, advising and financing the entrepreneurs of today and the future. EDEM, a foundation chaired by Hortensia Roig and of which the company is a Trustee, is a university and business school that has been teaching managers, entrepreneurs, executives and businesspeople for over 18 years. To make this work a reality, they rely on support from over 100 companies that share their experience and know-how. And they do this with the same objective: to promote entrepreneurship and a culture of effort and leadership in society.

In 2020, and as part of its commitment towards training future businesspeople, managers and entrepreneurs, Mercadona continued its collaboration with EDEM. And for yet another year, Juan Roig participated as a teacher of the senior management course "15x15: 15 days with 15 leading executives", and in the second edition of the Executive MBA weekend programme. His involvement, as well as that of various company executives who also held different training programmes over the past twelve months, has enabled the fundamentals of the Total Quality

Model to be shared among attendees and made it possible for a total of 150 students from the university centre to subsequently see the efficiency of these fundamentals in action when carrying out their two-month internships at Mercadona.

Regarding Lanzadera, it is a business accelerator and incubator that was created in 2013. Its acceleration programme is divided into four phases, all of which are adapted to each company's maturity. In addition, Lanzadera is collaborating with 23 large corporations through the Corporate and Space initiatives that promote synergies between these companies and startups. During its eight years of engagement, Lanzadera has provided support and advice to more than 600 companies, which have attracted external investment to the tune of 130 million euros. At present, nearly 300 startups are located in its facilities.

The third pillar of Marina de Empresas, Angels, is an investment company that aims to invest in entrepreneurial leaders in its area to promote development in Spain by supporting sustainable and scalable projects. In this way, and after identifying entrepreneurs who have a focus on customers, a culture of effort, knowledge of their sector and leadership capacity, Angels provides them with a management model based on the Total Quality Model and its network of contacts. Angels has invested 27 million euros in 28 business projects since its founding and is currently participating in a total of 18 companies.

SUSTAINABLE DEVELOPMENT GOALS

4. Quality education

Mercadona promotes initiatives to support entrepreneurship through its collaboration with EDEM and the Rei Jaume I Awards.



Rei Jaume I Entrepreneurship Award

In 2020, Mercadona has continued to support and promote the “Entrepreneurship Award” category for the Rei Jaume I Awards together with EDEM and the Valencia Association of Businesspeople (AVE). In its 10th Edition, the award went to Verónica Pascual Boé, CEO of ASTI Mobile Robotics, for her company’s achievements in the innovative and cutting-edge sector of robotics and for the growth and support she has brought to her family-owned company over recent years in which it has been at the forefront of robotics.

Verónica, who graduated with a degree in Aeronautical Engineering from the Polytechnic

University of Madrid, an MBA from the CDI in Paris and an Executive Masters in Positive Psychology applied to leadership from the IE Business School, has exponentially multiplied the growth of the family-run company since she took the helm four years ago and it is now the leading company in its sector. In addition, she has also created a foundation to promote talented young people who have a scientific and technological calling in the field of robotics.

All these attributes and more led her to earn the award, showing that education and talent, in addition to entrepreneurship, are levers of innovation, growth and the future.



Hortensia Roig and Vicente Boluda, sponsors of the Rei Jaume I Entrepreneurship Awards, from EDEM and the Valencia Association of Businesspeople (AVE), along with the winner Verónica Pascual, CEO of ASTI Mobile Robotics.



MERC



Capital

Mercadona is firmly committed to always satisfying, and with the same intensity, the five components of the Total Quality Model, including Capital, with the aim of creating value and shared growth.

Mercadona, headquartered in Spain (Calle Valencia, nº 5, Tavernes Blanques, Valencia), and Irmãdona, headquartered in Portugal (Avenida Padre Jorge Duarte, número 123, Vila Nova de Gaia, Porto), are companies that share the corporate purpose of “buying and selling all items that fall within the remit of the food industry, as well as marketing them, and being able to open establishments for the retail or wholesale sale of said products”.

Therefore, the Mercadona Group is responsible for distributing food, housekeeping, cosmetics and pet care products through a network made up of 1,641 supermarkets located in Spain and Portugal. In order to conduct business, it supplies these supermarkets through its various logistics centres present in both countries. Since 2018, the company has also been adapting its sales model to the new needs of the “Bosses”, who have demanded a more modernised online shopping service in line with the present day. To respond to them, Mercadona has set up three Hives, which are warehouses dedicated to managing and preparing online orders, in the provinces of Valencia, Barcelona and Madrid, and continues to work on regularly improving this service, aware that there is still a long path ahead to achieve total satisfaction for the “Bosses”.

Moreover, as has been stated throughout this Annual Report, Mercadona has continued its expansion in Portugal in 2020, a country in which it already has 20 supermarkets, a co-innovation centre, a logistics centre, offices in Vila Nova de Gaia and Lisbon, and a staff of 1,700 employees with stable and quality employment. This project began in 2016 and the company plans to continue moving forward with it next year by opening 9 more stores. In Spain, a total of 60 stores were opened and 152 were renovated, with the aim of adapting them to the Efficient Store Model, internally called Store 8, which is more respectful of the environment.

