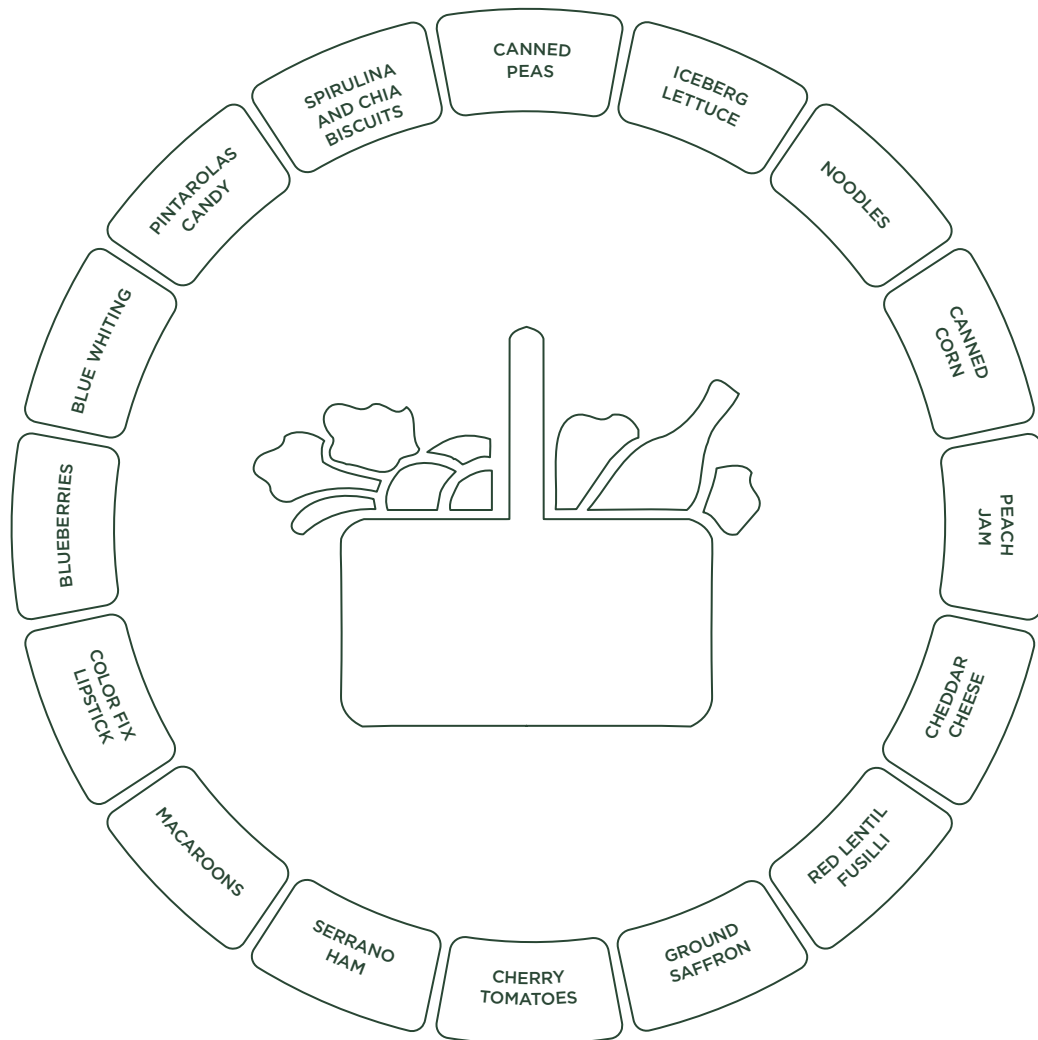


Mercadona

A socially responsible
company model

2019 Annual Report





Products used to make the front page logo



MERCADONA

2019 Annual Report

“Mercadona is a project that is constantly evolving and, in its process of constant transformation, recognises that it is responsible for saying yes to taking better care of the Planet”



2019 Annual Report and more information:
www.info.mercadona.es



THE MISSION

Filling bellies

“Offering end consumers products or solutions that will meet their needs regarding food, drink, personal care, housekeeping and pet care...

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

THE VISION

“To achieve a Sustainable Agri-food Chain, that people want to exist and feel proud of, led by Mercadona and having ‘The Boss’ as our guiding light”

Detail of the entrance to the supermarket in Ovar, Aveiro.

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OUR MOST SIGNIFICANT ACHIEVEMENTS IN 2019 IN SPAIN AND PORTUGAL

| | | | | | |
|--------|-----------|----------|---------------|-------------|---------------|
| 1,626 | 89,100 | 3,600 | €19,970 M | €25,468 M | €2,050 M |
| stores | employees | new jobs | in purchasing | in turnover | in investment |



CONSOLIDATED DATA FOR SPAIN AND PORTUGAL

◆ "THE BOSS"

1,636

stores in 2019
46 openings
46 closings

800

supermarkets
with the New
Efficient Store Model
(Store 8)

325

new
products available

5.4 M

households
shop at
Mercadona

15.5%

market share
in total sales
area in Spain

▲ THE EMPLOYEE

90,000

employees
with stable,
quality
employment

4,200

new
jobs

€106 M

invested
in training

€340 M

**in variable
incentive**
bonuses distributed
among the staff

849

people
promoted
to positions
of greater
responsibility

▶ THE SUPPLIER

1,400

**Totaler
Suppliers**

€20,187 M

**in purchasing in Spain
and Portugal**
from commercial and
non-commercial suppliers,
services and transporters

3,074

**commercial
suppliers**

20,000

**SMEs and raw
material producers**

43

days average
payment term to
Totaler Suppliers

■ SOCIETY

1.95%

**of Spain's
GDP**

655,000

**direct, indirect and
induced jobs**

9,218

tonnes
of food donated to
soup kitchens and
food banks

Collaboration with:

+210 soup
kitchens

+60 food
banks

€43.7 M

invested
in environmental
protection

▣ CAPITAL

€25,500 M

in turnover

12,050 M

**kilos-litres
(kililitres) sold**

€2,200 M

in investment

€623 M

in net profit

€493 M

**to strengthen
equity**

MESSAGE FROM THE PRESIDENT



It is not easy to summarise in a few paragraphs what Mercadona accomplished in 2019 because the company is undergoing a *drastic transformation*. And in that process, all the people who are part of this project share the same objective and are changing and will continue to change as necessary and add value to better meet the needs of our customers (*“The Boss”, as the customer is known internally*) and the other components of the company: Employee, Supplier, Society and Capital.

The real strength behind our transformation is the employees. Their talent, commitment and shared leadership abilities have made it possible for Mercadona to now become a Portuguese company in Portugal after the opening of the first store in Canidelo, in Vila Nova de Gaia, in the district of Porto, in July. This internationalisation is a particularly important milestone and has allowed us, in recent months, to demonstrate that our company model has the necessary strength to expand beyond our borders in a responsible manner, generating value and sharing development and wealth.

Our model remains in constant evolution. And with “The Boss” as a guiding light, we have focused our efforts on taking the step to move forward in be-

coming a Totaler company (a company that offers “The Boss” the necessary solutions for every need and is the best option). Now it is time to take action and practise it in our day-to-day life in order to be able, with this radical change, to continue opening up new opportunities. To do so, we have strong leadership and extensive teams in the Specifications, Purchasing and Stores Departments. We also rely on collaboration with our 1,400 Totaler Suppliers, whose specialisation allows us to offer products created through experience with customers (through co-innovation) and with the challenge of always offering **quality, quality, quality and, above all, quality** in all products every day. Because it's only through quality that we can create unique experiences and will be able to continue increasing our competitive advantage through differentiation and satisfying “The Boss”.

This new era, which is motivating for all of us and marked by our capacity to adapt to the needs of our customers, has made us steadfast in our commitment to the Mercadona Online project, now present in parts of Valencia and Barcelona. This project has undoubtedly contributed to the New Efficient Store Model (*Store 8*), already present in over 800 supermarkets, improving along with digitalisation. This process of constant transformation has made us understand that sales methods in the physical store must evolve and adapt to the needs of the customers, such as, for example, what we have done with the opening of the new Ready-to-Eat section that is already available in over 300 supermarkets.

These twelve months have also seen our continued commitment to Global Fresh products to incorporate significant improvements in our fresh produce sections, achieving greater adaptation to local selections. We have also implemented numerous innovations in efficiency, such as the store organisation model or space optimisation. Numerous measures that, all in all, have led Mercadona to increase its sales in constant surface area by 5% in 2019, reaching 25,500 million euros.

To carry out this transformation process in which we are immersed, the company has also increased its investment efforts by 46%, to 2,200 million euros. This effort that has allowed us to incorporate significant advances in the modernisation of our processes, such as the automation and efficiency of our logistics centres with the objective of increasing the quality of life of the people who work in them daily, eliminating overexertion.

The pursuit of all these objectives has allowed us to reach the goals set and to increase our net profit in 2019 to 623 million euros, as a result of the vast effort and involvement from everyone who is part of the company. Because we are building the Mercadona of the future together, a company model that is aware of and involved in promoting and maintaining shared prosperity. Therefore, we have also redistributed 340 million euros among employees as incentive bonuses, a sum equivalent to 25% of the total profit generated by the company.

Our role as a company is also to contribute to improving the social and economic aspects in which we are involved, producing efficiently and responsibly through business practices that generate well-being and allow us to move forward every day under the common goal of *being a company that people want to exist and feel proud of*.

A company that evolves through its actions and never loses sight of the fact that, for the model to be a success, it must focus on people. Because their suggestions and ideas are a source of innovation; and their involvement and discipline in applying the methods and values that make up the Total Quality Model in their daily work are the main cause of our company's growth. To do this, we rely on the skills of more than 90,000 permanent employees (*900 in Portugal*), after 4,200 new employees joined the project during these twelve months, all with stable and quality employment and equally convinced that the willingness to share leadership is key to improving our ability to adapt and better respond to the challenges that society demands of us.

"Our role as a company is to contribute to improving social and economic aspects by producing efficiently and responsibly to generate shared prosperity"

Together we must address the role we have to play as a socially responsible company. We know that we must produce in a sustainable manner to achieve a more positive environmental impact. Although we now separate over 70% of the waste that we generate for recycling and we apply the principles of the Circular Economy in many processes, we are aware that we have much to improve in order to respond to what society and the "Bosses" are demanding from us. And precisely because of this, all of us at Mercadona, starting with its President and Management Committee, are taking the step of clearly and decisively reinforcing sustainability and environmental responsibility in our company model.

In 2020 we must continue to move forward in this direction, strengthening a project that is constantly evolving and, in its process of constant transformation, recognises that it is responsible for *saying yes to taking better care of the Planet*. A company that is an example of business practices that generate sustainable development, productive efficiency and well-being for the five components, because we continue to believe that we must add value by understanding what each improvement brings and its profitability. To do so, as has happened throughout the history of the Mercadona Project, we have relied on the support of our shareholders and our Board of Directors, who are fully convinced that, in order to transform Mercadona, our main investment is to remain committed to the long-term benefit of the company's five components.

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 Jordà
Managing Director of Stores
and Perishables Prescription



David Cid
Managing Director of Petroleum
Byproducts Purchasing



Jose Miguel Fernández
Managing Director of Manufactured
Agricultural Products Purchasing



Pilar Sanz
Managing Director of Bakery
Purchasing (in training)



Héctor Hernández
Managing Director of Finance
and Marina de Empresas



Patricia Cortizas
Managing Director of Human
Resources (in training)



Juan Antonio Germán
Managing Director of External
Relations and Patronage



Francisco Espert
Managing Director of Dry
Products Prescription



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



Guillermo Pérez
Managing Director of Milk and Milk
Byproducts Purchasing (in training)



Rosa Aguado
Managing Director of Logistics



Patricia Tobía
Managing Director of Construction
and Expansion (in training)



Aleix Juan
Managing Director of IT

Board of Directors

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

President

Juan Roig Alfonso

Vice-president

Hortensia M^a Herrero Chacón

Secretary of the Board

Carolina Roig Herrero

Members of the Board

Hortensia Roig Herrero

Amparo Roig Herrero

Juana Roig Herrero

Rafael Gómez Gómez

Fernando Roig Alfonso

Audit Committee

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

President

Rafael Gómez Gómez

Secretary

Carolina Roig Herrero

Member

Juana Roig Herrero





THE MODEL

Mercadona is a company with a shared, sustainable and constantly evolving project. Created as an entrepreneurial dream driven by a company model, the Total Quality Model inspires and motivates everyone who is part of the company on a daily basis to constant transformation, aware of the impact of the chain on the environment

Founded in 1977, Mercadona is a family-owned company and one of the leading physical and online supermarket companies. It aims to take responsibility for offering “The Boss” (as the customer is known internally) the best option for meeting their needs for food, housekeeping, personal care and pet care.

It currently has 1,636 stores, 10 of which have recently been opened in Portugal, and a workforce of 90,000 individuals who form a cohesive team in pursuit of excellent service. Its workforce sets it apart day after day by offering solutions for the needs of the more than 5.4 million households that place their trust in the company. A team committed to a project that adds value and always has “The Boss” as its guiding light.

A company model of shared prosperity

Since 1993, Mercadona has had its own company model, the Total Quality Model, which supports the company's principles and values. This specific, open and collaborative management model aims to satisfy, in this order and with the same importance, the five components of the company: "The Boss", as customers are known within the company, The Employee, The Supplier, Society and Capital.

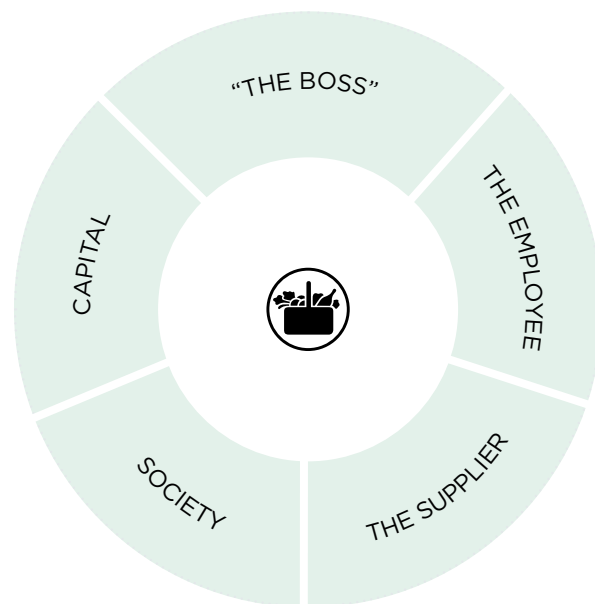
Developed based on universal truths and paradigms, the Mercadona Model is the reference framework in decision-making for everyone who is part of its project. It helps all people, motivated by their own desire to satisfy "The Boss", to fol-

low the same direction, enabling them to easily decide when and how to act in a given situation.

Mercadona is a company with a project in constant evolution, driven by a business culture based on leadership and responsibility. For the company, its surroundings and respect for the environment in the areas and places where it is present are key, which is why it has always taken on the commitment to promote best practices in sustainability and to carry out its activities in a responsible manner, aware of everything that lies ahead and that its role as a company is to contribute to improving the social and economic aspects in which it is involved.

TOTAL QUALITY MODEL

For Mercadona, having a Model and people who always apply it is synonymous with having a treasure. While aware that the Total Quality Model is not the only existing model and that there are other equally respectable options, this is the one the company has chosen with the aim of satisfying all five components of the company equally and in this order: "The Boss" (customers), The Employee, The Supplier, Society and Capital. The challenge is to fulfil this every day, always. A model that is constantly open to improvement, that promotes a culture of innovation and that provides agility in the development of strategies and in decision making.





Fabio and Verónica, "Bosses" at the Santiago Madrigal supermarket in Salamanca.

COMMITMENTS TO SUSTAINABLE DEVELOPMENT GOALS

In this inclusive and transparent process, Mercadona has also been a signatory to the Global Compact since 2011, an initiative through which the United Nations promotes the different Sustainable Development Goals (SDGs).



The company's involvement is reflected in numerous actions with which, throughout the year, it has worked to respond to the needs of the SDGs most influenced by the impact of its activities.

1. No Poverty

Mercadona collaborates with initiatives and associations whose aim is to help reduce poverty among the most disadvantaged groups.

2. Zero Hunger

Collaboration with soup kitchens and food banks promotes food redistribution by facilitating access to healthy food for people at risk of exclusion.

3. Good Health and Well-being

For Mercadona and Totaler Suppliers, the most important thing is to offer a wide range of fresh and healthy products with maximum food safety.

4. Quality Education

Mercadona constantly supports its workforce's skills and knowledge and is committed to continuous training through, for example, collaborations such as the one with EDEM Escuela de Empresarios.

5. Gender Equality

The company is governed by the principle of equity "equal responsibility, equal pay" and offers the same opportunities for internal promotion to all staff, as detailed in the Equality Plan signed with the unions.

8. Decent Work and Economic Growth

Mercadona's workforce has stable, quality employment with permanent contracts and salaries above the average in the sector.

9. Industry, Innovation and Infrastructure

The company collaborates with manufacturers and suppliers to promote shared and sustainable growth that generates value, through the joint development of new products and improvements to products with a success rate of 82%.

10. Reducing Inequalities

Mercadona offers equal conditions and opportunities to all employees, without discrimination of any kind.

11. Sustainable Cities and Communities

The company is fully-committed to environmental protection, the efficient use of natural resources and the Circular Economy.

12. Responsible Consumption and Production

Both Mercadona and the Totaler Suppliers that collaborate with it apply good practices and promote responsible production.

13. Climate Action

Mercadona has its own Environmental Management System with the aim of optimising its processes and reducing greenhouse gas emissions.

14. Life below Water

The company works alongside suppliers to ensure their commitment to sustainable fishery products.

17. Partnerships for the Goals

Mercadona collaborates closely with different entities and associations to promote compliance with the SDGs.

SDGs that influence the impact of Mercadona's activity on each of the five components



Sustainable Development Goals

- 1 No Poverty
- 2 Zero Hunger
- 3 Good Health and Well-being
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth

- 9 Industry, Innovation and Infrastructure
- 10 Reducing Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 14 Life below Water
- 15 Life on Land
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

Sustainable development and prevention of possible risks

In its commitment to sustainable growth, Mercadona maintains socially responsible behaviour that promotes transparency and dialogue. Therefore, it shares its evolution and results with employees, suppliers and society through different types of meetings and various channels such as this Annual Report, the Environmental Report, the internal communication channel Activo2, the website and social networks or the transparency portal. The company has strategies, some already in place and others under development, to ensure the satisfaction of all five components. In addition, the Management Committee is in charge of incorporating the interests of all the stakeholders involved and determines the policies to identify, prevent and manage the risks inherent to Mercadona's activity.

| COMPONENTS | POLICIES AND STRATEGIES | PERFORMANCE 2019 |
|---|--|--|
| 1. "THE BOSS" Our main objective is to fully satisfy our customers | <ul style="list-style-type: none"> • Food safety model • Efficient assortment: maximum quality, minimum price • Healthy eating selection • Global Fresh Products Strategy • New Efficient Store Model • Ready-to-Eat • Consumer data protection • Customer Service • Cross-cutting innovation • Mercadona Online | <ul style="list-style-type: none"> ✓ ∞ ∞ ∞ ∞ ∞ ✓ ✓ ✓ ∞ |
| 2. THE EMPLOYEE Those who satisfy "The Boss" must also be 100% satisfied | <ul style="list-style-type: none"> • Permanent contracts/salaries above the sector average • Principle of equity: equal responsibility, equal pay • Performance-related bonuses • Equality and diversity plan • Training, transparency (Activo2) and internal promotion • Store Organisational Model • Medical service • Occupational risk prevention • Work-life balance • Social environment • Data protection | <ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ |
| 3. THE SUPPLIER Totaler Suppliers are the backbone of Mercadona's Sustainable Agri-food Chain | <ul style="list-style-type: none"> • Code of Good Commercial Practice • Ethical Conduct Guidelines • Sustainable Agri-food Chain • Co-innovation with suppliers • Generation of industrial infrastructure • Animal Welfare Policy • Sustainable Fishing Policies • Data protection | <ul style="list-style-type: none"> ✓ ✓ ∞ ✓ ✓ ∞ ✓ ✓ |
| 4. SOCIETY 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"> • Sustainable logistics model • Anti-exclusion programme: food donation • Dialogue and transparency • Relationship model with local communities and NGOs • Proactive management to identify and remove potential risks of neighbour disturbance, etc. • Management to handle neighbourhood suggestions • Promoting entrepreneurship • Environmental management system • Permanent sustainability and impact of its activity on the planet • Neighbour data protection • Crime prevention and anti-corruption policies • Staying abreast of legislation and adapting internal processes to comply with legislation | <ul style="list-style-type: none"> ∞ ✓ ✓ ✓ ✓ ✓ ✓ ∞ ∞ ✓ ✓ ✓ |
| 5. CAPITAL The goal is to earn profit as a result of doing things the right way | <ul style="list-style-type: none"> • Growth and profitability • Financial risk management policies • Reinvestment and long-term vision • Wealth generation and shared value | <ul style="list-style-type: none"> ✓ ✓ ✓ ✓ |

∞ Means strategy under development ✓ Means consolidated strategy



CONTROL AND PREVENTION OF POTENTIAL RISKS



"THE BOSS"

- Food Safety
- Changes in consumption habits
- Data protection
- Digital transformation



THE EMPLOYEE

- Equality and diversity policies
- Occupational risk prevention
- Work-life balance
- Data protection



THE SUPPLIER

- Good commercial practices
- Data protection



SOCIETY

- Sustainable cities and transport
- Responsible use of resources
- Relationships with local communities
- Environment and climate change
- Data protection
- Crime prevention and anti-corruption



CAPITAL

- Raw material price increases
- Liquidity

Maximiliano, "Boss" at the supermarket in the Papagayo Shopping Centre in A Coruña. / Catarina, a Portuguese employee during her training at the Pago San José supermarket in Jerez de la Frontera, Cádiz. / Mushrooms from the Totaler Supplier Delicious Mushrooms Produce, at its facilities in Lleida. / Reusable paper bags.

