

# Transforming Mercadona



Annual Report 2018



# MERCADONA

## ANNUAL REPORT 2018



Annual Report 2018  
and more information  
[www.info.mercadona.es](http://www.info.mercadona.es)



Menchu and Jesús, employees in the La Almadraba supermarket in the Autonomous City of Ceuta.



Front of the supermarket on calle Carlos V in the Autonomous City of Melilla.



Supermarket under construction in Canidelo, Vila Nova de Gaia, Porto.



Salad in the new "Ready to Eat" section.



Lentil helix salad.



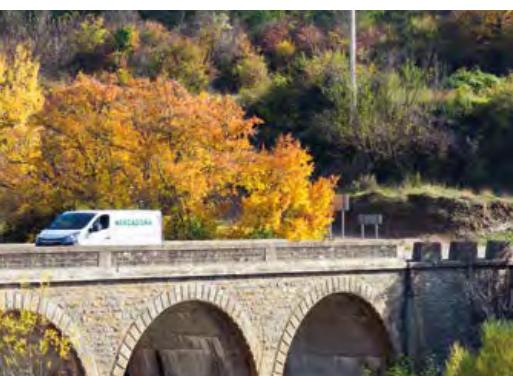
Izaro and Esther, "Bosses" of the Leruntxiki supermarket in Elgoibar, Gipuzkoa.



Garden rooftop of the supermarket on calle Ayala, Madrid.



New Mercadona paper bag.



Delivery van for a charity canteen in Huesca.



New oven section.



New Mercadona Online shopping service.

# CONTENTS

## INTRODUCTION

Our main achievements in 2018	4
Message from the President	6

## THE MODEL

Transforming Mercadona	12
A Sustainable Mercadona	19
Across-the-board Innovation Model	20

## IRMĀDONA: MERCADONA IN PORTUGAL

<b>1. “THE BOSS”</b>	<b>32</b>
Stores and Mercadona Online	35
Ready to Eat	41
Efficient Selection	42
Innovation	44
Food Safety and Quality	46
Customer Service	48
Healthy Eating	50

## 2. THE EMPLOYEE

Staff Indicators	57
New Collective Agreement	58
Commitment to Equality and Diversity	59
Fostering stable, quality employment	60
Work-life balance and commitment to the staff’s wellbeing	63
Training for professional growth	64
Health and safety at work	64

## 3. THE SUPPLIER

Totaler Supplier	73
Mercadona Industry	76
Logistics centres	82

## 4. SOCIETY

Sustainable and shared growth	93
Dialogue and transparency	95
Social action: metrics, targets, and results	102
A Sustainable Mercadona	106

## 5. CAPITAL

## ADDITIONAL RELEVANT INFORMATION

## HISTORY OF MERCADONA

# OUR MOST SIGNIFICANT ACHIEVEMENTS IN 2018



## “THE BOSS”

**1,636**

STORES IN 2018  
29 openings  
20 closings

**400**

SUPERMARKETS WITH  
THE NEW EFFICIENT  
STORE MODEL  
(Store 8)

**215**

renovations

**300**

INNOVATIONS IN  
THE SELECTION

**75**

product improvements

**5.3**

MILLION HOUSEHOLDS  
do their shopping  
at Mercadona

**15.3%**

MARKET SHARE  
in terms of total  
retail space in the  
Spanish organised  
distribution sector

**11**

SUPERMARKETS WITH  
THE NEW “READY TO  
EAT” SECTION



## THE EMPLOYEE

**85,800**

EMPLOYEES  
in long-term, quality  
employment

**85,500**

in Spain

**300**

in Portugal

**1,800**

NEW  
PERMANENT JOBS

**70**

MILLION EUROS  
invested in training

**1,328**

EUROS/MONTH GROSS  
in starting salaries for  
base staff in Spain  
1,193 EUROS/MONTH NET

**325**

MILLION EUROS  
in variable incentive bonuses  
distributed among the staff



## THE SUPPLIER

**18,640**

MILLION EUROS IN PURCHASES IN SPAIN  
(more than 85% of the total)

**+1,107**  
million euros  
than in 2017

**1,400**  
TOTALER SUPPLIERS

**2,387**  
COMMERCIAL AND SERVICE SUPPLIERS

**+20,000**  
SMEs and RAW MATERIAL PRODUCERS

**43**  
DAYS'  
payment period for  
Totaler Suppliers



## SOCIETY

**1,575**

MILLION EUROS TAX CONTRIBUTIONS IN SPAIN

IMPACT OF MERCADONA'S SUPPLY CHAIN IN SPAIN:

**630,000**

direct, indirect and induced jobs  
3.4% of total employment

**1.9%**

of the national GDP  
22,900 million euros

SOCIAL COMMITMENT:

**8,300**

tonnes of food donated

Collaboration with 170 soup kitchens  
60 food banks

**33**

foundations and occupational centres

+1,000 people suffering from intellectual disability make the *trencadís* murals displayed at the supermarkets

SUSTAINABLE TRANSPORTATION:

**54**

gas-powered lorries

**18**

megatrailers



## CAPITAL

**24,305**

MILLION EUROS TURNOVER (+6%)

**11,848**  
million kilos/litres  
(*kilitres*) sold (+2%)

**1,504**  
MILLION EUROS INVESTMENT (+50%)

**593**  
MILLION EUROS NET PROFIT (+84%)

**470**  
MILLION EUROS devoted to strengthening EQUITY CAPITAL

**40**  
MILLION EUROS investment in improving the ENVIRONMENT

## MESSAGE FROM THE PRESIDENT



At Mercadona, we have implemented many transformative initiatives in 2018. During these twelve months, we have all worked within the reference model which we have set for ourselves to meet the needs of our customers (*"The Boss"* as we call the customer internally) and of the other company components: Employee, Supplier, Society, and Capital. We have continued to transform the company thanks to the determination and commitment of all those who are part of this project, which seeks growth based on efficiency, differentiation, sustainability and innovative creativity.

To achieve this goal, it is crucial to maintain, in our everyday work, the discipline of always applying the methods and values that constitute our essence as a company. Understanding that success does not continue automatically, and that we must be agile to immediately adapt to customers' new needs, as well as being disruptive and non-conformist to deal with change. This enables us not only to face current

challenges, but also to be ready for the successive waves of change that are coming.

We are currently no longer a chain of physical supermarkets: we are also starting to be an online supermarket company, after the launch of the *Mercadona Online* project. We no longer only sell products for "The Boss" to cook at home: we are also preparing them in the new Ready to Eat section. Together with these new projects, we continue to create, together with 1,400 *Totaler Suppliers*, an Efficient Selection which, product by product, provides differentiation. Because our goal is to be the best option for customers, and so we are obsessed with prescribing "The Boss" innovative products of the highest quality at the lowest price.

The sum of all these initiatives and strategies, together with the development of the New Efficient Store Model (*Store 8*) and the *Global Fresh Products project*, including significant improvements in our fresh products sections and greater adaptation to the local selection, has led Mercadona to increase sales on a like for like basis in 2018 by 6%, up to 24,305 million euros.

Also, thanks to the effort of the more than 300 Portuguese people who have joined the company's project in Portugal, we continue to advance in our international leap. We expect to open 10 stores in Portugal in 2019, in the districts of Porto, Braga, and Aveiro, as well as our first logistics centre in Povoa de Varzim, Porto.

In order to increase process efficiency and productivity, we have also continued to invest in the construction and renovation of logistics centres, to remove overexertion by those who work every day in them. But in 2018 we also launched a number of initiatives that strengthen our competitiveness, from more efficient order management that reduces stock, which guarantees actual supply, to better process and task

organisation, with the ensuing optimisation of space in our supermarkets.

We know that our responsibility as a company requires anticipating the environmental and social changes demanded by society. Being aware that we still have much to do, but with the strong commitment to continue to advance, we also benefit from innovation to drive many initiatives that contribute to making the cities and environments in which we have a presence more sustainable. The use of gas trucks, the creation of urban gardens and green rooftops in some of our supermarkets, and the various Animal Welfare and plastic removal initiatives which we are carrying out are some examples of this commitment.

All this process of constant adaptation and renewal is a reality that is advancing thanks to the company's sustained investment effort, an investment effort which, in our case, we regard as a choice in the medium and in the long term. In 2018, this effort amounts to 1,504 million euros for the purpose of creating the future Mercadona, which is helping us to follow our motto of always seeking "The Boss's" satisfaction first, because that brings sales in, and then profits. Everyday implementation of this strategy, and the excellent results of these initiatives, have increased net profits by more than 80%, up to 593 million euros. This ratifies what we explained two years ago, and our commitment: *long-time benefits for all five components is our investment to transform Mercadona*.

Thanks to this constant transformation, our drive to excel, the passion and high level of commitment of all those individuals who are part of the company, Mercadona is now more productive and agile than it used to be. In 2018, working with the trade unions, we have also renewed the company's collective agreement and equality plan for five years, again applying pioneering measures that make it more egalitarian and social for the 85,800 individuals who constitute Mercadona, after creating 1,800 new stable, quality

**"Success does not go on automatically. We must be agile to immediately adapt to new needs; as well as disruptive and non-conformist to deal with the successive waves of change that are coming"**

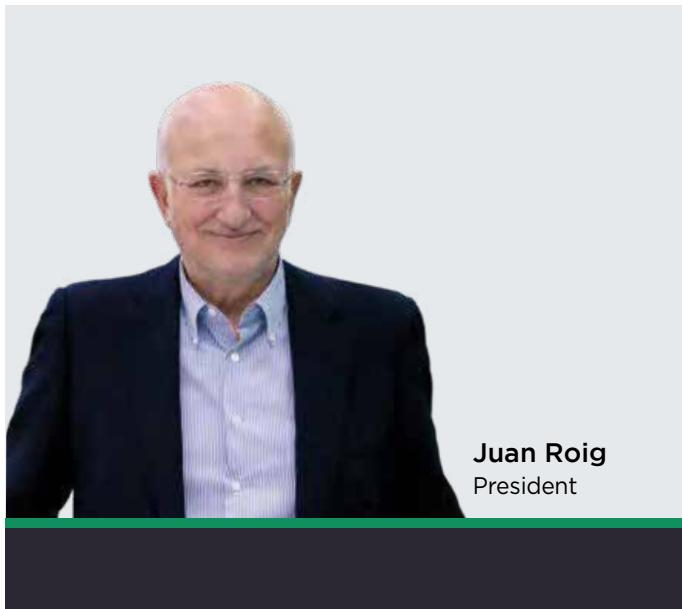
jobs in these twelve months. The company, persuaded that growth must be shared, has shared, one more year, 325 million euros of the profits earned with its employees as performance-related bonuses.

In 2019, our challenge remains the same: seeking sustainable growth based on efficiency, differentiation, sustainability, and innovative creativity, in which the implementation of digital tools will be a boost. We are aware that we will face risks and make mistakes along this path which we have chosen, and that the best way to deal with them is to humbly admit them. And also, that sometimes, when there is no path, we will have to create it. To do so, as has always been the case throughout the history of the Mercadona Project, we have the support of our shareholders and of our Board of Directors, whose leadership and determination contribute to seek our vision of having a company which people want to continue to exist; doing what must be done at every moment, in the belief that, as the authors of the book Conscious Capitalism reflect, "*in the same way as people do not live just to work, companies do not exist just to make a profit. However, people cannot live without eating and companies cannot live with no profits*".

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



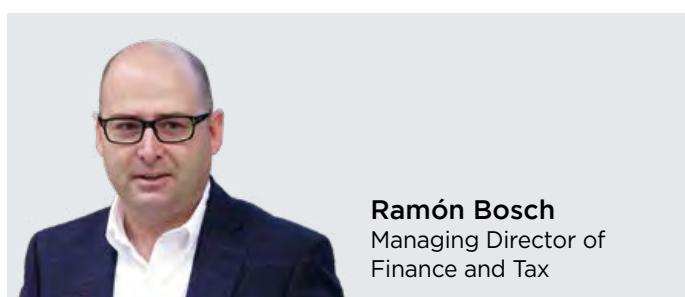
**José Jordá**  
Managing Director of  
Stores and Perishables  
Prescription



**David Cid**  
Managing Director of  
Petroleum Byproducts  
Purchasing



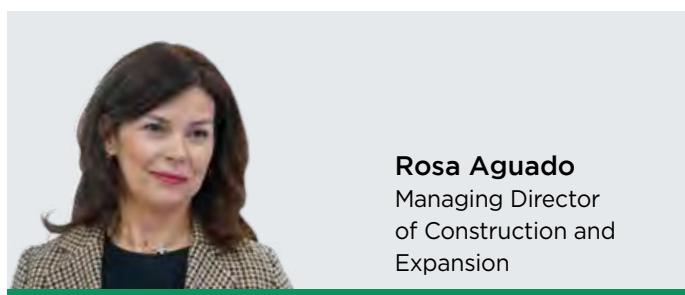
**Oriol Montanyà**  
Managing Director of  
Logistics



**Ramón Bosch**  
Managing Director of  
Finance and Tax



**Juan Antonio Germán**  
Managing Director of  
External Relations and  
Patronage



**Rosa Aguado**  
Managing Director of  
Construction and  
Expansion



**Aleix Juan**  
Managing Director  
of IT



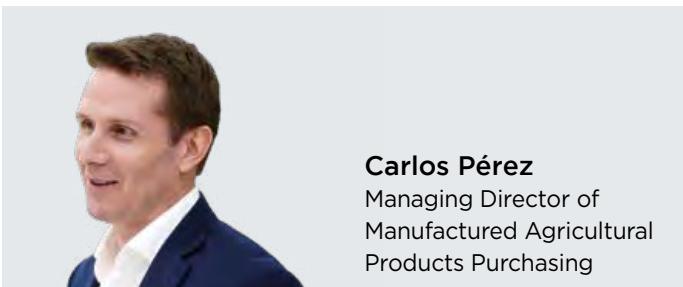
**Patricia Cortizas**  
Managing Director in  
training



**Francisco Espert**  
Managing Director of  
Dry Products Prescription



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



**Carlos Pérez**  
Managing Director of  
Manufactured Agricultural  
Products Purchasing



**Jose Miguel  
Fernández**  
Managing Director of  
Dairy Products, Wine  
and Beer Purchasing



**Héctor Hernández**  
Managing Director of  
Legal, Organisation and  
Marina de Empresas



**Daniel Blasco**  
Managing Director of  
Human Resources

## Board of Directors

The body in charge of corporate governance and of representing the company.

<b>President</b>	Juan Roig Alfonso
<b>Vice-president</b>	Hortensia Mª Herrero Chacón
<b>Board member secretary</b>	Carolina Roig Herrero
<b>Members of the board</b>	Hortensia Roig Herrero Amparo Roig Herrero Juana Roig Herrero Rafael Gómez Gómez Fernando Roig Alfonso

## Audit Committee

Integrated in the Board of Directors, it is in charge of supervising, accounting, fiscal and financial information, auditing services, fulfilment and risk prevention.

<b>President</b>	Rafael Gómez Gómez
<b>Secretary</b>	Carolina Roig Herrero
<b>Member of the board</b>	Juana Roig Herrero



# THE MODEL

**MERCADONA, A FAMILY-OWNED COMPANY, IS ONE OF THE LEADING SUPERMARKET AND ONLINE SALE COMPANIES IN SPAIN**

---

Since its creation, its goal has been to be responsible for prescribing “The Boss” (as the customer is internally known) the best option to fully satisfy all the food, beverage, home cleaning, and personal care needs of its customers, as well as their pet care needs. Thanks to this, more than 5.3 million households place their trust in the company every day through the 1,636 supermarkets distributed across Spain, and, starting this year, also through its new online sale channel by means of its own warehouses known as “Hives”

## TRANSFORMING MERCADONA

We maintain a process of constant transformation and will continue to change, with “**The Boss**” as our **lighthouse**, to continue to seek always to be their best option

+info in page 37

### MERCADONA ONLINE



Front of the first Mercadona Online “Hive” in Vara de Quart, Valencia.

In May 2018, Mercadona launched the “Laboratory” for its online sale project from its new “Hive”, where it centralises that preparation and distribution of online orders. This service is currently available in 134 postcodes in the province of Valencia, and its extension to other cities has been scheduled.

**134**

POSTCODES IN THE PROVINCE OF VALENCIA

+info in page 73

### EVOLUTION THE SUPPLIER MODEL



Cold meat manufacturing line at the Totaler Supplier Embutidos Monter in Sant Jaume de Llierca, Girona.

Mercadona has evolved from the Integrated Supplier Model to a new concept: the Totaler Supplier. There are currently more than 1,400 Totaler Suppliers in the company, specialising in products not categories, who provide own brand products for Mercadona, with the highest Food Safety guarantees and great quality, coinnovating, and jointly developing on the basis of customer needs.

**1,400**  
TOTALER SUPPLIERS

+info in page 41

### READY TO EAT



Mariló, head of the “Ready to Eat” project, with her team in the supermarket on plaza Francisca Navarro, in Burjassot, Valencia.

In mid-2018, Mercadona launched “Ready to Eat”, a new section that offers 35 cooked dishes, ready to be consumed. By the end of the year, this section was available in 11 stores in the province of Valencia.

**35**

DISHES

**11**

STORES

+info in page 36 and 38

### EFFICIENT STORE AND GLOBAL FRESH PRODUCTS



Front of the Ali-Gobeo supermarket in Vitoria-Gasteiz, Alava.

Mercadona currently has 400 supermarkets adapted to its new Efficient Store Model (Store 8), a project that started in 2016. This is a new supermarket concept that reinforces excellent service, optimises shopping, and reduces energy consumption by up to 40%. The company also has 660 stores with the Global Fresh Products model.

**400**  
STORES 8      **660**  
STORES WITH GLOBAL FRESH PRODUCTS

This **disruptive change** process in which we are immersed involves a significant **investment effort: 1,504 million euros**

+info in page 24

## MERCADONA PORTUGAL



Outside the supermarket under construction in Canidelo, Vila Nova de Gaia, Porto.

Mercadona expects to open 10 stores in 2019 in the Porto, Braga, and Aveiro districts, and has invested a total of 160 million euros in this first stage of the project, mainly intended for the construction of the supermarkets, of a logistics centre located in Povoa de Varzim (Porto), and for the consolidation of a staff that will reach 1,000 Portuguese employees in 2019.

**10**  
**STORES IN 2019**      **1**  
**LOGISTICS CENTRE**

+info in page 21

## DIGITAL TRANSFORMATION



Maribel and Ángel, employees in the supermarket on calle José Iturbi in Torrent, Valencia.

The company continues to be immersed in its digital transformation process in partnership with Specialist Suppliers in the various IT solutions. The goal is to make decision-making as agile as possible, increasing process efficiency through unique, accurate data.

**31**  
**MILLION EUROS INVESTMENT**  
in new touchscreens for stores

+info in page 65

## + EFFICIENT + PRODUCTIVE



Deliplus gel shelves in the San Clemente supermarket, Cuenca.

The company has launched several organisation measures for the logistics process and in stores, to optimise spaces and processes, which join the new ways to make orders. One of them, Order R, implemented in 18 supermarkets, is intended to maintain service to "The Boss" by optimising in-store stock.

**18**  
**SUPERMARKETS WITH ORDER R**

+info in page 106

## SOCIALLY RESPONSIBLE



Gas-fuelled lorry in the Riba-Roja de Túria logistics centre, Valencia.

Through its Social Responsibility deeds, Mercadona covers social and environmental aspects by means of various sustainable action lines. Some of these focus on developing, for example, the company's commitment to Animal Welfare, the removal of single-use plastic bags in 2019, partnerships with soup kitchens and food banks, and the various logistics initiatives that contribute to a more sustainable environment.

**54**  
**GAS- POWERED LORRIES**



Front of the supermarket on calle Carlos V in the Autonomous City of Melilla.



## **THE MISSION**

FILL BELLIES

“To prescribe the final consumer the products/solutions that meet their needs to eat, drink, and for personal, home and animal care...

... always ensuring Food Safety, Maximum Quality, Maximum Service, Minimum Budget and Minimum Time”

## **THE VISION**

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

Our responsibility as a company is to achieve the satisfaction of the five components that constitute the company, as sustained success arrives when you apply yourself to always satisfying all components with the same intensity. To achieve this goal, Mercadona has its own Model, which is based on a paradigm of simplicity and serves as the structuring element for the company principles and values

## The foundations of the Model

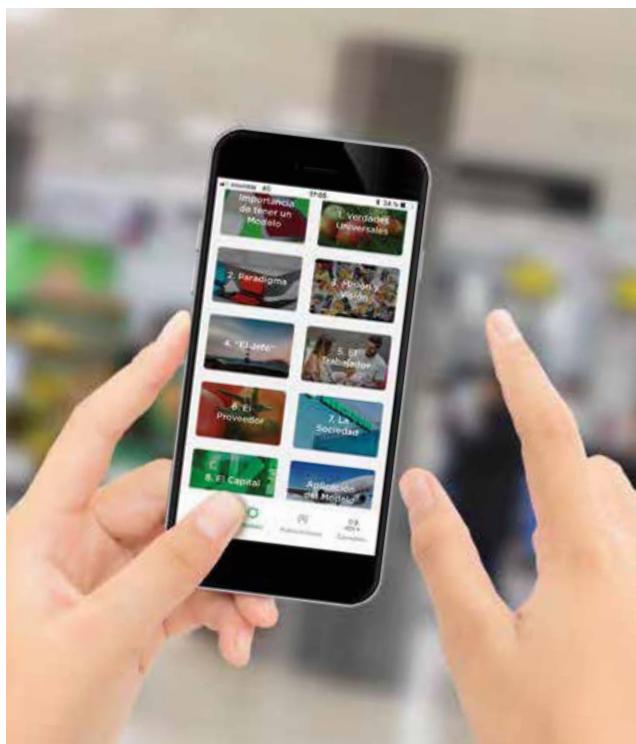
The Mercadona Model is the decision-making framework for all those that are involved in the project. It helps everyone, motivated by their own drive to achieve "The Boss's" satisfaction, to go in the same direction, and makes it possible to decide how and when to act in a given circumstance in an agile way.

Developed on the basis of universal truths and paradigms, its everyday implementation encourages the incorporation of value-added improvements, removing everything that does not fit the Model, so that the five components of Mercadona are satisfied, in an open and collaborative way, in this order and with the same importance: All of the above is in aid of satisfying in this order and in an equitable manner the five com-

ponents that comprise Mercadona's Sustainable Agri-food Chain, namely "The Boss", as clients are known within the company, The Employee, The Supplier, Society and Capital.

To this end, Mercadona has had since 1993 a specific management model on which all its decisions are based

- the Total Quality Model - which evolves to facilitate decision-making always taking "The Boss's" satisfaction as our lighthouse. Mercadona uses it to develop specific objectives and strategies in line with a corporate outlook based on a culture of participation. The objective is to generate an innovative, sustained and shared growth with the objective of achieving a differentiating model for a company that society wants to exist.



New Activito2 APP.

### Activito2:

#### **Our own APP to improve everyday application of the Model**

In 2018, Mercadona developed a new app called Activito2, which includes the main training tools for the Model and the company culture. Its name comes from the ideas of two employees which Juan Roig, the President of the company, merged in order to record that the company's main asset is the Employee, the second component in the Mercadona Model.