In a year as atypical as 2020 was, Capital played a great role along with the main objective of satisfying the other components in the Total Quality Model. This fact has been clearly demonstrated through the way Mercadona has handled COVID-19, with the company investing over 200 million euros towards implementing over 100 measures designed, above all, to protect the health and safety of “The Boss” and The Employee. Mercadona has also worked jointly and tirelessly with suppliers in order to guarantee for Society, even in the most critical moments of the pandemic, the daily supply of supermarkets, where the company has increased collaboration with social entities to contribute to helping those who have been hit hardest.

Aware of the current need to adapt to the latest technological developments, the Group invested more than 18 million euros in digitalising its financial processes and is certain, as indicated by its President Juan Roig, that: “A company needs leadership that is capable of making all necessary changes; if not, it will cease to exist”. Various suppliers and over 100 professionals have been involved in implementing these improvements. This progress in digital transformation involves more than 200 employees who have received over 5,000 hours of training. In addition, this process has involved the migration of financial processes, such as store sales, payments to suppliers and cash management, to the SAP S/4HANA and SAP Fiori systems, with the aim of optimising them by homogenising applications and a large volume of information to make it more accessible from the cloud.

Efforts made in terms of Capital in 2020 had an impact on the results for the year, confirming the belief that “results come if you take care of people” and, in this case, the other components in the Mercadona Model as well. The achievement of the established objectives has been possible not only thanks to this effort, but also to the trust placed in

Mercadona by the 5.5 million households that do their daily shopping at the chain's 1,641 supermarkets, the perseverance of its 95,000 employees, the involvement of over 16,000 suppliers, 700 of which are Portuguese, with whom the company collaborates, the solid relationship with society in the places where it is present and to making decisions that always take long-term benefit into account, regardless of the circumstances.

The annual accounts of Mercadona and Irmãdona were audited by Deloitte, S.L. and Deloitte & Associados, SROC, respectively, and in both cases a favourable report has been issued, without qualifications. These reports, together with the annual accounts, have been filed with the appropriate bodies in each case.

KEY FIGURES IN 2020

(in millions of euros and *kilitres*)

Sales units in kilo-litres	12,542
Turnover	26,932
Operating income	918
Income before tax	923
Income after tax	727

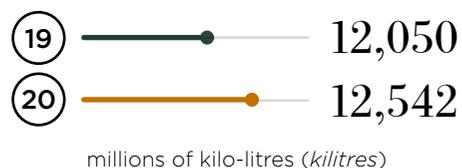


Employees with the IT and financial teams at Mercadona, responsible for the digitalisation of the company's financial processes.

Sales units (*kilitres*)

The group reached a figure of 12,542 million *kilitres* sold by the end of the year, 492 more than the previous year. These numbers are proof of the trust placed in Mercadona by "The Boss" over the past twelve months.

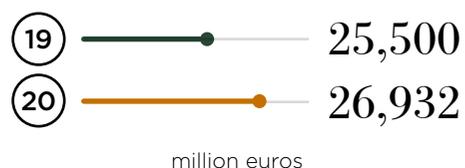
TREND IN *KILITRES* SOLD



Sales

Customer loyalty and the solid commitment to offer an Efficient Assortment with conclusive quality at unbeatable prices led the Group to achieve turnover of 26,932 million euros. Mercadona and Irmadona thus managed to exceed the sales obtained in 2019 by more than 1,400 million euros.

TREND IN GROSS SALES

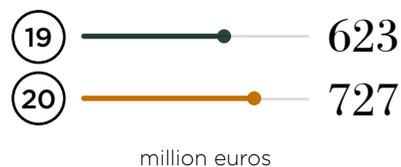


Profit

The Group increased its net profit by over 100 million euros compared to the previous year. As such, profit before tax came to 923 million euros in 2020. For its part, profit after tax amounted to 727 million euros.

The evolution of income and sales highlights how decisions have been taken in sequential order: 1st "The Boss", 2nd Sales and 3rd Profit.

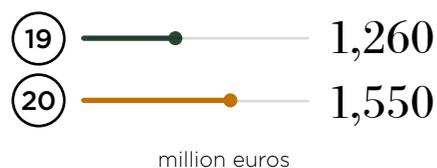
TREND IN NET PROFITS



EBITDA

The company's EBITDA (Earnings before interest, tax, depreciation and amortisation) stood at 1,550 million euros at the end of 2020. The Group's operating income evolved in line with expected profit, consistent with the strategy and in line with the solid commitment to long-term results.

TREND IN EBITDA





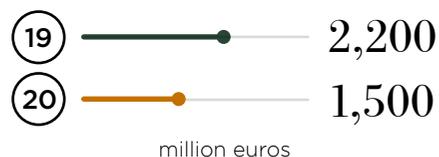
Facade of the Avenida Galicia supermarket in O Barco de Valdeorras, Ourense.