Innovation: an essential value

For Mercadona, innovation is a key factor that sets it apart and allows it to evolve within its model and offer solutions that adapt to new needs. Part of the company's DNA since its foundation, innovation takes place in a cross-cutting way and through creative and open procedures. It is a growth lever for the company's employees, suppliers and, especially, in satisfying "The Boss".

Thanks to this, Mercadona makes the most of internal talent and promotes joint knowledge to develop new products and services that anticipate customer needs. To this end, and in line with the recent updates of the Oslo Manual of the Organisation for Economic Cooperation and Development (OECD and Eurostat) for the collection and analysis of information relating to innovation, the company has simplified its model in 2019, specifying it into two categories: product innovation and process innovation.

Furthermore, given Mercadona's commitment to the different settings in which it is present, it also

approaches social innovation and open innovation in a cross-cutting manner. In the area of social innovation, projects such as the consolidation of our own tool for adapting daily orders of fresh products in stores to the maximum with the aim of reducing food waste as much as possible; or the development of sustainable packaging in the ready-made meals selection, saving 170 tonnes of plastic per year.

Moreover, the company has launched an open innovation project in 2019. In collaboration with the Lanzadera Corporate programme, the business accelerator promoted by Juan Roig with his personal assets, this initiative seeks to respond to five challenges: the reduction and elimination of plastics, energy saving, waste management, healthy products and urban distribution. Specifically, two companies have been incorporated through it: Heura and Reevoolt. Heura is a brand of products made from vegetables developed by the company Foods for Tomorrow. It has a range of 100% vege-

AXES OF INNOVATION

Product innovation

- 325 new products and improvements to the selection with an 82% success rate.
- 19 co-innovation centres in Spain and Portugal in which 12,500 sessions were held with the "Bosses" for joint innovation.
- 3 selection warehouses: 1 in Spain and 2 in Portugal.
- 1 pilot store in the Jarro Co-innovation Centre, "Jarrods", located in Paterna (Valencia).
- 1 pilot store in Matosinhos, Porto, which enabled the company to adapt to the tastes and needs of Portuguese "Bosses" during the months prior to the grand opening of its stores in Portugal.



Eva Maria and Rosi, "Boss" and employee at the Cosmetics Co-innovation Centre in Valencia.

table products that offer the experience of animal meat, but with the benefits of vegetables. For its part, Revoolt specializes in last-mile food logistics, under a zero-emission model and with a mindset focused on reinventing the logistics of the future.

All these initiatives, and many more, have allowed Mercadona to reinforce its Innovation Model. They have also helped to consolidate its development with new recognitions, from the Observatory for Innovation in CPG, promoted by the Cerdà Institute, to the Jarro Co-innovation Centre (“Jarrods”), distinguished as one of the best innovations in the sector in 2019; or the launch of the Mini 70% cocoa dark chocolate bars with crunchy seeds from the Hacendado brand, manufactured by the Totaler Supplier Dulces Olmedo, which is also one of the most outstanding innovations of the year by this entity. These awards, together with the prize awarded by the International Logistics Exhibition for the company’s efficiency in this type of process, confirm that Mercadona’s Innovation Model

is socially responsible and is constantly changing, with the aim of continuing to adapt to the needs of its “Bosses”.

NEW DATA PROCESSING CENTRE

In 2019, Mercadona completed the construction of the IT infrastructure for the new Data Processing Centre (DPC) located in Villadangos del Páramo (León) with an investment of 44 million euros. This is in addition to this type of centre that the company has had in Albalat dels Sorells (Valencia) since 2014. These facilities are equipped with the most advanced technologies and allow further progress in efficiency, productivity and information security.



Iris and Patricia, employees at the Ricardo San Juan supermarket in Madrid.

Process innovation

- Improvements in manufacturing processes and logistics systems to avoid overexertion and unnecessary costs and to increase productivity.
- Development of the Contrasting Theory, scientifically defining every individual’s role in the company’s processes and methods in order to more precisely measure satisfaction efforts and results for satisfaction in the five components of the company.
- Opening of the second Hive, a warehouse exclusively dedicated to managing and preparing online orders, located in the Zona Franca industrial park in Barcelona.

Irmãdona: Mercadona in Portugal

Mercadona is constantly committed to creating value for its surrounding society. In 2016, the company decided to reinforce and expand this with its internationalisation project, which has allowed it to apply its model in Portugal. This country represents a clear opportunity for the company, where it engages in its activity as a Portuguese company with a Total Quality Model of Spanish origin and headquartered in Valencia.

After three years of hard work and effort, Mercadona has opened its first 10 stores in Portugal and continues to move forward at a steady and sustainable pace with one main objective: to do whatever is necessary to satisfy “The Boss”, or “O Chefe” in Portuguese.

Thanks to the work of the entire company, especially to the effort of the 900 people who make up the staff in Portugal and to the constant collaboration of the Portuguese suppliers, the project has become a reality. The company has created this reality through the conviction that its entry into Portugal should be done with a Portuguese mindset, as just another Portuguese entity, which led from the beginning to the creation of the company Irmãdona Supermercados S.A., meaning “Mercadona’s sister” in Portuguese, which is headquartered in Porto.

As part of the company’s internationalisation process, 2019 has been a key year that marked an important turning point. Mercadona has played a leading role in one of its historical milestones: the opening of its first store in another country (Portugal), specifically in Canidelo, in Vila Nova de Gaia, within the district of Porto. Subsequently, 9 more stores have been added, all of them efficient stores, located in the districts of Braga and Aveiro beyond Porto.

As highlighted by Juan Roig in his words during the institutional visit prior to the opening of the first store in Portugal, after thanking everyone present:

“Mercadona is proud that this historical milestone has taken place in Portugal, a country with which we have so many cultural and emotional ties, in addition to being neighbours”. During the event, he also defined the company as “a Portuguese Total Quality company, of Spanish origin and headquartered in Valencia”. He formalised the company’s commitment to “continue to aim for the development of the primary sector and the Portuguese agri-food industry, innovating together to contribute to the continued progress of Portugal’s productive economy”.

The development of this project involved an investment of 150 million euros in 2019. In addition, the company plans to continue consolidating its expansion, which will result in 10 new openings in 2020, involving an investment of 140 million euros.

THE FIRST 10 MERCADONA STORES IN PORTUGAL

- 2 July: Canidelo (Vila Nova de Gaia, Porto)
- 9 July: Sousa Aroso (Matosinhos, Porto)
- 16 July: Vermoim (Maia, Porto)
- 23 July: Fânzeres (Gondomar, Porto)
- 26 September: Rua Filipa Borges (Barcelos, Braga)
- 29 October: Domingos Sequeira (Porto, Porto)
- 21 November: Ovar (Ovar, Aveiro)
- 28 November: São João da Madeira (São João da Madeira, Aveiro)
- 3 December: Av. Dom João II (Vila Nova de Gaia, Porto)
- 12 December: Lamações (Braga, Braga)

PORTUGAL, A HISTORICAL LANDMARK FOR MERCADONA



1, 2, 3, 4. On 1 July 2019, Mercadona made an institutional visit to its first supermarket in Portugal, located in the area of Canidelo, Vila Nova de Gaia, district of Porto. Mercadona's President, Juan Roig, and Vice President, Hortensia Herrero; together with the other members of the company's Board of Directors and Management Committee, accompanied during the visit by the Deputy Minister and Minister of Economy, Pedro Siza Vieira; the Secretary of State for Agriculture and Food, Luís Medeiros Vieira; the Secretary of State for Consumer Protection, João Torres; and the President of the Municipal Chamber of Vila Nova de Gaia, Eduardo Vítor Rodrigues; and other authorities.

5. Juan Roig and Hortensia Herrero, President and Vice President of Mercadona, at the opening of the Canidelo supermarket in Vila Nova de Gaia, Porto, on 2 July 2019, welcoming the first "Bosses" to Mercadona supermarkets in Portugal.

6. Juan Roig, President of Mercadona; José Jordá, Managing Director of Stores and Perishables Prescription; Raquel Pérez, area coordinator of Portuguese stores; and António Silva, manager of the Canidelo supermarket in Vila Nova de Gaia, Porto, together with employees from the store.

7 and 8. A week later, the President of the Portuguese Republic, Marcelo Rebelo de Sousa, was also present at the store. He wanted to see first-hand the project that has already become a reality, together with the President of Mercadona, Juan Roig, and the manager of the supermarket, António Silva.





“THE BOSS”

We are continuing to transform the company with the shared objective of laying the foundations for the Mercadona of the future and anticipating the needs of “The Boss” in an efficient, responsible and sustainable manner

Mercadona’s business model is focused on people and remains committed to offering quality, quality, quality, and above all, quality, through products and services created through experiences with “The Boss”, guaranteeing food safety and maximum quality at the best price every day. To this end, the company has a team of 1,000 people in the Purchasing and Prescription Departments.

With the aim of evolving in view of new demands by more selective and conscious consumers regarding aspects such as healthy eating, reusing resources or the commitment to local products, Mer-

cadona co-innovates and actively collaborates with customers and suppliers. In fact, these challenges are integrated into their daily work, which drives and encourages them to create unique experiences and be able to increase competitive advantage through distinctiveness.

With the digital transformation, the new efficient stores and the Global Fresh Products strategy, as well as services such as Mercadona Online or Ready-to-Eat, the company provides innovative solutions that generate value for “The Boss” and for the different processes of everyone who is part of the Mercadona Project.

1.1 More efficient supermarkets (Store 8)

In 2019, Mercadona's supermarket network has continued to develop with the aim of offering the best service to its "Bosses". Thanks to this process of drastic and continuous transformation, the company has continued to adapt its supermarkets to the Efficient Store Model (internally called Store 8) throughout the year, in which it carried out 46 openings, 10 of them in Portugal, 351 refurbishments and closed 46 stores that did not meet the company's current standards, ending the year with a total of 1,636 supermarkets. Investments made in construction and refurbishment amounted to over 1,100 million euros, to which must be added more than 170 million euros which, in this case, were allocated to the acquisition of new land and premises, as well as to the equipping and staffing of the stores opened in 2019.

The Efficient Store Model is a concept that not only incorporates new departments, but also presents a friendlier and more spacious design that allows the "Bosses" to do their shopping more comfortably. For their part, employees have better equipped internal units with more services.

At the same time, the Store 8 model is helping to reduce energy consumption by up to 40% in lighting and refrigeration compared to a conventional store thanks to measures such as the use of LED lighting, the fitting of doors in the freezer islands to reduce cold losses, the incorporation of floating condensation in the refrigeration system to optimise con-

sumption, automated air-conditioning systems that are regulated according to the outside temperature, or the overpressure system and hallways at entrances to prevent draughts. In addition, the efficient stores have new refrigeration equipment that uses refrigerant gases with lower global warming potential and subcritical systems that reduce the amount of fluorinated gases consumed.

An exhaustive plan to review the critical points of the facilities has also been incorporated in all the chain's stores, which has involved an investment of 10.2 million euros in 2019, with the aim of detecting and preventing refrigerant gas leaks as early as possible. Thus, the quality of the products is guaranteed through the monitoring of the machines and equipment in the supermarkets in real time.



Alba, an employee at the Quintanar de la Orden supermarket in Toledo.

SUSTAINABLE DEVELOPMENT GOALS



9. Mercadona is constantly innovating by adapting its infrastructure to the needs of its customers. It has continued to adapt its supermarkets to the New Efficient Store Model, closing the year with a total of 800 efficient stores.

In 2019, Mercadona continued the workplace digitalisation project launched some years ago, contributing to increasing employee productivity. An example of this is the bakery department in the stores, in which 2.9 million euros have been invested to install new digital applications and screens aimed at optimising product processes and preparation and facilitating the work of the company's bakers, as well as contributing positively to the environment through the consequent savings in paper consumption, as well as in the implementation of the new scales and touchpads throughout the chain, which have involved an investment of 150 million euros. By doing this, the company has managed to improve services both for the "Bosses", who no longer need to weigh and label fruit, vegetable and bakery products in the section, and for Mercadona's employees, by giving their work stations simplicity and comfort.



Façade of the Avenida Gipuzkoa supermarket in Pamplona, Navarra.

A MORE EFFICIENT AND ENVIRONMENTALLY RESPONSIBLE STORE MODEL (STORE 8)

ROOF AND CEILINGS



Thicker roof, made with thermal insulation to naturally reach an optimum temperature; lower ceilings (3.15 metres) to reduce the volume to be air-conditioned.

WASTE MANAGEMENT



Separation of waste (plastic, cardboard, expanded polystyrene, oil and organic) for recycling, thus promoting the Circular Economy.

BAKERY



Detection of oven opening and automatic start-up of the extractor to optimise its use.

FROZEN FOOD AREA

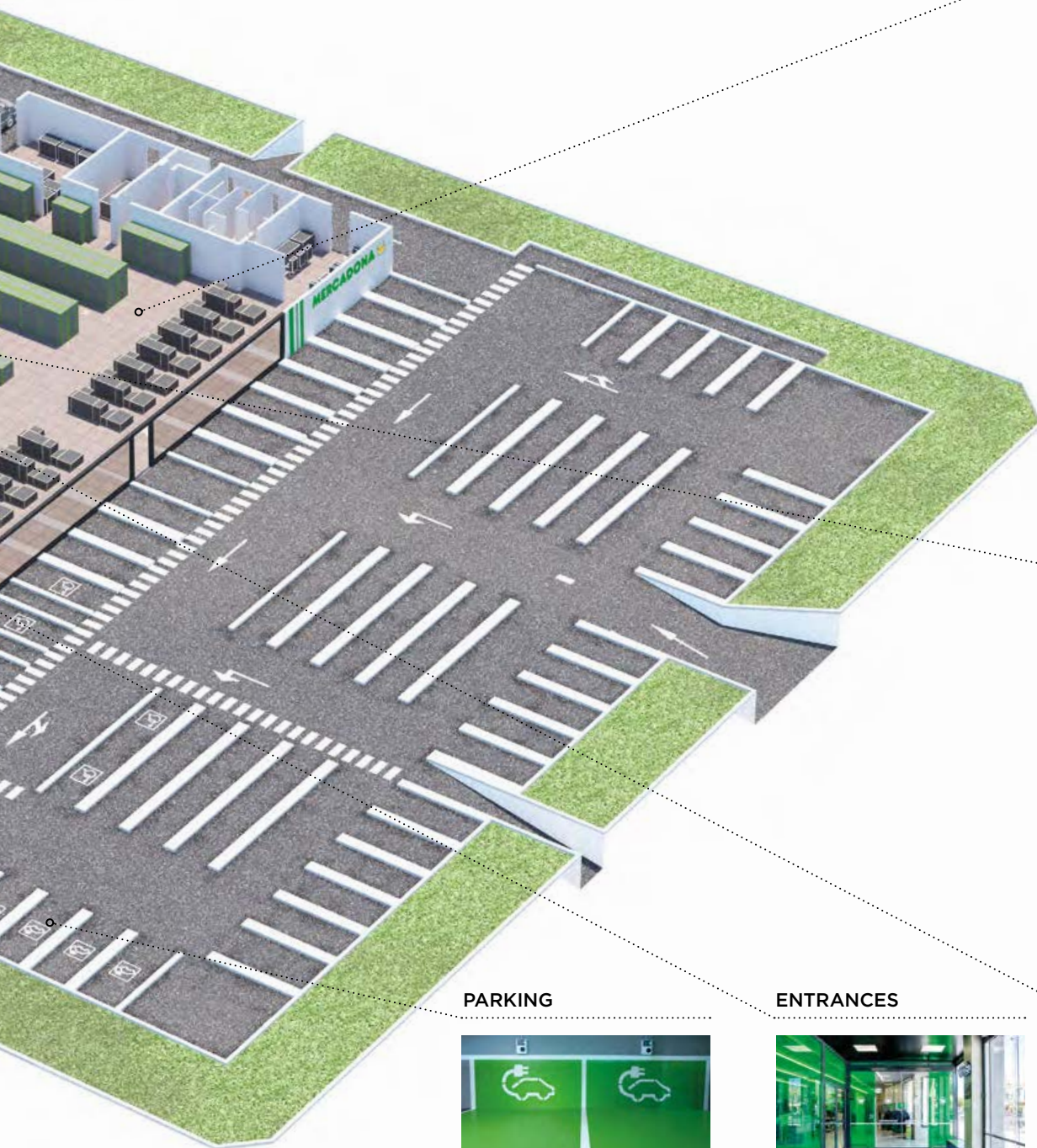


Freezer cabinets with doors and use of refrigerant gases with lower global warming potential that reduce cold losses and save energy.

READY-TO-EAT



Automatic shutdown of the shelves if no products are detected and activation of the kitchen extraction systems when there is smoke.



AUTOMATED CLIMATE CONTROL



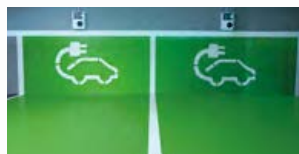
Regulated in terms of the outside temperature, reusing the air to achieve the desired temperature indoors. Automatic control in three areas: entrances, refrigerator and freezer zones, and the rest of the store.

LIGHTING



The entire store and the parking area are illuminated by LED lights, including fresh product coolers.

PARKING



900 parking spaces with recharging points for electric vehicles

ENTRANCES



Overpressure system that avoids draughts. First row of lights adjusted to the exterior lighting, to give the necessary light intensity.

SIGNAL CONTROL



This continuously measures consumption and leaks of refrigerant gases in all the chain's supermarkets, detecting them in advance.

1.2 Mercadona Online

Mercadona, a physical and online supermarket chain, has continued working on the development of its new online shopping service launched in 2018. Last June, the company opened its second Hive (a warehouse exclusively dedicated to managing and preparing online orders), located in the Zona Franca industrial park in Barcelona. The new 10,500 square metre distribution centre involved an investment of 9 million euros.

This service began by handling online orders in the Sarrià-Sant Gervasi and Les Corts districts, and has been progressively implemented in other districts of the city of Barcelona, reaching a total of 52 postcodes in 8 locations. This model coexists in the other districts with the home delivery service and changes the same rate of 7.21 euros per online order as the other areas. Since its launch in Barcelona, a total of 30,000 new users have signed up for the service for which the new shopping website and two mobile applications, compatible with iOS and Android operating systems, have been enabled.

The Hive located in Zona Franca (Barcelona) incorporates elements that considerably reduce energy consumption, such as solar panels and special insulation used in the cold storage area. It also has a fleet of 50 vehicles powered to make deliveries in a sustainable manner. They are designed with three separate temperature zones so that fresh and frozen products maintain the cold chain and reach the “Bosses” in perfect condition. Overexertion experienced by online service delivery personnel has also been reduced by incorporating a mechanized unloading system that minimizes the handling of loads and the time needed to do so, thus boosting productivity.

At the end of 2019, the online project located in the province of Barcelona employed a total of 220 personnel. Together with the 230 professionals

employed in the Hive in Vara de Quart, Valencia, and the 90 people working in the Mercadona Tech offices in Valencia, the Mercadona Online project relies on a total of 540 committed individuals with stable, quality employment.

These teams, which will gradually grow to meet the needs of Internet purchasing, will be joined in the short and medium-term by the staff the company expects to hire for the 2020 launch of the future Hive located in Getafe to provide service in different areas of Madrid.

€9 M

invested

in the Hive in Barcelona

540

employees

with Mercadona Online

332,900

orders

€46.1

million in turnover



Monica, an employee at the Hive located in the Zona Franca industrial park in Barcelona.

1.3 Ready-to-Eat

Since the launch of the new Ready-to-Eat section in August 2018, Mercadona has not slowed down in promoting this project, which responds to a real need: a space with a range of quality and varied ready-made dishes that allow the “Bosses” to maintain a complete and balanced diet, and which can be enjoyed at home or elsewhere, such as offices and parks, as well as in the area provided with tables and chairs that the company has made available for this purpose within some of its stores.

After the initial launch of this initiative at 11 supermarkets in the chain, all of them in the province of Valencia, the company has expanded this service, reaching a total of 319 stores in 2019, including the 10 in Portugal, where this section is called Pronto a Comer.

Once again, Mercadona has accomplished this by listening to the specific needs of the “Bosses”. To this end, throughout 2019 it has reinforced this selection with the incorporation of hot and cold drinks; with new dishes, such as the Angus bacon burger or the vegetable *brioche* with boiled ham; and also with specialties adapted to the habits and tastes of each region, such as the recipe for meat *cannelloni* available in the Ready-to-Eat section of the supermarkets in Catalonia, or the *bacalhau com natas* or the *bifanas* available in the 10 stores in Portugal. This adaptation to local tastes and traditions, as well as the definition of the 35 dishes in the initial selection, is the result of the co-innovation work sessions carried out during this time period with over 1,500 customers.

Likewise, with the aim of having more agility and efficiency in the process of serving the “Bosses” and preparing their orders, the company has implemented new digital applications and devices in 2019. This is the case of the new order pad and the screen located in the Ready-to-Eat kitchens, tools that facilitate the daily routine of the employees in this section, thanks to an investment of 1.8 million euros.

Ready-to-Eat also encourages sustainability throughout the process. An example of this is the use of packaging made from cardboard and cellulose pulp extracted from sugar cane, which the “Bosses” can separate and put in the container for cardboard or also in the one for organic waste, where available, with the aim of recycling them and giving them a new life, applying the principles of the Circular Economy.

By the end of 2019, Mercadona has invested 174 million euros for the consolidation of this project. Of the total, 170 million euros have been allocated to the incorporation of the section in 309 supermarkets in Spain, while the remaining 4 million euros were for the investment made in this section in the company’s 10 stores in Portugal. Likewise, the company, which has relied on collaboration with more than 120 suppliers for this project, has continued to offer specific training to the 3,000 staff members who formed part of this section in 2019.