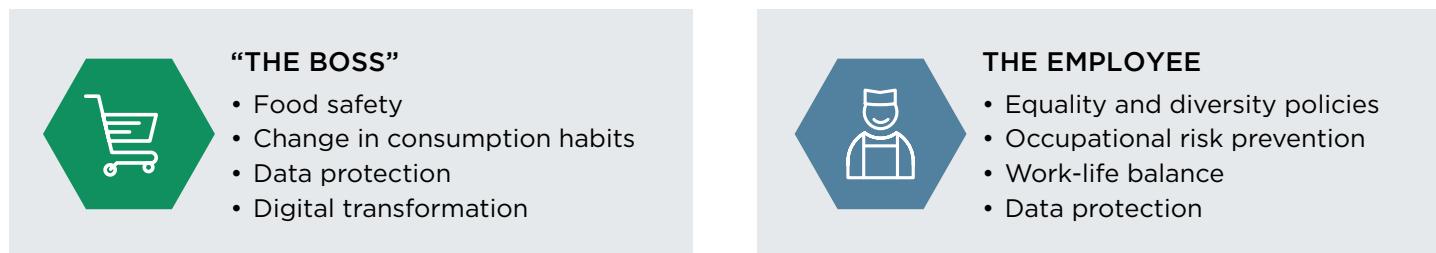
The new platform enables employees to interact and share examples and experiences in an active, bidirectional way, something that contributes to improving everyday application of the Model. This improvement is part of Mercadona's technological innovation project, aimed at simplifying processes to make decision-making as agile as possible.

## SUSTAINABLE DEVELOPMENT IN THE 5 COMPONENTS

COMPONENTS	POLICIES AND STRATEGIES	PERFORMANCE 2018
<b>1. “THE BOSS”</b> Our main objective is to fully satisfy our clients	<ul style="list-style-type: none"> <li>• Food Safety Model</li> <li>• Efficient Selection: maximum quality, minimum price</li> <li>• Global Fresh Products Strategy</li> <li>• New Efficient Store Model</li> <li>• “Ready to Eat”</li> <li>• Customer Service</li> <li>• Consumer data protection</li> <li>• Across-the-board innovation</li> <li>• Mercadona Online</li> </ul>	<span style="color: green;">✓</span>
<b>2. THE EMPLOYEE</b> Those who satisfy “The Boss” must themselves be satisfied	<ul style="list-style-type: none"> <li>• Permanent contracts and salaries above the sector's average</li> <li>• Equity principle: same responsibility, same salary</li> <li>• Performance-related bonuses</li> <li>• Training and internal promotion</li> <li>• Occupational risk prevention</li> <li>• Work-life balance</li> <li>• Equality Plan</li> <li>• Social environment</li> <li>• Employee's data protection</li> <li>• Medical service available to the employee</li> </ul>	<span style="color: green;">✓</span>
<b>3. THE SUPPLIER</b> Totaler Suppliers are the backbone of Mercadona's Sustainable Agri-Food Chain	<ul style="list-style-type: none"> <li>• Code of Good Commercial Practices</li> <li>• Mercadona's Sustainable Agri-Food Chain</li> <li>• Generation of industrial infrastructure</li> <li>• Sustainable Fishing Policies</li> <li>• Animal Welfare Policy</li> <li>• Supplier data protection</li> </ul>	<span style="color: green;">✓</span>
<b>4. SOCIETY</b> The company considers contributing towards the country's sustainable development and social progress to be one of its duties	<ul style="list-style-type: none"> <li>• Model of relationship with local communities</li> <li>• Dialogue and transparency</li> <li>• Promoting entrepreneurship</li> <li>• Policies for preventing crime and anti-corruption</li> <li>• Anti-exclusion programme: food donation</li> <li>• Sustainable Logistics Model</li> <li>• Environmental management system</li> <li>• Neighbour data protection</li> <li>• Proactive Management to identify and remove potential risks of neighbour disturbance</li> <li>• Management to handle neighbourhood suggestions</li> </ul>	<span style="color: green;">✓</span>
<b>5. CAPITAL</b> The objective is to obtain profits as a consequence of doing things properly	<ul style="list-style-type: none"> <li>• Growth and profitability</li> <li>• Financial risk management policies</li> <li>• Reinvestment and long-term vision</li> <li>• Wealth generation and shared value</li> </ul>	<span style="color: green;">✓</span> <span style="color: green;">✓</span> <span style="color: green;">✓</span> <span style="color: green;">✓</span>

✓ Means consolidated strategy ∞ Means strategy under development

## MERCADONA WORKS ON THE MANAGEMENT, CONTROL, AND PREVENTION OF THE **POTENTIAL RISKS** INHERENT TO ITS ACTIVITY



## A Sustainable Mercadona

Mercadona has always been committed to promoting the best practices in sustainability and conducts its business in a responsible manner. It does so by means of an ethical behaviour that encourages dialogue with society and promotes the Sustainable Development Goals developed by the United Nations, the organisation that develops the Global Compact, an initiative in which Mercadona has also been a partner since 2015.

To meet these objectives, the company's Management Committee is in charge of devising policies to identify, prevent and manage the risks derived from Mercadona's activities. It promotes and is strongly committed to the prevention and management of the risks that can affect the company, which results in the many initiatives implemented to ensure that the five key factors are met.

In addition, transparency is a key value for Mercadona, which constantly applies it towards all the company components. In this way, it shares, on an objective and periodic basis, its evolution and results with its suppliers, employees, and society through very diverse channels such as the annual report and the environmental report, the transparency website, participation in many forums, and the various sustainability reports and initiatives in which it collaborates with the associations in which it is a member.

These actions are described in detail in the corresponding sections of this Report. We will now detail some of the more significant ones.



## Across-The-Board Innovation Model

Mercadona has always regarded innovation as a key factor in the company's current and future development. For this reason, it has its own across-the-board Innovation Model, which is one of its main levers for growth and differentiation. The Mercadona Innovation Model is also an open model, in which all employees, suppliers, and, in particular, "The Boss", are involved. Thanks to this exchange

of ideas, experiences, and knowledge, the company approaches its creative processes from a joint, differential point of view, which makes it possible not only to develop new products and services in an agile, speedy way, but also to anticipate "The Boss's" needs by means of solutions that offer a total shopping experience.

### 4 AXES OF INNOVATION

#### CONCEPT INNOVATION



Perfumery section in the Montevida Commercial Park supermarket in Murcia.

- All innovations are promoted only if they add value to "The Boss" and the rest of Components.
- The New Efficient Store Model optimises customer shopping and generates up to 40% energy savings with respect to a conventional store. The Observatory for Innovation in CPG 2018, promoted by the Cerdà Institute, describes it as a leading innovative practice in the CPG chain in Spain.

#### PRODUCT INNOVATION



Paco and Ángel, employee and "Boss", in the Ready Meals Coinnovation Centre in Bétera, Valencia.

- 300 new products, with an 82% success rate.
- 2 products defined by the Cerdà Institute's Observatory for Innovation in CPG 2018 as outstanding innovative practices in the CPG chain in Spain.
- 19 co-innovation centres in Spain and Portugal, in which 9,000 meetings were held with "The Bosses" to innovate jointly.
- 2 selection warehouses: one in Spain and another one in Portugal.
- 1 pilot store in the Fuente del Jarro Coinnovation Centre, "Jarrods", located in Paterna (Valencia).



In fact, since its foundation, Mercadona has supported innovation as a driver for change. This innovation is based on knowledge and on experience, which can only be promoted if added value is provided to "The Boss": Innovation is, to conclude, one of the company's main resources to achieve its goal of constant reinvention and transformation, in order to continue to build the future Mercadona.

**Promoting innovation to grow and differentiate ourselves. If there is no failure, it is because there is not enough innovation**

#### PROCESS INNOVATION



Picking Bridge Crane system in the Guadix logistics centre, Granada.

- Improvements in the manufacturing processes and in the logistics systems to avoid overexertion and unnecessary costs, and to reinforce productivity.
- A new tool, called Order R, to manage the stock in a more efficient way and increase the efficiency and productivity of the logistics chain.
- Development of the contrasting theory, scientifically defining every individual's role in the company processes and methods, measuring efforts and results very well.



#### TECHNOLOGICAL INNOVATION



New online shopping APP.

- Accelerating decision-making and simplifying processes.
- Continuing to advance towards the automation of the logistics centre to remove overexertion.
- New Mercadona Online department, which has boosted growth through this channel.
- Agreement with the technology company SAP to implement the S4 HANA technology and have accurate, unique data in real time that make it possible to increase process efficiency and agility and improve management.





# IRMÃDONA: MERCADONA IN PORTUGAL

WE HAVE CONTINUED TO **WORK**  
**ON OUR INTERNATIONALISATION,**  
WHICH WE DECIDED TO LAUNCH  
IN **JUNE 2016** WITH THE **CREATION**  
**OF THE PORTUGAL PROJECT**

---

With this goal in mind, the company Irmãdona supermercados S.A. - which means “Mercadona’s sister” - was created, with headquarters in Porto

# IRMĀDONA MAIN DATA

**300**

**EMPLOYEES**

in 2018

**60**

**MILLION EUROS**

investment 2018

**88**

**MILLION EUROS**

in purchases from Portuguese suppliers in 2018

**COINNOVATION CENTRE IN  
MATOSINHOS**

for the development of the selection adapted to the Portuguese “Bosses”

**LOGISTICS CENTRE IN  
POVOA DE VARZIM**

**50,000 m<sup>2</sup>**  
plot

**10**

**OPENINGS**

scheduled for 2019



Sónia, a trainee employee in the Gondomar supermarket, Porto.

## Irmãdona

### 10 supermarkets in 2019 as the starting point to continue to grow

During these twelve months, the company has devoted significant resources to advance towards its goal of being a Portuguese company with Spanish and Valencian roots. This will only be possible by making the previous effort of learning in depth about the Portuguese market, the habits, tastes, and needs of Portuguese society, in order to become integrated in it and be able to add value.

Thanks to this acquisition of knowledge, Mercadona has confirmed on the field that Portugal is a very competitive market that constitutes a clear opportunity for the company to grow and improve. This has led to the company's decision to reinforce its expansion in Portugal, where it will be opening 10 stores in the second half of 2019, rather than the 4 stores initially planned.

### Learning and innovating with the Portuguese "Boss"

Precisely in order to adapt to Portuguese society and learn with Portuguese consumers, the company

opened the Matosinhos Coinnovation Centre (Porto) in June 2017. With 1,000 m<sup>2</sup> distributed in two floors, 10 Specialists in Local Solutions work in this centre, analysing the customers' needs and preferences in order to adapt the selection to Portuguese consumers' habits and tastes.

The Matosinhos Coinnovation Centre is the first Portuguese centre, following the 19 centres of this kind that the company has. It has a product sampling room and kitchens for participation sessions with the "Bosses". A total of 2,000 sessions were held in this macrolaboratory of ideas in 2018, such as green wine tastings, in which, in collaboration with the Portuguese "Bosses", we have developed the Mercadona own brand "Castelo de Moinhos". It has been available since October 2018 in 24 stores near the Portuguese border, located in the Spanish provinces of Pontevedra, Ourense, Zamora, Salamanca, Badajoz, and Huelva.



Defining the wine selection for Portugal in the Matosinhos Coinnovation Centre, Porto.



Production line for the Alvarinho green wine produced by the Portuguese Tóller Supplier Adega de Monção in Monção, Viana do Castelo.



Label of the Mercadona brand Portuguese Alvarinho green wine, "Castelo de Moinhos".

## Staff training

Mercadona's employees are one of the mainstays of the company, which, since its creation, has supported the talent of its staff. In the case of Portugal, the company already has a team of 300 professionals, after recruiting 180 employees in 2018, and expects to continue to recruit, reaching a staff of 1,000 people, in 2019, so as to ensure its short-term development and expansion in the Portuguese market.

Mercadona supports the training and development of the talent and skills of the members of its staff. For this reason, the employees recruited by the company in Portugal have received training. In 18-month training, with an average investment of 50,000 euros per individual, they receive detailed information about Mercadona's Total Quality Model and how it works, while their skills, leadership and specific competences needed in terms of managing the different jobs are reinforced.

The first 180 store employees travelled to Spain to receive specific training, which has enabled them to improve their skills in each specific position and learn about Mercadona, its Management Model and its history, more accurately and in more depth.

## Purchases from Portuguese suppliers

Mercadona has been collaborating with Portuguese suppliers for years. In 2018, it made purchases

**300**  
EMPLOYEES

50,000 euros  
investment in  
training per  
employee

for 88 million euros from them, completing a total of 203 million euros since it announced its project for internationalisation in Portugal, in 2016.

This is proven, for example, by the Totaler Supplier Pastelaria e Confeitaria Rolo, the fish Totaler Supplier Foz da Nazaré, and the cheese Totaler Supplier Lacto Serra, Portuguese companies which enable the company to offer an Efficient, specialised Selection, with full Food Safety guarantees, the highest quality, and the lowest price possible.

**Foz da Nazaré is a fish supplier which has worked with Mercadona since 2016, transporting fresh fish from the fish market to Spanish stores, supplying, in 2018, 289 tonnes of fish, such as anchovies, sardines, horse mackerel, Norway pout, octopus, and conger eel**





Pastelaria e Confeitoria Rolo is a Portuguese company that has been working with Mercadona since 2017, introducing the traditional Portuguese “pão de Deus” - known in Spain as coconut cake - in more than 660 chain supermarkets. In 2018, Mercadona purchased 1,130,000 units of this product



Lacto Serra

O QUEIJO A SEU GOSTO.

Lacto Serra cooperates with Mercadona in the development of its own brand to offer the Portuguese butter cheese, which enables Mercadona to have a differential cheese, suited to the taste of Portuguese “Bosses”, in its selection

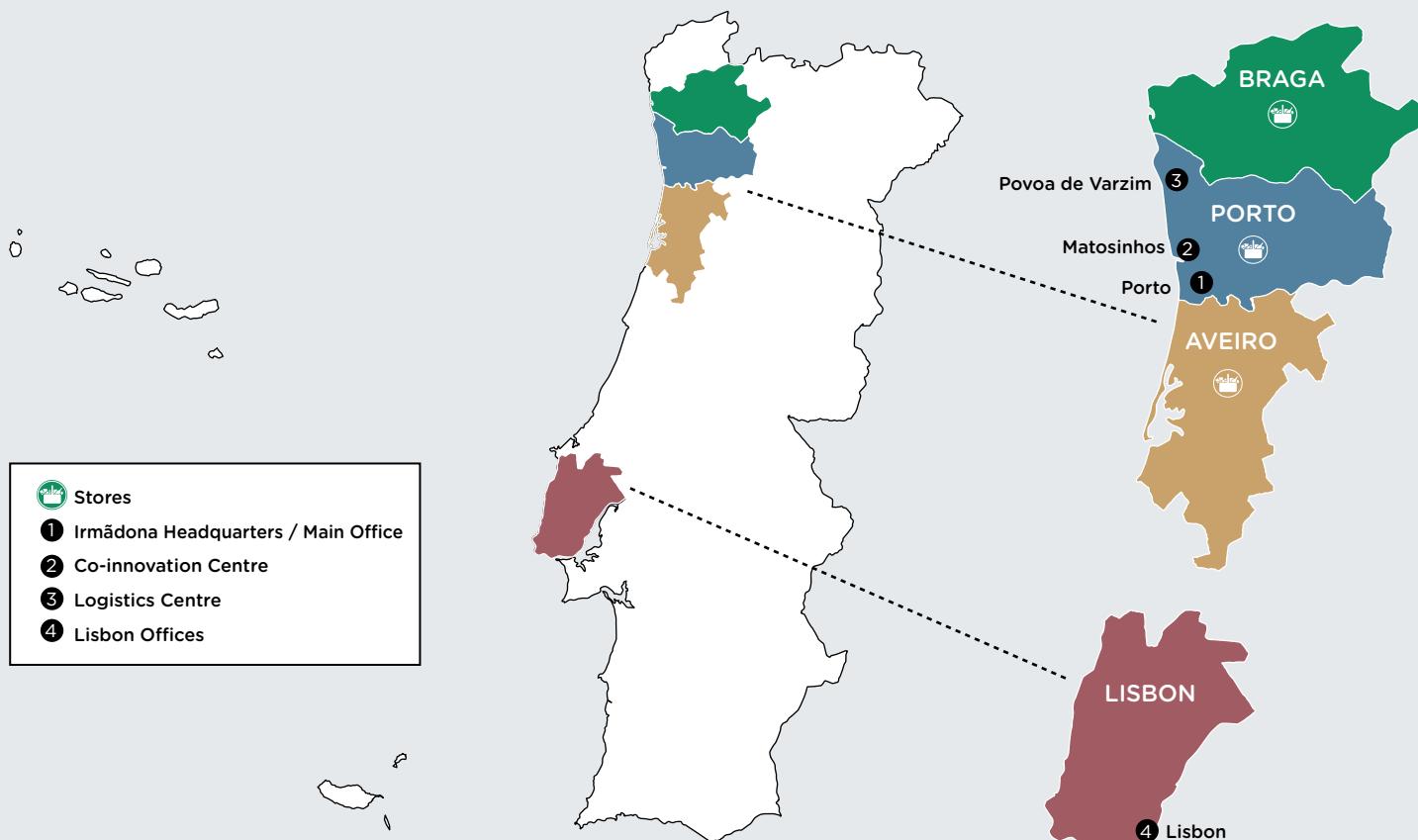
## Mercadona's Investment in Portugal

To start up its project in Portugal, an initial investment of 160 million euros has been made. A large portion is being used to build the supermarkets that the company expects to open in 2019.

The company has also announced the construction of a logistics centre in Povoa de Varzim, in a 50,000 m<sup>2</sup> plot. Its strategic location will allow it to supply the chain's supermarkets in the north of Portugal and to communicate seamlessly with the existing logistics

centre in Villadangos del Páramo, in the province of Leon.

The company also has, since June 2017, the Matosinhos Co-innovation Centre (Porto) for the development and adaptation of the selection to the Portuguese "Boss". More than one million euros have been invested.



## **Future Stores in Portugal / Business Social Responsibility**

In February 2018, Mercadona handed over the Manoel Marques Gomez Football Pitch, in Vila Nova de Gaia (Porto). One of the first company stores in Portugal will be located in its former site.

The partnership agreement entered by Mercadona, the Gaia Town Council, the Canidelo Junta de Freguesía, and the Sport Club de Canidelo, has resulted in completely new facilities, providing the best means for the sports education of children and young people in the area.

Similarly, a new supermarket will be located in the old Vasco da Gama canned food factory in Matosinhos, and the company has committed to maintaining the main structure of the historical building in full, thus preserving its centuries-old history and unparalleled architectural context. The original main entrance façade and the inside chimney have been recovered. In this way, an abandoned building has been brought back to life by Mercadona, revitalising an industrial area in Matosinhos.



Manoel Marques Gomez Football Field and supermarket in Canidelo, Vila Nova de Gaia, Porto.



Before and after of the old cannery's front, which has been preserved in the Matosinhos supermarket, Porto.



## SOME OF THE PORTUGUESE INSTITUTIONS AND ORGANISATIONS WITH WHOM MERCADONA COLLABORATES



### APED

Portuguese Association of Distribution Companies (APED), an employers' association which promotes and studies the interests of the distribution industry.



### CÁMARA DE COMERCIO E INDUSTRIA LUSO ESPAÑOLA

This institution encourages commercial relationships between Portuguese and Spanish companies. Mercadona has been a member of the Consulting Council of the Portuguese-Spanish Chamber of Commerce and Industry (CCILE) since March 2017.



### GS1 Portugal

A multi-sector organisation that promotes the development of operational standards and good practices to facilitate value chains.



On 9 November 2018, the President of the Portuguese Republic, Marcelo Rebelo de Sousa, received Juan Roig, the President of Mercadona, in the National Palace in Belém, in Lisbon. In the meeting, he was able to explain first-hand the goals which the company has designed for its project in Portugal, a strategic country for Mercadona, which will contribute to boosting its growth and consolidation; as well as to detail in depth the plan for investment, creation of jobs, and generation of jobs which Irmadona represents in Portugal.



#### CIP

The Portuguese Business Confederation (CIP), a business association for the promotion of competitiveness and economic growth, whose goal is to strengthen the role and influence of business associations.



#### AEP

The Portuguese Business Association (AEP) supports the defence of business activity and its mission is to “defend companies’ interests and offer services that promote their competitiveness”.

### Communication channels with “The Portuguese Boss”

In 2018, the company launched channels on various Portuguese social media to make the Mercadona Model known, as well as its planned evolution and development in Portugal, and in particular to have a dialogue with its “Bosses”. In February, the Mercadona Portugal YouTube channel was created to share videos about Mercadona and its Model, and in late June the Mercadona Portugal Facebook page was launched, which the company uses to inform its future Portuguese “Bosses” about new developments.

To do so, Mercadona has a Customer Service, with 8 employees, which channel all the “Bosses” queries and inform all the departments involved. In addition to answering the “Bosses” on social media, the Customer Service has a free telephone line and an email address.

 **30,000 FOLLOWERS ON FACEBOOK**

 **750 FOLLOWERS ON YOUTUBE**

#### Portugal Customer Service Channels:

[www.mercadona.pt](http://www.mercadona.pt)  
[www.facebook.com/mercadenaportugal](https://www.facebook.com/mercadenaportugal)  
[www.youtube.com/mercadenaportugal](https://www.youtube.com/mercadenaportugal)

**Portugal  
Customer  
Service:**

 **www.mercadona.pt**  
**800 500 100**



Irmãdona Supermercados S.A. headquarters in Porto, Portugal.



# 1. “THE BOSS”

AT MERCADONA,  
WE CONTINUE TO INNOVATE  
AND TRANSFORM THE COMPANY  
**WITH THE GOAL OF  
SATISFYING “THE BOSS”**

---

To this end, throughout the year we have launched new initiatives, such as the launch of Mercadona Online and the “Ready to Eat” section, and we have continued to promote other initiatives, such as the New Efficient Store Model, Global Fresh Products, Efficient Selection, and joint Coinnovation, which, as a whole, offer our customers a full shopping experience

# MAIN DATA “THE BOSS”



Jaques, “Boss” of the Avenida Reina Sofía Commercial Park supermarket in Merida.

## 1.1 Stores and Mercadona Online

In 2018, the company has continued to transform its sale channels to reinforce the quality of its service and offer its “Bosses” a better shopping experience.

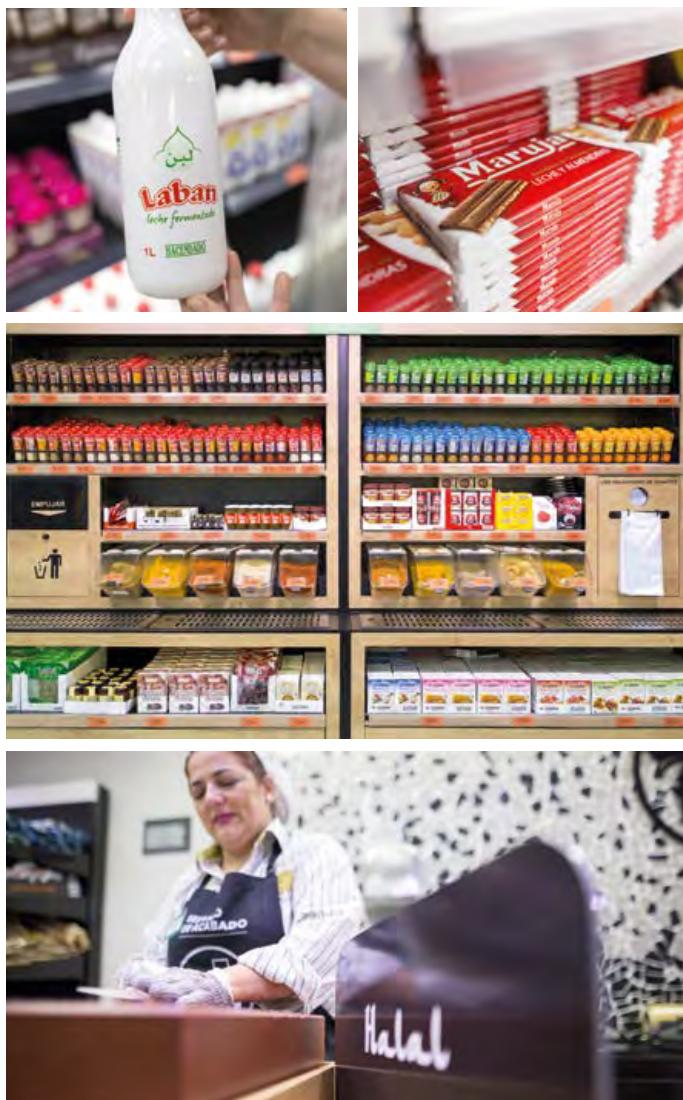
After opening 29 stores and closing 20 stores that did not meet the company's current standards, the year ended with a total of 1,636 stores. In this respect, the investment in openings and renovations amounts to 607 million euros, to which are added 125 million euros in the conditioning of stores, plots, and premises. Within this natural expansion process, we opened stores in the Autonomous City of Ceuta, the island of La Palma, and the Autonomous City of Melilla, locations where the company had no presence yet, and which now contribute to consolidate the Mercadona Project.