Investments

In 2020, the Group invested a total of 1,500 million euros, financed entirely with its own resources. The Group's investments 2020 were used to manage the pandemic, to continue adapting its network of supermarkets to the Efficient Store Model, for expansion in Portugal and for digital transformation.

Regarding the COVID-19 pandemic, the impact caused by it justifies the reduction in investments with respect to the forecast made for the year, established at 1,800 million euros. For example, the Group found itself forced to postpone part of its opening and renovation plans and temporarily restricted sales models such as Ready-to-Eat, *Pronto a Comer* in Portugal.

TREND IN INVESTMENTS



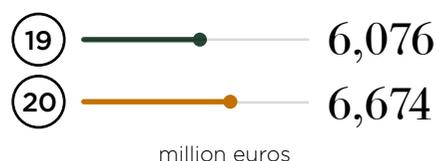
In this sense, and to guarantee safety across all its facilities, the company promoted over 100 initiatives to fight against COVID-19 throughout the year, allowing every single facility to remain active, involving a total investment of more than 200 million euros by the end of the year.

Equity capital

The profit obtained during the year and the capitalisation of nearly its entirety meant that equity capital stood at 6,674 million euros at the end of 2020.

It is worth noting that the ratio of equity capital to total assets remained at around 60% over the year.

TREND IN EQUITY CAPITAL



Other Indicators

Suppliers

The average payment period to suppliers was 44 days and the stock turnover period was 12 days.

OPEX

Defined as Personnel Expenses ± Other Operating Expenses and Income (without taxes), which amounted to 5,000 million euros.

Productivity

During the year, Mercadona and Irmãdona maintained their productivity (sales in euros/no. of employees), reflecting the involvement of the people who are part of the Mercadona Project in achieving the objectives set by the company.

Cash Flows

The generation of cash flows, taking into account the investments made in 2020, was as follows:

Cash flow from operating activities	€1,521 M
Cash flow from investing activities	€(831) M
Cash flow from financing activities (dividends)	€(129) M
Net cash variation	€561 M

The investment activity described above was carried out using the company's equity.



Itai, employee at the Moyúa supermarket in Bilbao, Bizkaia

MERCADONA GROUP

Balance sheet at 31 December 2020

(in thousands of euros)

NON-CURRENT ASSETS	7,109,736
Intangible assets and property, plant and equipment	6,974,858
Financial investments and other assets	134,878
CURRENT ASSETS	3,426,968
Inventory	686,559
Trade receivables and financial investments	194,332
Cash and cash equivalents	2,546,077
TOTAL ASSETS	10,536,704
EQUITY	6,674,088
Capital	15,921
Reserves	5,931,011
Profit for the period	727,156
NON-CURRENT LIABILITIES	43,269
Provisions and other liabilities	43,269
CURRENT LIABILITIES	3,819,347
Suppliers	2,712,685
Creditors and debts with Public Entities	805,105
Personnel	301,557
TOTAL EQUITY AND LIABILITIES	10,536,704

* Consolidated data for Mercadona and Irmadona calculated solely for this Report.

MERCADONA GROUP

Income statement at 31 December 2020

(in thousands of euros)

Revenue	24,680,682
Provisioning	(18,147,082)
Other operating income	72,177
Personnel expenses	(3,265,179)
Other operating expenses	(1,810,417)
Fixed asset depreciation	(630,679)
Result from disposals of fixed assets	18,524
OPERATING INCOME	918,026
Financial income	4,554
NET FINANCIAL INCOME	4,554
PROFIT BEFORE INCOME TAX	922,580
Income tax	(195,424)
PROFIT FOR THE PERIOD	727,156

* Consolidated data for Mercadona and Irmadona calculated solely for this Report.

Juan Roig and Hortensia Herrero Legacy Project

The Legacy Project continues to grow and is doing so with confidence and ambition as demonstrated by the fact that in 2020, both Juan Roig and Hortensia Herrero decided to reinvest a significant part of the dividends earned from the stakes they hold in Mercadona, 70 million euros in total, 40% more than in 2019, towards activating the productive and social economy during the COVID-19 pandemic.