Signing the agreement to join the Club de Hostelería de España (Spanish Hospitality Club), attended by Mariló Gómez, director of the Ready-to-Eat project; Ricard Cabedo, director of external relations for the Mercadona agri-food chain; José Luis Yzuel, president of the Spanish Hospitality Industry; and Emilio Gallego, Secretary General of the Spanish Hospitality Industry; with the aim of better addressing changes in consumer habits and, through ongoing dialogue, continuing to meet new expectations and collaborate with the sector.



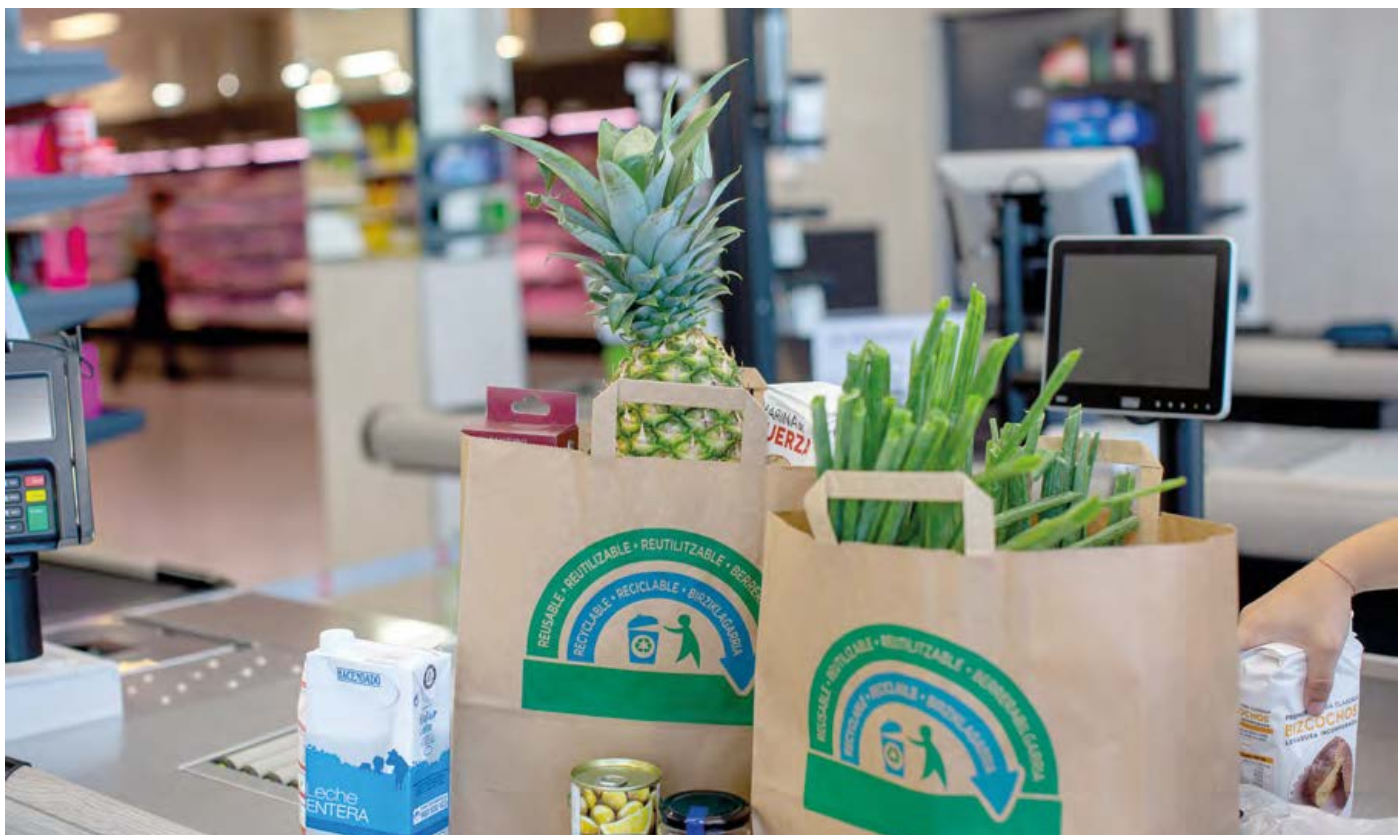
Detail of the assortment in the Ready-to-Eat section, available in 319 supermarkets by the end of 2019.

1.4 Responsible purchasing

Mercadona was a pioneer in the development of responsible production and consumption with the implementation, in 1993, of the SPB (Always Low Prices) strategy. This business policy, which arose after the company observed and verified that the most frequently sold products were those that were high quality at the lowest price, and always in that order and that did not constantly change in price, which encourages sustainable consumption by eliminating one-off deals. Likewise, the company offers an Efficient Assortment of products that can be adapted to the actual needs of the “Bosses” in order to guarantee a more responsible total shopping. This helps to prevent waste and unnecessary spending by the “Bosses”, as well as keeping the company from overstocking stores and warehouses.

Aware that there is still much room for improvement, the company has promoted numerous eco-efficient measures that considerably reduce its environmental impact. An example of its constant

commitment to eco-innovation is how it separates and reuses over 76% of the waste generated in its stores, promoting the best use of waste that can be processed for recycling through the Circular Economy. Another example is the new reusable shopping bags that all the chain's supermarkets offer to their “Bosses”, made from 50-70% recycled plastic. The company uses more than 3,000 tonnes of plastic from packaging deposited and recovered from the stores each year to manufacture these products. It then sends them by reverse logistics to the logistics centres and the authorised manager Saica Natur which, together with Reciclados La Red, turns them into pellets that Totaler Supplier Plasbel uses to give them new life. In addition, the company offers “Bosses” who do their purchasing online or through the home delivery service the possibility of returning the plastic bags to the employee handling the delivery so that Mercadona can later send them to the suppliers responsible for recycling them.



Reusable paper bags in the checkout line at the supermarket in Urbanización Montepinar in Murcia.

Food safety and maximum quality

Food safety is the top priority at Mercadona and, year after year, it allocates significant resources to guarantee it. This requirement is shared by and encompasses all Totaler Suppliers, for every single product.

To offer its "Bosses" the highest guarantees, the company has its own Quality Management and Food Safety System designed to exhaustively control each and every one of the supply chain processes, from a product's origin to the end consumer.

Aware of the importance that food safety has for both its activity and society, the company has had a Scientific Advisory Committee for 16 years. This independent panel of renowned professionals provides technical support to always guarantee the food safety and quality, in this order, of all its products. Along with the internal team of expert scientists, the Committee carries out crucial work to validate Mercadona's internal processes, strengthening and accelerating the company's accomplishments in the area of food safety.

Mercadona also has its own simulation method to increase its food safety levels. In collaboration with Totaler Suppliers and Public Authorities, it addresses these simulated scenarios in search of agile and efficient solutions which allows it to detect points for improvement and reinforce the skills of those involved to face possible future contingencies with greater assurance.



Andreu Palou, Andrés Otero, María Pilar Vinardell, Juan José Badiola, Arturo Anadón and Daniel Ramón, members of Mercadona's Scientific Advisory Committee, together with Luís Plá, Mercadona's quality director.

GOLDEN RULE

Any product in the Mercadona selection must guarantee:

1. Food Safety
2. Quality
3. Caring service
4. Efficient Assortment
5. Minimum price

SUSTAINABLE DEVELOPMENT GOALS



3. Within the objective of always offering maximum food safety, Mercadona has matrix teams to study and anticipate legislation on food matters.

12. Through the company's SPB (Always Low Prices) policy, Mercadona eliminates one-off deals and encourages its "Bosses" to engage in responsible purchasing and consumption.

SET OF TEN RULES FOR FOOD SAFETY FOR TOTALER SUPPLIERS

The aim is to assess and verify food safety levels in a quick and continuous manner

- 1 Identification and control of the company's raw material suppliers
- 2 Production control
- 3 Control of change implementation
- 4 Analysis and control of critical points
- 5 Cleaning and handling control
- 6 Control of facilities
- 7 Verification of detectors
- 8 Verification of quality improvements
- 9 Alert management method
- 10 Certifications

**FOOD SAFETY AND
QUALITY CONTROL PLAN**

6,120

**Fresh product and
allergen controls**

8,405

Other process controls
(surfaces and environments)

330

**Logistics
process controls**

1,743

**Supplier facilities and
processes assessed**

Food safety certifications: IFS and
BRC, among others

90%

of Totaler Suppliers

Mantecada production line of the Totaler Supplier Vega Pelayo in El Astillero, Cantabria.

Efficient Assortment and transparent labelling

Within the framework of promoting responsible consumption, Mercadona offers an Efficient Assortment composed of some 8,000 items covering all the needs of its “Bosses” in food, household cleaning, personal hygiene and pet care, ensuring food safety, maximum quality and excellent service at the lowest possible price.

This assortment evolves through different processes of cross-cutting innovation through which Mercadona anticipates and adapts to new needs. To this end, the company collaborates both with its customers, through the working sessions that are regularly held in the 19 co-innovation centres that the company has throughout Spain and Portugal,

and with its Totaler Suppliers, with which it maintains a continuous dialogue, in order to offer the “Bosses” real, concrete solutions.

In addition to this ongoing effort, and in order to improve and strengthen its Efficient Assortment, Mercadona has maintained a product-by-product approach for years, rather than focusing on categories, with the best specialist suppliers. This has allowed the company to reinforce its specialisation and, with it, its ethical commitment to offer its customers not only the best products, but also an offer adapted to their most traditional customs, with local products that make up the Mercadona assortment in the different places in which it is present.



Eduardo and Elena, “Bosses” at the Bolueta supermarket in Bilbao, Bizkaia.

The relationship that Mercadona maintains with its "Bosses" is based on trust and transparency. In doing so, Mercadona clearly identifies on its Mercadona brands - Hacendado, Bosque Verde, Deliplus and Compy, among others - its Totaler Suppliers who make them. In this way, customers are given full transparency to act freely, and with truthful information, to select the food and products they need.

Through its own procedure, the company regularly introduces improvements in labelling, based on the principles of identification and information. As a result, "The Boss" has consistent and transparent labelling, and can easily identify relevant information, from purchasing to consumption, as well as key attributes such as the presence of certain allergens or conditions of use.

MERCADONA BRANDS



HACENDADO

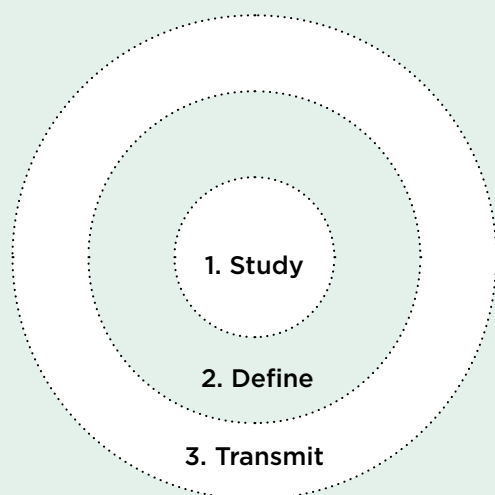
deliplus

BOSQUE VERDE

Compy

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

DEVELOP AN EFFICIENT ASSORTMENT WITH "THE BOSS" FOR "THE BOSS"



1 What "The Boss" needs

2 Develop products through inputs from studies with "The Boss"

3 Make the product known to "The Boss"



Isabella and Juan José, Mercadona "Bosses", at home cooking.



Promoting healthy eating

Mercadona is aware of the role it plays, considering its activity, in relation to nutrition and the promotion of healthy and sustainable food. To this end, it collaborates intensively with Totaler Suppliers, with its "Bosses" and with different organisations and entities to implement numerous measures that contribute to introducing nutritional improvements in its assortment, which it constantly adapts to new needs and trends, and with which it offers its "Bosses" alternatives for leading a healthy life based on a varied and balanced diet.

For this work, the company relies on recognised experts in the field of nutrition who advise and guide with the aim of offering "Bosses" product improvements with rigor and a scientific basis. The company also works closely with Totaler Suppliers to introduce significant improvements in nutritional matters whenever possible and to offer customers the most competitive price. For example, in 2019, the company launched the 100% Peanut Butter, the 0% Cereal Mix, the Light Mozzarella, the Sesame Fibre Bread, and the Mixbeans Edamame & Soy Cocktail, among others.

In this context, and after joining the Collaboration Plan for the Improvement of Food and Beverages prepared by the Spanish Agency for Food Safety and Nutrition (AESAN) in 2018, the company and Totaler Suppliers have worked throughout the year with the aim of reducing the saturated fat, salt and sugar content in more than 300 of Mercadona Brand products.

Mercadona also maintains a solid commitment with the Ministry of Health, Consumption and Social Welfare, collaborating with the National Strategy on Nutrition, Physical Activity and Obesity Prevention (NAOS). Through actions with Totaler Suppliers, it promotes different initiatives such as salt and sugar reduction, and has been part of said Ministry's Advertising Self-Regulation Code (PAOS code) for years.

Fresh and local products (Global Fresh Products)

In its commitment to promoting healthy eating, Mercadona also offers its “Bosses” an assortment of fresh products with the highest possible quality and caring service. Through its Global Fresh Products, the company brings together all the improvements in its fresh produce sections within each store. This strategy was consolidated in 2019 with an investment of more than 260 million euros, enabling the company to end the year with more than 1,300 stores already adapted to this concept, 656 more than in 2018, including the 10 in Portugal.

Furthermore, conscious of demands from consumers who are increasingly aware of the local economy, the company is firmly committed to incorporating local products and specialities into its assortment. Thanks to this, Mercadona not only offers greater freshness and caring service to its “Bosses”, but it also optimises natural resources and reduces the impact of its activity.

Throughout the year, and within the framework of this social commitment, the company has continued to strengthen its assortment with this type of solution. In fact, all the chain’s supermarkets already have the fresh sushi wall, while it has incorporated and maintained other similar solutions such as *Farinato*, fresh goat’s cheese, and ciabatta bread. Similarly, the company has been able to respond to the habits and tastes of the Portuguese “Bosses”. To this end, and by means of listening and collaborative creation, Mercadona has incorporated specific references throughout the year for its stores in Portugal, such as the *Queijo flamengo dos Açores* and the *Manteiga dos Açores*.

Regarding this process in Portugal, the company has its Co-innovation Centre in Matosinhos (Porto), which began operating in 2017. In this 1,000 square metre centre spread across two floors, 50 local solutions specialists hold daily participatory sessions with the “Bosses” to anticipate their needs and offer them the best solutions. 1,500 sessions were held with Portuguese customers last year,

which led to joint launches and not only provided an innovative range of products, but also promoted the development and creation of wealth in the local environment through this creative and innovative joint work.

GLUTEN AND LACTOSE FREE ASSORTMENT



In 2019, Mercadona continued to increase its selection of gluten-free products, reaching 1,300 such products by the end of 2019. It also collaborates with various key entities, such as the Federation of Coeliac Associations in Spain (FACE) and its regional associations, Coeliacs of Catalonia (SMAP), the Lactose Intolerant Association of Spain (ADILAC), the Association of Coeliacs and Gluten Sensitive People (ACSG) and the Spanish Association of People with Food and Latex Allergies (AEPNAA). In Portugal, it maintains direct contact with DECO (Association of Consumers) and the Portuguese Coeliac Association (ACP).



In the effort to offer gluten-free and lactose-free products with the highest quality, and at the lowest possible price, the company has selections present in its stores in Spain and Portugal, as is the case of the gluten-free and lactose-free Hacendado cookies, manufactured by the Totaler Supplier Brioixpan in Fraga, Huesca.



Products from fresh sections.

1.5 Co-innovation with “The Boss”

Mercadona has a Co-innovation Model that arises from a priority: to constantly listen to the “Bosses” and think about how to satisfy them by developing initiatives that provide them with value. To achieve this objective, Mercadona has been carrying out its Apron Strategy since 2011, which is based on sharing consumption, household cleaning, personal hygiene and pet care experiences and habits with customers, then transmitting them to Totaler Suppliers, thus promoting direct collaboration in the process of making the best products developed and manufactured through customers’ experience.

This pioneering project is a differentiating value of the company that, year after year, multiplies its creativity and reinforces its innovation. Currently, between Spain and Portugal, Mercadona has 19 co-innovation centres which, which have benefited from a combined investment of 0.5 million euros in 2019. Specialists work in them every day to study and observe, in these centres and within the stores, the preferences and needs of the “Bosses” so that



Antonio and Felipe, “Boss” and employee at the Cooking and Prepared Dishes Co-innovation Centre in Bétera, Valencia.

the company can offer them the best solutions, such as the apple and oat digestive cookies from the Totaler Supplier Galletas Gullón.

Furthermore, Mercadona's prescription employees learn and study the needs of the "Bosses" directly with them in their own homes, with the aim of understanding first-hand how they cook and clean. Mercadona can then develop, together with the specialist suppliers, the best products to meet those needs.

Customer Service

Mercadona recognises the importance of listening and encourages dialogue with its "Bosses", while also taking advantage of different channels to disseminate information about the company that it considers to be of interest. Mercadona offers free Customer Service (SAC), both in Spain and Portugal, in which 95 people work (82 in Spain and 13 in Portugal). The team is committed and highly coordinated, striving every day to provide the best customer service to the "Bosses".

The dedication of all those who are part of Mercadona's SAC team allows us to be close to our customers, to listen to them and to channel all the queries and questions they bring up. Once they are received, they are transmitted to the relevant managers, who then study them individually to resolve them, seeking the best solution for "The Boss".

In 2019, Mercadona's Customer Service team addressed every query received, a total of 290,000 (270,000 in Spain and 20,000 in Portugal). This work, which is the result of dialogue held with the "Bosses", has made it possible to detect points for improvement and to consolidate Mercadona's Customer Service as one of its main tools to reinforce customer satisfaction.

The company also has profiles on various social networks, specifically Facebook, Twitter, Instagram, YouTube and LinkedIn. By the end of 2019, these channels had a total of 1.5 million users and generated more than 155,000 mentions per month, highlighting the growing trend in communicating through these channels with the "Bosses".

CUSTOMER SERVICE CHANNELS

SPAIN



www.facebook.com/mercadona
www.twitter.com/mercadona
www.youtube.com/mercadona
www.instagram.com/mercadona
www.linkedin.com/company/mercadona

PORTUGAL



www.facebook.com/mercadonaportugal
www.youtube.com/mercadonaportugal
www.instagram.com/mercadona_portugal
www.twitter.com/mercadona_pt
www.linkedin.com/company/mercadona





THE EMPLOYEE

Employees are the driving force behind the drastic transformation that Mercadona is undergoing. Their commitment to quality and service, an ethical work culture and high performance form part of a common purpose: to efficiently and sustainably respond to the needs of “The Boss”

For a committed and leading company like Mercadona, having a diverse and cohesive staff is essential. As a result, in 2019 Mercadona continued to build an inclusive and open work environment in which training is promoted and which contributes not only to attracting talent, but to retaining and strengthening it.

The company's workforce, composed of 90,000 people, 89,100 in Spain and 900 in Portugal, has grown again in 2019, creating a total of 4,200 permanent and quality jobs, 3,600 in Spain and the remaining 600 in Portugal. All employees are equally committed to the dual objective of work-

ing to satisfy “The Boss” through quality products and service and by strengthening the Mercadona Project.

At the same time, the company encourages their growth, thanks to a model based on the universal truth that “in order to receive, we must first give”, and is committed to people's talent and allocates significant resources to their development and training, aware of the room for improvement it still has in this area and that investing in the present for the staff, in their work-life balance and in their professional careers, also means investing in Mercadona's future.

2.1 Sustainable talent

For Mercadona, all of its human resources are a tremendously important asset, one of the main axes of its model and a catalyst and driver of development and growth. This model is focused on people because their suggestions and ideas are a source of innovation; and their involvement and discipline in applying the methods and values in their daily work are the main cause of the company's growth.

Work Quality

In 2019, the 90,000 people who make up the company's workforce have made significant efforts to continue transforming Mercadona, a project that consolidates its growth year after year thanks, pre-

cisely, to the obsession shared by the employees to achieve excellence in satisfying "The Boss".

In return, the company is committed to people through a human resources policy that promotes cross-cutting values such as diversity, inclusion, respect, integrity, transparency, equality and trust. A business ethic that, in this area, takes the form of a policy that seeks to create an inclusive and equal environment, in which social and cultural diversity are a reality. In turn, it promotes leadership and professional development through specific training plans and internal promotion, offers salaries above the average for the sector, provides permanent contracts from day one and promotes work-life balance measures.



Cristiana, Anne and Nice, employees at the supermarket in Ovar, Aveiro.

TABLE OF EMPLOYEE SALARIES IN 12 MONTHLY PAYMENTS PER YEAR

| SPAIN | | | | |
|---------------------|---|---------|---|----------|
| Seniority | <1 year | 2 years | 3 years | >4 years |
| Gross/month | €1,338 | €1,470 | €1,631 | €1,811 |
| Net/month | €1,198* | €1,265 | €1,360 | €1,488* |
| In force 01/01/2020 | | | | |
| | ≈ 15% ↑ the Official Minimum Wage | | ≈ 50% ↑ the Official Minimum Wage | |

* The minimum wage at Mercadona Spain is approximately 15% higher than the Spanish Official Minimum Wage (1,038 euros net/month), with the last bracket, over 4 years employed, 50% higher (extra payments included).

| PORTUGAL | | | | | |
|---------------------|---|-----------|-----------|---|-----------|
| Seniority | bracket 1 | bracket 2 | bracket 3 | bracket 4 | bracket 5 |
| Gross/month | €907 | €1,007 | €1,118 | €1,241 | €1,377 |
| Net/month | €760* | €820 | €895 | €984 | €1,050* |
| In force 01/01/2020 | | | | | |
| | ≈ 15% ↑ the National Minimum Wage | | | ≈ 50% ↑ the National Minimum Wage | |

* The minimum wage at Mercadona Portugal is approximately 15% higher than the National Minimum Wage (659 euros net/month), with the last bracket 50% higher (extra pay included).