In the case of Ceuta, Mercadona opened two new stores in late 2018. The first supermarket, in La Almadraba, opened in September, while the store on avenida de España in that Autonomous City opened in December 2018. Both openings have made it possible to expand the company staff, by giving long-term, quality employment to 177 employees. The total investment made in these two new supermarkets was 17.9 million euros.

On the island of La Palma, Mercadona has invested a total of 7.8 million euros to open its first supermarket in November, specifically in the municipality of Breña Alta. This effort has resulted in the recruitment of 64 more employees.

As for the Melilla store, it opened in December after spending 11.7 million euros building it, with the additional challenge of renovating the historic Casa Montes building, which was built in 1926 following the design of architecture Enrique Nieto y Nieto,

and has been a Site of Cultural Interest since 1986. Located on calle Carlos V, this supermarket, the first of the two which Mercadona intends to open in the Autonomous City of Melilla, has resulted in the creation of 105 stable, quality jobs.



Selection adapted to the needs of the “Bosses” in the supermarkets of the Autonomous City of Ceuta and the Autonomous City of Melilla.



Outside the supermarket on calle Veneçuela in Barcelona.

## 400 supermarkets with the New Efficient Store Model (Store 8)

In 2018, Mercadona has continued to promote the adaptation of its supermarkets to the New Efficient Store Model, which it decided to launch in December 2016. During the year, it has made an investment of 460 million euros to renovate 215 supermarkets and end the year with a total of 400 centres adapted to this new model, which is part of the company's support for concept innovation. Thanks to this store transformation process, the "Bosses" are given a better service, with new sections and larger, warmer stores; greater connectivity by means of cutting-edge devices that make processes more agile; greater work ergonomics; and an increase in energy savings, with the inclusion of measures that reduce consumption by up to 40%.



The Observatory for Innovation in CPG in Spain 2018, prepared by the Cerdà Institute, has recognised the Mercadona New Efficient Store Model as one of the main innovations in the CPG sectors due to its goal "to offer a better customer experience, improve the quality of employees' jobs, and achieve greater eco-efficiency in the stores, contributing to the evolution of the supermarket format in Spain".

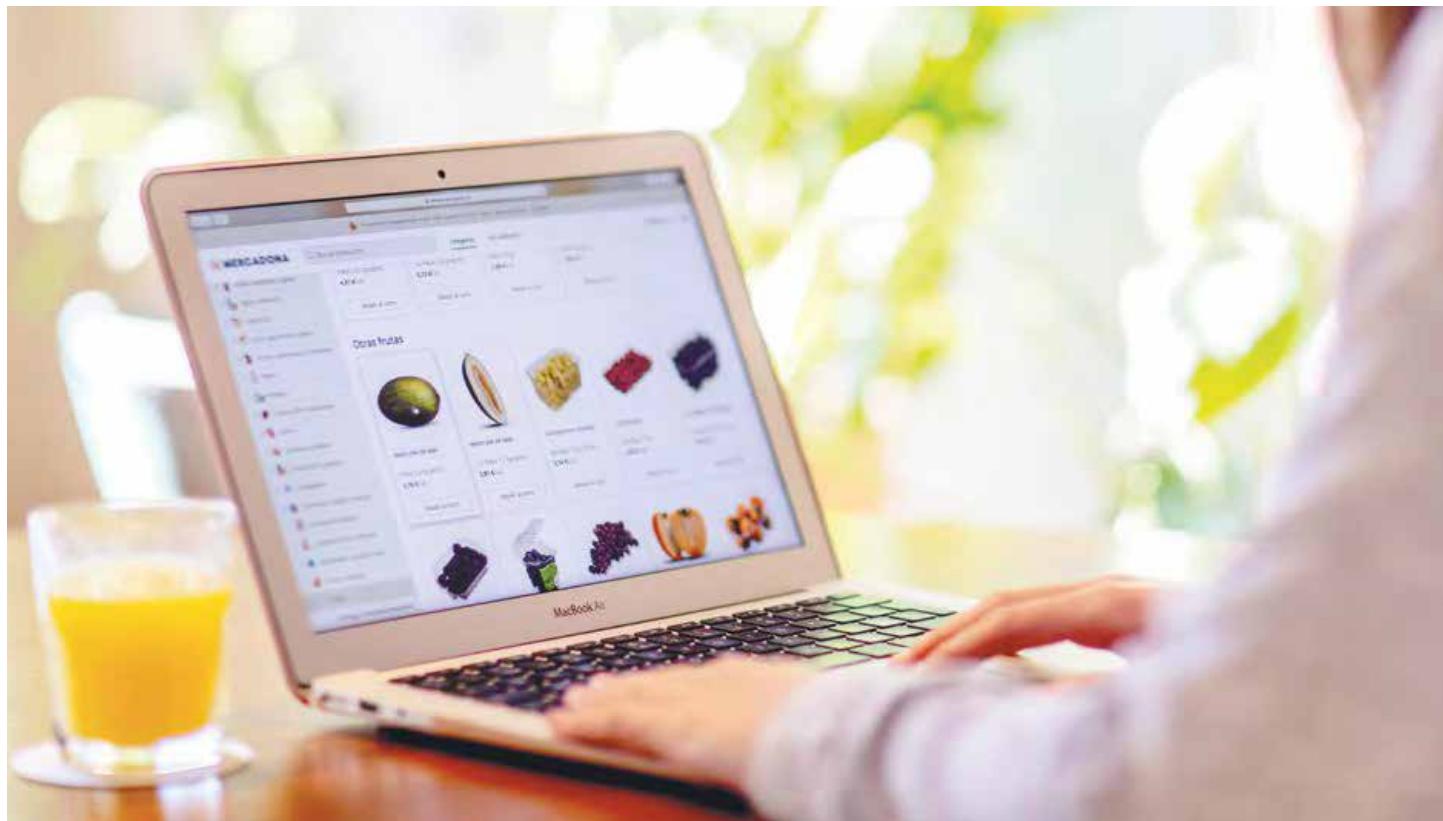
## Mercadona Online

After investing 12 million euros building its first warehouse exclusively for online sales in the Vara de Quart industrial park in Valencia, Mercadona launched in May its pilot test from this logistics centre known as a "Hive". Service was initially introduced in the city of Valencia, and has gradually been extended to other districts and towns, with a total of 62,000 new users registered since its launch.

This first version of Mercadona Online, more intuitive and easier to navigate, provides features and a design that are the result of Mercadona's coinnovation with its customers. For this new model, which coexists with the classic service in the rest of areas and maintains the same rates (7.21 euros per order), the company has

developed one new shopping website and two mobile apps (iOS and Android).

The company aims to provide its clients with the complete shopping and, therefore, the minimum order is set to €50. The project currently has a team made up of more than 220 people: computer engineers, designers, product managers, warehouse personnel, fresh department specialists like in the stores, delivery people and customer service. In addition, given the good evolution of the Vara de Quart "Hive", Mercadona plans to include two new hives in 2019 in the Zona Franca (Barcelona) and Getafe (Madrid) industrial areas.



New Mercadona Online shopping service.

## Global Fresh Products

In 2018, Mercadona continued to reinforce its global Fresh Products strategy, which is making it possible, through specialisation, to offer new alternatives to the "Bosses'" needs, increasing the quality and warmth of the fresh products selection.

During these twelve months, the company has invested 230 million euros incorporating Global Fresh Products in its supermarkets, with a total of 660 stores adapted to this concept at the end of the year. To this must be added the training effort, which enables the company to have 47,000 specialists in fresh products among its staff, including charcuterie and fish, fruit, meat, and baked goods, who are increasingly qualified. In this way, it has, for yet another year, boosted its competitiveness, as proven by the increase in sales of fresh products in the stores adapted to the Global Fresh Products model, 6 points with respect to the rest of the chain in 2018.

To achieve this growth, the company has made use of the results obtained by means of research laboratories, improving the services offered to its customers in its different sections. In 2018, thanks to this previous work, the company has launched many new items, such as carrot, kale, beet, and pumpkin focaccia; cooked chicken to make fajitas; and poke salads.

Equally important has been the work carried out in 2018 by the company to adapt to local tastes and habits. Examples of these are fogonero portions in the Canary islands, or the different kinds of fresh cheese, specifically suited to the local taste.

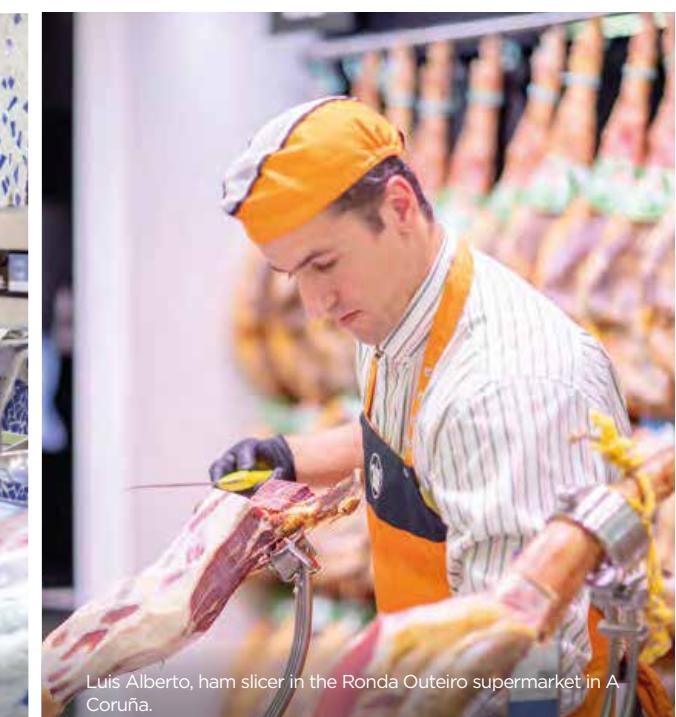




**660**  
SUPERMARKETS  
with Global Fresh  
Products



**230**  
MILLION EUROS  
investment 2018



**6-POINT**  
**INCREASE IN SALES**  
**OF FRESH PRODUCTS**  
in supermarkets with a  
Global Fresh Products  
section with respect to  
the rest of the chain

1. "The Boss"



José and Noelia, "Boss" and employee in the new "Ready to Eat" section in the supermarket on calle Artes Gráficas in Valencia.

## 1.2 Ready to Eat

In August 2018, Mercadona included among its services the sale of freshly made food under the name “Ready to Eat”. This new section started in the Burjassot (Valencia) supermarket, with the goal of serving as a laboratory to test and learn. By the end of the year, a total of 11 supermarkets, all of them in Valencia, had this section.

The “Ready to Eat” selection comprises 35 dishes that have been defined in the working meetings which the company held with 800 customers. In some cases, such as those of salads, pasta, and pizza, the “Bosses” can personalise them and select the ingredients.

The initial team had 16 members who were internally promoted within the company. After the inclusion of the section in 11 stores, the total “Ready to Eat” staff amounts to 152 employees, all of them specifically trained in this new section.

To launch this project, in which a total of 80 Specialist Suppliers were involved, 5 million euros were invested this year, a figure which will increase to 120 million euros in 2019, when the company intends to launch “Ready to Eat” in another 250 supermarkets.



José Jordá, Director of Stores and Perishables Prescription, a Member of the company's Management Committee for 20 years.

**11** SUPERMARKETS WITH THE NEW “READY TO EAT” SECTION

In 2019 the new section will open in 250 supermarkets



Close-up of several ready meals from the new “Ready to Eat” section.

## 1.3 Efficient Selection

To successfully face the challenge of prescription and be able to offer the best solution to its "Bosses", Mercadona constantly works to develop its selection, an offer that covers all their needs and guarantees food safety and service of great quality at the lowest price possible for every product. It does so by means of its Efficient Selection, a "living" selection comprising 8,000 references defined by the company, which evolves through innovation and in collaboration with its customers and suppliers.

Precisely to improve its Efficient Selection, in 2018 the company made the decision to strengthen its support for specialisation, which meant making the effort to manage its selection on a product by product basis rather than by category. This has involved an evolution regarding the Integrated Suppliers and the Specialist Suppliers, who from this year on will become Totaler Suppliers: A specialist supplier that provides the best product, as a

result of joint collaboration from "The Boss" backwards, guaranteeing good quality and price for every product.

**1,400  
TOTALER  
SUPPLIERS**

specialist Totaler Suppliers, capable of meeting "The Boss's" needs and jointly developing, on a product by product basis, an Efficient Selection with the best solutions at the lowest price

**8,000  
PRODUCTS**

products so "The Boss" may make up their Shopping Cart Menu: Total Shopping at the minimum monthly cost

### DEVELOPING AN EFFICIENT SELECTION WITH "THE BOSS" FOR "THE BOSS"

**CAPTURE**  
What does "The Boss" need?

**1,000  
PEOPLE**  
in the Prescription/  
Purchasing teams

**DEFINE**  
Developing the product with the captured inputs

**19  
COINNOVATION  
CENTRES**

**CONVEY**  
Making the product known to "The Boss"

**9,000  
SESSIONS  
WITH "BOSSES"**

**300  
NEW  
PRODUCTS  
DEVELOPED**

Data at 31/12/2018



Cruce Melenara Coinnovation Centre in Telde, Gran Canaria.

### **Joint innovation to identify and give solutions to new needs**

In its support for specialisation, and by means of the new framework for work and collaboration with the Tóster Suppliers, the company has continued to innovate its Efficient Selection, which in 2018 quickly adapted to its customers' tastes, introducing new "local" products closer to their habits and solutions specifically designed to meet their needs.

To this end, the company has its Coinnovation model, which is a pioneering project that it started in 2011 through the Apron Strategy, based on sharing consumption, household cleaning, personal hygiene and pet care client experiences and habits, which

makes it possible to capture needs and offer the right solutions.

The company currently has 19 coinnovation centres which have amounted to a total investment of 2.5 million euros. More than 100 specialists work in them, capturing and observing every day, in the stores, the "Bosses" preferences and needs so that the company can offer them the right solutions. In 2018, the company continued to make use of these centres to directly collaborate with its customers and be able to introduce improvements and new solutions in each and every one of its sections. In this respect, it has held a total of 9,000 sessions with "Bosses".

## 1.4 Innovation

### COINNOVATION TO SATISFY "THE BOSS"

The Mercadona Coinnovation Model, developed through the Apron Strategy, is based on sharing consumption experiences with customers in order to identify their real needs first hand and be able to satisfy them. This model has yielded fruit again in 2018. Examples of these are the Hacendado high-protein milk, which is the first of its kind in the market; and Hacendado baby biscuits, suitable from four months and free of lactose, gluten, palm oil, and egg.

In fact, innovation is clear differentiation factor for the company, as shown in the Cerdà Institute's report, "The value of joint innovation", which certifies that the success rate of the new products promoted by Mercadona in collaboration with its Totaler Suppliers is 82%, as opposed to the industry 24% rate. To this are added, among other awards, the award from the Observatory for Innovation in CPG in Spain 2018 to 2 products distributed by Mercadona among the most outstanding food consumption innovations in the year. One of these is the Hacendado Yogurt Jelly, with 0% fat and 0% added sugar. Produced by Schreiber, it combines jelly, milk, and fruit, and contributes to promoting the consumption of dairy and fruit. The compact disinfecting Orache Multiuse Tablets, which replace traditional lye and come in a format that facilitates use of the product, as well as its transport and storage, also won the award.



Some of the 300 new developments generated through coinnovation with the "Bosses" and developed with the Totaler Suppliers in 2018.



#### MERCADONA BRANDS

Hacendado, Bosque Verde, Deliplus and Compy are, among others, brands that Mercadona has been developing since 1996, and whose manufacturers are clearly identified on the labelling

deliplus Compy

HACENDADO



Success rate  
in launch

4 TIMES  
HIGHER

than the industry average

## 1.5 Food Safety and Quality

The main priority for Mercadona is guaranteeing the food safety of its selection, something that is shared by all Totaler Suppliers, and in which they are involved in every product. To offer their "Bosses" the highest guarantees, the company has its own Quality Management and Food Safety System. By means of this system, it exhaustively controls each and every one of the supply chain processes, from the origin to the final consumer. To do so, it has innovative, specific monitoring systems, such as the REMER tool, which identifies potential emerging risks and warns about them, which makes it possible to face new situations and constantly introduce improvements in the Control Plan.

The company also provides significant training in Food Safety, being aware that training is a key factor. Specifically, in 2018 more than 150 employees were trained in specific aspects, such as the management of the new "Ready to Eat" section in the 11 stores in the Valencia province which have added this service, while all new employees have been trained in Food Safety.

### Drills and collaboration with Healthcare Authorities

To increase its Food Safety levels, Mercadona has its own Drill System, which the company applies by launching the various simulated scenarios. These practices are carried out with the Totaler Suppliers' collaboration, which makes it possible to identify areas for improvement and strengthen the skills of those involved to face potential future contingencies. From among all the scenarios handled in 2018, worthy of mention are those performed in collaboration with the Sanitary Authorities of La Rioja, Castilla La Mancha, and the Spanish Agency of Consumption, Food Safety and Nutrition (AESAN), which allowed for internal systems testing, detection of improvement points, and in some cases, demonstration of their correct functioning.

In 2018, Mercadona continued to closely and actively collaborate with the Spanish National Certification Organisation (ENAC), to which it has belonged since 2015, and in which it has been a member of its Management Board since 2017. One more year, it has also strengthened its collaboration with the Healthcare Authorities of the various autonomous regions and autonomous cities. Furthermore, Mercadona has actively taken part in leading Food Safety forums, such as the ones organised by the Spanish Association for Agri-Food Industry Research (AINIA), the Spanish Commercial Coding Association (AECOC), the Spanish Association of Convenience Stores and Supermarkets (ASEDAS) among others.

### Fish product safety and quality

The Spanish High Council of Scientific Research (CSIC) and Mercadona have entered a partnership to improve fish product safety and quality through research into fish parasites. To this end, the Spanish Institute of Marine Research in Vigo (IIM), through the ECOBIO-MAR research group and its Biobank Technical Unit, will analyse the behaviour of these parasites in depth, particularly that of Anisakis. This innovative study will enable Mercadona to transfer the conclusions reached to the management of its fish products in order to consolidate a reliable chain and improve the quality and service offered to its customers.

The project will focus on the analysis of the species that come from FAO 27 fish production systems, that is, the Northeast Atlantic, and 6 Mercadona Totaler Fish Suppliers will be involved. More specifically, Riveira Peixe Fresco, POSA, Mascato, Mastter, Abroma Fishing, and Castletownbere Fishermen's Co-Op will take part.



Seaweeds with rice and sesame from the Totaler Supplier Samhae.

### The Golden Rule

Any product in the Mercadona selection must guarantee Food Safety; then, quality; then, warmth; then, being part of an Efficient Selection; and finally, having the lowest price.

## FOOD SAFETY DECALOGUE IN TOTALER AND INTEGRATED SUPPLIERS

**The objective is to assess and verify Food Safety levels in an agile, continuous manner**

**1**

Identification and control of its raw material suppliers

**2**

Control over production

**3**

Control over change implementation

**4**

Analysis and Control of Critical Points

**5**

Control over cleaning and handling

**6**

Control over facilities

**7**

Verification of detectors

**8**

Verification of quality improvements

**9**

Alert Management Method

**10**

Certifications

## FOOD SAFETY AND QUALITY CONTROL PLAN

Control over fresh products and allergens:

**1,800**  
CONTROLS

Other process controls (surfaces and environments):

**1,200**  
CONTROLS

Control over logistics processes:

**+350**  
CONTROLS

Evaluation of suppliers' facilities and processes:

**2,000**  
FACILITIES EVALUATED

Food Safety Certifications: Standards IFS and BRC, among others,

**99%** OF TOTALER SUPPLIERS



Almudena, "Boss" of the supermarket on calle Ayala in Madrid, in the bakery section.

### Labelling transparency

Mercadona always clearly and transparently identifies the Totaler Suppliers that manufacture the Mercadona brands, something which enables consumers to freely act on the basis of accurate information, making their shopping consequently. In fact, it has its own procedure based on the principles of identification and information, introducing improvements in labelling every year, so enabling "The Boss" to easily identify product information, from the time they purchase until they consume it, as well as any key attributes they might feature, such as, for instance, the use of certain allergens and the conditions of use.

**Free Customer Service  
telephone in Spain:**

 [www.mercadona.es](http://www.mercadona.es)  
**900 500 103**

### 1.6 Customer Service

Mercadona has a free Customer Service, both in Spain and in Portugal, in which 76 employees work. Their everyday work makes it possible to channel all the doubts and questions posed by the "Bosses" through the various channels kept open. These questions and concerns are immediately processed by the Customer Service by means of the mechanisms established in order for them to be later solved by the departments involved.

#### Spain Customer Service Channels:

[www.mercadona.com](http://www.mercadona.com)  
[www.facebook.com/mercadona](http://www.facebook.com/mercadona)  
[www.twitter.com/mercadona](http://www.twitter.com/mercadona)  
[www.youtube.com/mercadona](http://www.youtube.com/mercadona)  
[www.instagram.com/mercadona](http://www.instagram.com/mercadona)  
[www.linkedin.com/company/mercadona](http://www.linkedin.com/company/mercadona)

Mercadona regards its Customer Service as a key tool for improvement. In fact, a large part of the 275,000 queries received in 2018 were suggestions which, after being examined by the specific department, made it possible to identify areas for improvement, in order to fully satisfy "The Boss", as is Mercadona's goal.

#### Communication channels with "The Boss"

Mercadona is committed to transparency. For this reason, communication with its "Bosses" is crucial. To do so, it constantly listens to and encourages dialogue, while making use of various channels to distribute information about the company that it regards as being of interest for its customers. In this work, which involves every day all the members of the Mercadona Project, the channels opened by the company in the various social media in which it participates have continued to become more relevant in 2018, as proven by the fact that by the end of 2018 the company had more than 980,000 followers on Facebook, Twitter, Instagram, LinkedIn, and YouTube, with an average of 120,000 mentions per month.



Mónica, a Customer Service Department employee.



**600,000**  
FOLLOWERS ON FACEBOOK



**112,000**  
FOLLOWERS ON INSTAGRAM



**160,000**  
FOLLOWERS ON TWITTER



**940,000**  
VIEWS ON YOUTUBE



**100,000**  
FOLLOWERS ON LINKEDIN



**+281,000**  
FOLLOWERS in 2018



**200,000**  
QUERIES  
on social networks



**120,000**  
MENTIONS PER MONTH on average



## 1.7 Healthy eating

In its commitment to healthy, affordable food, with sustainable and quality products, Mercadona has continued to adapt to new needs and anticipate trends. As a result of this effort, it has promoted its healthy food selection through the introduction of significant nutrition improvements, which has resulted in significant advances in very diverse products.

### Nutrition and Health

Mercadona shares with society an interest in nutrition and in the importance of having a healthy lifestyle supported by healthy, balanced food, with quality, sustainable products.

To this end, it works closely with the Totaler Suppliers in order to, whenever it is possible, introduce significant nutritional improvements and offer them to its customers at the most competitive price. This resulted in 2018 in its adherence to the Partnership Plan for food and drinks improvement designed by the Spanish Agency of Consumption, Food Safety and Nutrition (AESAN), by means of which the company and its Totaler Supplier in-

tend to reduce the saturated fat, salt, and sugar content of more than 300 Mercadona brand products.