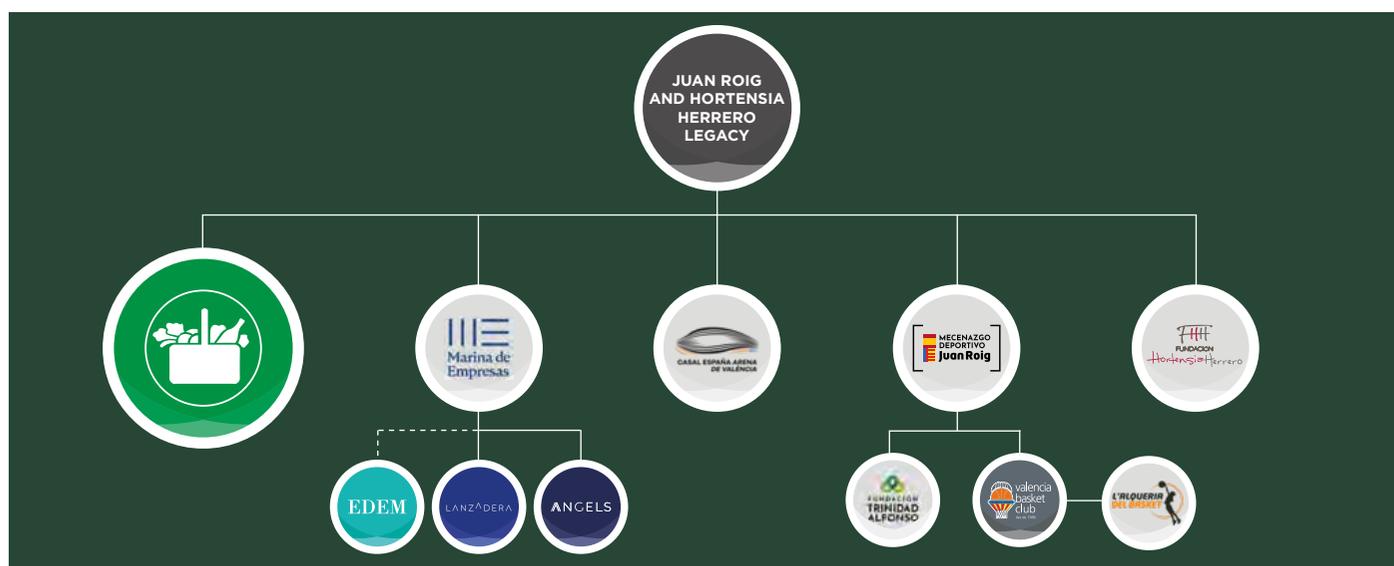
This project was launched in 2012 as a shared dream of Juan Roig and Hortensia Herrero: to share their knowledge and personal wealth in an altruistic contribution to society's development through entrepreneurship, training, art, culture and sports patronage. The Legacy Project was created through this desire, which shares its Management Model and continues to grow and contribute to supporting dreams that clearly give back to society.

Through Marina de Empresas, Juan Roig has successfully created the largest ecosystem of talent, innovation, leadership and entrepreneurship across the Mediterranean. With an accumulated investment of 97 million euros since its launch, 5 million in 2020, Marina de Empresas encompasses all the startup phases for a company. It has three distinctive axes: EDEM, a university and business school for business education; Lanzadera, an accelerator that gives support to startups; and Angels, a company that invests in entrepreneurial leaders.

The Legacy Project is also committed to patronage in two ways: sports patronage and Licampa 1617. Work on the former is done through the Trinidad Alfonso Foundation, which invested 14.9 million euros in 2020 to make the Valencian Community a global benchmark in terms of sport. Regarding the latter, Licampa 1617 will channel 220 million euros over the next few years to build and start up the Casal España Arena de València. This project aims to position the Valencian Community as a top-tier national and international venue for hosting sports, cultural and entertainment events.

At the same time, the Valencia Basket Club, both men's and women's teams, has continued in its solidification as a leading European basketball club; and another of its projects, L'Alqueria del Basket, stands out as the largest, most modern basketball training centre in Europe.

Similarly, Mercadona's Vice-president Hortensia Herrero is President of the Hortensia Herrero Foundation, which supports important artistic and cultural patronage. In 2020, the Foundation continued to protect and recover the artistic and cultural heritage of the city of Valencia with an investment of 14 million euros. Currently, the Foundation is immersed building what will become the future Hortensia Herrero Art Centre.





1



2



3



4

LEGACY PROJECT
€70 M
 in investment in 2020
 from the personal assets
 of Juan Roig and
 Hortensia Herrero
 to reactive the economy



5



6



7



8

1. Mock-up of the Casal España Arena de València project. 2. Players on the Les Abelles Rugby Club de València women's team. 3. Graduation ceremony for students from the Bachelor's Degree in Business Administration and Management and Bachelor's Degree in Engineering and Business Management, taught at the EDEM. 4. Kibiwott Kandie, after breaking the world record at the Trinidad Alfonso EDP Valencia Half Marathon, next to Juan Roig, President of Mercadona and the Trinidad Alfonso Foundation. 5. Álvaro Bonet and María José Gastaldo, Managing Director of the Health Department and Director of Nursing at the Hospital Clínic Universitari de València; along with Hortensia Herrero, President of the Hortensia Herrero Foundation, and Amparo Roig, member of the Mercadona Board of Directors. 6. Juan Roig and Hortensia Herrero, President and Vice-president of Mercadona, along with Fernando Roig, member of the Mercadona Board of Directors and President of Villarreal Club de Fútbol, and José Benlloch, Mayor of Vila-real, during the presentation of the temporary exhibition of the sculptures "Silvia" and "María" by Jaume Plensa at the Estadio de la Cerámica. 7. Group of entrepreneurs at the Lanzadera facilities at Marina de Empresas in Valencia. 8. Casademont Zaragoza players outside the L'Alqueria del Basket, Valencia site, home to practices for the final phase of the Liga Endesa 2020 national men's tournament that was held in la Fonteta (Source: ACB Photo).