Performance-related bonuses must be added to the gross annual salary which is one monthly payment starting from the first year of employment up to the fifth bracket, and two monthly payments starting from the second year in the fifth bracket.

Shared profit

Mercadona offers its employees highly competitive working conditions, which allows it to retain talent and have a motivated and committed staff.

In terms of remuneration, in addition to offering salaries above the sector average, the company has once again rewarded the effort and leadership of all those who make up its staff through its variable remuneration policy based on the principle of

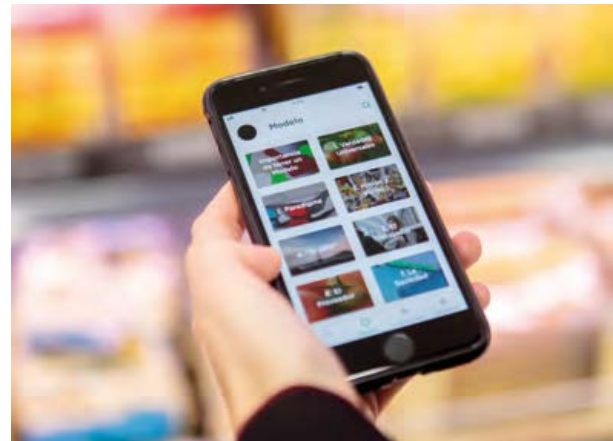
equity. Specifically, it has once again shared profit earned throughout the year with all employees who have been employed with the company for over a year and whose dedication during those 12 months made it possible for them to meet the personal objectives specifically agreed for their position. As a result, in 2019 Mercadona distributed a total of 340 million euros in bonuses to the 99% of employees who met the criteria.

NEW DIGITAL TOOLS

Activo2



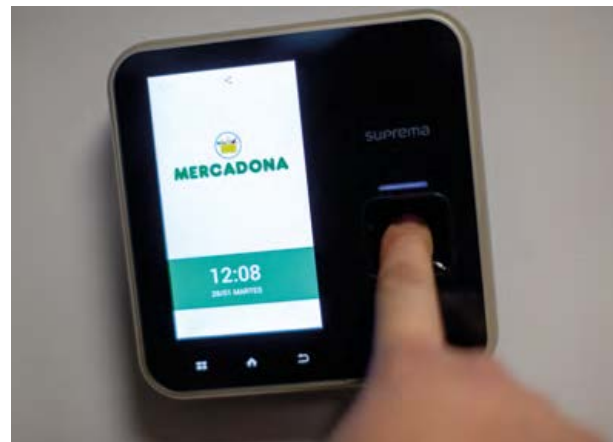
Since February 2019, Mercadona employees have had an internal mobile application available called Activo2. Through this tool, they have already shared 2,900 examples and experiences from their daily work. And the company has made 139 publications to keep them informed of advances, reaching a total of 5.4 million views.



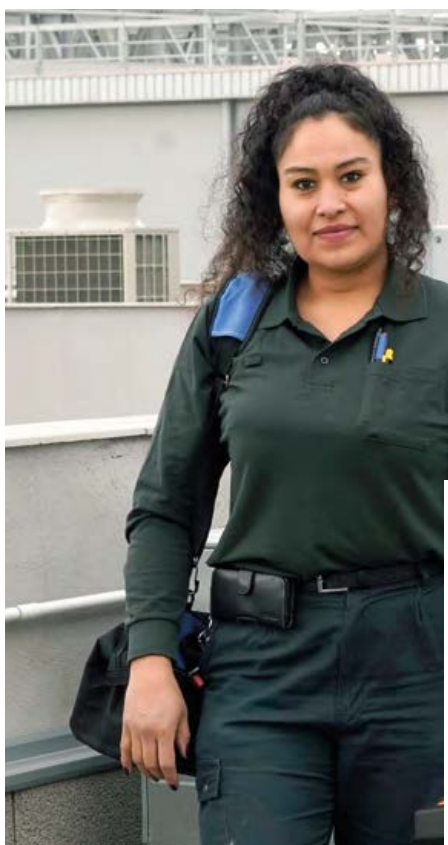
Activo2, mobile application for employees.

Clocking-in tool

In the second half of 2019, the company implemented a tool in which it invested 5 million euros so that employees in all stores, logistics centres, satellite warehouses, regulating warehouses, ripening rooms, Hives and bakeries clock in and out of their jobs, thus complying with the law.



New tool for clocking in.



**Performance-related
bonuses**

€340 M

distributed among
the staff

99%

of staff
receive the bonus



Ámbar, employee at the Vitoria-Gasteiz Logistics Centre in Araba/Álava. / Miguel, employee at the Artes Gráficas supermarket in Valencia. / Loli, employee at the Avenida de Madrid supermarket in Petrer, Alicante. / Francisco, employee at the Carretera Fuencarral supermarket in Alcobendas, Madrid.

Work-life balance

Mercadona maintains a human resources policy that contributes to promoting shared responsibility and reinforcing work-life balance for its employees. In its commitment to employment well-being as a driver of cohesion and personal and professional growth, and although many measures have been implemented, the company has continued developing a policy to respect the working day and time management for years. The optimisation and organisation of schedules is key, with monthly schedules known at least 10 days in advance in Spain and one month in advance in Portugal, which allows employees to plan ahead.

This policy of respect also promotes measures, many of which are included in the Collective Agreement signed with the trade unions and Spain's 2019-2023 Equality Plan, which aim to facilitate work-life balance for staff members who decide to have children. Examples of this include the increased leave for childcare until children reach the age of 12; or the option for employees who have a reduced working day and who care for a child up to the age of 12 to be able to request a change to a part-time contract until the child reaches the age of 15, with the additional possibility of going back to a full-time contract once their personal circumstances change and if they so desire.

Thanks to the company's commitment to the welfare of its staff, 2,284 people, working mothers and fathers, decided to extend the legally established parental leave by 30 days in 2019. In addition, 15,899 employees took advantage of reduced working hours, data that reflects how work-life balance is a fundamental value to which Mercadona is committed that grows and evolves at the same rate as the company, aware of how much it can still promote and continue to strengthen this area.



CHILDREN'S EDUCATIONAL CENTRES

Work-life balance is fundamental for Mercadona. For this reason, it offers employees the possibility of taking their children to one of the four free children's educational centres that the company has been operating since 2001 at certain logistics centres.

An internationally renowned model

Mercadona's Human Resources model is based on the Total Quality Model. Since its launch, it has been a clear engine of growth and development for the company which, once again in 2019, has been recognised as the top company for Talent in the distribution sector and the sixth overall in the Merco Talento ranking of the Spanish Corporate Reputation Monitor (Merco).

Moreover, this model, which is constantly being improved, has also received international awards. Specifically, the Harvard Business Review recognised Mercadona's employment policy success in "getting the most out of its staff by leveraging their creative and problem-solving skills to make improvements".

AWARDS



Maria, employee at the Urbanización Guadiana supermarket in Badajoz.

Talent development and training

For Mercadona, investing in employee training is an investment in the future of the company and everyone who is part of its project. Therefore, it constantly enhances the skills and knowledge of its employees.

In 2019, this effort involved an investment in training of 106 million euros, 36 million more than the previous year and an average of 973 euros per person in the case of Spain and 21,400 euros per person in the case of Portugal. This effort made it possible to complete 3.6 million hours of training, both general and specific.

In this area, the company has continued to work with the aim of shaping a workforce that is specialised in fresh produce, to the point of exceeding 567,000 total training hours.

As a result, Mercadona has a high-performance, motivated and cohesive workforce with great skills and performance levels. Employees are aware of the value of developing individual and collective talent, as well as the company's capacity to recognise and take advantage of it, a fact that is demonstrated by the 849 people who have been promoted to positions of greater responsibility, 821 in Spain and 28 in Portugal.

Workplace health and safety

For Mercadona, looking after the health and safety of its employees is a priority responsibility, which it takes on through a constant commitment to training and prevention in these areas and which it approaches in a cross-cutting manner. Considering its relevance, the company seeks to promote and



Mercadona employees during the management course.

maintain the highest level of health and safety at work, which involves the introduction of interdisciplinary initiatives that contribute to creating the right conditions to prevent the occurrence of occupational accidents and diseases.

To this end, in 2019 it has invested 10 million euros in preventive measures, which has allowed it to develop a thorough effort of continuous awareness, and to analyse each internal process and each action with the aim of providing the greatest safety and ergonomics to all of the different work stations.

At the same time, the company has continued to adapt work equipment to Spanish Royal Decree 1215/1997, and to improve the ergonomics of work stations and industrial hygiene.

To ensure health and safety in the workplace, Mercadona counts on the support and involvement of 9 mutual insurance companies that collaborate with Social Security (Umivale, Fremap, Asepeyo, MAZ, Ibermutuamur, Montañesa, Mutua Balear, MAC and Mutua Navarra). In addition, it works closely and in coordination with other prevention services, such as Quirón Prevención, Previs, Preving and Cualtis; as well as with the prevention services of the main suppliers. This joint collaboration is an important point of continuous improvement for the compa-

ny in this area which, over the years, has made it possible to exchange and share knowledge and, consequently, to establish and develop new criteria and processes to strengthen the health protection of its entire workforce.

In 2019, Mercadona also completed the update of staff uniforms at stores. The new designs are geared towards greater ergonomics and comfort. To this end, the company has invested a total of 35 million euros, a fact that demonstrates its commitment to the well-being of its workforce and the conviction that results always happen if you take care of people.



José and Raquel, company doctor and employee at the supermarket on Avenida Rotonda Portugal in Toledo.

SUSTAINABLE DEVELOPMENT GOALS



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

EMPLOYEE TRAINING

€106 M
in investment



€36 M
more than in 2018

€973
average investment
per worker in Spain

€21,400
average investment
per worker in Portugal

849
employees
promoted



821
in Spain

28
in Portugal

3.6
million hours
of training



PREVENTION PLAN AND HEALTH PROGRAMME

391

risk assessments

of the new centres and the
refurbishments carried out

23.02‰*

incidence

of accidents at work

42

days average

length of sick leave

82%

health screening

coverage

€9.9 M

investment

in occupational
risk prevention

* Incidence rate = No. of accidents with sick leave/per 1,000 employees.

Ángel, IT Department employee, during training on the company's store processes, with Maria Jesús, employee from the Santa Gemma supermarket in Paterna, Valencia.

2.2 Creation of stable employment

Mercadona carries out its activities within a shared growth model, which contributes to promoting social progress in the areas where it is present. One of the clearest examples of this is the job creation that the company produces year after year. In 2019, specifically, it has reinforced its staff with the creation of 4,200 stable and quality jobs, which has allowed it to close the year with 90,000 employees. Of this total, 900 are part of the workforce in Portugal, where 600 people have joined during the year.

From the first day, everyone who joins Mercadona's staff begins with a general and specific onboarding plan. Thanks to this, they have the opportunity to know first-hand what the company wants from them, as well as what it offers them to achieve their goals: training, permanent employment, work-life balance, salary above the average for the sector and the opportunity for personal and professional development.

This philosophy, which is based on "give first in order to receive", has allowed the company to shape a high performance and competitive professional team over the years: a staff that makes the most of its resources and skills and shares them with the rest of the team in order to continue implementing the Mercadona Project in a cohesive manner.

A Digital Transformation Plan that starts with people

In 2019 Mercadona added 200 people to its IT Department after initiating a process to attract talent in April which led to more than 10,000 applications that were compatible with the different profiles required.

This strategy of selecting and onboarding talent, carried out by the Human Resources Department, is part of the ambitious Digital Transformation Plan designed by the company, to which it plans to allocate 150 million euros a year to improve IT tools, processes and solutions with the aim of facilitating decision-making and increasing process efficiency and agility.

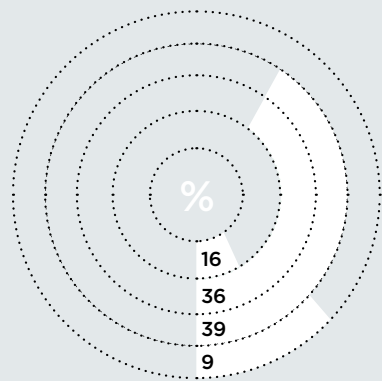
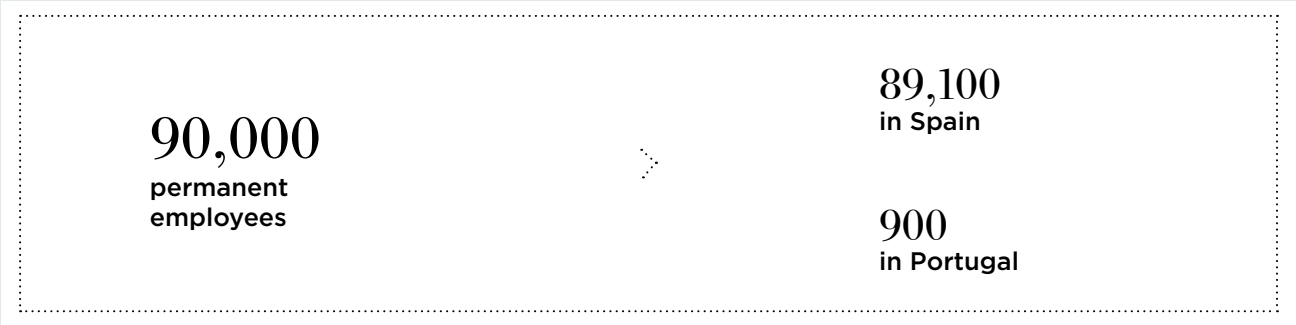
Thanks to this strategy, 22 people have been promoted and moved from positions in the chain's supermarkets or warehouses to new responsibilities in the area of IT. With these additions, by the end of 2019 the department counted 700 multidisciplinary professionals specialising in software engineering, both front-end and back-end, cloud, site reliability, project managers, enterprise architecture, systems administrators, operations, analytics, IoT and computer security. The company plans to continue strengthening this department throughout 2020 with 200 more professionals.

SUSTAINABLE DEVELOPMENT GOALS



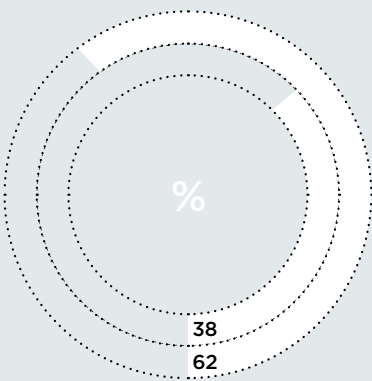
8. Mercadona has a workforce of 90,000 people, 89,100 in Spain and 900 in Portugal, all on permanent contracts and with salaries above the average for the sector.

STAFF DISTRIBUTION



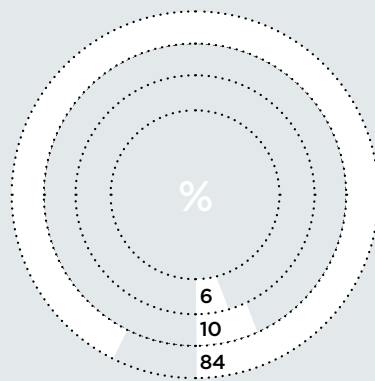
BY AGE

- 16% up to 29 years of age
- 36% between 30 and 39 years of age
- 39% between 40 and 49 years of age
- 9% over 50 years of age



BY GENDER

- 38% men
- 62% women



BY AREA OF ACTIVITY

- 6% offices
- 10% logistics
- 84% stores



2.3 Equality and diversity

As an organisation, Mercadona supports the principle of equal treatment and opportunities in all areas and does not tolerate discrimination on the grounds of gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, trade union membership or any other kind of basis.

This integrating framework generates a policy of corporate neutrality backed up by the data: 62% of employees are women; of the 849 people who were promoted in 2019, 40% were women; and there are a total of 1,877 women in management positions, 47% of the total.

The company has an Equality Plan, integrated into its Collective Agreement in Spain, which guarantees a quality working environment and seeks to advance equal treatment and opportunities, guarantee fair pay, prevent and eliminate any possibility of discrimination and ensure the shared responsibility of personal, family and work-life balance rights.

Awareness is fundamental to promoting a cohesive working environment, making it possible to build healthy working relationships, prevent discrimination and create united and competitive teams. In return, the company gets its best asset: employees who are passionate about their work, which translates into a direct increase in efficiency and productivity.

In 2019, Mercadona continued to promote working conditions that respect diversity. Its team includes employees from over 57 different nationalities, with different beliefs and ages; and 635 employees with different levels of disability, 56 more than in 2018. In addition, the company works with various special employment centres, which together account for approximately 2,800 more people.

As part of this commitment, the company has signed a partnership agreement with the Fundación ONCE, through which both entities are dedicated to working together to improve workplace inclusion for people with different levels of disability.



José Elías Portalés, Mercadona HR Hiring Director, and Alberto Durán, Executive Vice President of Fundación ONCE, at the signing of the agreement.

SUSTAINABLE DEVELOPMENT GOALS



5. Gender equality is a cornerstone at Mercadona, which has a transparent and egalitarian wage policy based on the principle of “equal responsibility, equal pay”.

10. The company has a solid non-discrimination policy that prevents inequalities based on gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, union membership or any other basis.

17. The company continues to add alliances to achieve its objectives, noteworthy among which is the signing of the collaboration agreement with the Fundación ONCE to improve workplace inclusion for people with different levels of disability.



Raldy, employee at the Ricardo San Juan supermarket in Madrid.





THE SUPPLIER

In 2019, Mercadona advanced in the evolution from the Intersupplier Model towards the Totaler Supplier concept which it initiated last year, and has continued to build an open and socially responsible project that provides agility, shared knowledge, specialisation and co-innovation. This project is evolving to create an innovative ecosystem that allows us to offer products created through customer experiences and with the challenge of quality, quality, quality and, above all, quality every day

In Mercadona's commitment to specialisation, it offers an efficient assortment of some 8,000 products that are the best option in terms of quality and price for its "Bosses". This rich assortment, the result of co-innovation, responds to real needs and adapts to different consumer habits, featuring local specialities.

To this end, the company works alongside 1,400 Totaler Suppliers with whom it collaborates to find the best solutions through dialogue with the "Bosses". This permanent communication process allows the Mercadona Project to channel and unify joint knowledge in order to be a driver of innovation as well as growth shared with the Totaler Suppliers.

3.1 Product Specialists

Mercadona works to be Totaler and offer “The Boss” products with the maximum quality that will allow them to produce their Shopping Trolley Menu* at the minimum cost. One of its main strengths is specialisation, which allows it to build an efficient assortment and commit to responsible growth, the result of responding to real needs and only implementing initiatives that provide value.

In 2019, Mercadona relied on 1,400 Totaler Suppliers with whom it has established a long-term relationship framework, pursuing specialisation by product rather than by category. In addition, there are 300 Portuguese suppliers. Together with them, the company is building a major industrial cluster and implementing solutions with and for “The Boss” through co-innovation, a pioneering joint innovation process in which all parties are winners: “The Boss”, more satisfied with a specialised Efficient Assortment; the Totaler Supplier, ensured that their product will be purchased indefinitely as long as the agreed conditions are met; and Mercadona, with products that set it apart and the agility to adapt to the changing needs of its customers.

The development of the Totaler Model contributes to the consolidation of a socially responsible and shared growth project. It is an open project in which what is truly relevant is the specialisation of the producer and their agility to innovate not only with products that are the best option in quality and price for “The Boss”, but with new proposals that are the result of responsible developments and the company’s commitment to eco-innovation.

This way of understanding the relationship with suppliers and contributing to the generation of wealth has been recognised by CEPYME (Spanish Confederation of Small and Medium-sized Enterprises), which awarded Mercadona its special prize for Business Trajectory in 2019, aware that the company is a source of wealth creation through, among other factors, “the solid relationships it maintains with thousands of suppliers and SMEs”, which are also a source of growth and development.

*Shopping Trolley Menu: the “Boss’s” Total Shopping purchase with the highest quality at the lowest monthly cost.

TOTALER MODEL

In the Totaler Model, the relationship between Mercadona and its suppliers is governed by a series of principles based on:

- Long-term relationships.
- Product development with “The Boss” and for “The Boss” with co-innovation initiatives.
- Products that set “Hacendado” products apart and always comply with: food safety, defined quality, service and competitive purchase prices.
- Open-ended contract as long as the agreed conditions for each product are met.
- Sustainable and socially responsible production processes.

SUSTAINABLE DEVELOPMENT GOALS



9. Mercadona collaborates with 1,400 Totaler Suppliers, a fact that continues to favour the promotion of a significant industrial cluster.



TOTALER SUPPLIER

A specialist supplier who, together with Mercadona, develops the best product, based on co-innovation from “The Boss” backwards, always ensuring the same food safety, quality, service and a competitive price for each product, and with whom we maintain a stable business relationship under the following brands: Hacendado, Deliplus, Bosque Verde and Compy, among others.

They must guarantee:

- Food Safety
- Quality defined from “The Boss” and with “The Boss” every day
- Service
- Competitive price on the market

Curly cabbage at the facilities of the Totaler Supplier Fruti-Taipina in Cantanhede, Coimbra.

3.2 Joint and sustainable collaboration

The Totaler Supplier Model is a model of shared responsibility that is committed to collaboration and agility as key attributes to innovate and develop solutions that are the best option in quality and price for “The Boss”. To this end, Mercadona requires suppliers to have a firm commitment to ethical management. Therefore, they must comply with and respect the regulations of the countries in which they operate. All of them must work in accordance with Mercadona’s Ethical Conduct Guidelines based on the principles of the International Labour Organisation (ILO) and the Ethical Trading Initiative. They must provide safe and healthy working environments for their personnel and comply with the environmental legislation applicable to them in managing their waste, air emissions, noise, wastewater discharges, soil degradation and changes to the use of forests, as well as accepting Mercadona’s Fishing Products Purchasing Policy and Animal Welfare Policy.