Moreover, it is strongly committed to the Spanish Ministry of Health, Equality, and Social Policy, collaborating with the National Nutrition, Physical Activity, and Obesity Prevention Strategy (NAOS). Through actions with the Totaler Suppliers, it promotes various initiatives such as salt and sugar reduction, and has adhered for yes to the Ministry's Advertising Self-Regulation Code (PAOS code).





To encourage Healthy Eating, the Mercadona Efficient Selection includes affordable food that contributes all the nutrients required for people's lives. It also recommends its "Bosses" to combine them in a varied, balanced way, suited to each individual's specific needs, working with panels of renowned nutritional experts who provide advice and guidance in order to offer the "Bosses" product improvements on a rigorous and scientific basis.

### An extensive selection to satisfy “Bosses” with intolerance or allergy problems

Mercadona is also responsibly committed to those "Bosses" who have food intolerance or allergy problems, working for them in order to facilitate the inclusion in its selection, with all guarantees, of suitable products for their diets.



### Adherence to the

## AESAN

Plan to reduce saturated fat,  
salt, and sugar contents

In fact, the company has continued to increase its selection of gluten-free products, and, at the end of 2018, has a total of 1,250 gluten-free products, which strengthens the commitment to coeliacs which it has had for a decade. Mercadona also continues to work on improving the selection and identifying allergen-free products in order that our "Bosses" who have intolerance or allergy problems may be able to purchase in all product categories.

In this regard, in 2018 the company worked very closely with the Spanish Federation of Coeliac Associations (FACE), Catalonian Coeliacs (SMAP), the Spanish Association of Lactose-Intolerant People (ADILAC), the Association of Coeliac and Gluten-Sensitive People (ACSG) and the Spanish Association of People with Food and Latex Allergies (AEPNAA), with the goal of continuing to collaborate in the improvement of consumer information and education on allergens, analysing the various existing problems, and finding solutions that meet their needs.



1. "The Boss"



Ángel and Mª Carmen, "Bosses" of the Merkatondoa supermarket in Estella, Navarre.



Mercadona collaborates closely with Totaler Suppliers to always deliver the highest Food Safety levels. It has across-the-board teams to examine and anticipate food legislation as well as be able to offer an efficient selection, also suitable for people with various intolerance and allergy problems. It also encourages the consumption of high-quality fresh products through the Global Fresh Products strategy.

---



Mercadona constantly innovates in the adaptation of its infrastructures to its customers' new needs. It has continued to promote the adaptation of its supermarkets to the New Efficient Store Model, ending the year with a total of 400 centres adapted to this new model, which not only provides "Bosses" with better services, with new sections and a larger, warmer design, but reduces energy consumption by up to 40%.

---



Mercadona was a pioneer in the development of responsible production and consumption. In 1993, it put in place its commercial policy of SPB Always Low Prices, eliminating offers and encouraging responsible consumption. It also applies environmental impact prevention and reduction measures.

---



Mercadona is committed to the fish product safety and quality, and has entered a partnership with the Spanish High Council for Scientific Research (CSIC) for the research into potential animal parasites and the halting of their development. The outcomes of this study will make it possible to consolidate a reliable chain and improve the quality and service offered to customers.



## 2. THE EMPLOYEE

THE **EVOLUTION** AND  
**TRANSFORMATION** IN WHICH  
MERCADONA IS IMMERSED  
WOULD NOT BE POSSIBLE  
WITHOUT THE **PASSION**  
AND THE HIGH LEVEL OF  
**COMMITMENT** OF ALL THE  
COMPANY MEMBERS

---

In 2018, the entire staff's determination to be part of the change has been particularly significant, given that, thanks to it and to the individual and collective effort, the company has been able to approach its current transformation process with every guarantee, because results come if you take care of people

# MAIN DATA THE EMPLOYEE

## HIGH-PERFORMING STAFF

**85,800**  
COMMITTED INDIVIDUALS

**Creation of  
1,800**  
permanent, stable, quality  
**JOBs** in 2018

## NEW COLLECTIVE AGREEMENT

**A more equal and social agreement**

Improves the purchasing power **with a minimum salary of**

**€ 1,328**  
PER MONTH GROSS

## SHARED GROWTH

**325**

**MILLION EUROS**  
distributed as bonuses among **98%** of employees

## TRAINING

**70**  
**MILLION EUROS**  
invested in training



Paula, an employee in the bakery section in the La Corredoria supermarket in Oviedo, Asturias.

## 2.1 Staff Indicators

To create the future Mercadona, the company makes use of the talent of its human resources. In total, 85,800 people with permanent contracts at the end of 2018. All of them have made significant efforts to achieve excellence in their work. In return, they have seen that the trust placed in them by the company has very specific results: quality, stable jobs, with salaries far above the industry average, with specific training plans that enable them to improve their knowledge and skills, and professional career plans that also give them the opportunity to continue to grow in personal and work terms at the company's pace.

Thanks to all this, Mercadona has the best human resources in the industry: high-performing, cohesive staff, obsessed with achieving excellence in routine work; staff whose involvement and productivity are the guarantees of the company's future growth.

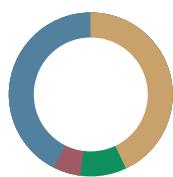
### Internationally recognised Human Resources Model

The company's Human Resources policy, which was internationally highlighted by the Harvard Business Review in previous years as bringing out its staff's "maximum performance", by making use of "the workers' creative and problem-solving skills to suggest improvements", has been recognised again in 2018. More specifically, Mercadona was named in 2018 the leading Talent company in the distribution industry and the sixth in general in the Spanish Corporate Reputation (Merco) Merco Talento ranking.

This recognition reflects the fact that Mercadona supports talent attraction and retention on a systematic basis, as well as work quality, to which it will continue to devote significant efforts, being aware that it can still improve much in this area.



#### Distribution of the workforce 85,800 permanent employees



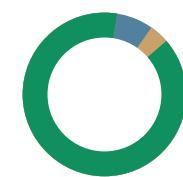
##### BY AGE

- 14% UNDER 29
- 39% BETWEEN 30 AND 39
- 39% BETWEEN 40 AND 49
- 8% OVER 50



##### BY GENDER

- 64% WOMEN
- 36% MEN



##### BY ACTIVITY AREA

- 85% STORES
- 9% LOGISTICS
- 6% OFFICES

1,800 new jobs



##### BY AGE

- 56% UNDER 29
- 36% BETWEEN 30 AND 39
- 8% OVER 40

## 2.2 A more equal and social Collective Agreement

In 2018, Mercadona signed the new Company Collective Agreement and Equality Plan with the representatives of the Unión General de Trabajadores (UGT) and Comisiones Obreras (CCOO) trade unions. Both came into force on 1 January 2019 and will have a term of five years.

This new more egalitarian and social employment framework reinforces Mercadona's commitment to stable and quality employment while improving employment conditions and at the same time consolidating its commitment to improving the purchasing power of the workforce with a minimum basic salary of €1,328 a month/gross, no counting the supplements forming part of the company's Remuneration Policy in the form of annual increases of 11% up to band 5, and a progressive raise in the basic salary linked to the CPI, in addition to introducing improvements in the bonuses for working the night shift and in cold conditions.

The current Collective Agreement also includes significant social measures and reinforces Mercadona's com-

mitments to work-life balance. These include, for example, the extension of the paternity leave to 7 weeks.



Miguel Ángel Cilleros, Secretary General of the Federation for Services, Mobility and Consumption of the UGT, José María Martínez, Secretary General of the Federation for Services of the CCOO, Daniel Blasco, Managing Director of Human Resources, and Héctor Hernández, Managing Director of Legal, Organisation and Mercadona's Marina de Empresas, with other representatives from trade unions and the company at the Fuente del Jarro Coinnovation Centre en Paterna, Valencia.

### COLLECTIVE AGREEMENT AND EQUALITY PLAN 2019-2023

#### A more equal and social agreement

Minimum starting salary: 1,328 euros/month gross



Guarantees purchasing power: CPI-linked salary increase

7 weeks of paternity leave



Improved bonuses for the night shift and working in cold conditions

Not breaking working days shorter than 5 hours in full-time and 3 hours in part-time



Unpaid leave to care for children up to the age of 12

Salary equality: "Same responsibility, same salary"

30 days' leave for the death of a spouse or child, the first 5 of which are remunerated

Creation of a Joint Committee (company + trade unions)



In Logistics, 7 free weekends per year

### **Joint Committee to provide greater flexibility and efficiency**

In 2018, the trade union organisations and Mercadona have also agreed to the creation of a Joint Committee with representatives of all the signatories to provide greater flexibility and efficiency to the company when introducing new improvements relating to working timetables and their distribution. To do so, it will be informed of any new projects that Mercadona wishes to implement, which will allow the Committee to previously transmit recommendations to the company relating to the working timetable or its distribution.

## **2.3 Commitment to Equality and Diversity**

For Mercadona, equality and diversity are fundamental values that it upholds and promotes. It does so through its deep commitment, which results in a policy of zero tolerance of any kind of discrimination.

To do so, it upholds in its organisation the principle of equal treatment and opportunities in all areas and to all purposes, admitting no discrimination by reason of gender, sexual orientation, civil status, disability, age, race, political and religious beliefs, trade union membership, or any other.

In fact, for Mercadona, equality is an inalienable value that forms part of its Model, and this concept has been applied transversally through the principle of "same responsibility, same pay". Mercadona also promotes diversity, which it regards as an integrating value that reinforces development and provides improvements in terms of obtaining results and furthering competitiveness. To this end, it promotes work conditions that are respectful of diversity in every area, by means of a corporate neutrality policy which

is supported by the data, as proven by the fact that 64% of the staff are women; that of the 860 employees who were promoted in 2018, 41%, a total of 355, were female employees; and that 1,750 women hold management positions in the company, 47% of the total.

In this context, the signing with the trade union representatives of the new Equality Plan, to consolidate its line of action to ensure equal opportunities, should also be highlighted. In fact, not only have rights achieved under the previous plan been reinforced, but this new plan contributes to uphold and promote essential values that result in the personal and professional development of all staff members.

**66,500  
PEOPLE**

have taken part in specific training plans

**70 million euros  
invested**

---

**860  
EMPLOYEES  
PROMOTED**



Beatriz and David, employees in the Ronda Outeiro supermarket in A Coruña.

## 2.4 Fostering stable, quality employment

The Mercadona Model promotes a culture of continuous improvement that encourages leadership. It also encourages effort, commitment, and responsibility as the essential values to grow on a personal and professional level, and promotes team work as a key factor to stand out in the industry, with high-performing, competitive staff.

In 2018, Mercadona, for another year, has strengthened its staff by means of investment in training - more than 70 million euros - as well as with the creation of 1,800 stable, quality jobs. This has allowed it to end the year

with a total of 85,800 employees, including the 300 members of the Portugal staff, in charge of achieving the short-term targets and goals set by the company for Portugal.

All of them constitute a professional team whose talent is supported as a differential value: a team that learns from its mistakes and makes the most of its resources, skills, and knowledge, in order to fully satisfy "The Boss" and promote the Mercadona Project, as is the company's goal.

In **June 2018**, there was **a fire in Forvasa**, the bread and cake factory in Puçol (Valencia). **Mercadona** committed to **guarantee the jobs of the 540 employees** who worked in the facilities, and focused its effort on **relocating** them in other company areas.



**540**

**JOBS**

guaranteed after the fire

**TOTAL**

**TOTAL SUPPLY**

**GUARANTEED**

Alicia, a Forvasa employee transferred to the Fuente del Jarro Coinnovation Centre in Paterna, Valencia.



Facilities of the Forvasa bread and cake factory in Puçol, Valencia, which were affected by the fire.

## Sharing profits with employees

The Mercadona Project is a shared growth project which applies the universal truth of reciprocity, by which in order to receive, we must first give. To this end, it offers highly competitive work conditions to its employees, which enables it to retain talent, have a cohesive, motivated staff, and having the best professionals.

In terms of remuneration, 2018 it has once again rewarded its staff members' efforts with a salary that is above the industry average. In turn, the rise in productivity has continued to increase, which has reinforced, yet another year, the company's efficiency.

In addition, to encourage commitment and leadership, Mercadona has a variable remuneration policy to reward its employees for the achievement of the targets set.

As in previous years, and as part of this variable remuneration policy implemented 18 years ago, the company shared with its human resources the profits obtained over the year, paying bonuses to all its staff members with a seniority of more than one year, whose involvement these twelve months enabled

them to achieve the personal targets specifically agreed for their positions. Specifically, in 2018 it has distributed a total of 325 million euros in bonuses among 98% of its employees, an effort that should be highlighted in a year in which the company made a record investment of 1,504 million euros, with the ensuing impact on its income statement.

## PERFORMANCE INDICATORS

**Performance-related bonuses:**  
**325**  
**MILLION EUROS**  
 in variable bonuses distributed among the staff

**3.7%**  
**ROTATION**

**98%**  
**OF EMPLOYEES**  
 are paid the bonus

## CORE STAFF SALARY TABLE IN SPAIN

**Mercadona core staff salary table in 12 monthly payments per year\***

SENIORITY	- than 1 YEAR	2 YEARS	3 YEARS	+ than 4 YEARS
<b>Gross/month</b>	€ 1,328	€ 1,458	€ 1,618	€ 1,797
<b>Net/month</b>	€ 1,193	€ 1,259	€ 1,350	<b>€ 1,477</b>

In effect as of 01/01/2019. A 1.2% increase in the Remuneration policy in 2019.

**79%**  
 of the core staff

\* To this monthly salary should be added the performance-related bonuses, which is one monthly payment from the first to the fourth year of seniority, and two monthly payments after working for more than four years in the company.

## 2.5 Work-life balance and commitment to the staff's wellbeing

Since 1993, when Mercadona started to implement its Total Quality Model, the company has maintained its commitment to work-life balance. To this end, it promotes pioneering initiatives that contribute to meeting people's needs in both areas, through a Human Resources policy based on continuous improvement.

Even though many measures were boosted and reinforced in 2018, some figures speak by themselves about Mercadona's commitment to work-life balance. For example, 2,360 female employees, 5% of the staff, decided to extend the four months of maternity leave established by law by 30 days. 16,062 male and female employees have also opted for reduced workdays, while some of them also take their children to some of the 4 free children's educational centres which the company has had in some of its logistics centres since 2001.



Isabel, an employee in the A Sionlla supermarket in Santiago de Compostela, A Coruña.

Work-life balance is thus a value that the company believes in and that grows at the same pace as the company. This is proven by the measures established in the new collective agreement, which include, for example, the extension of the paternity leave to up to 7 weeks; the increase in childcare leave until the minor turns 12; and the fact that employees who are the main carers of a child under 12 who benefit from reduced workdays may, when the child reaches the maximum legal age, request a change to a part-time contract until the child is 15, and then go back to full time, if they so wish.

**16,062**  
**EMPLOYEES**

benefits from reduced workdays

**2,360**  
**EMPLOYEES**

opted to become mothers and extend their maternity leave by 30 days

**129**  
**EMPLOYEES**

benefits extended their childcare leave

**1,436**  
**EMPLOYEES**

benefited from paternity leave

## 2.6 Training for professional growth

Mercadona constantly boosts its employees' skills and knowledge by investing in ongoing training, to consolidate not only the staff's current and future development, but also the company's sustained growth.

To develop and reinforce its staff's talent, in 2018 the company invested a total of 70 million euros in training, 5 more million than the previous year and an average of 815 euros per employee, for a total of 2.5 million of general and specific training hours.

Thanks to this training, it has a high-performing, motivated, cohesive staff with a skill and performance level that make Mercadona's human resources the best in the industry.

## 2.7 Health and safety at work

Employees' health and safety at work is constant commitment that Mercadona takes on and implements across the board. It performs in-depth awareness-raising, and analysis every internal process and performance in order to ensure the highest level of safety and ergonomics in each position.

All the activities to promote health and safety at work are strategic and their goal is to increase the company's prevention culture, which has involved an investment in training and evaluation of 9.9 million euros in 2018.

This includes the evaluation of potential psycho-social risks and the updating of the modules for training in occupational risks in stores and warehouses, as well as specific studies on Safety (adaptation of work equipment to RD 1215/1997), Ergonomics (design of new work stations), and Industrial Hygiene (flour dust, noise, and ozone levels, etc.)



Mercadona employees who are candidates for internal promotion, during the executive course.



Training of maintenance staff.



Celia, director of the construction process, teaching a course.

The company also works with third-party prevention services, such as Quirón Prevención, Previs, Cualtis, Mazel Asistencia Industrial, Legalplanning, the Valencia Institute of Biomechanics, SaludOnNet, Canasalud24, and Psicopreven. This joint effort has not only contributed to protecting employees' health, but has reinforces their ergonomics and removes overexertion.

## **Collaboration with mutual insurance companies and suppliers**

Together with the work carried out with the 9 mutual insurance companies working with the Social Security (Umivale, Fimap, Asepeyo, MAZ, Ibermutuamur, Montañesa, Mutua Balear, MAC, and Mutua Navarra), and has been traditional for years, Mercadona has collaborated in exchanging information with its main suppliers' Risk Prevention Services, which is undoubtedly an important field of ongoing improvement for the company.

## **ORDER R: MORE EFFICIENT STOCK MANAGEMENT**

To increase efficiency and productivity in its logistics chain, the company, in partnership with the Valencia Polytechnic University, has started testing Order R, a tool whose main purpose is to reduce in-store stock, guaranteeing service to the "Bosses", improving ease in shopping, and facilitating the work of store staff when replenishing stock.

This project makes significant changes in supermarket stock management, moving from the current automatic forecast order model to a replenishment order model adapted to each store's needs, removing the impact that overstocking has on the organisation and everyday activity in stores.

Order R was launched in January 2018. It has been implemented in the Riba-roja de Turia logistics centre (Valencia) and will be gradually extended to the other logistics centres throughout 2019. This initiative, which was operating in 19 supermarkets at year end, optimises space distribution by updating the replenishment criteria, which has an impact both on the order and the image of the store sales room and warehouse, as well as on the use of space. It also ensure efficient supply to each supermarket with lower logistics costs.



Yogurt shelves in the Marina d'Or supermarket in Oropesa del Mar, Castellon.



Jesús and Fernando, who are in charge of the implementation of the new Replenishment Ordering Project (Order R).

## INTERNAL TRAINING IN MERCADONA IN 2018

PLAN	DESCRIPTION	DATA
RECEPTION	Every new employee is personally explained the job which they will do, and later the Total Quality Model, which consolidates and improves their skills and strengthens the company's consistency in its decision-making	<b>5,978 people</b> <b>3 million euros in investment</b> <b>155,000 hours</b>
GLOBAL FRESH PRODUCTS	Improved skills to adapt to the specialisation required by the Global Fresh Products Strategy, through participation in courses on the New Meat Model, the New Oven Model, Cut Ham, or Selling Sushi	<b>9,800 people</b> <b>3.5 million euros in investment</b> <b>148,500 hours</b>
READY TO EAT	Specific training to 110 employees for specialisation in the new section launched by the company	<b>110 people</b> <b>69,000 euros in investment</b> <b>3,000 hours</b>
LEADING EXECUTIVES	Training in business leadership and improvement of management, communication, and decision-making skills, providing them with a global view of the company	<b>667 executives (50 from abroad)</b> <b>27,000 euros average investment</b> <b>82,000 hours</b>
ASSISTANTS	Specific training for the specialisation of a key group in the organisation. Management of the coordinator's everyday work, achieving maximum productivity and effectiveness in their working hours	<b>39 people</b> <b>887,000 euros in investment</b> <b>36,000 hours</b>

**€ 70 M**  
€ 5 M MORE  
THAN 2017

**2.5**  
MILLION  
TRAINING HOURS

**66,500**  
EMPLOYEES TRAINED  
in specific plans

**92**  
TRAINING MODULES  
OR ACTIONS

**€ 815**  
PER  
EMPLOYEE

## PREVENTION PLAN AND HEALTH PROGRAMME

### Supermarkets

**Risk assessment for the new centres and the refurbishments carried out** **249** EVALUATIONS PERFORMED

**100%** NEW EMPLOYEES AND ANNUAL PERIODIC TRAINING PLANNED

**Initial and periodic training** **100%** BUTCHERS NEW SALE MODEL

**100%** CHARCUTERIE EMPLOYEES CUT HAM

**Emergency training** **141** ACTIONS PERFORMED

### Logistics Centres

**General and specific risks (facility safety)** **37** COURSES SCHEDULED FOR EACH LOGISTICS CENTRE

### Health and Safety at Work

**Incidence of workplace accidents** **19.20‰\***

**Average period off work** **37** DAYS

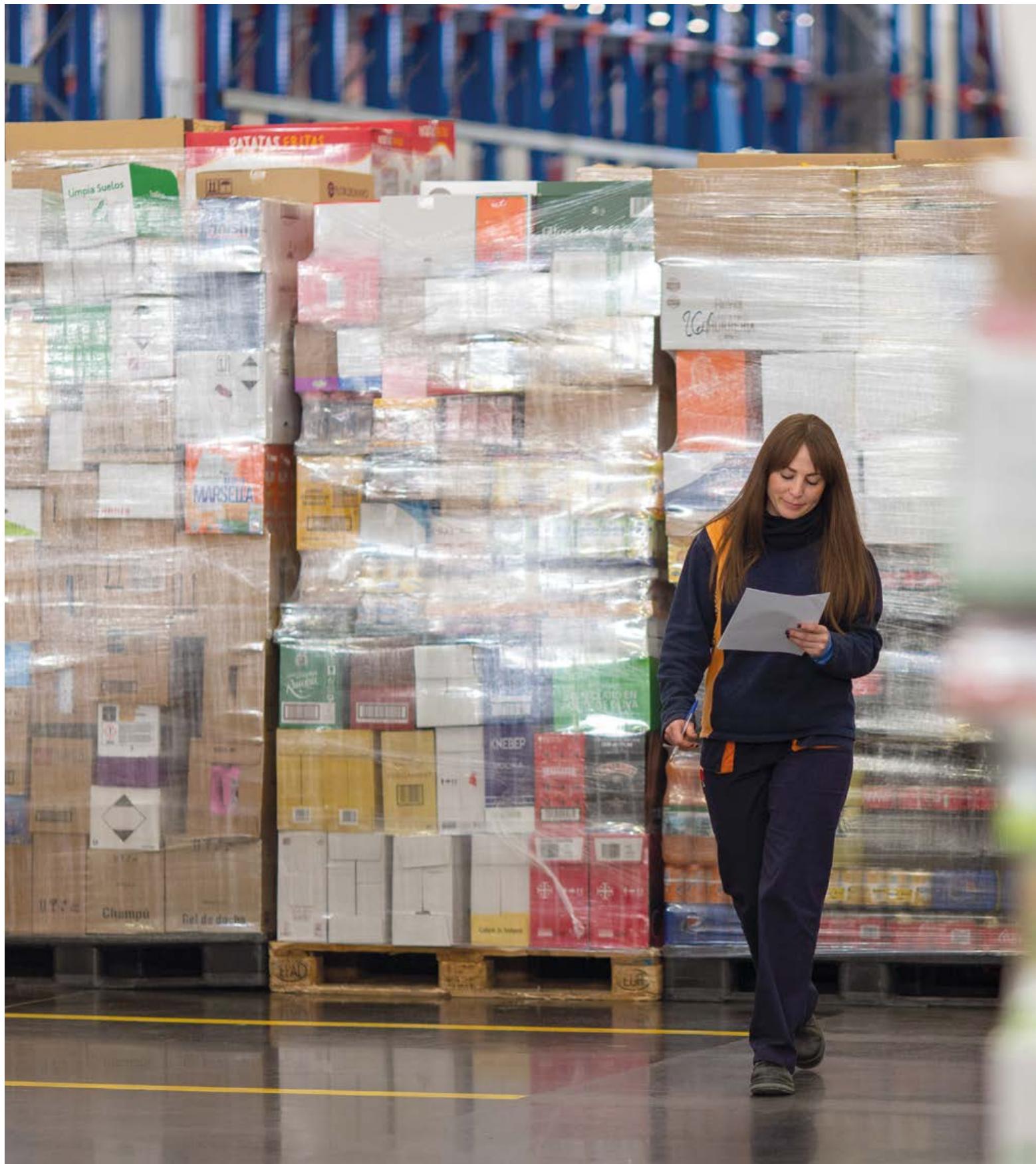
**Coverage of the seasonal flu vaccination campaign** **59%**

**Coverage of periodic collective examinations** **81%**

**Investment in occupational risk prevention** **9.9** MILLION EUROS

\*Incidence rate = No. of accidents with time off work per 1,000 employees.