INDEPENDENT VERIFICATION REPORT

“In compliance with Law 11/2018, of December, 28, the Consolidated Group Inmo-Alameda, S.L.U., to which Mercadona, S.A. and Irmãdona Supermercados, Unipessoal, Lda. belong, has submitted a Consolidated Non-Financial Information Statement (NFIS) which forms part of the consolidated management report, which has been verified by **Deloitte, S.L.**, as an independent provider of verification services, which issued its verification report without qualifications on 12 March 2021.

In this work, Deloitte has verified a significant part of the indicators that are included, among many others, in this corporate report. The attached table listing the indicators lists those that appear in this report and which, in turn, have been verified by Deloitte (identified with a ✓). In the event of a discrepancy, the information included in the NFIS prevails over the latter”.



*For more information, this verification report together with the non-financial information statement will be available at the following website: **www.info.mercadona.es***

As defined by the GRI standards, the objective of this report is to provide true, relevant, and accurate information.

IMPACT OF MERCADONA'S ECONOMIC ACTIVITY

Nº	INDICATOR	PAGE / COMMENT	
1	Name of the organisation	MERCADONA, S.A.	✓
2	Activities, brands, products, and services	Pp. 1, 11-21, 42-43	✓
3	Location of headquarters	Calle Valencia, 5 Tavernes Blanques, Valencia, Spain	✓
4	Location of operations	Spain and Portugal Pp. 4-5	
5	Ownership and legal form	Pp. 12, 111-113	✓
6	Markets served	Pp. 4-5, 12	
7	Scale of the organisation	Pp. 4-5	
8	Information on employees and other workers	Pp. 4-5, 47-65 Mercadona has 95,000 permanent employees (93,300 in Spain and 1,700 in Portugal) and has no subcontractors in its primary activity	✓
9	Supply chain	Pp. 4-5, 67-77	
10	Significant changes to the organisation and its supply chain	Pp. 6-7, 20-21, 68-69	
11	Precautionary principle or approach	Pp. 18-19	✓
12	External initiatives	Pp. 40-41, 74, 104-109	
13	Relationship with associations of which the organisation is a member	Pp. 104-105	
14	Statement from the President	Pp. 6-7	

Nº	INDICATOR	PAGE / COMMENT	
15	Key impacts, risks, and opportunities	Pp. 18-19	✓
16	Values, principles, standards, and norms of behaviour	Pp. 1, 11-19 Mercadona is governed by the Total Quality Model, which forms the basis of the company's values and paradigms. The internal conduct that all employees share is defined therein. In addition, the company has a Code of Conduct whose mission is to ensure compliance with our values and with the Law	✓
17	Governance structure	Pp. 8-9	
18	Executive positions or positions with responsibility for economic, environmental, and social aspects	Responsibility for economic, social, and environmental issues lies with the members of the Board of Directors, who take their decisions collectively	
19	Consulting stakeholders on economic, environmental, and social topics	Pp. 104-109	
20	Composition of the highest governance body and its committees	Pp. 8-9	
21	Information on whether the person chairing the highest body also holds an executive position	The President of the Board of Directors also chairs the Management Committee	
22	Conflicts of interest	There are no conflicts of interest All members of the Management Committee are Mercadona employees and there are no conflicts of interest	
23	Role of the highest governance body	Pp. 8-9, 18-19	
24	Collective knowledge of the highest governance body	Pp. 8-9	
25	Evaluation of the highest governance body's performance	Pp. 8-9	
26	Identification and management of economic, social, and environmental impacts	Each department submits the relevant economic, social, and environmental aspects related to its activities to the Management Committee, specifically during coordination meetings	✓
27	Effectiveness of risk management processes	Pp. 14-15, 18-19	✓

Nº	INDICATOR	PAGE / COMMENT
28	Review of economic, environmental, and social topics	Pp. 16-19 The company's governance bodies supervise and approve everything related to economic, environmental, and social topics ✓
29	Highest governance body's role in sustainability reporting	The company's governance bodies supervise and approve all externally-reported information ✓
30	Process for communicating critical concerns to the highest governance body	Each department submits the relevant aspects related to its activities to the Management Committee, specifically during coordination meetings ✓
31	Total number and nature of critical concerns that were communicated to the highest governance body	All concerns related to its activities and under its responsibility are brought forward ✓
32	Remuneration policies	Pp. 50, 55 The company's remuneration policy has been based on the principle of "equal responsibility, equal pay" for years ✓
33	Processes for determining remuneration	Pp. 50, 55, 60 ✓
34	Stakeholders' involvement in remuneration	The company has a Collective Agreement in force, signed and agreed with the employees' union representatives ✓
35	List of stakeholders	Pp. 14-15, 18-19 ✓
36	Collective bargaining agreements	P. 64 The company has its own labour agreement covering 100% of employees ✓
37	Identifying and selecting stakeholders	Pp. 14-19 ✓
38	Approach to stakeholder engagement	Ongoing dialogue with all stakeholders in order to understand and meet their needs and expectations ✓