To be able to offer the “Bosses” a rich and top quality assortment, the company counts on the Purchasing and Prescription Departments, which totalled more than 1,000 managers at the end of 2019. Its constant efforts, both in studying the specific needs of the “Bosses” and in seeking specialised solutions, has provided the company with a network of Totaler Suppliers for fresh and dry products with innovative know-how and unique skills and capacities to, on the one hand, produce traditional products or local favourites with excellent quality and, on the other, be able to introduce unique and leading products on the shelves, the result of collaboration, co-innovation or eco-innovation.

And all this takes place while applying solid environmental protection and responsible production practices in its processes, with projects based on the Circular Economy or the efficient use of resources that allow the consumption of raw materials to be trimmed to the greatest extent possible.

The company participates, together with different Totaler Suppliers, in different programmes through institutions that promote animal welfare, such as the Institute of Agri-food Research and Technology (IRTA) and the Institute of Research and Technological Development (NEIKER-Tecnalia).

Thanks to this shared commitment, 100% of Mercadona’s fresh meat, eggs and milk come from approved suppliers who have committed themselves to having certifiable animal welfare standards in place by 2021 both at the farm stage and during transport and slaughter. Likewise, meat and milk suppliers have joined the plans to reduce the use of antibiotics, promoted by the Spanish Agency of Medicine and the Ministry of Health, Consumption and Social Welfare, while continuing to work on obtaining new specific certifications. In doing so, for example, in 2019 the Totaler Suppliers for chicken Avinatur, Nutrave, Pujante and Vall Companys have managed to certify rural chicken, a new breed of slow-growing chicken that meets different requirements, such as having more juiciness and flavour thanks to its higher percentage of marbled fat; maintaining a guaranteed feeding of at least 65% cereals, including corn; or having a rearing and growth period of at least 56 days.

On the other hand, all the suppliers of extractive fishing and aquaculture share Mercadona’s Fishing Products Purchasing Policy, which aims to achieve a substantial improvement in the sustainability of these products. Examples of actions promoted to achieve this goal are the collaboration with the Totaler Supplier Ecurís and with the International Seafood Sustainability Foundation (ISSF) to guarantee that 100% of the Hacendado canned tuna comes from responsible and sustainable fishing grounds; and the research work that the company is carrying out with the Spanish National Research Council (CSIC) to curb the evolution of possible parasites that can be found in fish.



Production process for the Hacendado soft almond nougat at the facilities of Totaler Supplier Sanchis Mira in Jijona, Alicante.

At the end of 2019, the company worked with 3,074 commercial suppliers and 13,354 non-commercial and service suppliers, in addition to 217 transporters. All of them, together with the 1,400 Totaler Suppliers, are jointly responsible for the company's evolution, as well as for the impact that its development has on society through a policy of shared growth that creates industry, activity, employment and, in short, also generates value in local economies.

In 2019, for example, the volume of purchases made in Spain by Mercadona amounted to 19,970 million euros, which means that more than 85% of the as-

sortment is of Spanish origin. In addition, after opening its first 10 stores in Portugal, the company has also increased the volume of purchases made there, which have amounted to 217 million euros. At the same time, and with the aim of always offering the best option for "The Boss", Mercadona is present in 12 countries, in addition to Spain and Portugal, where it works with the best suppliers to strengthen its assortment and service. In these places there are representative offices, branches and subsidiaries, with which the company provides legal coverage to the 45 employees who can operate on behalf of the company on site.



See the Mercadona Animal Welfare Policy:

<https://info.mercadona.es/en/current-affairs/mercadona-animal-welfare-policy/news>

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

<https://info.mercadona.es/document/es/atun-hacendado-un-pescado-sostenible-de-mercadona.pdf>

See the Ethical Conduct Guidelines:

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

SUSTAINABLE DEVELOPMENT GOALS



12 Mercadona works with suppliers in the efficient use of resources, the optimisation of logistics processes and other related issues such as supporting animal welfare through internationally recognised programmes and in collaboration with different institutions.

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

INTERSUPPLIER MEETING

In May 2019, the Mercadona Intersupplier Meeting took place, the last one with that name as, starting in fiscal year 2020, it will be the Totaler Suppliers Meeting. The evolution of the supplier relationship model towards the Totaler Supplier model was discussed during the meeting, which focused on developing product by product, as a specialist, not by complete categories. The meeting allowed everyone present to express the important path towards improvement that the company and its suppliers face and the opportunity to take advantage of it to continue satisfying both “The Boss” and the other components that make up the company.

Also, with food safety and quality as key principles, the need to continue to actively listen to “The Boss” and share the common challenge of driving development and making improvements in products and processes to move towards sustainable and shared growth was addressed.

This socially responsible model contributes to the expansion and growth not only of those who are part of its project but also of the surroundings in which it carries out its activities.



Attendees at the 21st Mercadona Intersupplier Meeting, held in May 2019.

EXAMPLES OF TOTALER SUPPLIER INVESTMENT AND EMPLOYMENT IN 2019

SPAIN

AMIFAR
Peligros (Granada)

Production facilities and
associated investments

€1.7 M
in investment
29
new jobs



**VEGETALES
LÍNEA VERDE**
Tudela (Navarra)

Quality improvements and
logistics optimisation

€2.3 M
in investment
16
new jobs



NATURLEITE
Meira (Lugo)

New line of
fresh milk

€2.5 M
in investment
9
new jobs



GRUPO PANSTAR
Albuixech (Valencia)

New facilities and
manufacturing lines

€10.6 M
in investment
180
new jobs



GRUPO LEMOINE
Cocentaina (Alicante)

New cotton
pad plant

€2.5 M
in investment
41
new jobs



**CONSERVAS EL
CIDACOS**
La Puebla de Montalbán
(Toledo)

New line and new
treatment plant

€3.8 M
in investment
17
new jobs



PORTUGAL

CUNIESPLUGA**L'Espluga de Francolí
(Tarragona)**New production
plant**€5.2 M**

in investment

90

new jobs

GREENSUN**Guimarães (Braga)**Expansion and improvement
of crop fields**€1.1 M**

in investment

6

new jobs

FRUTINTER**Onda (Castellón)**New preparation and
packaging lines**€9.5 M**

in investment

20

new jobs

**CONSERVAS
A POVEIRA****Laúndos
(Póvoa de Varzim)**New lines and various
improvements**€1.4 M**

in investment

43

new jobs

NUEVA COCINA**Alcantarilla (Murcia)**Production of Ready-to-Eat
potato salad**€3 M**

in investment

17

new jobs

PCARNES**Alcobela de Cima
(Lisbon)**New line of
Pronto a Comer sausages**€1.9 M**

in investment

15

new jobs

3.3 Code of Good Commercial Practices

Mercadona supports fair trade practices and has been a party to the Code of Good Commercial Practices in Food Procurement for years. This voluntary agreement, which is a new step in the promotion of fair trade practices, is part of the Law on Measures to Improve the Operation of the Food Chain and is promoted by the Ministry of Agriculture, Fisheries and Food (MAPA) in collaboration with various associations from the entire national agri-food chain.

In addition, since 2014 the company has been a member of The Supply Chain Initiative, a voluntary project promoted by various industry associations in Europe and representing the food and beverage industry (FoodDrinkEurope), producers of branded goods (AIM), retail (the European Retail Round Table, EuroCommerce and Independent Retail Europe), SMEs (UEAPME) and agricultural trade (CELCAA). This initiative, in which Mercadona is an active participant, seeks to promote fair business practices in the food chain as a basis for trade agreements, an objective for which it has the additional support of the European Commission.



3.4 The value of the primary sector

Mercadona has been strengthening its links with the strategic sectors in Spanish agri-food production, such as agriculture, fishing and livestock, which it considers to be drivers of growth both for the company and for the country as a whole. It works closely with them in planning their development, combining efforts and dedication to shared knowledge.

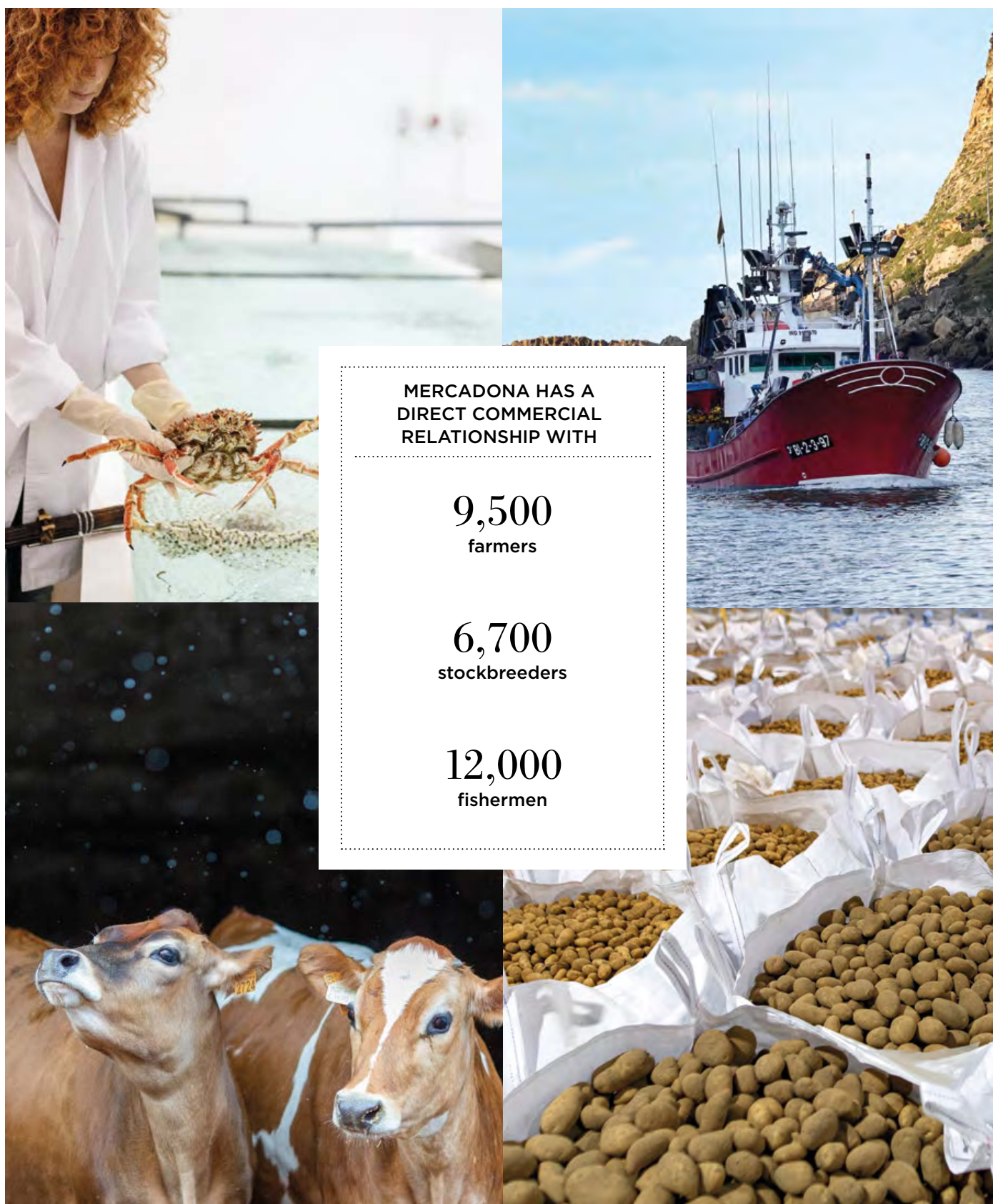
In its commitment to the modernisation of the primary sector, and through joint collaboration, the company aims to unify criteria and coordinate efforts to, among everyone involved, be able to generate synergies and build an efficient, modern, and distinctive agri-food chain from which all its connections will benefit.

Thanks to this, Mercadona's Sustainable Agri-Food Chain has continued to specialise in 2019 and has once again demonstrated that initiatives resulting from joint collaboration and shared knowledge are efficient alternatives that add value and generate wealth.

An example of this is its collaboration with numerous cooperatives, such as Murgiverde in El Ejido (Almería). This Totaler Supplier, with whom the company has been working since 2017, is a second tier cooperative with 800 members who have understood how to adapt their production to the different microclimates in their area. This has allowed them to specialise and optimise their pepper, tomato, courgette, aubergine, melon, watermelon and cucumber crops. The company's relationship with the Totaler Supplier Constantino Adrián is another example. This third generation Valencian company has managed to specialise in yellow onions, both with its own and third-party production, all national producers, and allocates 20% of its total production to the Guadix Logistics Centre and, occasionally, to other company logistics centres.

KEY STRATEGIES

- Stability
- Productivity
- Planning
- Dialogue
- Shared growth and sustainability



MERCADONA HAS A
DIRECT COMMERCIAL
RELATIONSHIP WITH

9,500
farmers

6,700
stockbreeders

12,000
fishermen

Spider crabs from the Totaler Supplier Cetárea del Sur at their facilities in Cádiz. / Siempre Landera fishing boat on its arrival at the port of Pasaia San Pedro, Gipuzkoa. / Cows from the Totaler Supplier Queizuar at their farm in Boqueixón, in A Coruña. / Potatoes from the Totaler Supplier Hijolusa at their facilities in León.

3.5 Efficient logistics

Mercadona's efficient and sustainable logistics network consists of more than 1 million square metres distributed across 14 operational logistics centres, 2 satellite warehouses and 2 regulating warehouses. In them, 9,000 people, 258 in Portugal, work daily to guarantee the supply of the 1,636 supermarkets that the company had at the end of 2019.

To manage this network, Mercadona has been developing and implementing green logistics measures and initiatives for years, transforming and adapting different logistics systems, processes and structures with the aim of creating environmentally friendly strategies. In this way, it pursues a balance between profitability and ecological efficiency, and minimises the impact on the environment through a variety of actions such as route and load optimisation, which reduces pollution; "last mile" improvements; the use of intermodal transport; the use, through its own or external means, of alternative propulsion systems to diesel, such as liquefied natural gas; and the implementation of software applications that provide data to correct and improve its carbon footprint.

Furthermore, Mercadona allocates vast resources to continue modernising its logistics platform with the aim of optimising its capabilities and having avant-garde infrastructure, aware of the relevance that logistics and the definition and management of stock have on its activity.

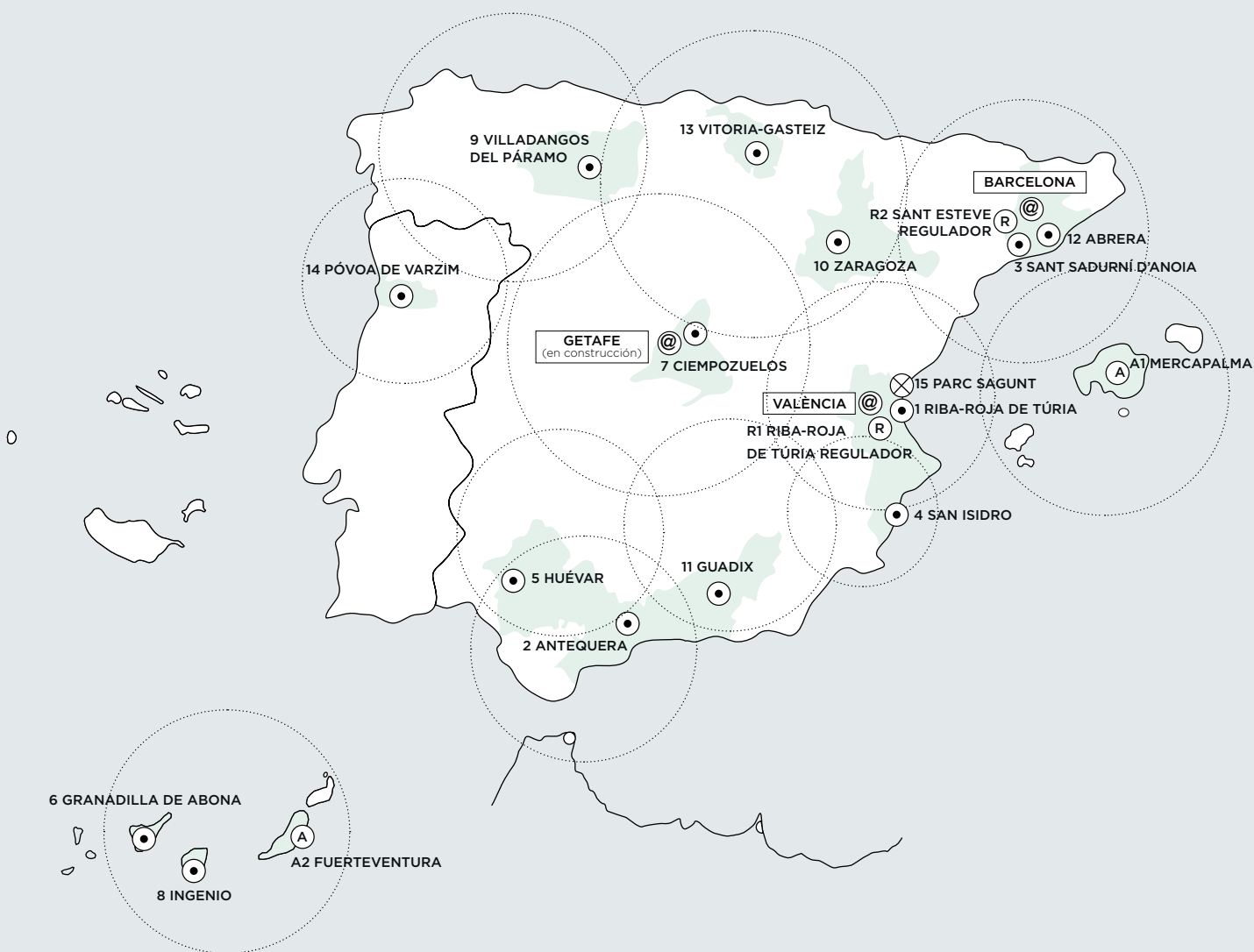
In 2019, the company invested a total of 340 million euros towards the completion of the construction of the company's first logistics centre in Portugal, specifically in Póvoa de Varzim (District of Porto), as well as making significant improvements to other centres.

For example, the company allocated a total of 35 million euros throughout the year to the facilities in Vitoria-Gasteiz (Araba/Álava). Thanks to the improvements made, in 2019 the dry picking service was launched at this platform, in which an additional 7 million euros were invested to start up a bread factory in February 2019.

The company invested a total of 56 million euros to reinforce the efficiency of its San Isidro (Alicante) Logistics Centre. To this end, a new fish storage chamber was added throughout the year, to which new fruit and vegetable storage chambers will be added in 2020. In the case of the Guadix Logistics Centre (Granada), the investment made in 2019, amounting to 28 million euros, made it possible to complete the grouping of refrigerated products. This logistics centre plans to launch the revamped frozen food service at the end of 2020.

In addition, Mercadona has invested 8 million euros at its Sant Sadurní (Barcelona) Logistics Centre, which has allowed it to reactivate its dry, cold and refrigerated services; and it has also allocated 6 million euros to its platform in Sant Esteve Sesrovires (Barcelona) to be able to start its first refrigeration service in December 2019.

Likewise, the company has continued to make progress on its future Zaragoza Logistics Centre, which will begin the process of supplying stores in phases starting in 2020.



● Logistics centre in operation

⊗ Logistics centre under construction

Ⓐ Satellite warehouse

Ⓡ Regulating warehouse

⦶ Radius of action

@ Hive (online warehouse)

1 RIBA-ROJA DE TÚRIA, Valencia

2 ANTEQUERA, Málaga

3 SANT SADURNÍ D'ANOIA, Barcelona

4 SAN ISIDRO, Alicante

5 HUÉVAR, Sevilla

6 GRANADILLA DE ABONA, Tenerife (Santa Cruz de Tenerife)

7 CIEMPOZUELOS, Madrid

8 INGENIO, Gran Canaria (Las Palmas)

9 VILLADANGOS DEL PÁRAMO, León

10 ZARAGOZA (Zaragoza) (expansion of perishable goods area, under construction)

11 GUADIX, Granada (expansion of frozen food area, under construction)

12 ABRERA, Barcelona

13 VITORIA-GASTEIZ, Araba/Álava (expansion of refrigerated area, under construction)

14 PÓVOA DE VARZIM, Distrito Porto (Portugal)

15 PARC SAGUNT, Sagunt (Valencia) (under construction)

A1 MERCAPALMA, Palma de Mallorca (Balearic Islands)

A2 FUERTEVENTURA, Fuerteventura (Las Palmas)

R1 RIBA-ROJA DE TÚRIA REGULATING WAREHOUSE, Valencia

R2 SANT ESTEVE REGULATING WAREHOUSE, Barcelona

Intelligent and environmentally-friendly logistics centres

In 2007, Mercadona inaugurated its first intelligent logistics centre, a totally automated infrastructure and a pioneer in the sector, which, in addition to eliminating overexertion, is a driver of competitiveness and productivity. With this initiative, the company is committed to quality work in its warehouses, by completely eliminating any handling and overexertion of the employees in its logistics division, thus contributing to preventing and reducing the risk of workplace accidents. Mercadona also promotes sustainable storage with infrastructure capable of moving goods with greater agility and simplicity than with conventional logistics procedures.

At the end of 2019, the company has 4 centres of this type, which it calls 21st Century warehouses, located in Ciempozuelos (Madrid), Villadangos del Páramo (León), Abrera (Barcelona), Vitoria-Gasteiz (Araba/Álava) and the rest of the centres will gradually be adapted to this new technology.

Throughout the year, the company inaugurated its first logistics centre in Portugal, specifically in the town of Póvoa de Varzim, a strategic location that allows the chain's supermarkets to be supplied in the northern part of Portugal and to communicate easily with the already existing logistics centre in northern Spain, in Villadangos del Páramo, in the province of León. Portugal's logistics centre, close to the Porto metropolitan area, has been built on a 50,000 square metre plot, has involved an investment of 21 million euros and currently employs 258 people.