**2. The Employee**



Antonia, an employee at the Guadix logistics centre (Granada).



Mercadona constantly boosts its employees' skills and knowledge by investing in ongoing training, which contributes towards having a more qualified, employable workforce. In 2018, the company invested a total of 70 million euros in training, for a total of 2.5 million hours of training.



Mercadona is a company that is committed to gender equality, and is ruled by the Equality Principle: "same responsibility, same salary". It also has a business model characterised by internal promotion, exclusively based on employees' qualifications and potential.



Mercadona has a staff of 85,800 employees, 85,000 in Spain and 300 in Portugal, all of them with a permanent contract and salaries above the average in the industry. In 2018, the company created 1,800 stable, quality Jobs, and continued to advance in the automation of its warehouses to reduce overexertion.



## 3. THE SUPPLIER

IN MERCADONA, **EVOLUTION**  
IS A **CONSTANT PROCESS**  
IN OUR BUSINESS MODEL

---

An open, socially responsible project, which, with “The Boss’s” satisfaction as our lighthouse, has grown year after year to create an industrial cluster of 1,400 Totaler Suppliers. All of them contribute, through their effort and determination, to the development of innovative products as well as of local products, in the case of fresh products, which contribute to Mercadona’s differentiation and specialisation, and are thus also responsible for Mercadona’s success and leadership

# MAIN DATA THE SUPPLIER

TOTALER  
SUPPLIER

**1,400**  
TOTALER SUPPLIERS

SUSTAINABLE AGRI-FOOD  
CHAIN

It seeks to create synergies,  
share knowledge in each  
link, and create an efficient,  
modern, and differential  
Agri-Food Chain

Collaboration with

**9,000**  
GROWERS

**5,500**  
STOCK BREEDERS

**12,000**  
FISHERMEN

LOGISTICS CENTRES

Logistics network  
WITH A SURFACE AREA  
of more than

**1,000,000m<sup>2</sup>**

**16**

LOGISTICS CENTRES,  
2 satellite warehouses, and  
2 regulating warehouses



Totaler Supplier Huevos Guillén's free range laying hen.

## 3.1 Totaler Supplier

### The evolution of the Supplier Model

The evolution of Integral Suppliers and Specialist Suppliers towards Totaler Suppliers is the natural pathway which Mercadona has been following for years. It has done so through joint collaboration with a common goal: always following the Totaler Model and developing and innovating products that are the best option in terms of quality and price for “The Boss”.

As part of this commitment, Mercadona, together with the 1,400 Totaler Suppliers with which it collaborates, seeks growth through excellence in the creation of an Efficient Selection which provides differentiation, and works every day to be a Totaler and prescribe “The Boss” products of the highest quality that enable them to create their Shopping Cart-Menu\* at the lowest cost.

To achieve this goal, Mercadona has gradually evolved its model. In fact, its decision to pursue specialisation in fresh products, with a strategy of purchase of local products launched in 2012, to guarantee more freshness, has led to the company having, at the end of 2018, a total of 350 Totaler Suppliers of fresh products, as opposed to 40 in 2012. This effort has also resulted

in a significant increase in sales, as proven by the 30% growth achieved in the last 4 years.

In the new Totaler Model, the relationship between Mercadona and its suppliers follows a number of principles based on:

- A long-term relationship.
- Development of the product with “The Boss” and for “The Boss” with coinnovation initiatives.
- Products that contribute “Hacendado” differentiation and also meet the following standards: Food Safety, defined quality, service, and competitive price.
- Permanent contract for products provided that the conditions agreed are met.
- Sustainable and socially responsible production processes.

\* Shopping Cart Menu: “The Boss’s” Total Shopping at the best quality and at the lowest monthly cost.

#### TOTALER:

Prescribing “The Boss” the solutions required for each need and being the best option

#### TOTALER SUPPLIER:

A supplier that, together with Mercadona, develops the best product as a result of coinnovation from “The Boss” backwards, always guaranteeing Food Safety, quality, service, and a competitive price for every product, with whom we have a stable commercial relationship under the Hacendado, Deliplus, Bosque Verde, and Compy brands, among others

## A new long-term relationship framework

In this way, after 20 years of a successful relationship Model that has served to consolidate the growth of the company and of its Integrated Suppliers, 120 at the end of 2017, Mercadona decided to take all the strong points of what it had learned in collaboration with the Integrated Suppliers to evolve this figure within the relationship framework agreed. It did so, once again, placing “The Boss” at the centre of this decision, after ascertaining after its Fresh Products experience that agility to adapt to the market, supporting local products, and specialisation are key factors to continue to have its customers’ trust and being able to offer them the “living”, quality selection that they request.

It was in this context that the Totaler Supplier started to be developed. This is a figure that brings together all the potential of the Integrated Suppliers and of the Specialist Suppliers, and which, focusing on development on a product by product basis, is the best option to fulfil Mercadona’s Mission.

To reinforce this specialisation, the company, during these years, has strengthened its Purchasing and Prescription departments. This is proven by the fact that, from 2008 to 2018, in just ten years, it has gone from having 50 managers to having 1,000 managers distributed in 5 Purchasing departments and 2 Prescription departments, which also showcases the effort to achieve that specialisation in dry and fresh products, which makes it possible to have suppliers that not only have specific know-how in the production of specific high-quality products, but also the means required to introduce in the shelves innovative products with the immediacy required by the “Bosses”.

The development of the Totaler Model is an open project in which the manufacturer’s size does not matter, but rather its specialisation and agility satisfying “The Boss” with differential products and excellent quality under the Mercadona brands, which generates shared responsibility. This project establishes a new long-term relationship framework, which is the same for all



Totaler Supplier Girona Fruits SCCL harvesting Fuji apples in Bordils, Girona.

the parties involved, but which seeks specialisation by product, not by category, as well as the development of solutions with and for “The Boss” through coinnovation, with a clearly defined quality and service and a competitive price. A socially responsible project, in which all parties win: “The Boss”, who is more satisfied by a specialised Efficient Selection; the Totaler Supplier, with the guarantee of permanent purchasing of the product as long as the conditions agreed are met; and Mercadona, with differential products and the agility required to adapt to its customers’ changing needs.

The twentieth **Meeting of Mercadona Integrated Suppliers** was held in May 2018. In it, the importance of always following the **Totaler Model**, which inspired the new figure of the Totaler Supplier, was explained. In the meeting, the company discussed the need to continue to adapt to its “Bosses” through specialisation, which involves **developing the selection on a product by product basis**, not by category, as the best option to fulfil Mercadona’s Mission.



## 3.2 Mercadona industry

At the end of 2018, the company works with 2,387 commercial suppliers and 13,358 non-commercial suppliers, as well as 198 transport operators. Together with the 1,400 Totaler Suppliers, they play a key role in the Mercadona assembly line, as their joint involvement has made it possible to continue to promote and consolidate a shared growth project, which creates value year after year.

In addition to the direct positive impact which this effort has, it indirectly boosts activities in the areas in which it has a presence, resulting in the creation of industry, services, and jobs, as well as in the generation of wealth and the consolidation of the local economy. Thus, the volume purchases made in Spain in 2018 is 18,640 million euros, 85% of the total purchases.

With the objective of always having the best option available for "The Boss", Mercadona has a presence in more than 10 countries, where it collaborates with the very best suppliers to reinforce its selection and the service provided. The company also has representative offices, subsidiaries and branches in several of these countries to provide legal coverage for the 36 employees who can operate in Mercadona's name.



Totaler Supplier Jesús Navarro's pine nuts, in his facilities in Novelda, Alacant.

### Code of Good Commercial Practice

Mercadona adheres to the Spanish Code of Good Commercial Practices in Food Contracting, a voluntary agreement which is framed within a Law of measures for improving the operation of the food chain. This project is an initiative of the former Ministry for Agriculture and Fisheries, Food and the Environment (MAPAMA) in collaboration with different associations of the national agri-food chain, and it represents a new step towards encouraging fair commercial practices. Since 2014, the company has also been a member of the Supply Chain Initiative, a voluntary European agreement on good commercial practices in the agri-food chain, promoted by seven sectoral associations with the European Commission's support.





**18,640**

**MILLION EUROS**

purchase volume in Spain

**€ +1,107 M**

than in 2017

---

**85%**

**OF THE TOTAL PURCHASE VOLUME**

Lemon sardines in sunflower oil produced by Totaler Supplier Francisco Gil Comes in Vinaròs, Castellon.

## SOME EXAMPLES OF TOTALER SUPPLIERS' INVESTMENTS IN 2018

### ACEITES DEL SUR - COOSUR

Vilches (Jaen)  
Expansion of the storage  
and refinery facilities

**€ 4.2 M**

23 NEW JOBS

### CALADERO

Zaragoza (Zaragoza)  
Expansion of the production  
of fresh fish trays

**€ 8.3 M**

66 NEW JOBS

### ELABORADOS CÁRNICOS MEDINA

Buñol (Valencia)  
Improvements to and expansion  
of the production of beef  
for the new meat section

**€ 2 M**

117 NEW JOBS

### GRUPO PROFAND

Villagarcía de Arousa (Pontevedra)  
Process automation  
and quality improvements  
in the squid line

**€ 1.9 M**

30 NEW JOBS

### JESÚS NAVARRO

Novelda (Alacant)  
Construction of a  
new sweetener  
and spices plant

**€ 1.5 M**

11 NEW JOBS



### SCHREIBER FOODS

Talavera de la Reina (Toledo)  
New Greek yogurt, liquid,  
and milkshake lines

**€ 15.3 M**

40 NEW JOBS



### HIJOS DE JUAN PUYANTE

Beniel (Murcia)  
Expansion of the production  
of free-range chicken

**€ 1.6 M**

89 NEW JOBS



### QUESERÍAS ENTREPINARES

Las Arenas (Valladolid)  
New cheese ripening  
chambers and wedge  
packaging lines

**€ 15 M**

40 NEW JOBS

#### INQUIBA

Guareña (Badajoz)  
Expansions, improvements,  
and new softener line

**€ 7.5 M**

72 NEW JOBS



#### EUROPASTRY

Vallmoll and Sarral (Tarragona)  
Expansion of production  
and new butter  
croissant line

**€ 40 M**

50 NEW JOBS

#### DELIBREADS

Lliria (Valencia)  
Expansion of production and  
new wheat tortillas line

**€ 8.3 M**

10 NEW JOBS

#### CHAMPINTER

Fuentealbilla y Villamalea (Albacete)  
Various improvements and  
production of shiitake mushrooms

**€ 3.5 M**

26 NEW JOBS

#### PLATOS TRADICIONALES

Buñol (Valencia)  
Increase in capacity and line  
for new ready meals

**€ 8.74 M**

233 NEW JOBS

#### GRUPO EGATESA

La Esperanza  
(Santa Cruz de Tenerife)  
Launch of local products  
for the new meat section  
in the Canary Islands

**€ 1.5 M**

30 NEW JOBS

#### EMBUTIDOS MONTER

Sant Jaume, Serinyà y  
Les Planes (Girona)  
Expansion of production and  
launch of new sticks

**€ 8 M**

79 NEW JOBS

### Collaboration with the primary sector

For years, Mercadona has stated the need to modernise the agri-food chain, believing that it is a lever for growth not only for the company but for the country. To this end, in 2018 it continued to promote the Mercadona Sustainable Agri-Food Chain, which seeks to join efforts and share knowledge of each part in order to jointly generate synergies and build an efficient, modern, and differential Agri-Food Chain.

In this context, over these twelve months, the company has continued to establish closer links with strategic sectors in the Spanish agri-food industry, such as the agricultural, fishing, and cattle sectors, reinforcing their option for stability, planning, future projection, guaranteed purchasing, and specialisation.

Thanks to this, the Mercadona Sustainable Agri-Food Chain has continued to grow and become consolidated as a shared knowledge project in which, for yet another year, all parties win. The primary sector, with greater know-how and efficiency; and Mercadona, with increasingly local and specialised Totaler Suppliers who, in addition to products of the highest quality and freshness, contribute to the commitment to use Spanish raw materials whenever possible.

### COLLABORATION WITH

**9,000  
GROWERS**

**5,500  
STOCKBREEDERS**

**12,000  
FISHERMEN**

### SUSTAINABLE AGRI-FOOD CHAIN

#### Mercadona's Main Sustainable Agri-Food Chain Strategy



STABILITY



PRODUCTIVITY



PLANNING



DIALOGUE

SHARED GROWTH AND SUSTAINABILITY

## ADVANCES IN THE SUSTAINABLE AGRI-FOOD CHAIN: Building together to grow together



### GRANJA VENCOBA

After investing 3.5 million euros in its modern facilities in Castile and Leon, owned by the young stock breeder Ventura Barreales, they currently have a 40-point rotating milking room, automatic animal separation, automatic food robot-purchase, etc. All these advances in process automation have enabled it to manage the farm, which has 600 cows, with no overexertion and become a leading example of the Lactiber EFIBER Project for production efficiency, having gone from 10,000 litres per day to 12,000 - a growth which has also reinforced its sustainability.

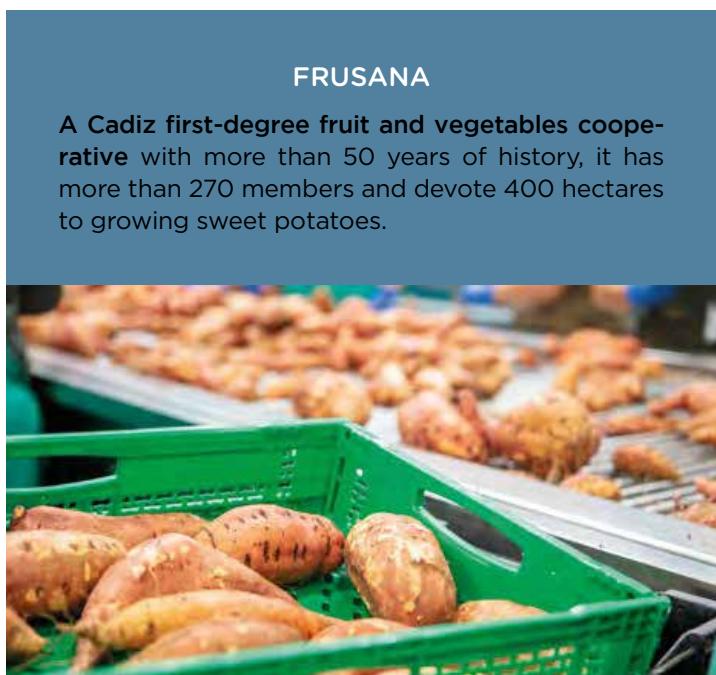


### VERDURAS CURRO

Pradeño tomatoes, a native Madrid variety, recovered by the Totaler Supplier Verduras Curro for their sale in Madrid stores. This third-generation family company, with agricultural roots, in addition to managing its own production, works with 28 small growers from the region and from other provinces, such as Toledo, Segovia, and Murcia. It has a long-term relationship with them, which enables them to plan their crops, contributing to ensure the social economy in the area and maintain jobs throughout the year.

### ORANGES

During the 2018-2019 campaign, Mercadona purchased 200,000 tonnes of oranges from more than 2,500 local suppliers in the Region of Valencia, Andalusia, the Region of Murcia, Catalonia, and the Canary Islands.



### FRUSANA

A Cadiz first-degree fruit and vegetables cooperative with more than 50 years of history, it has more than 270 members and devote 400 hectares to growing sweet potatoes.

### 3.3 Logistics centres

Mercadona has an efficient, sustainable logistics network in which 8,000 employees work. Thanks to it, it guarantees supply to all its supermarkets, 1,636 at the end of 2018. It has a total surface area of 1 million square metres and comprises 16 logistics centres, 2 satellite warehouses, and 2 regulating warehouses.

Being aware of the key role played by logistics and stock definition and management in its activity, Mercadona devotes every year significant resources to consolidate its network by introducing improvements that contribute to optimise its full potential. In 2018 the company invested a total of 257 million euros, which enabled it, in addition to advancing in the construction of the new centres, to make improvements to existing ones, such as the new ripening chambers in the Villadangos del Páramo (Leon) centre and starting the construction of a new Perishables warehouse in the Zaragoza centre.

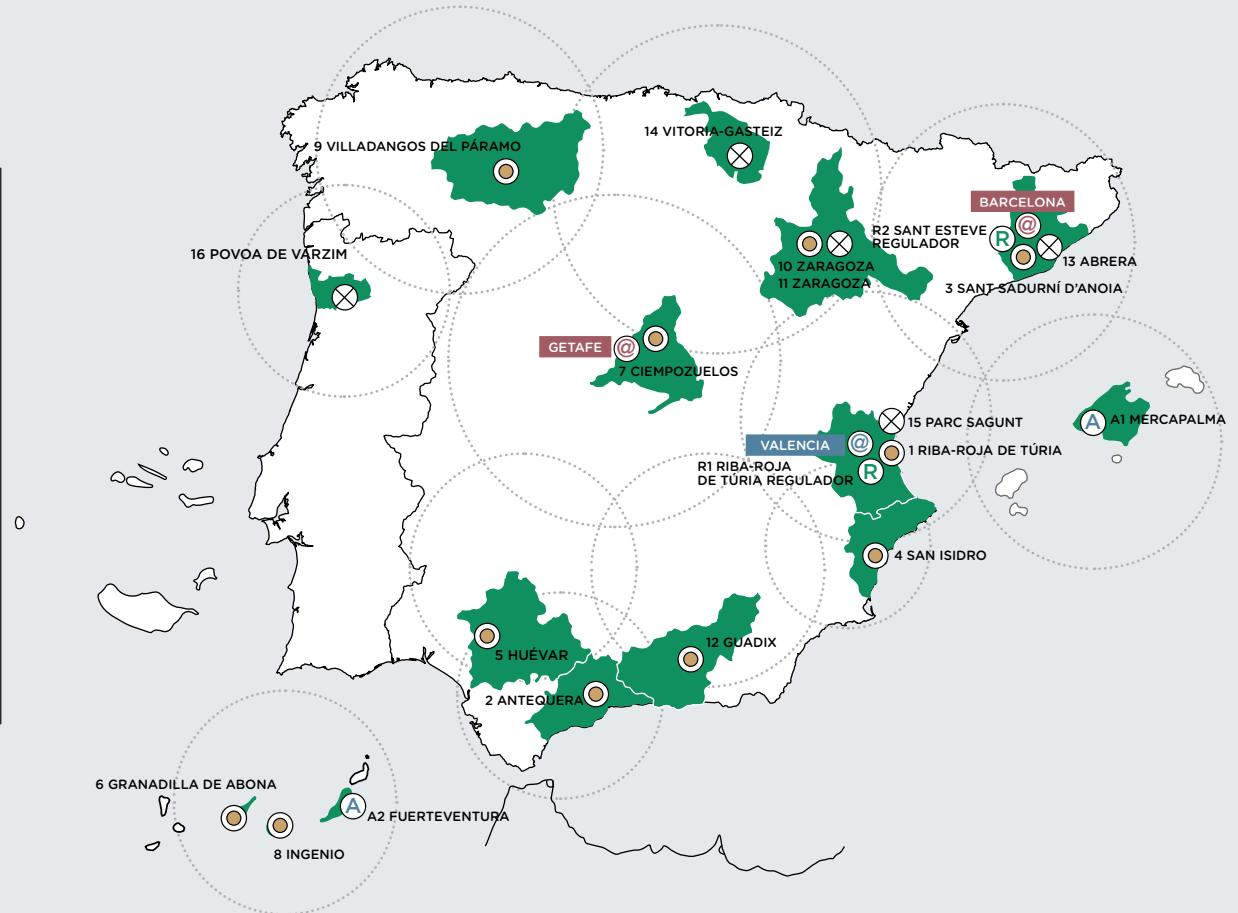
#### Smart logistics centres to remove overexertion

Mercadona has continued to consolidate its investment in quality employment in the warehouses by promoting and developing fully automated logistics centres that are pioneers in the sector, which, removed overexertion, drive competitiveness and productivity. Thanks to this initiative, which launched in December 2007 with the opening of its logistics centre in Ciempozuelos (Madrid), it has completely removed any handling and overexertion for employees in its logistics division, which contributes to preventing and reducing the risk of occupational accidents, while reinforcing the efficiency of its distribution network.

The company has several centres of this kind, that it calls 21st-century Warehouses, in Ciempozuelos (Madrid), Villadangos del Páramo (Leon), Abrera (Barcelona), and Vitoria-Gasteiz (Alava), and the rest of the centres will gradually be adapted to this new technology. Moreover, over the next few years, it will open new logistics centre of this kind in Parc Sagunt (Valencia) and in the Plaza Logistics Platform in Zaragoza.



Estela, director of the Ciempozuelos logistics centre (Madrid), and José and Joaquín, employees in the centre.



- |   |  |  |
|---|--|--|
| 1. RIBA-ROJA DE TURIA, Valencia                           | 8. INGENIO, Gran Canaria (Las Palmas)        | 15. PARC SAGUNT, Sagunt (Valencia)                   |
| 2. ANTEQUERA, Malaga                                      | 9. VILLADANGOS DEL PARAMO, Leon              | 16. POVIA DE VARZIM, District of Porto (Portugal)    |
| 3. SANT SADURNI D'ANOIA, Barcelona                        | 10. ZARAGOZA, Zaragoza                       | A1. MERCAPALMA, Palma de Mallorca (Balearic Islands) |
| 4. SAN ISIDRO, Alicante                                   | 11. ZARAGOZA (under construction), Zaragoza. | A2. FUERTEVENTURA, Fuerteventura (Las Palmas)        |
| 5. HUEVAR, Seville  | 12. GUADIX, Granada                          | R1. RIBA-ROJA DE TURIA, Valencia                     |
| 6. GRANADILLA DE ABONA, Tenerife (Santa Cruz de Tenerife) | 13. ABRERA, Barcelona                        | R2. SANT ESTEVE REGULATING, Barcelona                |
| 7. CIEMPOZUELOS, Madrid                                   | 14. VITORIA-GASTEIZ, Alava                   |  |

### Parc Sagunt logistics centre

After investing a total of 41 million euros in 2017 in the acquisition of a 550,000 square-metres plot in the Parc Sagunt (Valencia) business park, during these twelve months the company has continued to promote this project, which, once completed, will amount to a total investment of 400 million euros. During the year significant advances have been made in the concreting of the various areas, while the buried infrastructures in several areas have already been built.

Thanks to its strategic location, Parc Sagunt will increase the company's logistics efficiency, and supply a total of 255 stores. It will also make possible the re-structure of the logistics centre that the company has in Riba-roja de Túria (Valencia), which, cannot be fully automated, thus will adapt its activity to become a regulating warehouse.



Lorena, head of the construction works in Mercadona warehouses, in the works for the Parc Sagunt logistics centre in Sagunt, Valencia.



Aerial photograph of the construction of the Parc Sagunt logistics centre in Sagunt, Valencia.

## **Zaragoza logistics centre**

In order to continue to promote its logistics network, in 2018 Mercadona decided to build a new smart logistics centre in the Plaza Logistics Platform in Zaragoza, with an expected initial investment of more than 40 million euros. This logistics centre will have a 65,000 square-metre surface area, 30,000 metres of which will be used for buildings.

Upon its launch, the logistics activity that is conducted in the current facilities also located in the Plaza will be transferred. The support and packaging storage services will remain in the Plaza. The 100-employee staff will also be transferred to this new automated logistics centre, which will remove overexertion for employees.