Nº	INDICATOR	PAGE / COMMENT
39	Key topics and concerns raised	Pp. 14-15, 18-19 The relationship maintained with the stakeholders allows us to apply product improvements made with the “Bosses”, innovate with the suppliers, or add knowledge with the primary sector to improve the fresh produce range
40	Definition and contents of the report	The structure of the report corresponds to the Total Quality Model and reports on the five components of the company (stakeholders)
41	List of material topics	Pp. 14-15, 18-19 Each section details the strategies and actions carried out that are relevant to each component (stakeholders)
42	Restatements of information	There have been no relevant changes
43	Reporting period	1 January 2020 to 31 December 2020
44	Date of most recent report	2019
45	Reporting cycle	Annual
46	Contact point for questions regarding the report	Contact information on the back cover
47	Ratio between the starting salary broken down by gender and the minimum wage by significant locations of operation	Pp. 48, 50 The remuneration policy responds to the principle of equity: “equal responsibility, equal pay”, without making distinctions by gender or any other differentiation
48	Percentage of spending at significant locations of operation corresponding to local suppliers	Pp. 4-5, 76-77, 89
49	Number and percentage of departments where corruption-related risks and significant risks have been detected	100% of the activities and internal procedures of the various departments where possible corruption-related risks have been identified have been assessed

Nº	INDICATOR	PAGE / COMMENT	
50	Communication and training about anti-corruption policies and procedures	The rejection of corruption is a fundamental principle in the Mercadona Model	✓
51	Confirmed incidents of corruption and actions taken	No cases of corruption have been detected during the period analysed	✓
52	Number of judgments for unfair competition, monopolistic, or anti-competitive practices and their outcome	None recorded during the reporting period	✓
53	Internal energy consumption	7,858,278 GJ	✓
54	Energy intensity	0.21 GJ/m ³ of goods	
55	Savings of energy consumption	25.7 million kWh	✓
56	Water consumption	Total consumption of 3.7 hm ³ (of which 2.1 hm ³ correspond to stores and the rest to logistics centres) Average consumption by store and month: 107 m ³	✓
57	Water withdrawal by source	100% from municipal public water supply Rainwater harvesting in 3 logistics platforms, which is used for irrigation and washing	✓
58	Direct greenhouse gas emissions from refrigerant gas leaks	5.61 kg CO ₂ eq/m ³ of goods	✓
59	Indirect greenhouse gas emissions from energy consumption	10.75 kg CO ₂ eq/m ³ of goods	✓
60	Indirect greenhouse gas emissions from freight transport	16.99 kg CO ₂ eq/m ³ of goods	✓

Nº	INDICATOR	PAGE / COMMENT	
61	Intensity of total greenhouse gas emissions	33.35 kg CO ₂ eq/m ³ of goods	✓
62	Annual reduction of greenhouse gas emissions	209,000 tons of CO ₂	✓
63	Emissions of ozone-depleting substances	The company does not use ozone-depleting substances	✓
64	Total weight of waste, according to type and treatment method	365,000 tonnes, of which 78% goes to recycling/recovery	
65	Percentage of new suppliers reviewed in terms of environmental criteria	Mercadona requires all its Totaler Suppliers to be certified under an internationally recognised effective environmental management standard (ISO 14001, EMAS, or equivalent)	
66	New employee hires and employee turnover, broken down by age group, gender, and area of activity	Pp. 48-49	✓
67	Benefits provided to full-time employees that are not provided to temporary or part-time employees, broken down by significant locations of activity	There is no such differentiation	
68	Minimum notice periods regarding operational changes and possible inclusion in collective agreements	Any relevant event that may affect staff is reported to the employees and their representatives sufficiently in advance and always within the time limits established by the legislation in force	
69	Percentage of employees who are represented on formal joint management and employee health and safety committees established to help monitor and advise on health and safety programmes	Existing committees represent all employees at the same level and all agreements are confirmed by management	✓
70	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Incidence of work accidents with sick leave: 24.56% Lost days: 7,213,494 (3.75%) Male absenteeism: 1.15% Female absenteeism: 2.62% *Includes effect from COVID-19	✓