At the same time, the company is continuing to strengthen its logistics centres and will inaugurate a new intelligent centre in Parc Sagunt (Valencia) in the next few years. Throughout the year, 74 million euros have been invested in this project, for which construction work will continue in 2020 and which

will begin operating in 2021 with the distribution of fresh produce, reducing handling and overexertion of employees and promoting the Circular Economy through managing cleaning and recycling of packaging. Among other services, this logistics centre will have a parking area for 150 lorries and recharging sockets for electric cars in the car park.





Maria José, employee at the Vitoria-Gasteiz Logistics Centre in Araba/Álava.





SOCIETY

Since its foundation, Mercadona's business project has been involved in promoting and fostering shared prosperity. It is committed to efficient, responsible and sustainable operation through business practices that generate well-being and allow it to advance day by day under the common objective of "being a company that people want to exist and feel proud of"

Through its Total Quality Model, Mercadona engages in a conscious business culture with the Society in which it carries out its operations. This culture, in which values such as trust, responsibility, transparency, integrity, honesty and equality are embedded, contributes to improving the quality of life of individuals and the surroundings in which they are present.

The commitment to mutual benefit and sharing with society is one of Mercadona's hallmarks. Therefore, it is involved in and allocates significant resources to social innovation, which it also takes on in a sustainable, responsible and shared manner, serving and transforming society.

4.1 A sustainable and shared impact

Mercadona is a conscious business initiative that goes about business in a responsible manner. It has a management model that is committed to the universal truth that “in order to receive, we must first give”, a reality that it puts into practice across the board and with which it contributes to generating shared growth.

The company encourages responsible behaviour and maintains, on an ongoing basis, an attitude of dialogue, active listening and empathy with its circles of influence. As a result, it is involved in the problems faced by the various communities in which it is active at local, national and global levels.

Its responsible attitude enables it to promote measures that contribute to improving these environments and the people who form part of them and to introduce improvements in the economic, social, intellectual, cultural and ecological spheres. To this end, Mercadona supports various initiatives, such as support for entrepreneurship, a commitment to coexistence with traditional business formats, the efficient use of natural resources, and collaboration with organisations and entities that help people with fewer resources, among others.

In 2019, as an example of its contribution to shared prosperity, the company invested a total of 2,200 million euros in Spain and Portugal to consolidate its development in the short and medium term. In addition, the company's sustainable growth has generated 4,200 new stable jobs, 3,600 in Spain

and 600 in Portugal, which is an average of approximately 14 per day.

Within the framework of generating sustainable employment, Mercadona's operations and its entire assembly line represent 655,000 direct, indirect and induced jobs in 2019, a figure that represents 3.6% of total employment in Spain in 2019, according to data provided by the Valencian Institute of Economic Research (Ivie).

With regard to Mercadona's tax contribution to Spanish Public Administrations, the company has made a contribution in 2019 of 1,585 million euros in taxes paid and collected, 853 million euros in payments to Social Security, 158 million euros in Corporate Tax, 452 million euros in VAT and Income Tax, as well as 122 million euros in other taxes and duties. In turn, Mercadona's aggregate contribution represented 1.95% of Spanish GDP, or 24,200 million euros last year. Similarly, the tax impact in Spain of its direct, indirect and induced activity has amounted to 8,643 million euros and an impact of 2% on the total estimated collection by Spanish Public Administrations.

In 2019, the company also contributed to sharing the growth of Irmãdona with Portuguese society, which resulted in a total contribution of 11 million euros in taxes paid and collected, broken down into 6 million euros for Social Security, 2 million euros for Corporate Tax and other taxes and duties, and 3 million euros for Income Tax and VAT.

SUSTAINABLE DEVELOPMENT GOAL



8. Mercadona is a business project for shared growth. In 2019, it paid 1,585 million euros to Public Administrations in Spain and contributed 24,200 million euros to national GDP and 11 million euros to the Public Administrations in Portugal.

IMPACT OF MERCADONA'S ECONOMIC ACTIVITY

Total contribution of income, employment and tax revenues*

€24,200 M

aggregate
contribution to GDP
1.95% of GDP

655,000

jobs
in Spain
3.6% of Spain's total
employment

€8,643 M

in taxes collected
2% of the estimated total tax
collected by Spanish Public
Administrations (including Social
Security contributions)

Mercadona tax contribution (SPAIN)

Taxes incurred and paid

€1,585 M

Mercadona Tax Contribution Incurred

Social Security

€713 M

Corporate Tax

€158 M

Other taxes and duties

€122 M

Mercadona Tax Contribution Paid

Social Security

€140 M

Income tax

€354 M

VAT

€98 M

Irmãdona tax contribution (PORTUGAL)

Taxes incurred and paid

€11 M

Irmãdona Tax Contribution Incurred

Social Security

€4 M

Corporate Tax and other
taxes and duties

€2 M

Irmãdona Tax Contribution Paid

Social Security

€2 M

Income tax and VAT

€3 M

* Data updated according to the methodology used by the Valencian Institute for Economic Research (Ivie) in 2019.

4.2 Environmental management system

Mercadona actively cares for and considers the environment, a responsibility that is part of its priorities. Although the company dedicates more and more resources every year to reducing its environmental impact, it remains aware that there is still a long way to go.

To achieve these objectives and to promote this commitment demanded by society, the company invested 43.7 million euros towards environmental protection in 2019. And it will continue to introduce improvements in its assembly line and devote significant efforts to analysing and minimising the impact of all its activities by incorporating specific strategies into its own environmental management system focused on the responsible management of three areas: energy, logistics and waste.

Eficiencia energética

In its commitment to the responsible use of energy, Mercadona has continued to support the use of renewable energies both in its stores and in its logistics centres. To this end, it has promoted LED lighting and waste heat recovery and reuse. At the same time, it has introduced insulation improvements and an alarm management system that guarantees the optimal temperature of refrigerated units on a daily basis. The company also has increasingly sustainable refrigeration facilities, as well as alternative technologies with non-polluting gases that reduce emissions and the amount of refrigerant gases.

This commitment to energy efficiency and optimising natural resource consumption has enabled the company to end 2019 with 800 supermarkets adapted to the New Efficient Store Model (Store 8). In 2019, a total of 351 further stores in the chain

were refurbished with the aim of adapting to this more sustainable standard, providing energy savings of up to 40% in lighting and refrigeration compared to a conventional store, while the 10 stores opened in Portugal feature these characteristics from the start. In the effort to achieve more environmentally-friendly stores, Mercadona expects to adapt all its supermarkets to the Efficient Store Model by 2023.

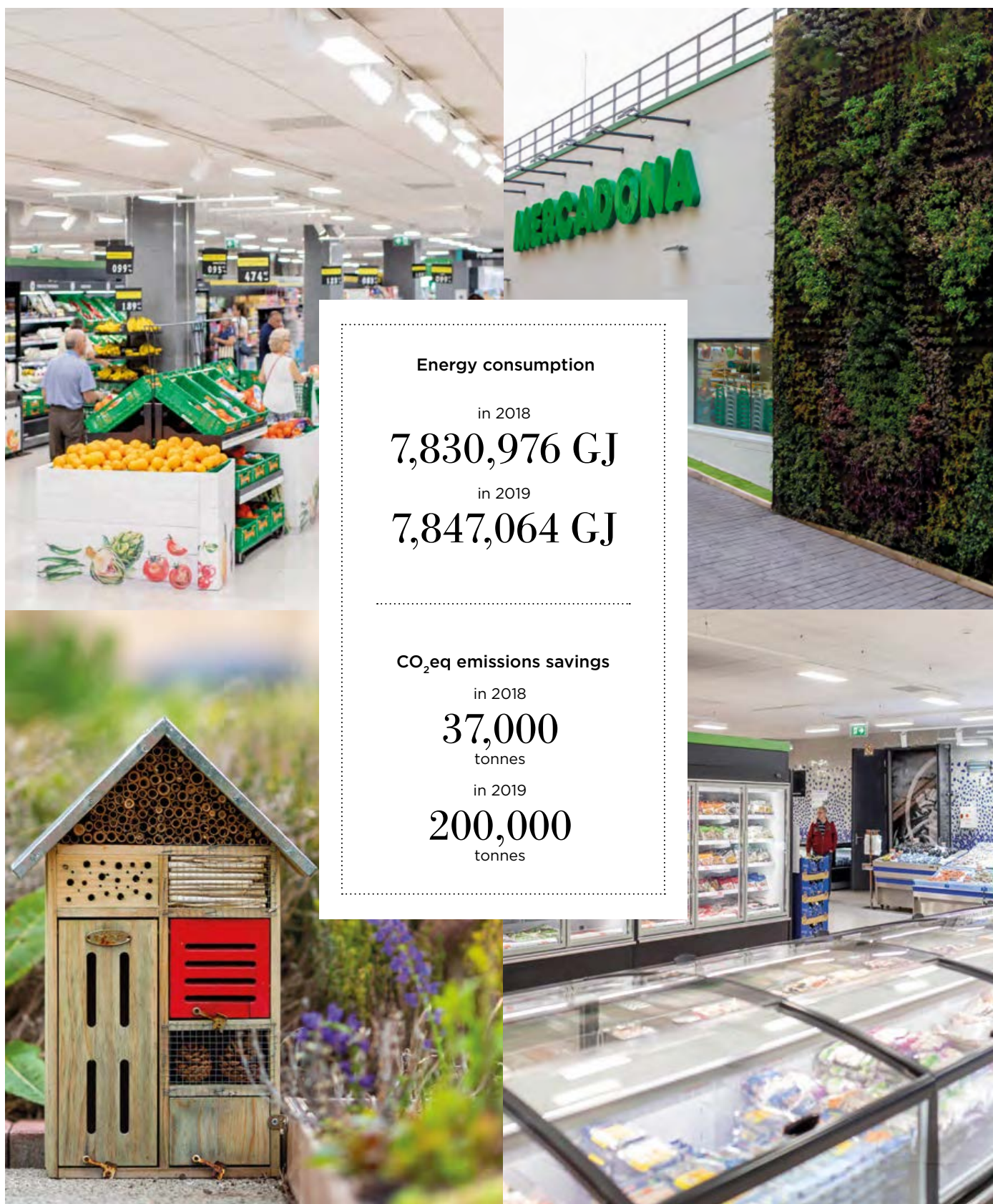
Along this line, the chain's supermarkets have an automatic system that manages opening and closing times, with the aim of ensuring that lighting, extraction and air conditioning systems are only switched on when strictly necessary. The stores also have an energy-saving system in the air conditioning structures that allows consumption to be adapted automatically according to the outside temperature (free cooling/free heating system).

The company also promotes eco-innovative initiatives that contribute to energy efficiency. This is the case of the landscaped roofs that are being built at certain stores, seven of which were completed in 2019. These green spaces bring aesthetic, technical and environmental advantages to both the stores and the surroundings in which they are located. Thanks to this type of construction, the company has managed to reduce pollution and the so-called "heat island effect", leading to significant energy savings thanks to the use of heat absorption for indoor air conditioning, reinforced acoustic insulation, reduced water consumption and improved rooftop usefulness. As a whole, these benefits contribute to achieving the objectives defined in the Green Paper on Urban and Local Sustainability published by the former Ministry of Agriculture, Fisheries, Food and the Environment.



More information available in the Environment Report:

<https://info.mercadona.es/document/en/environmental-policy-report-2017-2018.pdf>



Fruit and vegetable section at the Avenida Salamanca supermarket in Plasencia, Cáceres. / Vertical garden at the Castellana-Juan Gris supermarket in Madrid. / Insect hotel on the landscaped roof of the Glorieta de Quevedo supermarket in Madrid. / Frozen food area at the Avenida San Julián supermarket in Cuenca.

Sustainable transport to optimise logistics

In the field of logistics optimisation, Mercadona has remained faithful to the principle of “transporting more with less natural resources”. To this end, it has strengthened its commitment to sustainable vehicles, as shown by the fact that 99% of its logistics supplier’s lorry fleet is Euro VI and Euro VI C.

The company has contracted the freight transport service of 75 lorries powered by liquefied natural gas (LNG) and has already conducted the first tests with 100% electric vans for home delivery. In addition to this, the company’s transport suppliers have a fleet of 40 megatrailers, capable of transporting up to 51 pallets per trip; and 3 bitrailer, with a freight capacity of 66 pallets.

As part of this objective, Mercadona also continued to optimise loads and routes by means of reverse logistics in 2019. Through what is called the “Eight Strategy”, products are transported from suppliers to logistics centres and stores, where reusable packaging and recyclable materials are collected and returned to the logistics centres for processing. This is the case of Logifruit’s reusable plastic boxes, which are cleaned in Mercadona’s logistics centres and returned to the suppliers’ facilities to be used again; as well as

cardboard, strapping film and expanded polystyrene which are compacted and sent for recycling.

The company works daily to plan its routes in the best possible way, an effort that has allowed it to end the year with an 88% lorry filling rate. Within the objective of having increasingly sustainable logistics, Mercadona has been applying silent logistics in off-peak hours for years, which consists of carrying out last mile transport during times with less traffic, mainly at night, when there is less activity in cities, favouring the use of lorries with a higher loading capacity that significantly reduce emissions. By the end of 2019, 760 of the chain’s supermarkets were being supplied in this more sustainable manner.

These strategies have been evaluated by the International Logistics Exhibition (SIL) which, through a panel of independent experts, awarded Mercadona the prize for Logistics Efficiency 2019. This recognition has become an incentive and encourages the company to continue searching for and promoting the best initiatives to reduce the impact of its logistics processes on the environment.

| EMISSIONS CO ₂ eq | | | Stores with silent urban unloading | | |
|---|---------|---------|---|----------------------------------|---------------------------------|
| | in 2018 | in 2019 | | in 2018 | in 2019 |
| in kilos per cubic metre of goods* | 44.58 | 38.86 | | 736 | 760 |
| Direct emissions | 13.02 | 6.93 | | | |
| Emissions due to energy consumption | 15.12 | 14.79 | | | |
| Emissions from freight transport | 16.44 | 17.16 | | | |
| * All data refers to Mercadona’s process, from transport to the logistics centres to stores during the period from December 2018 to November 2019. In-house study based on the GHG protocol. The differences observed in emissions with respect to the previous year are due to two important factors: operational changes in the company and the updating of the emissions factors used in the calculations. | | | Fleet emissions standards for lorries (Euro V, Euro VI and Euro VI C) | | |
| | | | | in 2018 | in 2019 |
| | | | | Euro VI (28%) Euro VI C (70%) | Euro VI (9%) Euro VI C (90%) |



Lorry powered by liquefied natural gas. / Pilot test for three-temperature electric lorry. / Recharging point for electric vehicles available in supermarket car parks. / Gas-powered van for online delivery service.

Waste Management and the Circular Economy

Mercadona believes that “the best waste is waste that is not generated”, which is why it focuses its waste management strategy on prevention. Aware that there is still much room for improvement, the company is taking numerous actions to ensure that waste generation remains below 1% per kilo of product served to the stores and is working to reduce it even further.

For years, Mercadona has been separating all the cardboard, plastic, polystyrene and wood waste generated in its stores and logistics centres for recycling through authorised management companies. In 2019, the company managed to separate more than 76% of its waste, facilitating a second life and the responsible optimisation of natural resources.

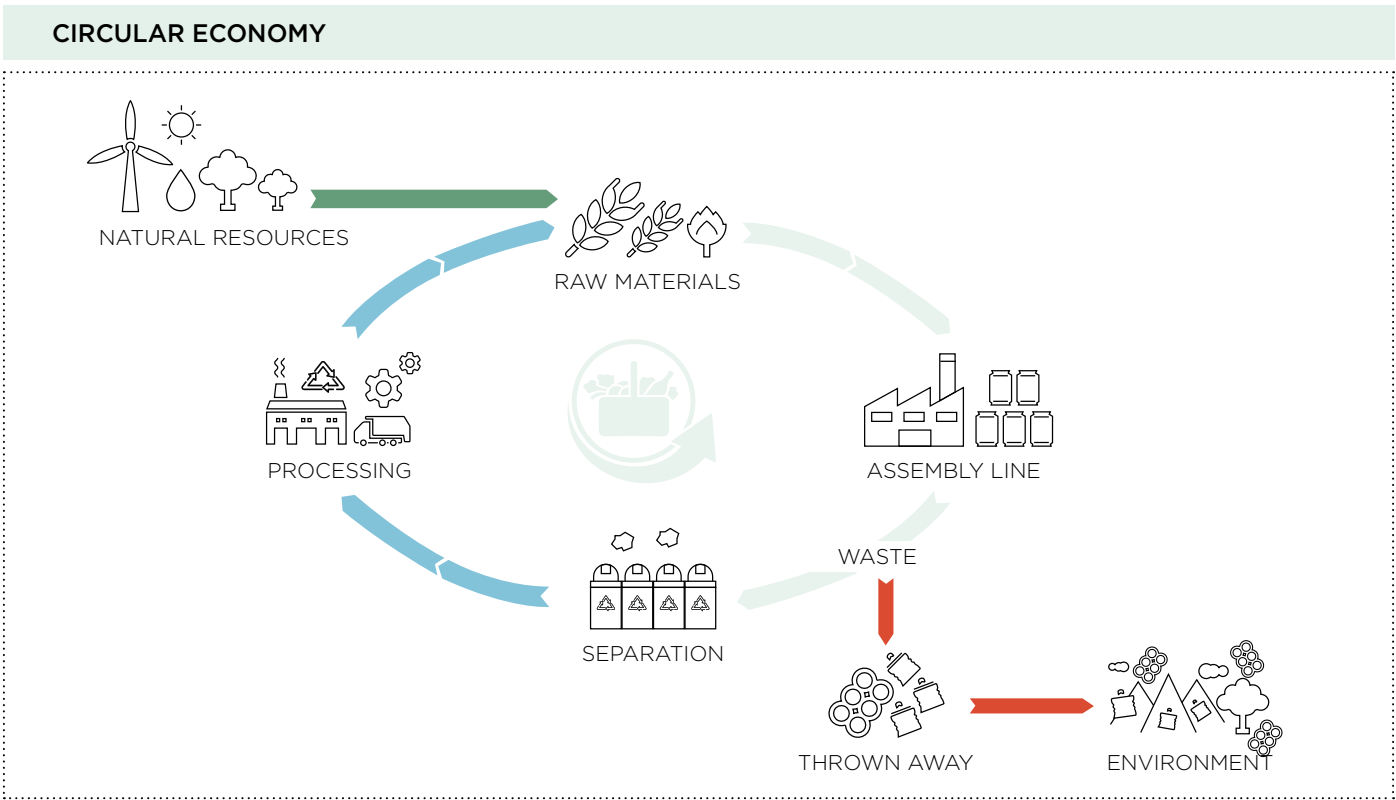
Likewise, and with the aim of avoiding surpluses, it has methods and tools for the efficient management of orders in stores, while taking advantage of

operations to exhaust stocks or donate foods that are fit for consumption but not for sale.

At the same time, it has supported the “More food, less waste” MAPA campaign for years, and is also the driving force behind the “Don’t waste food, use it” AECOC initiative.

In addition, the company is committed to reducing the use of plastic and to preventing its waste from being thrown away. For more than a decade, it has been developing, in collaboration with suppliers, process improvements to increase the sustainability of its products, eliminating surplus packaging, decreasing the weight of packaging, eliminating silk screen printing, and designing formats that allow more units to be transported in each load.

In this regard, it should be noted that the elimination of single-use plastic bags in the checkout lines of all stores has been completed throughout 2019,



and they have been replaced with three different options: paper bags, bags with 50-70% recycled plastic and reusable raffia bags. As a result, Mercadona reuses 3,000 tonnes of plastic every year, in addition to those generated by, for example, the line of household cleaning products made from 100% recycled plastic, or the already completed elimination of microplastics in all cosmetic and personal care products. In addition, the company, within the action plan it has begun to implement, plans to apply many other verifiable measures in 2020.

In this same context, the company, in collaboration with the Technological Institute of Packaging, Transport and Logistics (ITENE), has launched an audit to evaluate the suitability of Mercadona's entire range of packaging for its own brands under the objectives of the Circular Economy. After carrying out a thorough analysis of the different stages (design, production, use and separating and collection), in the short and medium term it will introduce improvements in key aspects such as the reduction, reuse and optimisation of packaging, including recycling, composting and incorporating of recycled materials, with the aim of closing the life cycle of the packaging that Mercadona puts on the market by 2025, turning it into valuable raw materials again after use and thus avoiding waste.

SEPARATED FOR RECYCLING

Tonnes of paper and cardboard

| in 2018 | in 2019 |
|---------|---------|
| 213,167 | 223,090 |

Tonnes of plastic (including expanded polystyrene)

| in 2018 | in 2019 |
|---------|---------|
| 16,296 | 17,079 |

Tonnes of wood

| in 2018 | in 2019 |
|---------|---------|
| 3,479 | 3,663 |

RECYCLING RATE

Recycling/Recovery

| in 2018 | in 2019 |
|---------|---------|
| 76% | 76% |

Destruction

| in 2018 | in 2019 |
|---------|---------|
| 24% | 24% |

SUSTAINABLE DEVELOPMENT GOALS



11. The main objective of Mercadona's Environmental Management System is to make the most of available resources and to minimise the generation of waste.

12. Mercadona carries out environmental strategies aimed at reducing emissions and optimising logistics.

13. It is committed to reducing waste and food waste through actions such as the redistribution of food via soup kitchens and food banks.

4.3 Mercadona in society

One of Mercadona's commitments is to return to society what it receives from society, because shared prosperity is the purpose of its company model. In 2019, Mercadona continued to strengthen this commitment through its Social Action Plan, supporting various institutions and social entities in all of Spain's autonomous communities.