## **Vitoria-Gasteiz, Abrera, and Huevar del Aljarafe logistics centres**

Mercadona has continued to advance in the works of the Vitoria-Gasteiz (Alava) logistics centre, after devoting 56 million euros this year to the launch of the frozen area and the project for the automation of dry products and the bread-making machinery. This project started in 2015 to supply the supermarkets in the Basque Country, Navarre, La Rioja, Cantabria and Burgos.

The building of the fifth Mercadona intelligent logistics centre in Abrera (Barcelona) continues. Emphasizing that, during these months, work has been done on the perishables platform, within the cold storage warehouse, to supply Mercadona supermarkets in Catalonia with fruit, vegetables, meat, and fish. In conjunction with the activity of the dry products warehouse, the bread factories, and the packaging management area, which are currently in operation.



"Kanguro" system in the Abrera logistics centre, Barcelona, which makes it possible to create fresh product pallets avoiding overexertion and more quickly.

In parallel, in August 2018 the construction works started for the expansion of its logistics centre in the Seville municipality of Huevar del Aljarafe, where the construction of a new 36,700 square-metre industrial unit is scheduled. The new facilities, which will be used for the storage, preparation, and shipping of fresh products, will be operative by 2021, and will have the Picking Bridge Crane, an innovative system for the storage and automatic preparation of meat, fruit, and vegetables pallets.

### Povoa de Varzim logistics centre

During these twelve months, Mercadona has also initiated the construction for its first logistics centre in Portugal; located in Povoa de Varzim and has two 12,000 square metre industrial units, where dry, perishables, refrigerated and frozen products will be stored.

The company's first Portuguese centre will entail a total investment of 28 million euros and is expected to be fully operational in the first half of 2019. To this end, power connections and the metal structure of several of its warehouses have been completed, while significant progress has been made in the new access road.



Aerial photograph of the construction of the Povoa de Varzim logistics centre in Porto, Portugal.

In 2018:

**1,000,000 m<sup>2</sup>**  
**BUILT**

to guarantee the company's supply chain



**16**  
LOGISTICS  
CENTRES

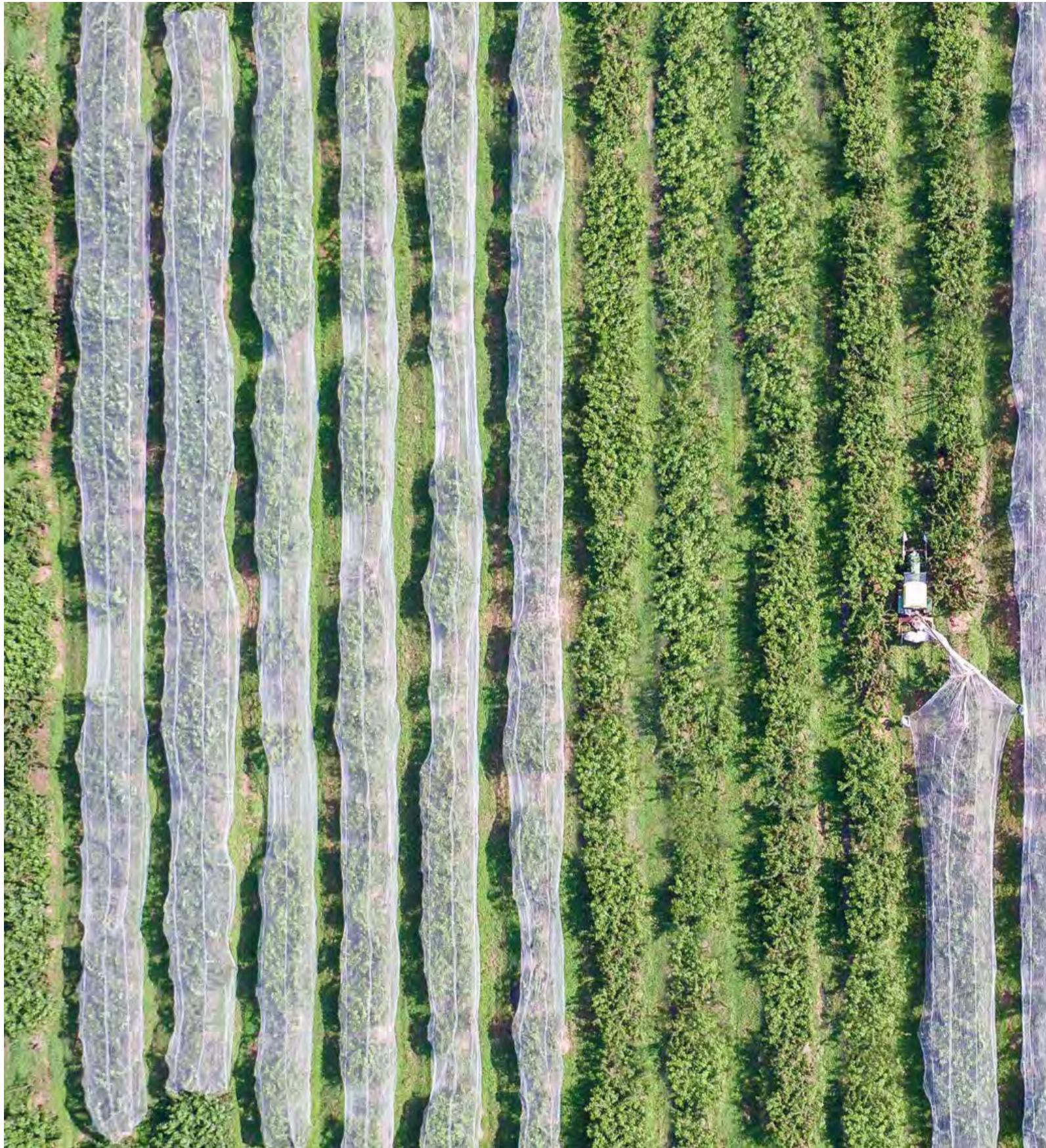
**8,000**  
EMPLOYEES

**€ 257 M**  
IN INVESTMENT



Picking Bridge Crane system in the Vitoria-Gasteiz logistics centre, Alava.

**3. The Supplier**



Totaler Supplier Campo y Tierra's cherry field in Coria, Caceres.



Mercadona collaborates with Totaler Suppliers to foster shared, sustainable growth and generate value in the areas where it is present. It has also sought for years the creation and consolidation of a productive and efficient local industry. It collaborates with a total of 1,400 Totaler Suppliers, which has made it possible to foster a significant local industrial cluster in recent years.



Totaler Suppliers apply good environmental protection practices in their processes, and opt for responsible production. To this end, they develop joint initiatives which, through projects based on circular economy and efficient use of resources, make it possible to adjust the consumption of raw materials as much as possible. Moreover, 100% of Mercadona's animal products come from approved suppliers that have committed to implement the certifiable Animal Welfare standards by 2021 in farms, as well as during transport and slaughter.



100% of suppliers share Mercadona's Fish Product Purchasing Policy.



# MERCADO



## 4. SOCIETY

THE **TOTAL QUALITY MODEL** ESTABLISHES ACROSS-THE-BOARD STRATEGIES AND GOALS TO **SATISFY AND CREATE SHARED VALUE** FOR THE **COMPANY'S FIVE COMPONENTS**, FULFILLING THE COMPANY'S PURPOSE OF **GENERATING EMPLOYMENT, PROSPERITY, AND WEALTH**

---

At the same time, people's quality of life is improved, and innovations are carried out to transform society through a joint vision that is shared by all those who are part of the Mercadona project: "Being a company that people want to exist and feel proud of"

# MAIN DATA SOCIETY

SHARED  
GROWTH AND  
SUSTAINABILITY

Investment of  
**1,504**  
MILLION EUROS and  
generation of  
**1,800**  
new permanent, stable,  
and high-quality **JOBs**

Direct contribution of  
**4,800**  
MILLION EUROS  
to the Spanish GDP  
in 2018

## SOCIAL MERCADONA

Collaboration with  
more than  
**170**  
SOUP KITCHENS  
**60**  
FOOD BANKS  
donating  
**8,300**  
TONNES OF FOOD

**33**  
FOUNDATIONS AND  
OCCUPATIONAL CENTRES  
working on the creation of  
the *trencadís* murals

## ENVIRONMENT

Investment of  
**40**  
MILLION EUROS  
in the protection of the  
environment



New reusable paper bag.

## **4.1 Sustainable and shared growth**

In Mercadona, a socially responsible behaviour is organically rooted in its Management Model, a Model that follows the universal truth that “in order to receive, you first have to give”, and operates in a responsible way, believing that, when you do the right thing, you achieve, in the medium and long term, positive reactions and results by opting for shared growth and prosperity.

To this end, it fosters responsible behaviour, with all the company's employees not only making an effort on a daily basis, but also maintaining transparency and dialogue, using empathy as a key factor. This solidarity enables the company to promote measures that contribute to the improvement of the environments where it conducts its activity. It also enables the company to become involved in the development of those areas through very different initiatives, such as the support of entrepreneurship, coexistence with traditional trade models, the efficient use of natural resources, collaboration with organisations and entities that help the disadvantaged, etc.

In 2018, Mercadona has continued to promote its transformation process, which the investment has amounted to 1,504 million euros. Moreover, during this year the company's sustainable growth has generated 1,800 new stable, quality jobs, practically 5 per day, in conditions that, year after year, remain above the industry's average, as proven by the fact that the minimum initial salary is 1,328 euros per month gross.

According to the calculations of the Valencia Institute of Economic Research (Ivie), the company provided

630,000 jobs in 2018, as a result of its direct, indirect and induced activity.

All this reflects Mercadona's structural commitment to Society. This commitment is reflected in a contribution in 2018 which is supported by figures: 1,575 million euros paid to the Spanish Public Administrations by direct and indirect taxes, of which 790 million euros correspond to Social Security payments, 175 to corporate income tax, 478 to VAT and Income Tax, and 118 to other taxes and duties, as well as a direct contribution of 4,800 million euros to the national GDP. Likewise, as a result of Mercadona's direct activity as well as of the activity generated indirectly and induced activity, its tax impact in Spain was 8,852 million euros, with a GDP impact of 22,900 million euros.

Regarding its internationalisation project, the company maintains its commitment to Society paying the taxes due in Portugal, which resulted in the contribution in 2018 of 4.3 million euros in taxes: 1.3 million euros paid to the Social Security, 2.4 million euros in Property Tax, and 1 million euros in Corporate Tax. The VAT paid for the investments in Portugal was 0.4 million euros.

**When you do the right thing, you achieve, in the medium and long term, positive reactions and results by opting for shared growth and prosperity**

## IMPACT OF MERCADONA'S ECONOMIC ACTIVITY

### Total Income, Employment, and Tax Contribution

**22,900\***

million euros

**GLOBAL CONTRIBUTION TO GDP**  
1.9% of GDP

**630,000\***

**JOBS IN SPAIN**

3.4% of Spain's total  
employment

**8,852\***

million euros in TAXES

2.1% of the estimated total tax  
collected by Spanish Public  
Administrations (including Social  
Security contributions)

### Mercadona Tax Contribution (Spain)

Taxes accrued and paid **1,575** million euros

#### ----- Mercadona Tax Contribution Accrued -----

**Social Security**

**660**

MILLION EUROS

**Corporate Tax**

**175**

MILLION EUROS

**Other taxes**

**118**

MILLION EUROS

#### ----- Mercadona Tax Contribution Paid -----

**Social Security**

**130**

MILLION EUROS

**Income tax**

**328**

MILLION EUROS

**VAT**

**164**

MILLION EUROS

### Irmãdona Tax Contribution (Portugal)

Taxes accrued and paid **4.3** million euros

#### ----- Irmãdona Tax Contribution Accrued -----

**Social Security**

**0.9**

MILLION EUROS

**Property Tax**

**2.4**

MILLION EUROS

#### ----- Irmãdona Tax Contribution Paid -----

**Social Security**

**0.4**

MILLION EUROS

**Income Tax**

**1**

MILLION EUROS

**VAT (to be repaid)**

**0.4**

MILLION EUROS

\*Data updated according to the methodology employed by the Valencia Institute for Economic Research (Ivie) in 2018.

## 4.2 Dialogue and transparency

Mercadona has a close relationship with Society, in order to identify the contribution that, within its activity, it can make to the environments in which it has a presence. For this reason, and on the basis that “in order to receive, we first must give”, it has firm, stable relationships and takes listening and transparency as the basis to build coexistence.

To strengthen its links to Society, Mercadona encourages dialogue with it. Thanks to this, it identifies and satisfies the needs in its environment, by learning first-hand about the concerns of everyone in it: its neighbours, consumers, associations, and institutions. For this reason, it takes part every year in many forums and meetings with various organisations and institutions, making use of these opportunities not only to explain its Business Model in greater detail, but also to listen to what Society expects of the Mercadona Model.

For Mercadona, transparency is also a basic value, and one of the tenets of its social commitment. It governs its relationships with all components, as can be seen on its website. Here, the company periodically publishes and updates all the pertinent institutional and financial information needed to guarantee transparency vis à vis the way its public actions work and how they are controlled.



## Relationship with consumers

For years, Mercadona has been encouraging participation and collaboration by promoting individual or collective actions with the most prominent national Consumer Associations, as well as in autonomous regions and provinces.

Thanks to this, it has a close relationship with consumers and can learn their views, as well as take part in educational and informational actions. In this regard, Mercadona took part in the National Convention of Spanish Agri-Food Cooperatives which was held in April 2018 in Murcia, in which the head of External Relations for the Agri-Food Chain, Ricard Cabedo, gave a speech on "Consumption Habits in Spain".

Mercadona also has this policy in Portugal, where the company will be opening its first supermarkets in 2019. For this reason, it has already approached Deco Proteste, the leading association in the defence of the Portuguese consumers, in order to personally explain its business project and acquire in-depth knowledge of the Portuguese market.

## "Participation Table" project

In 2018, the company continued to collaborate with the "Participation Table" project, a discussion forum and working group comprising the Confederations and Federations of consumers' and users' associations CECU, FUCI, UNAE, and CAUCE, together with Mercadona. Founded in 2014, MPAC meets on a regular basis to discuss current affairs, new trends and consumption habits, with the goal of proposing joint solutions in the field of consumption and establishing links between the administration, consumers, and the business world.

Additionally, during the last twelve months, through the "Participation Table", the company also worked on preparing the "Consumption Habits 2018" survey, which encompassed 3,100 families. The survey's conclusions allowed for carrying out an in-depth analysis of the purchasing habits of Spanish consumers, identifying the information and general knowledge they have in terms of nutrition and labelling, as well as their willingness to collaborate in relevant issues such as Social Responsibility and Food Waste, for instance.



Visit of the Table for Participation in Consumers' Associations (MPAC) to the Fuente del Jarro Coinnovation Centre in Paterna, Valencia.



Visit of the Spanish Minister for Industry, Trade, and Tourism, Reyes Maroto, to the Fuente del Jarro Coinnovation Centre in Paterna, Valencia.

**Approach to**

**62**

**CONSUMERS' ASSOCIATIONS,**

national, regional, and

1 Portuguese association

**Collaboration with**

**18**

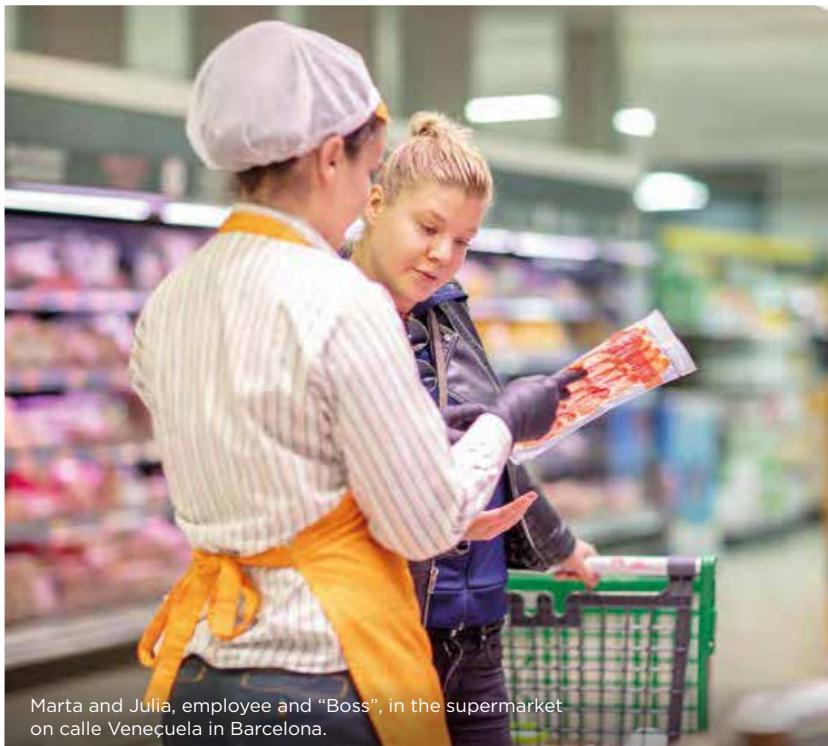
**ASSOCIATIONS**

of coeliac people and people with intolerance  
and other allergy problems, 1 of them in Portugal

**Collaboration in**

**3**

**STORIES** about coeliac disorder and  
1 video about healthy lifestyles



Marta and Julia, employee and "Boss", in the supermarket  
on calle Venezuela in Barcelona.



Virginia and Víctor, employee and "Boss", in the Cuarte de Huerva supermarket, Zaragoza.

**Support to**

**34**

**ACTIONS**

promoted by the associations

**Participation in**

**35**

**CONGRESSES AND  
CONFERENCES**  
about the industry

**34**

**VISITS**

to company and Totaler  
Supplier facilities

**23**

**PARTNERSHIP  
AGREEMENTS**

**90**

**INFORMATIONAL  
MEETINGS**

## Proactive Neighbourhood Management

Mercadona has constructive relationships with its neighbours, based on mutual respect. It keeps a constant dialogue which enables it to identify their needs and harmonise its commercial activity towards the objective of not interfering or generating any disturbing impact on the areas and neighbourhoods in which it has a presence.

In this constant adaptation process and search for solutions, being aware of how much it still had to improve, the company launched in 2014 the “Proactive Neighbourhood Management” project. This preventive mechanism has resulted in avoiding any possible annoyances by carrying out 5,190 controls in the loading and unloading processes, as well as 3,080 in the internal processes of facilities and supermarkets.

In addition, as part of its process for the identification of potential needs that contribute to strengthening its coexistence with the neighbourhoods where it has a presence, in 2018 the company handled at total of 418 suggestions, complaints, and improvements from neighbours, 70% of which were satisfactorily handled in less than 30 days.

## Contributing to consolidating more sustainable cities

In 2018, the company increased its use of gas-fuelled trucks for transport from its warehouses to its stores, particularly in those cities with the highest pollution levels. These engines emit up to 40% less CO<sub>2</sub> per litres of fuel,

80% of nitrogen oxides compared to the Euro V standard, and reduce particle emissions by 10. In addition, with the same goal of reducing its environmental impact, it is testing home delivery with electric and hybrid vans, while continuing to distribute with a silent urban delivery, an initiative that also contributes to decrease noise and atmospheric pollution.

## An active member of the Global Compact

Over the last twelve months, Mercadona has continued to work to promote the various initiatives under the Global Compact for the defence of fundamental values in Human Rights, Labour Standards, the Environment and Anti-Corruption, to which it adhered in 2011.

In parallel, through its active involvement, the company seeks to reaffirm its support of the ten principles and values of this Compact, all of which is recorded in the progress report confirming the application of said principles, which has been submitted to the Spanish Global Compact network.



More information is available  
in the Environmental Report:  
[www.info.mercadona.es](http://www.info.mercadona.es)



Front of the supermarket on calle Estocolmo in Madrid, integrated with the style of the adjacent houses.

## Some of the social recognition in 2018

In 2018, Mercadona received many awards recognising its social commitment from various institutions and entities. All of them reflect the company's collaboration and solidarity towards society, a constant commitment that Mercadona consolidates year after year, being aware of how much it can and must contribute to "return to society part of what it receives from it".

### Merco Empresas Report

Mercadona has consolidated itself as the leading company in General Distribution in Spain and the second company with the best reputation in Spain in the "General Business Ranking 2018" by the Spanish Corporate Reputation Monitor (MERCOP). Juan Roig was also named the second business leader with the best reputation in 2018 according to the "General Leaders' Ranking 2018" from the same institution.

### Best Distribution Company

In December, Mercadona received, in the Spanish Ministry for Agriculture, Fisheries, and Food (MAPA), from the Secretary General for Agriculture and Food, Fernando Miranda, the award to the "Best Commercial Distribution Company 2017", given by the agri-food media QCOM.es.

### A Caring Company

In 2018, the European Foundation for North-South Cooperation (FECONS) gave Mercadona its Caring Company award.

### A Benefactress

Mercadona was given the Benefactress award by the Sisterhood of the Holy Refuge in Zaragoza, in recognition of the company's solidarity work in collaboration with this institution.

### A Caring Company

In 2018, the Alcorcón (Madrid) City Council gave Mercadona its Caring Company Award, in the 1st Solidarity and Volunteering Gala, for the company's collaboration with the soup kitchen "Casa de María y José".

### Charity Awards

Mercadona received the Caring Company Award 2018, given by Cáritas Diocesana de Guadalajara in its 8th Charity Awards, for its collaboration with the soup kitchen Casa Nazaret.

### Accessibility Award

On the International and European Day of People with Disabilities, which is held every 3rd December, CERMI (Ceuta) gave its Accessibility Award 2018 to Mercadona in recognition of its efforts regarding accessibility.

### Málaga Consumption Award

UCA-UCE Málaga gave Mercadona its Málaga Consumption Award to the best company in the Value to Private Institutions category.

### Golden Spike Award

In 2018, Mercadona received the "Golden Spike" award from the Spanish Food Bank Federation, the highest recognition given by the association, for its national collaboration and food donation programme.

## Integration in local town markets

Mercadona supports coexistence. One example is the commitment to traditional trade that it has had for almost twenty years. Since 2001, it has promoted the revitalisation of traditional markets in the 37 stores which the company has in municipal markets. In this way, Mercadona contributes to promote local trade in these areas and neighbourhoods.



Supermarket in the Mirasol Market, Sant Cugat del Vallés, Barcelona.



The sponsors of the Rei Jaume I Award to Entrepreneurship, Mercadona, the Valencia Association of Businesspeople (AVE), and EDEM, Business Owners' School, together with the award winner, Enrique Silla Vidal, the founder and CEO of Jeanologia, a Valencia company specialising since 1994 in the ageing of textiles and printing through sustainable processes.

## Support for Entrepreneurship

For Mercadona, people's talent is one of the main drivers for the development of Society. For this reason, it fosters initiatives both internally and externally to promote it, in the belief that being able to identify, retain, and promote talent, contributing to manage knowledge and new ideas, is a source of efficiency and productivity, and thus a clear belief in the future of Society.

Together with EDEM Business School, the Valencia Association of Businesspeople (AVE), it supports entrepreneurship every year through sponsorship of the "Award to Entrepreneurship" category in the Rei Jaume I Awards. In 2018, the ninth year in which this category has received an award, the award was given to Enrique Silla Vida, the founder and CEO of Jeanologia, a Valencia company specialising in the ageing of textiles and printing through sustainable processes since 1994. In little more than twenty

years, its business project has become the global leader in environmentally friendly, sustainable technologies for the textile industry, a pioneering, disruptive vision that transforms the textile industry by creating cost-efficient, sustainable, innovative products that are easy to use and safe for workers, and which, for the jury of these awards, "clearly and unmistakably" demonstrates the values associated with entrepreneurship.

In the field of education and talent development, Mercadona has held for years a close relationship with EDEM, the foundation chaired by Hortensia Roig, in which the company is a trustee. Through its participation and involvement, Mercadona contributes to train businesspeople, executives and entrepreneurs by instilling in them the fundamental values of the Total Quality Model.