Nº	INDICATOR	PAGE / COMMENT
71	Workers with high incidence or high risk of diseases related to their occupation	In general, no employees involved in activities with a high incidence or high risk of specific illnesses have been identified ✓
72	Health and safety topics covered in formal agreements with trade unions	There are agreements in force with the trade unions that include aspects such as improvements in the design of work stations and the choice of equipment and production methods to ensure safety at work, as well as promoting the information and training necessary to minimise risks in each position ✓
73	Average hours of training per year per employee, broken down by gender and professional category	Per employee: 22 hours of training and €713 invested on average per person in Spain and 297 hours of training and €4,835 euros invested on average per person in Portugal
74	Skills management and continuing education programmes that promote employability for employees and help them manage the end of their careers	P. 60 ✓
75	Percentage of employees receiving regular performance and career development reviews by gender and professional category	P. 55 All employees are evaluated annually in the performance of their duties, both downstream and upstream ✓
76	Composition of the governance bodies and breakdown of employees by professional category and gender, age, minority group membership, and other diversity indicators	Pp. 8-9, 48, 64 ✓
77	Ratio of basic salary of women to men, broken down into women's versus men's remuneration	Pp. 48, 50 The "equal responsibility, equal pay" principle of equity is applied without any difference in terms of gender
78	Incidents of discrimination and corrective actions taken	In 2020, Mercadona did not record any discrimination cases through the available channels ✓
79	Identification of significant operations and suppliers where freedom of association and the right to benefit from collective agreements may be infringed or threatened, and measures taken to support these rights	The company guarantees freedom of association in all its operations as set out in the current collective agreement No significant suppliers considered at risk have been identified

Nº	INDICATOR	PAGE / COMMENT
80	Identification of operations and suppliers with a significant risk for incidents of child labour, and measures adopted to contribute to the abolition of child labour	<p>The company guarantees that there is no incident of child labour in its operations</p> <p>No significant suppliers considered at risk have been identified</p>
81	Operations and suppliers at significant risk of being the source of forced labour incidents, and measures taken to contribute to the elimination of all forms of forced labour	<p>The company guarantees that there are no incidents of forced labour in its operations</p> <p>No significant suppliers considered at risk have been identified</p>
82	Number and percentage of operations that have been subject to human rights reviews or impact assessments	<p>The company complies with the standards required in this area, in accordance with current legislation</p> <p style="text-align: right;">✓</p>
83	Hours of employee training on policies and procedures related to aspects of human rights relevant to their activities, including the percentage of employees trained	<p>All staff receive training in the Mercadona Model, which shapes values and behaviour within the company</p> <p style="text-align: right;">✓</p>
84	Percentage of operations where development programmes, impact assessments, and local community engagement have been implemented	<p>The company does not have this indicator, but the different actions carried out are specified in the Society section (pp. 85-109)</p>
85	Operations with significant potential or actual negative impacts on local communities	<p>Pp. 18-19, 106</p> <p>No operations with negative effects on local communities have been identified</p>
86	Percentage of new suppliers reviewed in terms of criteria relating to human rights, labour practices, and social impacts	<p>Pp. 70-77</p> <p>85% of products are of Spanish origin, obtained from suppliers audited according to the Mercadona Model, which includes the satisfaction of employee needs</p>

N°	INDICATOR	PAGE / COMMENT
87	Financial contributions made to political parties by country and recipient	None made during the reporting period
88	Number of incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their life cycle, broken down by type of outcome for such incidents	During the reporting period, no significant incidents of non-compliance have been identified in this area ✓
89	Type of information required by the organisation's procedures relating to the information and labelling of its products and services, and percentage of significant product and service categories that are subject to such requirements	Pp. 36, 42-45 ✓
90	Number of cases of non-compliance with regulations and voluntary codes on product and service information and labelling, broken down by type of result	During the reporting period, no significant incidents of non-compliance have been identified in this area
91	Number of cases of non-compliance with regulations or voluntary codes concerning marketing communications, such as advertising and sponsorship, broken down by type of result	During the reporting period, no significant incidents of non-compliance have been identified in this area
92	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	The company is not aware of any in the reporting period ✓
93	Amount of significant fines for non-compliance with regulations and legislation concerning the supply and use of products and services, monetary value of significant fines, and number of non-monetary sanctions for non-compliance with laws and regulations	There was no significant non-compliance with regulations* ✓

*The company considers any economic sanction above €50,000 to be significant.





History 1977-2020

Since its founding, Mercadona has been a business project that has not stopped overcoming challenges and setting new challenges in order to satisfy the five components. It is a responsible and shared growth project that, through constant improvement, aims to solidify itself as a company that society wants to exist and feel proud of.

Mercadona's History 1977-2020



1977

Francisco Roig Ballester (1912- 2003) and his wife Trinidad Alfonso Mocholí (1911-2006) started Mercadona's activities within the Cárnicas Roig Group. What had been family-run butcher shops became grocery stores.



1981

Juan Roig and his wife, Hortensia Herrero, together with his siblings Fernando, Trinidad and Amparo, bought Mercadona from their father. The company had 8 stores with approximately 300 m² of retail space. Juan Roig became the manager of the company, which started operating as an independent business.