Active partner of the Global Compact

Since 2011, when it joined the Global Compact for the defence of fundamental values in the areas of human rights, labour standards, the environment and anti-corruption, Mercadona has been actively involved in supporting the 10 principles and values of this agreement. This commitment is reflected in the progress report validating compliance with these principles, which has been submitted to the Spanish Network of the Global Compact.

Collaboration with charities

Mercadona is a responsible company, aware of the reality of its surroundings. Therefore, it encourages and promotes caring initiatives to help the most disadvantaged groups.

In 2019, the company reinforced its commitment to the partnership programme with soup kitchens. To this end, every day it has donated products that are not suitable for sale but are in perfect condition for consumption to more than 210 local soup kitchens in different parts of Spain and more than 60 food banks and other entities, which has allowed it to distribute more than 9,100 tonnes of food.

In addition to these direct donations, the company has collaborated in different "Operations Kilo" and in the "Great Collection" organised by the Food Banks. In this way, and both through their supermarket chain and with the help of the em-



Christian and Maria Luisa, Great Collection volunteers; together with Cristina and Dominique, "Bosses" at the Carretera Fuencarral supermarket in Alcobendas, Madrid.

ployees and the support of their logistics division, in 2019 the “Bosses” have demonstrated their care and commitment by donating a total of 5,300 tonnes of food.

In Portugal, the company signed collaboration agreements last year with food banks in Porto, Braga and Aveiro, to which it donated 118 tonnes of products. Also, 8 Mercadona stores participated for the first time in the National Food Collection Campaign. Thanks to the efforts of the “Bosses”, employees and Portuguese society, 13 tonnes of food were donated during the campaign.

According to ECODES, Mercadona’s involvement has a social, economic and environmental return that translates into social welfare. Specifically, and according to its analysis based on the SROI (Social Return on Investment) methodology, the collaboration programme carried out by the company generates a clear multiplying effect, which means that each euro donated directly will result in a social benefit of 3.7 euros, reaching a contribution in 2018 that has indirectly exceeded 42.5 million euros in social returns.

Collaboration with over

210
soup kitchens

Agreements with over

60
food banks
and other entities

9,218
tonnes
of food
donated

9,100
in Spain

118
in Portugal

5,313
tonnes
donated by the
“Bosses” at
Operations Kilo in
Mercadona

5,300
in Spain

13
in Portugal

SUSTAINABLE DEVELOPMENT GOALS



1. Mercadona has continued to implement different initiatives in which it has participated in all Spanish autonomous communities.
2. The company has continued to do important work in helping with the donation and redistribution of food to food banks and soup kitchens.

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

Workforce integration of people with different disability levels

Mercadona and Pamesa Cerámica decided to launch a social innovation initiative in their stores in 2011 by commissioning foundations and centres for people with different disability levels to create murals using the *trencadís* technique to decorate their fish and meat finishing sections.

In 2019, the company allocated a total of 2 million euros to this initiative, which has enabled more than 1,000 people with different disability levels from a total of 32 foundations and occupational centres to create a total of 9,150 new murals during the year, 230 of which will decorate the company's first 10 stores in Portugal.

After eight uninterrupted years of collaboration, the *Trencadís* Project continues to grow and strengthen thanks to the efforts of everyone who is part of the different institutions involved, whom Mercadona would like to thank for their dedication and

commitment: Roig Alfonso Foundation, Down's Syndrome Foundation, Azahar Employment Foundation and Espurna Foundation; the Purglass, Ivas, Tola, Di-Kapacitats and Monduber Special Employment Centres; the El Rinconet School Farm; Afanías Association; the Torreblanca Occupational Centres, Ivas el Maestrazgo, El Molí, Ivas Belcaire, Buris-Anna, La Salut, La Xara, El Castellet, Hort de Feliu, Mislata, Xirivella, El Prat, La Ribera, El Cau and Habilitare; the Socoltie Social Cooperative; the Sueca, Requena and María Rafols Municipal Occupational Centres; Bona Gent and Atadis.

Furthermore, the company collaborates with the Capacis Foundation, dedicated to the social and workforce insertion of people with intellectual disabilities. Its members participate in the construction of vertical gardens and are responsible for the maintenance of several of the landscaped roofs and walls that Mercadona has at some of its stores in Madrid.



Capacis Foundation users and Mercadona employees next to the plaque placed in the Estocolmo supermarket in Madrid, in recognition of the foundation's work and the people with intellectual disabilities who have been involved in the development and maintenance of the store's vertical gardens.



TRENCADÍS PROJECT

€2 M
in investment

32
foundations and
occupational centres

+ 1,000
people
with different
disability levels

9,150
new
trencadís murals

Members of the Foundation Roig Alfonso de la Comunitat Valenciana for the inclusion of people with intellectual disabilities making the *trencadís* mosaic murals.

4.4 Relationship with its surroundings

Mercadona maintains firm and stable collaboration links with Society, and is committed to transparency and collaboration as the basis on which it builds co-existence. In fact, transparency is an essential value and one of the axes of its social commitment, as can be seen on its website, where it regularly publishes updated institutional and economic information related to the operation and control of its public action.

Through listening and dialogue, it knows first-hand the needs of those who surround it, whether they are neighbours, consumers, associations or institutions, and it promotes many initiatives with them to strengthen their links.

In addition, the company has participated for years in numerous forums and meetings with various agencies and institutions. And it takes advantage of these opportunities to explain its company model in greater detail, while listening, firsthand, to what Society expects from the Mercadona Project.



Juan Antonio Germán, Mercadona Managing Director of External Relations and Patronage; Antonio Garamendi, president of the CEOE; José Manuel Benito, director of legal, accounting and tax advice of Marina de Empresas; and Narciso Casado, office director of the CEOE and managing director of CEOE International, during the visit to Marina de Empresas in October 2019.

Relationship with consumers

For Mercadona, consumer opinion about its project is fundamental, as it allows the company to introduce improvements that contribute to strengthening its business ethics. For this reason, it works closely with the most representative consumer associations in Spain and Portugal, at national, regional and local levels, and also participates in various training and information events.

In this sense, and aware of the relevance and leading role that consumer associations have for the sector, Mercadona is an active member of the Commission on Competitiveness, Trade and Consumer Affairs of the CEOE (C4), with whose implementation the national employers' association intends to contribute to strengthening the trade sector by means of two key objectives: the analysis, study and monitoring of the main issues affecting commercial distribution, and ensuring that the CEOE is able to convey to society that the distribution sector is strategic for our economy, as well as promoting an outreach to consumer associations as legitimate representatives of Spanish consumers.



Ricard Cabedo, director of external relations for Mercadona's agri-food chain, receiving the Business Trajectory Award given to the company by CEPYME in recognition of the creation of wealth in Spain and the sound relationships with suppliers, from the hands of the acting Minister of Economy and Business, Nadia Calviño; and the president of CEPYME, Gerardo Cuerva.

“Participatory Roundtable” project

Additionally, in 2019 it continued to collaborate in the “Participatory Roundtable” project, a discussion forum and working group founded in 2014 by the CECU, FUCI, UNAE and CAUCE Confederations and Federations of consumer and user associations together with Mercadona. In addition to proposing joint solutions in the field of consumption and establishing links between government, consumers and the business world, the “Participatory Roundtable” drafted the survey “Consumer Habits 2019”, conducted with 3,300 families. Its findings have allowed an in-depth analysis of the purchasing habits of Spanish consumers, the information and general knowledge they have in regarding nutrition or labelling, as well as their willingness to collaborate on relevant issues such as, for example, Social Responsibility and food waste.



Maria Carmen Barrera, acting president of the Economic and Social Council; and Nelson Castro, general director of Consumer Affairs; together with members of MPAC, and Clara Medina, director of relations with Mercadona consumer associations.

Outreach to

81
consumer
associations

128

meetings and events
with consumer associations

43

visits to
Mercadona facilities

Participation in

22
congresses and conferences

25

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

Collaboration with

23
intolerance and other
allergy associations

Support for

36
actions and events
promoted by
the associations

Proactive management with neighbours

Mercadona maintains a constructive relationship with its neighbours based on mutual respect. Aware of the opportunities for improvement that this relationship can provide, in 2014 it launched the Proactive Neighbourhood Management project. This initiative has enabled it to anticipate possible points of disagreement and improve coexistence by introducing preventive measures with the aim of harmonising its commercial activity with the day-to-day life of its neighbours.

As a result of this proactive communication and empathy, in 2019 the company has carried out 2,852 reviews of loading and unloading processes, as well as 2,220 reviews of internal processes at facilities and supermarkets. In addition, and as part of its ongoing commitment to coexistence, throughout the year it has addressed a total of 550 suggestions, complaints and improvements from neighbours, 73% of which were resolved satisfactorily in less than 30 days.

Likewise, the company maintains an important commitment with the neighbours in its surroundings, in line with the fundamental values of its business ethics, and takes into account the different concerns and needs of each neighbourhood, which it has aimed to address with each opening project. In Spain, for example, the company has built a pedestrian square with vertical gardens next to the Tavernes Blanques supermarket in Valencia, an initiative that has allowed it to modernise the surroundings and provide its neighbours with a new green space.

In the case of Portugal, Mercadona has contributed to the sustainable development of the areas where the company is present, as shown by the opening of its first supermarket, which has also become the first Social Responsibility project in Portugal, as a result of the agreement reached between the company and Gaia City Council, Canidelo District Council and Canidelo Sport Club. Thanks to this collabora-

tion, Mercadona built a brand new stadium in 2018, with better equipment for carrying out sports education for children and young people, which allowed it to take advantage, at the same time, of the land annexed to the old field to locate its current and first store. Another example is the store in Matosinhos (Porto), which is located in the former Vasco da Gama Canning Factory, a historic building for which Mercadona worked to maintain the original appearance of the façade and chimney stack and to preserve both its centuries-old history and its unique architectural setting.

In Portugal, the company has also carried out presentation sessions to neighbours in its 10 stores prior to their respective openings with the aim of introducing Mercadona. This initiative was embraced by a total of 37,200 Portuguese people.

Furthermore, since 2001 it has been promoting the revitalisation of traditional markets in the 37 stores that the company maintains in municipal markets in Spain. In this way, Mercadona confirms its commitment to coexistence and contributes to promoting local commerce in the areas and neighbourhoods in which it is present.



Exterior of the Sousa Aroso supermarket in Matosinhos, Porto, where the company has restored and maintained the façade and chimney stack at the old Fábrica de Conservas Vasco da Gama.

SOME OF THE SOCIAL RECOGNITION IN 2019

In 2019, Mercadona received numerous awards recognising its social commitment from various institutions and entities. All of them reflect the company's care and collaboration with society, an ongoing commitment that Mercadona cements year after year, aware of how much it can and must contribute to "return to society part of what it receives from society".

Merco Empresas Report: Mercadona continues once again to be the leading company in the general distribution sector and the second company with the best reputation in Spain in the General Business Ranking 2019 by the Spanish Corporate Reputation Monitor (MERCOS). Juan Roig was also named the most reputable business leader by occupying first place in the General Leaders' Ranking 2019 from the same monitor.

Business of the Year: Last October, the Federation of Official Spanish Chambers of Commerce in Europe, Africa, Asia and Oceania (FEDECOM) awarded Mercadona with the Business of the Year Award, an annual prize given to a Spanish company that stands out for its commercial and economic activity in one of the entity's member countries.

Trajectory award: The Spanish Confederation of Small and Medium-sized Enterprises (CEPYME) awarded Mercadona its special prize for Business Trajectory, recognising the company's work in creating wealth together with its suppliers.

Committed company: In 2019, the #PorElClima Community, formed by several social entities, the National State Administration, a business association and various environmental NGOs, recognised the strong effort and commitment that Mercadona makes to tackle the climate emergency with the incorporation of responsible measures that contribute to minimising the impact of its activities and acting against climate change.

Sustainable logistics: Last June, the International Logistics Exhibition (SIL), through a panel of independent experts, awarded Mercadona the prize for Logistics Efficiency.

Caring company: The Town Hall of Agaete recognised the work and help given by Mercadona during the two big fires that took place in Gran Canaria in August 2019.

Responsible company: Mercadona's Corporate Social Responsibility management was granted an award by the Cruz Blanca Foundation in Huesca.

Support for entrepreneurship

Mercadona is a responsible company that is involved in society's growth in countless ways. One of them is through attracting and supporting talent, aware that knowledge is one of the main catalysts for society's development and a driver of growth.

Therefore, together with EDEM Escuela de Empresarios and the Valencia Association of Businesspeople (AVE), Mercadona has supported entrepreneurship since 2010 by sponsoring the "Entrepreneurship Award" category for the Rei Jaume I Awards. In 2019, the award went to Carlota Pi Amorós, CEO and co-founder of Holaluz, for her disruptive commitment to the use of renewable energy and the management of self-consumption to reduce costs for users through new tech-

nologies. Created with the vision of changing the world, her project, Holaluz, is leading the transformation of the Spanish energy sector with a clear commitment to self-consumption, electric mobility and placing the customer at the centre of their decisions to build a long-term relationship based on trust.

In the field of talent training and development, Mercadona has maintained a close relationship with EDEM Escuela de Empresarios for years, a foundation chaired by Hortensia Roig and of which the company is a trustee. Through its participation and involvement in the school, Mercadona contributes to the training of businesspeople, managers and entrepreneurs by spreading the fundamental values of the Total Quality Model. In 2019, Juan



Juan Roig, Hortensia Roig and Vicente Boluda, sponsors of the Rei Jaume I Entrepreneur Award (Mercadona, EDEM Escuela de Empresarios and the Valencia Association of Businesspeople -AVE-), together with the award-winning Carlota Pi Amorós, CEO and co-founder of Holaluz, an initiative that is committed to the use of renewable energy and the management of self-consumption.

Roig once again participated as a teacher of the senior management course “15x15: 15 days with 15 leading executives”, and in the first edition of the Executive MBA weekend programme. Various Mercadona executives taught classes for some of its training programmes, while 120 students from the University Centre did their internships at Mercadona last year.

Marina de Empresas

EDEM Escuela de Empresarios is part, together with the accelerator company Lanzadera and the investment company Angels, of Marina de Empresas, one of Juan Roig’s initiatives located in Marina de València, which has the mission of training, advising and financing today’s and future entrepreneurs, which is dedicated to the creation of wealth and employment as well as to the promotion of entrepreneurship.

Lanzadera is a business accelerator created in 2013 that offers different support programmes depending on the type and maturity of startups. In addition, it has corporate agreements with large companies, including Mercadona, which offer entrepreneurs the possibility of solving new innovation challenges that they pose. During these seven years of operation, it has supported more than 380 companies. Together they have managed to gener-

ate more than 800 direct jobs, as well as external investment of 50 million euros.

Angels is an investment company that aims to invest in entrepreneurial leaders to develop sustainable businesses. It offers a management model based on the Total Quality Model, its network of contacts, as well as all the necessary infrastructure to support the entrepreneur, starting with the facilities located in Marina de Empresas. Since its inception, Angels has invested more than 26 million euros in 22 companies, which have generated more than 1,000 jobs. There are currently 14 invested companies.



Students from EDEM Escuela de Empresarios at the Marina de Empresas facilities in Valencia.

SUSTAINABLE DEVELOPMENT GOALS



4. In its commitment to talent, Mercadona promotes initiatives to support entrepreneurship through its collaboration with EDEM Escuela de Empresarios and the Rei Jaume I Awards.

SOME OF THE INSTITUTIONS AND ORGANISATIONS WITH WHICH MERCADONA COLLABORATES

AECOC

Spanish Commercial
Coding Association

AESAN

Spanish Agency for Food
Safety and Nutrition

AEP

Portuguese Business
Association

AINIA

Agri-Food Industry
Research Association

APED

Portuguese Association of
Distribution Companies

ASEDAS

Spanish Association of
Retailers, Convenience
Stores and Supermarkets

Porto Trade Association

**Health and food safety
authorities in the various
autonomous communities**

AVE

Valencia 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 their respective
territorial and regional
organisations

CIP

Portuguese Business
Confederation

Circle of Businesspeople

Spanish Hospitality Club

**San Telmo Business
School Agri-Food
Advisory Board**

**Directorates General of
the Spanish Ministry for
Agriculture, Fisheries
and Food (MAPA)**

**Ecodes**

Ecology and Development
Foundation

Ecoembalajes España**EDEM**

Escuela de Empresarios

ENAC

National Certification
Organisation

ESCODI

Terrassa School of
Commerce and Distribution

EuroCommerce**Forética**

European Distribution
Forum for Sustainability

Foro Interalimentario**COTEC Foundation Spain****COTEC Foundation Portugal****ÉTNOR Foundation****Seres Foundation**

Transforma España
Foundation

GS1 Portugal**IEF**

Family Business
Institute

**Lafer Foundation Master's
Degree in Agri-food
Business Management**

Global Compact**Respon.cat**

**Social Responsibility
in Catalonia**

Retail Forum**SESAL**

Spanish Food
Safety Society





CAPITAL

Mercadona is a shared growth project that brings value and wealth to its five components. In the case of Capital, it does so after having first satisfied “The Boss”, The Employee, The Supplier and Society, aware that “shared success tastes better”

Thanks to its Total Quality Model, Mercadona has once again consolidated its growth in 2019. And after satisfying “The Boss”, The Employee, The Supplier and Society, in that order, it has also managed to strengthen Capital.

This result is a consequence of the joint effort of everyone who forms part of the Mercadona Project. This effort focuses on putting the customer at the centre of all decisions, because when “The Boss” is satisfied, sales follow right behind.

With this, new opportunities for growth also sprout, also as a result of satisfying employees and suppliers. In addition, relationships with the surroundings in which the company is present are strengthened through empathy and communication with “neighbours” and through a company model that generates employment and shared prosperity. This model that pursues a clear vision: “To achieve a Sustainable Agri-food Chain, that people want to exist and feel proud of, led by Mercadona and having ‘The Boss’ as our guiding light”.

Since the incorporation of Mercadona and Irmãdona, the business purpose of both companies has been “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 goods and carrying out studies, programmes, reports and any other activity directly or indirectly related to IT 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 products through its 1,636 supermarkets located in Spain and Portugal, which are supplied from the various logistics centres that the company has located throughout the Iberian Peninsula. As mentioned in other sections of this report, in 2019 the first 10 stores and the first logistics centre were opened in Portugal, specifically in the areas of Porto, Braga and Aveiro, and the company plans to continue its expansion in the country in coming years.

The satisfaction of the fifth component, Capital, is one of the objectives of the Mercadona Model, which would not be possible without first achieving the satisfaction of the other components. The achievement of the objectives defined for 2019 has been possible thanks to the trust placed in the chain by the more than 5.4 million households that go to the supermarkets every day, the constant effort made by the approximately 90,000 employees in Spain and Portugal, the collaboration of Totaler Suppliers, and society’s positive view of the company. Likewise, the company has continued to commit itself to sustainable and responsible transformation based on the Total Quality Model, always keeping sustainable profit in mind.

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

KEY FIGURES IN 2019

(in millions of euros and *kilitres*)

| | |
|-----------------------------|--------|
| Sales units in kilos-litres | 12,050 |
| Turnover | 25,500 |
| Operating income | 700 |
| Income before tax | 764 |
| Income after tax | 623 |

Sales units (*kilitres*)

By year-end, the group reached a figure of 12,050 million kilitres sold, a number that reflects the trust “The Boss” placed in it throughout the year.

Kilitres sold

12,050

million kilo-litres (*kilitres*)

Sales

The trust of its “Bosses” and the firm commitment to offer an Efficient Assortment, with the best quality at the lowest possible price, have enabled Mercadona and Irmãdona to reach a turnover of 25,500 million euros in 2019.

Gross sales

€25,500 M

Profit

Profit before tax was 764 million euros in 2019, while profit after tax was 623 million euros. The evolution of income and sales highlights how decisions have been taken in sequential order: 1st “The Boss”, 2nd Sales and 3rd Profit.

Net profit

€623 M

EBITDA

The company's EBITDA (Earnings before interest, tax, depreciation and amortisation) stood at 1,260 million euros at the end of 2019. The group's operating income evolved in line with expected profit, consistent with the strategy and in line with the commitment to long-term results.

EBITDA

€1,260 M

Investments

The investments made during 2019 amount to approximately 2,200 million euros, financed entirely by Mercadona. This reflects the strength of its cash flow, its involvement in its projects and its capacity to generate cash flows.

This investment has been allocated primarily to updating and adapting its supermarkets to the New Efficient Store Model (Store 8), which includes the Ready-to-Eat service; to expansion in Portugal; to the opening of a new Hive in the Zona Franca industrial park in Barcelona to supply online orders for 52 postcodes in the province; to continue build-

ing and adapting its various logistics facilities; and to its responsible and sustainable commitment to the environment.

Investments
€2,200 M



Outside the Canidelo supermarket in Vila Nova de Gaia, Porto, the first opening of Mercadona in Portugal, and the facilities of the Sport Clube de Canidelo.

Equity capital

The profit obtained during the year and the capitalisation of nearly its entirety meant that equity capital stood at 6,076 million euros at the end of 2019.

It is worth noting that the ratio of equity capital to total assets remained at around 60% in 2019.

Equity capital
€6,076 M

OTHER INDICATORS

Suppliers

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

OPEX

Defined as Personnel Expenses ± Other Operating Expenses and Income (without taxes) were 4,706 million euros.

Productivity

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

Cash Flows

The generation of cash flows, taking into account the investments made in 2019, was as follows:

(in million euros)

| | |
|--|---------|
| Cash flow from operating activities | 1,254 |
| Cash flow from investing activities | (1,982) |
| Cash flow from financing activities (dividends) | (130) |
| Net cash variation | (858) |

The investment activity described above was carried out using the company's equity, resulting in decreased cash flow.