More specifically, in 2018 Juan Roig was once again a lecturer in the 13th senior management course "15x15:

15 days with 15 leading business owners", and various Mercadona executives taught both in the "ABC" business management programmes for senior managers and in the five degrees in the EDEM University Centre: the Business for Entrepreneurs Degree, the Engineering and Business Management Degree, the Master's Degree in Marketing and Digital Sales, the Junior MBA, and the Master's Degree in Entrepreneurship and Leadership. Similarly, more than 100 students from the University Centre carried out their internships in Mercadona last year.

Together with the accelerator Lanzadera and the investment vehicle Angels, EDEM is part of Marina de Empresas, one of Juan Roig's initiatives, whose mission it is to train, advise and finance entrepreneurs of today and of the future, which constitutes a commitment towards generating wealth and employment, as well as fostering entrepreneurship.



Juan Roig, president of Mercadona, together with the 4th class of the Degree in Business for Entrepreneurs of the EDEM Business Owners' School.

## 4.3 Social action: metrics, targets, and results

### A Social, Responsible Mercadona

One of the commitments Mercadona has towards Society is giving back some of what it receives. In 2018, the company reinforced this commitment through its Social Action Plan, supporting various institutions and social organisations from every autonomous region.

Thanks to this involvement, Mercadona continued in 2018 its programme for collaboration with soup kitchens, donating every day products that are unsuitable for sale but are perfectly suitable for consumption to 170 local soup kitchens in different areas in Spain.

### Operation Kilo and Great Collection

As part of its commitment to Society, through its supermarket network, with the help of its employees and the support of its logistics division, Mercadona has collaborated in various “Operations Kilo” and in the “Great Collection” organised by Food Banks. In 2018, the “Bosses” proved their solidarity once again, resulting in a total of 5,700 tonnes donated.

### Strategies against Food Waste

Food waste is an across-the-board problem for which all those who are part of the food chain are responsible. It is directly linked to inadequate supply and consumption habits, as well as to inadequate food management and handling. Being aware of this, Mercadona has designed various strategies that contribute to reducing it.



Paula and Manolo, volunteer and employee, in the Campanar supermarket in Valencia during the 2018 Great Food Collection.

**Collaboration with  
170  
SOUP  
KITCHENS**

**Agreements with  
60  
FOOD BANKS**  
and other organisations

**8,300  
TONNES**  
of food  
donated

**5,700  
TONNES**  
donated by the “Bosses”  
in Kilo Operations

In this respect, the company has internal management tools that enable the maximum adjustment in orders to adapt them to "The Boss's" real demand and reduce in-store excess. This excess, which is becoming increasingly smaller, has been donated for years to various institutions, together with those products that are unsuitable for sale due to small packaging defects, but which are completely suitable for consumption.

In parallel, in 2018 the company continued to take part in the MAPA strategy "More food, less food waste", whose goal is to prevent and reduce food waste; and has also been part of the AECOC initiative "Don't waste food, use it". It has also taken part in various regional initiatives against food waste, such as the "Basque Country Platform against food waste", promoted by the Basque Government's Deputy Council for Agriculture, Fisheries, and Food Policy.

### Garden rooftops

In its fostering of coexistence and good neighbourly relations, Mercadona promotes initiatives that contribute to improve the neighbourhoods in which it has a presence. One example of this is the urban gardens which the company has installed on the rooftops of its stores in city blocks, as well as the hanging gardens in some stores. With these measures, it contributes to the recovery of singular spaces. At the end of 2018, the company had a total of 5 urban gardens, in the construction and design of which native species with low water needs were used, which reduce both pollution and the "heat island effect", and which also contribute to achieve the targets set in the Green Book for Urban and Local Sustainability published by the former Ministry for Agriculture, Fisheries, Food, and the Environment.



Garden rooftop of the supermarket in Quevedo circus, Madrid.

## **Trencadís murals**

After deciding, years ago, to consolidate social innovation in its stores, in 2018 Mercadona continued to include *trencadís* (mosaic technique) murals in the and fish section of its stores. This amounts to a total of 573 new murals, which involved the investment of 1.5 million euros and which were created thanks to the everyday effort of more than 1,000 people with disabilities from 33 foundations and occupational centres.

Mercadona and Pamesa Cerámica decided to launch this social project in 2011 in order to offer training and employment to these people. Seven years later, the project is not only still in force, but has become consolidated and is growing, as the company collaborates with Roig Alfonso Foundation, the Down's Syndrome Foundation, Fundaempleo Azahar and the Espurna Foundation; the Purglass, Ivas, Tola, Di-Kapacitats and Monduber Special Employment Centres; the El Rin-

conet School Farm; Afanías Association; Torreblanca, Ivas el Maestrazgo, El Molí, Ivas Belcaire, Buris-Anna, La Salut, La Xara, El Castellet, Hort de Feliu, Mislata, Xirivella, El Prat, La Ribera, El Cau and Habilitare Occupational Centres; the Socoltie Social Cooperative and y Koynos; the Sueca, Requena and María Rafols Municipal Occupational Centres; Bona Gent and Atadis - all institutions which it thanks for its everyday efforts.

This project was recognised by *El Economista*, which gave Mercadona the award to the company that has best implemented its Corporate Social Responsibility in 2018 for its support for integration through the creation of ornamental *trencadís* murals in its stores. This award, which was given during the newspaper's "Economy Night", contributes to disseminate the company's social innovation work in its supermarkets.



Members of the Valencia Autonomous Region Roig Alfonso Foundation making the murals.



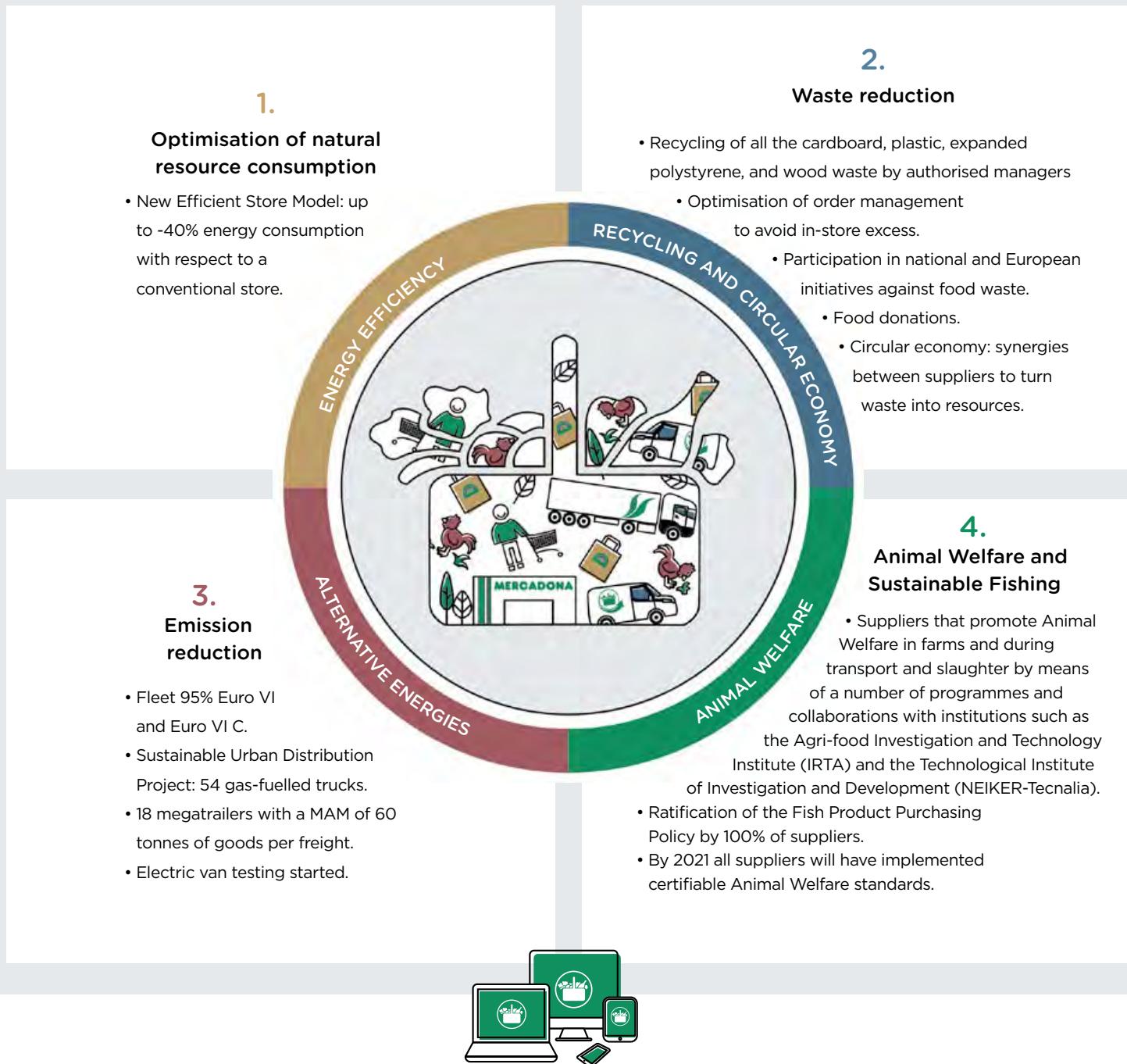
Gonzalo Gortázar, CEO of CaixaBank, gives Arantxa Roig, director of the Roig Alfonso Foundation, the Award to the company that has best implemented its Corporate Social Responsibility in 2018, given by *El Economista*.

# FOUNDATIONS AND OCCUPATIONAL CENTRES WHICH CREATE THE TRENCADÍS MURALS



## 4.4 Sustainable Mercadona

Mercadona considers all the effects that its activities might exert upon the environment and is fully committed towards the protection and efficient use of natural resources to “do more with less”



More information is available in the Environmental Report:

[www.info.mercadona.es](http://www.info.mercadona.es)

## **Own Environmental Management System**

As part of its environmental management system, and a responsible position, Mercadona fosters many initiatives which are channeled through 4 basic areas.

### **Optimisation of natural resource consumption**

After continuing to adapt centres to the new Efficient Store Model, which allows to reduce energy consumption by up to 40% in a conventional store, the company ended 2018 with a total of 400 supermarkets of this kind, while continuing to include energy saving measures in its logistics centres.

Moreover, in 2018 progress has been made in the removal of single-use plastic bags, by including more sustainable alternatives, like paper bags, packaging and plastic bags, raffia bags, in 66 stores located in Valencia, Biscay, Barcelona, Cantabria, the Balearic Islands, Ceuta, and Melilla. These new bags will be available across the entire chain in April 2019.

Parallel to this, in compliance with the European regulations on the reduction of carbon dioxide emissions, in 2018 more sustainable refrigerating facilities were implemented. To this end, alternative technologies that reduce CO<sub>2</sub> emissions, and the amount of refrigerating gas have been used, as well as researches into new experimental systems with the same purpose. Along these lines for resource optimisation, the company has continued to advance in the implementation of an alarm management system that guarantees every day the optimal temperature of every product, ending 2018 with a total of 1,203 stores adapted to this system, which in 2019 will be extended to all the supermarkets in the chain.

## **Waste and food waste reduction**

Throughout the year, the company maintained its commitment to recycling by means of authorised managers for all cardboard, plastic, expanded polystyrene, and wood waste. In addition, to promote responsible production that turns waste into resources, it has continued to support circular economy, fostering by this means synergies between suppliers that generate sustainability.

The company, which takes part in the MAPA strategy: "More food, less food waste" and is a promoter of the AECOC initiative "Don't waste food, use it", has also reinforced its policy against food waste. To this end, in 2018 not only has it optimised order management to mitigate waste, but has liquidated fresh products in its supermarkets and donate food that is suitable for consumption but not for sale.



Bucket made of recycled plastic by the Totaler Supplier SP Berner.

## Emission reduction and logistics optimisation

In 2018, Mercadona continued to work on reducing emissions by focusing on sustainable vehicles, as proven by the fact that 95% of the truck fleet of its logistics supplier is Euro VI and Euro VI C, currently the most demanding standards for nitrogen oxides and particles. Moreover, as part of its Sustainable Urban Distribution Project, it has included 54 gas-fuelled trucks and carried out tests with electric and hybrid vans for home delivery.

In parallel, it has continued to focus on logistics optimisation to “do more with less”, by means of various measures such as improvements in trucks to increase their useful load from 24 to 26 tonnes in each freight, the inclusion of 18 megatrailers in its transport suppliers’ fleet, and starting pilot tests, with Acotral and the DGT, for bitrailers that can transport up to 66 pallets per freight. It has also maximised

transport efficiency, as shown by the fact that the fill rate achieved, including return trips, was 90%.

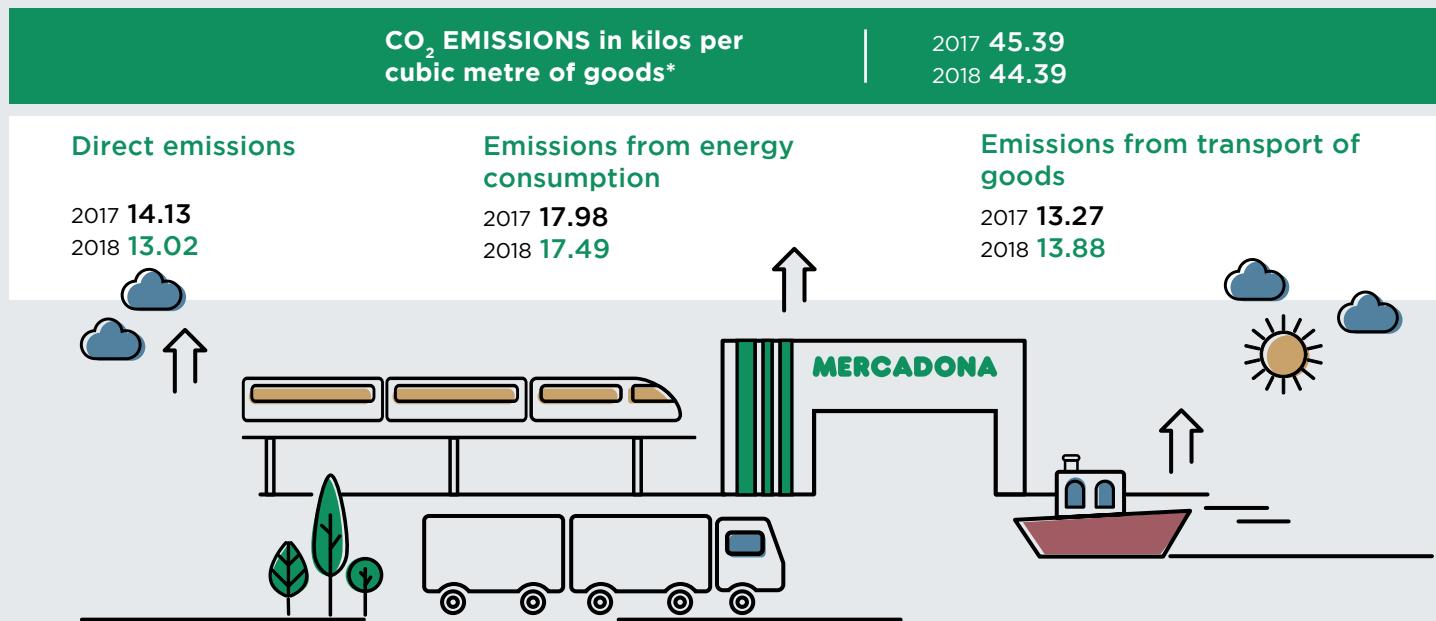


Gas-fuelled truck after a download in the supermarket on Mezquita square in Valencia.



Megatrailer at the entrance of the Riba-roja logistics centre in Valencia.

## ENVIRONMENTAL, EFFICIENCY, AND SUSTAINABILITY MANAGEMENT



### RELOCATED ROAD TRANSPORT

Stores with Silent Urban Download  
2017 **664**  
2018 **736**

Emission standards in the fleet (Euro V, Euro VI, and Euro VI C trucks)  
2017 **Euro V (9%)**  
**Euro VI (57%)**  
**Euro VI C (34%)**  
2018 **Euro VI (28%)**  
**Euro VI C (70%)**

### OTHER RELOCATED DATA

Energy consumption in GJ  
2017 **7,745,047**  
2018 **7,830,976**

Total CO<sub>2</sub> emissions (thousands of tonnes)  
2017 **1,593**  
2018 **1,615**

### RECYCLING

Tonnes of paper and cardboard  
2017 **202,421**  
2018 **213,167**

Tonnes of expanded polystyrene  
2017 **2,494**  
2018 **2,636**

Recycling rate

Tonnes of plastic  
2017 **13,001**  
2018 **13,660**

Tonnes of wood  
2017 **1,878**  
2018 **3,479**

Recycling/Recovery  
2017 **78%**  
2018 **76%**

Tonnes of recycled toners  
2017 **1**  
2018 **1**

Tonnes of used batteries collected in stores  
2017 **167**  
2018 **179**

Destruction  
2017 **22%**  
2018 **24%**

\*All data refers to Mercadona's process of transportation from the logistics centre to the store. Prepared by the company on the basis of the GHG protocol.

## Animal Welfare and Sustainable Fishing

Mercadona has an Animal Welfare Policy based on the principles of the World Organisation for Animal Health (WOAH), a principle which it extends to its suppliers. Being aware that there is much room for improvement, the company has gradually implemented various measures in this area. Thus, 100% of Mercadona's animal products come from approved suppliers, and all its fish suppliers have ratified its Fish Product Purchasing Policy.

It also works with suppliers that foster the protection of animals in farms and during transport and slaughter by means of a number of programmes and in cooperation with institutions such as the Agri-food Investigation and Technology Institute (IRTA) and the Technological Insti-

tute of Investigation and Development (NEIKER-Tecnia). In addition, all its suppliers have committed to implementing by 2021 certifiable Animal Welfare standards in its processes.

Furthermore, in 2018 the company collaborated with the NGO SEO Birdlife to protect birds in large cities, providing them with places to feed and rest in the urban gardens on the rooftops of some stores.



More information is available in the Environmental Report:  
[www.info.mercadona.es](http://www.info.mercadona.es)



Sheep grazing in Arcusa, in the Aragonese Sobrarbe, Huesca, the place of origin of the Totaler Supplier Profesionales de la Carne's lambs.

# SOME OF THE INSTITUTIONS AND ORGANISATIONS WITH WHICH MERCADONA COLLABORATES

## AECOC

Spanish Commercial Coding Association

## AESAN

Spanish Agency of Consumption, Food Safety and Nutrition

## AEP

Portuguese Business Association

## APED

Portuguese Association of Distribution Companies

## ASEDAS

Spanish Association of Retailers, Convenience Stores and Supermarkets

## AINIA

Agri-Food Industry Research Association

## AVE

Valencia's Association of Businesspeople

## Portuguese-Spanish Chamber of Commerce and Industry

## Spanish Chamber of Commerce

## Official Spanish Chamber of Commerce in Belgium and Luxembourg

## CEOE

Spanish Confederation of Business Organisations and its territorial and regional organisations

## CIP

Portuguese Business Confederation

## Circle of Businesspeople

## San Telmo Business School Agri-Food Advisory Board

## MAPA

Directories General of the Spanish Ministry for Agriculture, Fisheries, and Food

## Ecoembalajes España

## Ecodes

Ecology and Development Foundation

## EDEM

Business Owners' School

## ENAC

National Certification Organisation

## ESCODI

Terrassa School of Commerce and Distribution

## EuroCommerce

## ERRT

European Retail Round Table

## Forética

## Foro Interalimentario

## COTEC Foundation

## ÉTNOR Foundation

## Seres Foundation

## Transforma España Foundation

## GS1 Portugal

## IEF

Family Business Institute

## Lafer Foundation Master's degree programme in AgriFood Business Administration

## Global Compact

## Retail Forum

European Retail Forum for Sustainability

## Respon.cat

Catalan Social Responsibility

## SESAI

Spanish Food Safety Society

## Healthcare and Food Safety Authorities in the different Autonomous Regions



Close-up of the garden rooftop of the supermarket on calle Ayala, Madrid.



One of the commitments Mercadona has made with society is giving back some of what it receives. Within its social action plan, and through the various initiatives in which it has been involved in each of the autonomous regions, it has continued to provide significant assistance with the donation and redistribution to 170 soup kitchens and 60 food banks of more than 8,300 tonnes of food.



Mercadona fosters talent and its development and promotion both internally and externally. To this end it has initiatives in place to support entrepreneurship, including its collaboration with EDEM Business School, both through teaching and by sponsoring, such as its sponsorship of the Rei Jaume I Awards.



Mercadona is a corporate project of shared growth. In 2018, the company invested 1,504 million euros and contributed 1,575 million euros by way of direct and indirect taxes to the Public Administration. In parallel, it contributed some 4,800 million euros to the national GDP and generated 1,800 new jobs.



Mercadona is firmly committed to the efficient protection and use of natural resources. It has an in-house Environmental Management system in place whose main objective is to take full advantage of the resources available while minimising waste generation. This system focuses on the optimisation of the consumption of natural resources, waste and excess food reduction, emission reduction, and logistics optimisation.



Mercadona works with its suppliers in encouraging Animal Welfare in farms, during transport and slaughter through a number of programmes with different institutions. 100% of Mercadona's animal products come from approved suppliers, and by 2021 all of them will also apply certifiable Animal Welfare standards throughout animal life.



In addition to its Sustainable Fishing Policy, it has made a partnership with the Spanish High Council for Scientific Research (CSIC) for the research into potential animal parasites and the halting of their development. The outcomes of this study will make possible to consolidate a reliable chain and improve the quality and service offered to customers.



By means of a number of different institutions that take part in the forums in which it participates, Mercadona reinforces and publicises its values and commitment towards corporate ethics. The company has adhered since 2011 to the Global Compact for the defence of fundamental values in Human Rights, Labour Standards, the Environment, and the Fight Against Corruption. It is a partner in Forética, the Seres Foundation, and the #PorElClima Community, a pioneering project for individuals, companies, administrations, and organisations to act against climate change.



## 5. CAPITAL

**MERCADONA IS A 100% SPANISH-OWNED FAMILY COMPANY WHOSE RESPONSIBILITY IS TO SATISFY, ALWAYS AND WITH THE SAME INTENSITY, ALL FIVE COMPONENTS THAT CONSTITUTE THE COMPANY**

---

To this end, it has its own management model, the Total Quality Model, and applies a sequential order that places “The Boss” at the centre of any decision, because if customers are happy, sales come, and with them profits. Thanks to the Total Quality Model, Mercadona has consolidated its development and expansion year after year. By means of the constant effort of all those who are part of its project, it is a driver for shared growth in those areas where it has a presence, through the generation of jobs, prosperity, and wealth

Mercadona was founded in Tavernes Blanques (Valencia) in 1977, and its mission statement is that of “purchasing, selling and marketing all kinds of goods in the grocery sector, for which it may open establishments for the retail or wholesale selling of such products, providing services for the transport of all kinds of merchandise and carrying out studies, programmes, reports and any other activity directly or indirectly related to computing and to the management, accounting, administration and control of companies”. Mercadona’s business activity is the distribution of food and beverages, cleaning and household products and cosmetics by means of its 1,636 supermarkets, which are supplied from the company’s different logistics centres, strategically located throughout the country. As was already discussed in other sections of this Report, in 2018 the first stores in the Autonomous City of Ceuta, the island of La Palma, and the Autonomous City of Melilla were opened, and in 2019 the materialisation of the Portugal project will result in the opening of the first stores in the districts of Porto, Braga, and Aveiro.

The satisfaction fulfilment of the fifth component, “Capital”, is one of the objectives of Mercadona’s Model, and it would not be possible without first achieving the satisfaction of the remaining components. The trust placed in the company by over 5.3 million households day by day, the effort put in by its approximately 85,800 employees in Spain and Portugal in the daily performance of their duties, the commitment shown by its suppliers and the favourable response perceived in society have all allowed for the company to achieve the sales objectives set for 2018. The changes made by Mercadona in regard to the Efficient Store Model, the logistics centres and the IT systems have been introduced in line with the management model based on Total Quality, considering the generation of sustainable profits in the long term.