1982

First company in Spain to use point of sale barcode scanners.



1988

Inauguration of the Riba-roja de Túria (Valencia) Logistics Centre, a Spanish pioneer in full automation. Acquisition of Superette Supermarkets, which had 22 stores in Valencia.



1990

Juan Roig and Hortensia Maria Herrero became the company's majority shareholders.



1993

On reaching 10,000 employees and 150 stores, the SPB (Always Low Prices) commercial strategy was launched, later evolving into the Total Quality Model.



1996

Creation of the Hacendado, Bosque Verde, Deliplus, and Compy brands.

Opening of supermarket number 200, in Segorbe (Castellón).

The first collective agreement for all employees is signed.



1997

Association agreement with Almacenes Gómez Serrano in Antequera (Málaga).

Mercadona's History 1977-2020



1999

Completion of the process, begun in 1995, to give all employees, 16,825 at the time, permanent contracts.

Inauguration of the Antequera (Málaga) Logistics Centre.

The new cosmetics designing and modelling project began.

2000

Construction of the Sant Sadurní d'Anoia (Barcelona) Logistics Centre.

Inauguration, in Massanassa (Valencia), of the first Atmosphere Store.

First Intersupplier Meeting held.

Signing of the Collective Agreement (2001-2005).

2001

Inauguration of the first free children's education centre for employees' children at the Sant Sadurní d'Anoia (Barcelona) Logistics Centre.

Mercadona grew to 500 stores with the opening of its first supermarket in Linares (Jaén).

2003

First company to carry out an Ethical Audit.

Inauguration of the San Isidro (Alicante) Logistics Centre and the company's second children's educational centre.

Launch of the new Hortensia H perfume line.

Opening of a supermarket at the Mercat de l'Olivar site in Palma.



2004

Inauguration of the Huévar (Seville) Logistics Centre and the company's third children's educational centre.



2005

Inauguration of the Logistics Centre in Granadilla de Abona (Tenerife).

Signing of the new Collective Agreement for the next four years (2006-2009).



2006

The company's twenty-fifth anniversary.

Inauguration of the company's 1000th store, in Calp (Alicante).



2007

Launching of the company's 21st Century warehouse logistics centre in Ciempozuelos (Madrid).

Fourth ranking company in the world in terms of corporate reputation according to a study by the New York Reputation Institute.

Mercadona's History 1977-2020



2008

Realignment of Mercadona with the Total Quality Model, fifteen years after its implementation.

Shopping Trolley Menu to offer "The Boss" the highest quality and cheapest Total Shopping on the market.

Inauguration of the Ingenio (Gran Canaria) Logistics Centre.



2013

Signing of the 2014-2018 Collective Agreement and Equality Plan.

Reinventing ourselves to be better supermarkets. Implementation of new fresh sections.

Mercadona starts developing the Sustainable Agri-Food Chain.

Inauguration of the Guadix (Granada) Logistics Centre.



2014

Opening of supermarket 1,500 located in the district of Cazoña in the city of Santander.

Launch of the new Data Processing Centre located in Albalat dels Sorells (Valencia).



2016

The start of its internationalisation project with entry into Portugal is approved.

Its first two supermarkets with the New Efficient Store Model are inaugurated, located in Puerto de Sagunto (Valencia) and Peligros (Granada).



2017

Development of the Global Fresh Products strategy to boost and modernise the new fresh products sections.

Acquisition of land for the new Parc Sagunt Logistics Centre in Sagunt (Valencia).

Beginning of the digital transformation project with the SAP technology company.



2018

Launch in Valencia of the new online ordering service, to test and learn, and opening of the first online warehouse, or Hive, in Vara de Quart (Valencia).

Implementation of the new Ready-to-Eat section.

Evolution of the intersupplier model towards the Totaler Supplier model with the aim of continuing to be the best option for "The Boss".

Signing of the 2019-2023 Company Collective Agreement and Equality Plan.



2019

The internationalisation project became a reality with the opening of the first store in Portugal, specifically in Canidelo, in Vila Nova de Gaia, district of Porto.

Opening of 9 further stores in Portugal, all efficient, located in the districts of Porto, Braga and Aveiro.



2020

In such a challenging, complex and extraordinary year, the group of exceptional individuals who form part of the Mercadona Project has contributed to achieving, through their efforts and their ability to excel, the best management in the history of the company.

Saying yes to continuing to care for the planet through the Strategy 6.25 to reduce plastic and manage waste.



The Mercadona Project continues to move forward



2020 Annual Report and more information:
<https://info.mercadona.es/en/home>

1. Daniel, employee at the Avenida Europa supermarket in Aveiro. 2. Detail of the Txaporta Auzoa supermarket exterior in Gernika, Bizkaia. 3. Green peppers in the Fruit and Vegetable section. 4. Detail of the Ready-to-Eat sign. 5. Concepción, "Boss" at the Sarria supermarket in Sarria, Lugo.

MERCADONA

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