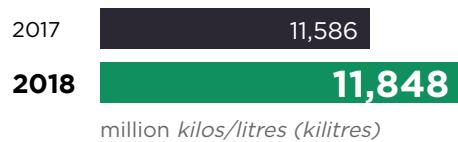
As in previous years, the annual accounts were audited by Deloitte, S.L., which, as usual, issued an unqualified report on the 31st January 2019. Together with the annual accounts, this report has been duly deposited at the Valencia Mercantile Registry.

KEY FIGURE			
(millions of euros and <i>kilitres</i> )	2017	2018	% Change
<b>Sales Units kilos-litres</b>	11,586	11,848	+2%
<b>Turnover</b>	22,915	24,305	+6%
<b>Operating income</b>	395	767	+94%
<b>Income before tax</b>	402	760	+89%
<b>Income after taxes</b>	322	593	+84%

## Sale units (*kilitres*)

By year-end, the company had reached 11,848 million kilitres sold, a 2% increase over the 2017 total of 11,586. The company is satisfied with this figure, as it clearly shows the trust placed in it by “The Bosses” over the last twelve months.

### EVOLUTION IN *KILITRES SOLD*



## Sales

The trust of its “Bosses” and a firm commitment towards prescribing a selection that offers the best possible value for money have enabled Mercadona to achieve a turnover of 24,305 million euros in 2018, a 6% increase over 2017.

### GROSS SALES EVOLUTION



## Profit

Profit before tax stood at 760 million euros in 2018, compared with 402 million the previous year. Net profit in 2017 was 593 million euros, whereas in 2018 Mercadona achieved a net profit of 322 million euros.

### NET PROFIT EVOLUTION



The evolution of the results and the sales are evidence of the fact that decisions have been taken in keeping with the following sequential order: 1st “The Boss”, 2nd Sales and 3rd Profits.

## EBITDA

The company's EBITDA at year-end 2018 stood at 1,195 million euros, as opposed to the 754 million of 2017. Mercadona's operating income evolved in accordance with the profits expected, coherent with the strategy for the year, and is in line with the company's long-term investment goals.

### EBITDA EVOLUTION





Front of the La Almadraba supermarket in the Autonomous City of Ceuta.

## Investment

In 2018, approximately 1,504 million euros were invested, whereas in 2017 investment was 1,008 million. The 1,008 million were invested 100% in-house by Mercadona, which showcases the solidity of its treasury, its commitment towards its projects and its capacity of generating cash flows.

At year end, Mercadona has 1,636 supermarkets in all the provinces and autonomous regions in Spain. During the course of 2018, the company launched 29 stores, refurbished 215 and continued to implement the new Efficient Store Model, a strategy that seeks to improve the shopping experience for "The Boss", and that is set to finish in the next few years.

It has also started to implement new sale models, such as "Ready to Eat", which are meant to continue to increase their "Bosses" satisfaction.

This year, Mercadona has continued its works in logistics centres, including the future logistics centre in Parc

Sagunt (Valencia), the construction of "Hives" to cover online sales, the development of the new logistics centre in Villadangos, the new offices in Albalat dels Sorells (Valencia), and the works in various regulating warehouses

The Portugal project is materialising in the construction of the Povoa de Varzim logistics centre, which will serve future stores. Its construction also started in 2018.

Moreover, the company has continued to modernise its logistics, improved work in its facilities, and consolidated investment on the digital transformation IT project.

### INVESTMENT EVOLUTION

2017	1,008
2018	1,504

million euros

## Equity capital

The profit obtained for the year and the capitalisation of almost all of it has meant that, by year-end 2018, equity capital stood at 5,583 million euros, and the company's worth grew in regard to the previous year.

It is worth noting that the ratio of equity capital in comparison with the total assets remained at around 60% in 2017 and 2018.

### EQUITY EVOLUTION



million euros

## Other Indicators

### Suppliers

The average payment period to suppliers was 43 days, while the stock turnover period was 13 days.

The Working Capital data for this year is as follows:

In million €	2018
<b>Current assets</b>	3,641
<b>Current liabilities</b>	3,486
<b>WORKING CAPITAL</b>	155

### Cash Flows

The generation of Cash Flows in 2018, taking into account the investment made in the Portugal project, was as follows:

In million €	2018
<b>Cash flow from operating activities</b>	1,413
<b>Cash flow from investing activities</b>	(1,341)
<b>Cash flow from financing activities (dividends)</b>	(122)
<b>Net Cash Variation</b>	(50)

### Liquidity Ratio

The Liquidity Ratio, which is defined as Current Assets / Current Liabilities was 1.04 in 2018.

The investments described previously were carried out using the company's equity, resulting in a reduction in the treasury.

### Productivity

During 2017 and 2018, Mercadona maintained its productivity (sales in euros / no. of employees), reflecting the implication of all those who form part of the Mercadona project to achieve the objectives set forth by the company.

**The goal is to be a driver for shared growth in those areas where Mercadona has a presence**

**MERCADONA, S.A.**

*Balance sheet as of 31 December 2018  
(thousands of euros)*

<b>NON-CURRENT ASSETS</b>	<b>5,495,351</b>
Fixed assets	5,434,402
Deferred tax assets	60,949
	<b>3,641,224</b>
<b>CURRENT ASSETS</b>	<b>3,641,224</b>
Inventory	704,439
Trade and other receivables	126,957
Financial investments	110,638
Cash and cash equivalents	2,699,190
	<b>9,136,575</b>
<b>TOTAL ASSETS</b>	<b>9,136,575</b>
<b>EQUITY</b>	<b>5,583,359</b>
Capital	15,921
Reserves	4,974,900
Profit for the period	592,538
	<b>66,480</b>
<b>NON-CURRENT LIABILITIES</b>	<b>66,480</b>
Long-term provisions and debt	19,497
Deferred tax liabilities	46,983
	<b>3,486,736</b>
<b>CURRENT LIABILITIES</b>	<b>3,486,736</b>
Suppliers	2,421,574
Creditors and debts with Public Entities	796,136
Personnel	269,026
	<b>9,136,575</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,136,575</b>

**MERCADONA, S.A.**

Income statement at 31 December 2018  
(*thousands of euros*)

Revenue	22,234,936
Provisioning	(16,706,198)
Other operating income	67,399
Personnel expenses	(2,861,459)
Other operating expenses	(1,540,902)
Fixed asset depreciation	(426,557)

**OPERATING INCOME** **767,220**

Financial income	14,640
Impairment	(22,617)

**NET FINANCIAL INCOME** **(7,977)****PROFIT BEFORE INCOME TAX** **759,243**

Income tax expenses	(166,705)
---------------------	-----------

**PROFIT FOR THE PERIOD** **592,538**

## INDEPENDENT VERIFICATION REPORT

Pursuant to law 11/2018 of 28 December, the Company has submitted a Non-Financial Information Statement that is part of the management report, which has been verified by **Deloitte, S.L.**, as an independent provider of verification services, which on 31 January 2019 issued its verification report with no qualifications, as expected.

In this work, Deloitte has verified a significant part of the indicators that, together with many others, are part of this corporate report. The indicators included in this report which have been verified by Deloitte are given in the table attached (identified with ✓). In case of discrepancy, the information included in the Non-Financial Information Report will prevail.



*For more information, the verification report, together with the non-financial information statement, will be available at:  
[www.info.mercadona.es](http://www.info.mercadona.es)*

*As the GRI standard stipulates, the purpose of this report is to provide true, relevant, and accurate information.*

## INDICATOR TABLE

No.	INDICATOR	PAGE/NOTE
1	Name of the organisation	MERCADONA, S.A. ✓
2	Activities, brands, products and services	Pages 15-21, 45 ✓
3	Address of the headquarters	Calle Valencia, 5 Tavernes Blanques, Valencia, Spain ✓
4	Location of operations	Spain and Portugal Pages 4-5, 23-31 ✓
5	Nature of ownership and legal form	Pages 16, 115-116 ✓
6	Markets served	Pages 12-13, 16 ✓
7	Size of the organisation	Pages 4-5 ✓
8	Information on employees and other workers	Pages 4, 26, 55-60  Mercadona has 85,800 permanent employees (85,500 in Spain and 300 in Portugal) and does not employ subcontractors for its main activity ✓
9	Supply chain	Pages 5, 71-74
10	Significant changes in the organisation and its supply chain	Pages 12-13
11	Information on how the company approaches the precautionary principle	Pages 17-18 ✓
12	External initiatives	Pages 46-47, 76, 95-98, 100-101, 111
13	Relationship with the associations of which the organisation is a member	Page 111
14	President's Statement	Pages 6-7

No.	INDICATOR	PAGE/NOTE	
15	Main impacts, risks and opportunities	Pages 17-19	✓
16	Values, principles, standards and rules of conduct	Pages 15-16 Mercadona is governed by the Total Quality Model, which lays the foundations for the company's values and paradigms. It defines internal conduct which all workers share. We also have a Code of Conduct whose mission is to ensure compliance with our values and with the Law	
17	Governance structure	Pages 8-9	
18	Executive positions or positions with economic, environmental and social responsibilities	The responsibilities related to economic, social and environmental aspects fall on the members of the Board of Directors, who makes their decisions jointly	
19	Enquiries to the stakeholders regarding economic, environmental and social aspects	Pages 95-99	
20	Structure of the top management body and its committees	Pages 8-9	
21	Information on if the chairperson of the top management body also holds an executive position	The Chair of the Board of Directors also chairs the Management Committee	
22	Conflict of interest	There are no conflicts of interest All the members of Management Committee are Mercadona employees and do not serve a director in other companies in the same sector	
23	Role of the top management body	Pages 8-9, 19	
24	Collective knowledge of the top management body	Pages 8-9	
25	Performance evaluation of the top management body	Pages 8-9	
26	Identification and management of the economic, social and environmental impacts	Each department presents the relevant economic, social and environmental aspects related to its activity to the Management Committee during coordination meetings	✓
27	Efficiency of the risk management processes	Pages 17-19	✓

No.	INDICATOR	PAGE/NOTE	
28	Analysis of the economic, social and environmental aspects	Pages 17-19 The company's management bodies oversee and approve everything concerning economic, social and environmental aspects	✓
29	Role of the top management body in the sustainability report	The company's management bodies oversee and approve all the information that is reported to outside the company	
30	Process to transmit the important concerns to the top management body	Each department presents the relevant aspects related to its activity to the Management Committee during coordination meetings	
31	Nature and number of important concerns transmitted to the top management body	All the concerns related to its activity and under its responsibility are presented	
32	Salary policies	Pages 58-59, 62 The company has followed a Salary Policy for many years based on the principle "equal responsibility, equal pay"	✓
33	Processes determining salary	Pages 58, 62	✓
34	Involvement of the stakeholders in remuneration	The company has a Collective Agreement in force, signed and agreed upon with the representatives of the workers unions	
35	List of stakeholders	Page 17	✓
36	Collective bargaining agreements	Page 58 Own Collective Agreement that covers all workers	
37	Identification and selection of stakeholders	Pages 15-19	
38	Approaches to stakeholder participation	Constant dialogue with all stakeholders to capture and satisfy their needs and expectations	✓

No.	INDICATOR	PAGE/NOTE
39	Key elements and concerns raised	<p>Pages 17-19</p> <p>The relationship with the stakeholders allows us to make improvements with the "Bosses" and introduce them in the products, innovate with suppliers, and add our knowledge to the primary sector to improve the range of fresh products</p>
40	Definition and content of the report	<p>The structure of the report is compliant with the Total Quality Model and provides information on the 5 components of the company (stakeholders)</p>
41	List of material aspects	<p>Page 17</p> <p>Each chapter has details on the relevant strategies and actions carried out for each component (stakeholder)</p>
42	Information restatement	<p>There have been no relevant changes</p>
43	Reporting period	<p>1 January 2018 to 31 December 2018</p>
44	Date of the most recent report	<p>2017</p>
45	Reporting cycle	<p>Annual</p>
46	Point of contact for questions and enquiries about this report	<p>Contact information on the back cover</p>
47	Relation between the starting salary by gender and the minimum wage in locations where significant operations take place	<p>Pages 58-59, 62</p> <p>The salary policy is based on the equity principle: "same responsibility, same salary", without distinction as to gender or others</p>
48	Percentage of expenses corresponding to local suppliers at locations with significant operations	<p>Pages 5, 78-79, 94</p>
49	Number and percentage of Departments in which risks related to corruption have been assessed and significant risks founded	<p>100% of the Company Departments' activities have been assessed</p>

No.	INDICATOR	PAGE/NOTE
50	Anti-corruption communication and training policies and procedures	The fight against corruption is a fundamental principle of the Mercadona model
51	Confirmed cases of corruption and measures	No cases of corruption have been found during the analysed period
52	Number of sentences for unfair competition, monopolistic practices or practices against free competition and their result	None have been registered during the reported period
53	Internal energy consumption	7,830,976 GJ ✓
54	Energy intensity	0,22 GJ/m <sup>3</sup> of goods
55	Reduction of energy consumption	14.7 million kWh saved ✓
56	Water consumption	Total consumption 4 hm <sup>3</sup> Consumption per store and month: 100 m <sup>3</sup> ✓
57	Water supply sources	100% municipal water supply network Rain water catchment in 3 logistics platforms, used for irrigation and cleaning ✓
58	Direct greenhouse gas emissions	13,02 kg CO <sub>2</sub> /m <sup>3</sup> of goods ✓
59	Indirect greenhouse gas emissions from generating energy	17,49 kg CO <sub>2</sub> /m <sup>3</sup> of goods ✓
60	Indirect greenhouse gas emissions from transport of goods and travel	13,88 kg CO <sub>2</sub> /m <sup>3</sup> of goods ✓

No.	Indicator	Page/Note
61	Intensity of greenhouse gas emissions	44,39 kg CO <sub>2</sub> /m <sup>3</sup> of goods ✓
62	Reduction of greenhouse gas emissions	37,000 tonnes of CO <sub>2</sub> ✓
63	Emissions of ozone-depleting substances	The company does not use ozone-depleting substances
64	Total weight of waste, per type and treatment method	346,520 tonnes, of which 76% is recycled/recovered
65	Percentage of new supplier factories inspected under environmental criteria	95% of Totaler Supplier Factories are certified under an ISO 14001, EMAS or equivalent standard
66	Hiring number and rate, and average employee turnover, by age group, gender and area of activity	Pages 57,62 ✓
67	Social benefits for employees working full-time that are not offered to part-time or seasonal employees, by significant locations of activity	There is no differentiation
68	Minimum notice of operational changes and their potential inclusion in the collective agreements	The workers and their representatives are given sufficient notice of any relevant event which might affect the staff, always within the terms set in applicable law
69	Percentage of workers represented in the formal joint health and safety committees for the management and the employees, created to help control and counsel about the health and safety programmes	The existing committees represent all the workers at the same level and all the agreements are ratified by the Management ✓
70	Rate of injuries, occupational illnesses, lost days, absenteeism and number of occupational deaths	Occupational accidents: 19,20% ✓

No.	Indicator	Page/Note
71	Workers whose profession has greater incidence or risk of illness	In general, we have identified no workers involved in activities with high incidence or risk of specific illnesses ✓
72	Health and safety issues covered in formal agreements with the workers unions	There are agreements in force with the workers unions that include issues such as improvements in the design of work stations and the selection of equipment and production methods in order to guarantee work safety, as well as promoting the necessary information and training to minimise the risks of each station ✓
73	Average number of annual training hours per employee, broken down by sex and professional category	Per employee: 29 hours of training and 815 on average invested per worker
74	Skill management and continuous training programmes that promote worker employability and help manage the end of their professional careers	Pages 59, 64, 66 ✓
75	Percentage of employees that receive professional development performance reviews, by gender and job category	Page 62 The performance of all workers is evaluated each year in top-down and bottom-up reviews
76	Structure of the management bodies and break down of the staff by job category and gender, age, status as minority, and other diversity indicators	Pages 8-9, 57, 59 ✓
77	Relation between the base salary of males and females, broken down in salary of women vs. men	Pages 57-59, 63 The “same responsibility, same salary” principle applies, without gender distinctions
78	Number of discrimination cases and corrective measures adopted	In 2018, Mercadona has not registered any case of discrimination through the available channels
79	Identification of centres and important suppliers in which freedom of association and the right to be protected by collective agreements may be breached or threatened, and measures adopted to defend those rights	The company guarantees freedom of association in all its work centres as stated in the current collective agreement

No.	INDICATOR	PAGE/NOTE
80	Identification of centres and suppliers with a significant risk of child labour, and measures adopted to contribute to the abolishment of child labour	<p>The company guarantees there are no cases of child labour in its work centres.</p> <p>No significant suppliers at risk have been identified</p>
81	Centres and suppliers with a significant risk of originating forced labour, and measures adopted to contribute to the elimination of all types of forced labour	<p>The company guarantees there are no cases of forced labour in its work centres.</p> <p>No significant suppliers at risk have been identified</p>
82	Number and percentage of centres that have been reviewed or evaluated regarding human rights	<p>The company complies with the required standards on this topic, pursuant to current legislation</p> <span style="float: right;">✓</span>
83	Hours of training of the employees regarding policies and procedures related to the aspects of human rights that are relevant for their activities, including the number of skilled employees	<p>All employees are trained in the Mercadona Model, which establishes the values and behaviour within the Company</p> <span style="float: right;">✓</span>
84	Percentage of centres where development, impact assessment, and community involvement programmes have been implemented,	<p>This indicator is not available, but the various actions performed are given in the Society section (pages 93-113)</p>
85	Operation centres with important negative effects – potential or real – on the local communities	<p>Pages 18, 98, 100</p> <p>No centres with negative effects on the local communities have been identified</p>
86	Percentage of new suppliers evaluated regarding criteria on human rights, labour practices and social impact	<p>Pages 76-81</p> <p>85% of the purchases are done in Spain from suppliers audited following the Mercadona Model, which considers satisfying workers' needs</p>

No.	Indicator	Page/Note
87	Value of the political contributions per country and beneficiary	No contributions were made during the reporting period
88	Number of incidents for breach of regulations or voluntary codes regarding the impact of products and services on the health and safety during their life cycle, by type of result of the incidents	During the reporting period, no significant incidents due to breach have been identified in this area ✓
89	Type of information required by organisational procedures regarding information and labels on its products and services, and percentage of significant product and service categories that are subject to those requirements	Pages 48-51 ✓
90	Number of breaches of regulations and voluntary codes regarding the information and labels on its products and services, by type of result	During the reporting period, no significant incidents due to breach have been identified in this area
91	Number of cases of breach of regulations or voluntary codes regarding marketing communications, such as advertisements and sponsorship, by type of result	During the reporting period, no significant incidents due to breach have been identified in this area
92	Number of basic complaints regarding the breach of client privacy or leakage of client data	The company has no knowledge of any significant incident during the reporting period ✓
93	Amount of significant fines for breaching regulations and legislation regarding the delivery and use of products and services, cash value of the significant fines and number of non-monetary penalties due to breach of regulations and legislation	There are no significant breaches of regulations* ✓

\*The company regards any financial sanction above € 50,000 as significant.



MERCADONA IS A **BUSINESS PROJECT IN A PROCESS OF CONSTANT TRANSFORMATION** WHICH SEEKS SOLUTIONS TO ANTICIPATE “THE BOSS’S” NEEDS, PLACING THEM AT THE CENTRE OF ALL DECISIONS

# HISTORY OF MERCADONA 1977-2018



## 1977

Francisco Roig Bal-lester (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, together with his siblings Fernando, Trinidad, and Amparo, buy Mercadona from their father. The company had 8 stores and approximately 300 m<sup>2</sup> of retail space. Juan Roig becomes the manager of the company, which starts to operate as an independent business.

## 1982

First company in Spain to use barcode scanners in points of sales.

## 1986

Implementation of the shopping card, free for "The Boss".



## 1988

Opening of the Riba-roja de Turia (Valencia) logistics centre, the first fully automated distribution centre in Spain.

Acquisition of Superette Supermarkets, which had 22 stores in Valencia.

## 1990

Juan Roig and Hortensia M<sup>a</sup> Herrero became the company's majority shareholders.

## 1993

On reaching 10,000 employees and 150 stores, the Always Low Prices (SPB) commercial strategy was introduced; it would later evolve to become the Total Quality Model.

## 1996

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

Inauguration of supermarket number 200, in Segorbe (Castellon).

The first collective agreement for all employees is signed.



## 1997

Joint venture agreement with Almacenes Gómez Serrano in Antequera (Malaga).

## 1999

Completion of the process whereby all staff contracts were made permanent, which had started in 1995; at that time, the number of employees stood at 16,825.

Inauguration of the Antequera (Malaga) logistics centre.

The new perfume shop design and model project starts.

## 2000

Construction of the Sant Sadurní d'Anoia (Barcelona) logistics centre. Inauguration, in Massanassa (Valencia), of the first Atmosphere Store.

First Integrated Supplier Meeting.

Signing of the Collective Agreement (2001-2005).

## 2001

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

Mercadona reaches 500 stores with the opening of its first supermarket in Linares (Jaen).



## 2003

First company to carry out an Ethical Audit.

Inauguration of the San Isidro (Alacant) logistics centre and of the company's second children's education centre.

Launch of the new Hortensia H perfume line.

Opening of a supermarket in the facilities of the L'Olivar Market in Palma de Mallorca.

## 2004

Inauguration of the Huévar (Seville) logistics centre and of the company's third children's education centre.

The Management Committee decides not to open supermarkets on Sundays as a general rule.

## 2005

Introduction of the new Mercadona uniform.

Inauguration of the Granadilla de Abona (Tenerife) logistics centre.

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 1000 store, in Calp (Alicante).

Relaunch of the Mercadona Card's image.



## 2007

The first phase of the 21st Century logistics centre comes into operation in Ciempozuelos (Madrid).

Fourth company in the world with the best corporate reputation, according to the New York Reputation Institute.

## 2008

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

Shopping Cart Menu to offer “The Boss” the cheapest and most high-quality Total Shopping Cart in the market.

Inauguration of the Ingenio (Gran Canaria) logistics centre.

## 2013

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

Reinventing ourselves to be more emphatically shopkeepers. Implementation of new fresh produce sections.

Mercadona starts developing the Sustainable Agri-Food Chain.

Opening of the Guadix (Granada) logistics centre.

## 2014

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

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



## 2015

New Training and Services Centre in Albalat dels Sorells (Valencia).

The Mercadona radical innovation model is internationally recognised.

## 2016

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

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

## 2017

Development of the Global Fresh Produce strategy to boost and modernise the new fresh produce sections.

Acquisition of plots for the new Parc Sagunt logistics centre in Sagunt (Valencia).

Start of the digital transformation project with the technological company SAP.

## 2018

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

Launch of the new "Ready to Eat" section.

Evolution from the Supplier Model to the Totaler Model in order to continue to be the best option for "The Boss".

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

*The Mercadona Project continues to move forward...*





**MERCADONA**

MERCADONA S.A.  
C/ Valencia, 5 - 46016  
Tavernes Blanques (Valencia)  
Telephone: (+34) 963 883 333  
Fax: (+34) 963 883 302

IRMĀDONA SUPERMERCADOS S.A.  
Rua Pinheiro Manso, 471  
4100-413 Porto (Portugal)  
Telephone: (+351) 221 201 000



[www.mercadona.com](http://www.mercadona.com)  
0900 500 103  
0800 500 100

[www.facebook.com/mercadona](http://www.facebook.com/mercadona)  
[www.twitter.com/mercadona](http://www.twitter.com/mercadona)  
[www.youtube.com/mercadona](http://www.youtube.com/mercadona)  
[www.instagram.com/mercadona](http://www.instagram.com/mercadona)  
[www.linkedin.com/company/mercadona](http://www.linkedin.com/company/mercadona)

[www.facebook.com/mercadonaportugal](http://www.facebook.com/mercadonaportugal)  
[www.youtube.com/mercadonaportugal](http://www.youtube.com/mercadonaportugal)