MERCADONA GROUP

Balance sheet at 31 December 2019

(in thousands of euros)

NON-CURRENT ASSETS

6,763,262

Fixed assets

6,694,467

Deferred tax assets

68,795

CURRENT ASSETS

2,953,092

Inventory

653,879

Trade and other receivables

113,326

Financial investments

199,786

Cash and cash equivalents

1,986,101

TOTAL ASSETS

9,716,354

EQUITY

6,076,513

Capital

15,921

Reserves

5,437,855

Profit for the period

622,737

NON-CURRENT LIABILITIES

49,709

Long-term provisions and debt

10,157

Deferred tax liabilities

39,552

CURRENT LIABILITIES

3,590,132

Suppliers

2,498,025

Creditors and debts with Public Entities

810,549

Personnel

281,558

TOTAL EQUITY AND LIABILITIES

9,716,354

MERCADONA GROUP

Income statement at 31 December 2019

(in thousands of euros)

| | |
|---------------------------------|----------------|
| Revenue | 23,361,345 |
| Provisioning | (17,358,440) |
| Other operating income | 66,319 |
| Personnel expenses | (3,085,538) |
| Other operating expenses | (1,724,610) |
| Fixed asset depreciation | (559,094) |
| OPERATING INCOME | 699,982 |
| Financial income | 10,739 |
| Impairment | 53,196 |
| NET FINANCIAL INCOME | 63,935 |
| PROFIT BEFORE INCOME TAX | 763,917 |
| Income tax | (141,180) |
| PROFIT FOR THE PERIOD | 622,737 |

* Consolidated Mercadona and Irmadona data calculated exclusively for this report.

JUAN ROIG AND HORTENSIA HERRERO LEGACY PROJECT

Convinced that true success comes from the generosity of sharing and putting the knowledge and resources that we each have at our disposal at the service of others, in 2012 Juan Roig began the development of a personal project based on entrepreneurship, training and sports sponsorship to contribute to and help others build their dreams.

All these ideas and objectives have been shaped around the Legacy Project, an initiative driven by their personal and altruistic heritage, which was born out of Juan Roig's dream: to foster the entrepreneurial spirit and share his Model. Because, if someone discovers how to increase customer satisfaction, there are entrepreneurs; if there are entrepreneurs, there are companies; if there are companies, there are jobs; if there are jobs, there is wealth; and if there is wealth and we know how to manage it, there is well-being.

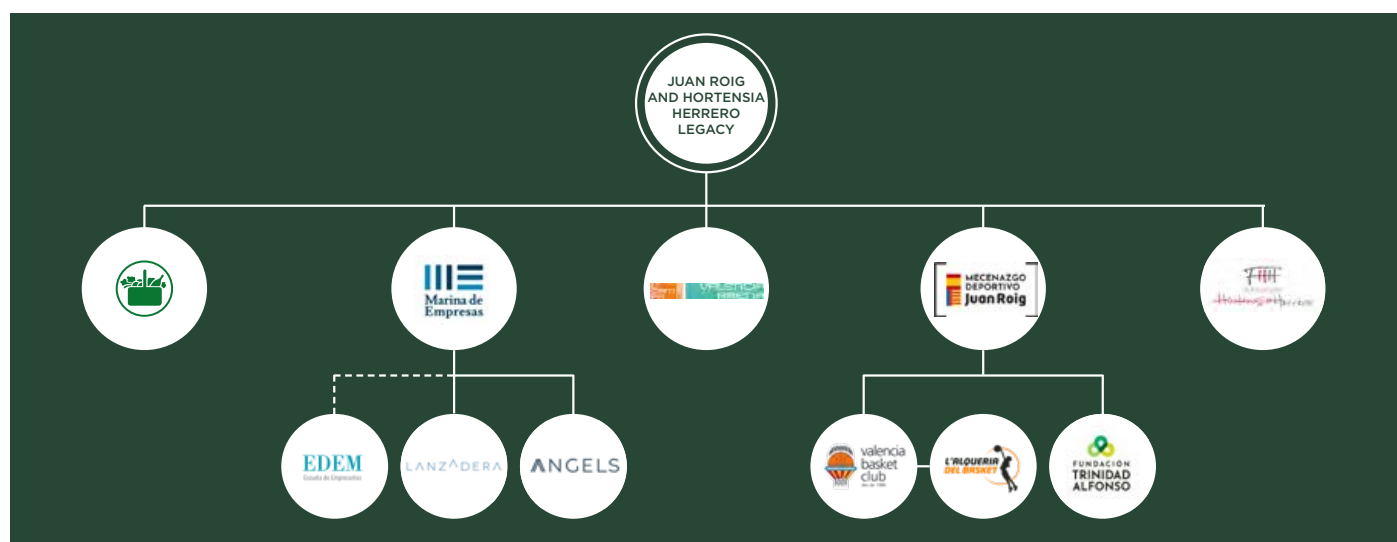
Marina de Empresas was born through this desire to promote the largest ecosystem of talent, innovation and leadership across the Mediterranean through its three axes: EDEM Escuela de Empresarios, training in management and entrepreneurial talent, Lanzadera, accelerator of support to entrepreneurial projects and Angels, a company that invests in entrepreneurial leaders.

The Legacy Project also promotes Sports Sponsorship through the Trinidad Alfonso Foundation, with which Juan Roig has contributed to making Valencia the city of running, with the best marathon in Spain and one of the 10 best in the world, among other sports initiatives. He also sponsors Valencia Basket, which he has been

supporting since 1986, and which is one of the benchmarks in European basketball for both men and women. They are joined by L'Alqueria del Basket, the largest basketball training centre in Europe.

Another initiative of the Legacy Project is Licampa 1617, which will provide Valencia with a multipurpose indoor venue of international stature, the future Valencia Arena, for holding top-tier entertainment events (music, art, culture, etc.), contributing to boosting the fame and reputation of Valencia and the Valencian Community.

Similarly, Hortensia Herrero, Mercadona's Vice-president, carries out important artistic and cultural patronage work. Through the foundation that she presides over, the Hortensia Herrero Foundation, she leads numerous initiatives to protect and recover the artistic and cultural heritage of the city of Valencia and promotes social actions that contribute to making the Valencian Community a reference point. Within this framework, in addition to the remodelling of the Church of Saint Nicholas, which was completed in 2016, in 2019 she signed an agreement with the Archbishopric of Valencia for the restoration of the Santos Juanes Church, declared a National Historical and Artistic Monument; and started the works for the complete renovation of the Valeriola Palace, a neoclassical building built in the 17th century, located in the centre of Valencia, which will house the Hortensia Herrero Art Centre where visitors will be able to view Hortensia Herrero's contemporary art collection, as well as the ruins of the Jewish quarter and part of the ruins of the Roman circus, which ran through the ground floor of the Palace.





Frescoes in the church of San Nicolás. / Start of the 39th Maratón Valencia Trinidad Alfonso EDP Valencia Marathon. / Juan Roig, President of Mercadona, and Paco Borao, President of the Sociedad Deportiva Correcaminos, together with Kinde Atanaw Alayew, winner of the 39th running of the Valencia Marathon, whose time positioned the marathon as the 6th fastest in the world. / Simulation of the Valencia Arena project. / Outside the facilities of EDEM Escuela de Empresarios. / Hortensia Herrero, together with Jaume Plensa, at the opening of the artist's sculptures exhibited at the Ciutat de les Arts i les Ciències de Valencia between June and November 2019. / Valencia Basket Club's top men's and women's teams, together with the youth teams in the facilities of L'Alqueria del Basket.

INDEPENDENT VERIFICATION REPORT

In compliance with Law 11/2018, of 28 December, the Company has submitted a non-financial information statement which forms part of the management report, which has been verified by **Deloitte, S.L.**, as an independent provider of verification services, which issued its verification report without qualifications on 31 January 2020, as expected.

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



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

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

IMPACT OF ECONOMIC ACTIVITY IN MERCADONA

| No. | INDICATOR | PAGE / COMMENT | |
|-----|--|--|---|
| 1 | Name of the organisation | MERCADONA, S.A. | ✓ |
| 2 | Activities, brands, products and services | Pp. 2, 10-19, 37 | ✓ |
| 3 | Location of headquarters | Calle Valencia, 5 Tavernes Blanques, Valencia, Spain | ✓ |
| 4 | Location of operations | Spain and Portugal Pp. 4-5 | |
| 5 | Ownership and legal form | Pp. 12, 99-100 | ✓ |
| 6 | Markets served | Pp. 4-5, 12 | |
| 7 | Scale of the organisation | Pp. 4-5 | |
| 8 | Information on employees and other workers | Pp. 4-5, 45-59 Mercadona has 90,000 permanent employees (89,100 in Spain and 900 in Portugal) and has no subcontractors in its primary activity | ✓ |
| 9 | Supply chain | Pp. 4-5, 61-66, 70-71 | |
| 10 | Significant changes to the organisation and its supply chain | Pp. 6-7, 18-19, 62-63 | |
| 11 | Precautionary principle or approach | Pp. 16-17 | ✓ |
| 12 | External initiatives | Pp. 33, 70, 90-94, 96-97 | |
| 13 | Relationship with associations of which the organisation is a member | Pp. 96-97 | |
| 14 | Statement from the President | Pp. 6-7 | |

| No. | INDICATOR | PAGE / COMMENT | |
|-----|---|---|---|
| 15 | Key impacts, risks and opportunities | Pp. 16-17 | ✓ |
| 16 | Values, principles, standards and norms of behaviour | <p>Pp. 2, 11-15</p> <p>Mercadona is governed by the Total Quality Model, which forms the basis of the company's values and paradigms. The internal conduct that all employees share is defined therein. In addition, we have a Code of Conduct whose mission is to ensure compliance with our values and with the Law</p> | ✓ |
| 17 | Governance structure | Pp. 8-9 | |
| 18 | Executive positions or positions with responsibility for economic, environmental and social aspects | Responsibility for economic, social and environmental issues lies with the members of the Board of Directors, who take their decisions collectively | |
| 19 | Consulting stakeholders on economic, environmental and social topics | Pp. 90-92, 95 | |
| 20 | Composition of the highest governance body and its committees | Pp. 8-9 | |
| 21 | Information on whether the person chairing the highest body also holds an executive position | The Chairman of the Board of Directors chairs the Management Committee | |
| 22 | Conflicts of interest | <p>There are no conflicts of interest</p> <p>All members of the Management Committee are Mercadona employees and there are no conflicts of interest</p> | |
| 23 | Role of the highest governance body | Pp. 8-9, 16 | |
| 24 | Collective knowledge of the highest governance body | Pp. 8-9 | |
| 25 | Evaluation of the highest governance body's performance | Pp. 8-9 | |
| 26 | Identification and management of economic, social and environmental impacts | Each department submits the relevant economic, social and environmental aspects related to its activities to the Management Committee, specifically during coordination meetings | ✓ |
| 27 | Effectiveness of risk management processes | Pp. 16-17 | ✓ |

| No. | INDICATOR | PAGE / COMMENT | |
|-----|--|---|---|
| 28 | Review of economic, environmental and social topics | Pp. 16-17 The company's governance bodies supervise and approve everything related to economic, environmental and social topics | ✓ |
| 29 | Highest governance body's role in sustainability reporting | The company's governance bodies supervise and approve all externally-reported information | ✓ |
| 30 | Process for communicating critical concerns to the highest governance body | Each department submits the relevant aspects related to its activities to the Management Committee, specifically during coordination meetings | ✓ |
| 31 | Total number and nature of critical concerns that were communicated to the highest governance body | All concerns related to its activities and under its responsibility are raised | ✓ |
| 32 | Remuneration policies | Pp. 47-49 The company's remuneration policy has been based on the principle of "equal responsibility, equal pay" for years | ✓ |
| 33 | Processes for determining remuneration | Pp. 47-49, 52 | ✓ |
| 34 | Stakeholders' involvement in remuneration | The company has a Collective Agreement in force, signed and agreed with the employees' union representatives | ✓ |
| 35 | List of stakeholders | P. 16 | ✓ |
| 36 | Collective bargaining agreements | P. 50 The company has its own labour agreement covering 100% of employees | |
| 37 | Identifying and selecting stakeholders | Pp. 14-17 | |
| 38 | Approach to stakeholder engagement | Ongoing dialogue with all stakeholders in order to understand and meet their needs and expectations | ✓ |

| No. | INDICATOR | PAGE / COMMENT |
|-----|--|--|
| 39 | Key topics and concerns raised | Pp. 16-17 The relationship maintained with the stakeholders allows us to apply product improvements made with the "Bosses", innovate with the suppliers or add knowledge with the primary sector to improve the fresh produce range |
| 40 | Definition and contents of the report | The structure of the report corresponds to the Total Quality Model and reports on the five components of the company (stakeholders) |
| 41 | List of material topics | P. 16 Each section details the strategies and actions carried out that are relevant to each component (stakeholders) |
| 42 | Restatements of information | There have been no relevant changes |
| 43 | Reporting period | 1 January 2019 to 31 December 2019 |
| 44 | Date of most recent report | 2018 |
| 45 | Reporting cycle | Annual |
| 46 | Point of contact for questions and concerns about the report | Contact information on the back cover |
| 47 | Ratio between the starting salary broken down by gender and the minimum wage by significant locations of operation | Pp. 47, 57 The remuneration policy responds to the principle of equity: equal responsibility, equal pay, without making distinctions by gender or any other differentiation |
| 48 | Percentage spending at significant locations of operation corresponding to local suppliers | Pp. 4-5, 68-69, 79 |
| 49 | Number and percentage of departments where corruption-related risks and significant risks have been assessed | 100% of the activities and internal procedures of the various departments have been assessed where possible corruption-related risks have been identified |

| No. | INDICATOR | PAGE / COMMENT | |
|-----|--|--|---|
| 50 | Communication and training about anti-corruption policies and procedures | The rejection of corruption is a fundamental principle of the Mercadona model | ✓ |
| 51 | Confirmed incidents of corruption and actions taken | No cases of corruption have been detected during the period analysed | ✓ |
| 52 | Number of judgments for unfair competition, monopolistic or anti-competitive practices and their outcome | None recorded during the reporting period | ✓ |
| 53 | Internal energy consumption | 7,847,064 GJ | ✓ |
| 54 | Energy intensity | 0.21 GJ/m ³ of goods | |
| 55 | Reduction in electricity consumption | 14 million kWh saved | ✓ |
| 56 | Water consumption | Total consumption of 4.8 hm ³ (of which 2.2 hm ³ correspond to stores and the rest to logistics centres) Consumption by store and month: 110 m ³ | ✓ |
| 57 | Water withdrawal according to the source | 100% from municipal public water supply Rainwater harvesting in 3 logistics platforms, which is used for irrigation and washing | ✓ |
| 58 | Direct emissions of greenhouse gases* | 6.93 kg CO ₂ eq/m ³ of goods | ✓ |
| 59 | Indirect greenhouse gas emissions from energy consumption* | 14.79 kg CO ₂ eq/m ³ of goods | ✓ |
| 60 | Indirect greenhouse gas emissions from freight transport* | 17.16 kg CO ₂ eq/m ³ of goods | ✓ |

* CO₂eq data from December 2018 to November 2019.

| No. | INDICATOR | PAGE / COMMENT | |
|-----|---|---|---|
| 61 | Intensity of greenhouse gas emissions* | 38.88 kg CO ₂ eq/m ³ of goods | ✓ |
| 62 | Reduction of greenhouse gas emissions* | 200,000 tons of CO ₂ eq | ✓ |
| 63 | Emissions of ozone-depleting substances | The company does not use ozone-depleting substances | ✓ |
| 64 | Total weight of waste, according to type and treatment method | 359,504 tonnes, of which 76% goes to recycling/recovery | |
| 65 | Percentage of new suppliers reviewed in terms of environmental criteria | Mercadona requires all its Totaler Suppliers to be certified under an internationally recognized effective environmental management standard (ISO 14001, EMAS or equivalent) | |
| 66 | Number and proportion of recruitment and average employee turnover, broken down by age group, gender and area of activity | P. 57 | ✓ |
| 67 | Social benefits provided to full-time employees that are not provided to temporary or part-time employees, broken down by significant locations of activity | There is no such differentiation | |
| 68 | Minimum notice periods for operational changes and possible inclusion in collective agreements | Any relevant event that may affect staff is notified to the employees and their representatives sufficiently in advance and always within the time limits established by the legislation in force | |
| 69 | Percentage of employees who are represented on formal joint management and employee health and safety committees established to help monitor and advise on health and safety programmes | Existing committees represent all employees at the same level and all agreements are confirmed by management | ✓ |
| 70 | Rate of injuries, occupational illnesses, lost days, absenteeism and number of work-related fatalities | Incidence of work accidents with sick leave: 23.02% Lost days: 4,710,424 (2.57%) Male absenteeism: 0.72% Female absenteeism: 1.85% | ✓ |

* CO₂eq data from December 2018 to November 2019.

| No. | INDICATOR | PAGE / COMMENT | |
|-----|--|--|---|
| 71 | Employees whose position has a higher incidence or risk of illness | In general, no employees involved in activities with a high incidence or high risk of specific illnesses have been identified | ✓ |
| 72 | Health and safety issues covered in formal agreements with unions | There are agreements in force with the trade unions that include aspects such as improvements in the design of work stations and the choice of equipment and production methods to ensure safety at work, as well as promoting the information and training necessary to minimise risks in each position | ✓ |
| 73 | Average hours of training per year per employee, broken down by gender and professional category | Per employee: 32 hours of training and €973 invested on average per employee in Spain and 913 hours of training and €21,400 euros invested on average per employee in Portugal | |
| 74 | Skills management and continuing education programmes that promote employability for employees and help them manage the end of their careers | Pp. 52, 54 | ✓ |
| 75 | Percentage of employees receiving professional development performance evaluations by gender and professional category | Pp. 52, 54 All employees are evaluated annually in the performance of their duties, both downstream and upstream | ✓ |
| 76 | Composition of the governance bodies and breakdown of employees by professional category and gender, age, minority group membership and other diversity indicators | Pp. 8-9, 50, 57 | ✓ |
| 77 | Ratio of basic salary of women to men, broken down into women's versus men's remuneration | Pp. 47, 57 The principle of equity "equal responsibility, equal pay" is applied without any difference in terms of gender | |
| 78 | Incidents of discrimination and corrective actions taken | In 2019, Mercadona did not record any discrimination cases through the available channels | ✓ |
| 79 | Identification of significant operations and suppliers where freedom of association and the right to benefit from collective agreements may be infringed or threatened, and measures taken to support these rights | The company guarantees freedom of association in all its operations as set out in the current collective agreement No significant suppliers considered at risk have been identified | |

| No. | INDICATOR | PAGE / COMMENT |
|-----|--|--|
| 80 | Identification of operations and suppliers with a significant risk of cases of child labour, and measures adopted to contribute to the abolition of child labour | <p>The company guarantees that there is no case of child labour in its operations</p> <p>No significant suppliers considered at risk have been identified</p> |
| 81 | Operations and suppliers at significant risk of being the source of forced labour incidents, and measures taken to contribute to the elimination of all forms of forced labour | <p>The company guarantees that there is no case of forced labour in its operations</p> <p>No significant suppliers considered at risk have been identified</p> |
| 82 | Number and percentage of operations that have been subject to human rights reviews or impact assessments | <p>The company complies with the standards required in this area, in accordance with current legislation</p> <p>✓</p> |
| 83 | Hours of employee training on policies and procedures related to aspects of human rights relevant to their activities, including the percentage of employees trained | <p>All staff receive training in the Mercadona Model, which shapes values and behaviour within the company</p> <p>✓</p> |
| 84 | Percentage of operations where development programmes, impact assessments and local community engagement have been implemented | <p>The company does not have this indicator, but the different actions carried out are specified in the Society section (pp. 77-97)</p> |
| 85 | Operations with significant potential or actual negative impacts on local communities | <p>Pp. 17, 92</p> <p>No operations with negative effects on local communities have been identified</p> |
| 86 | Percentage of new suppliers reviewed in terms of criteria relating to human rights, labour practices and social impacts | <p>Pp. 64-71</p> <p>85% of products are of Spanish origin, obtained from suppliers audited according to the Mercadona Model, which includes the satisfaction of employee needs</p> |

| No. | INDICATOR | PAGE / COMMENT | |
|-----|---|--|---|
| 87 | Financial contributions made to political parties by country and recipient | None made during the reporting period | |
| 88 | Number of incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their life cycle, broken down by type of outcome for such incidents | Number of incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their life cycle, broken down by type of outcome for such incidents | ✓ |
| 89 | Number of incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their life cycle, broken down by type of outcome for such incidents | Pp. 36-39, 43 | ✓ |
| 90 | Number of cases of non-compliance with regulations and voluntary codes on product and service information and labelling, broken down by type of result | During the reporting period, no significant incidents of non-compliance have been identified in this area | |
| 91 | Number of cases of non-compliance with regulations or voluntary codes concerning marketing communications, such as advertising and sponsorship, broken down by type of result | During the reporting period, no significant incidents of non-compliance have been identified in this area | |
| 92 | Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | The company is not aware of any in the reporting period | ✓ |
| 93 | Amount of significant fines for non-compliance with regulations and legislation concerning the supply and use of products and services, monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations | There was no significant non-compliance with regulations* | ✓ |

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





HISTORY

1977 - 2019

Mercadona is a business project immersed in a drastic transformation with the aim of continuing to build a sustainable business model and offering “The Boss” an Efficient Assortment of quality, quality, quality and, above all, quality

Detail of the façade of the supermarket on Avenida Rosas in Manises, Valencia.

1977



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

1981



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

1982



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

1988



Inauguration of the Riba-roja de Túria (Valencia) Logistics Centre, a Spanish pioneer in full automation.

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

1990



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

1993



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

1996



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

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

The first collective agreement for all employees is signed.

1997



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

1999



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

Inauguration of the Antequera (Málaga) Logistics Centre.

The new cosmetics designing and modelling project began.

2000



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

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

First Intersupplier Meeting held.

Signing of the Collective Agreement (2001-2005).

2001



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

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

2003



First company to carry out an Ethical Audit.

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

Launch of the new Hortensia H perfume line.

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

2004



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

2005



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

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

2006



The company's twenty-fifth anniversary.

Inauguration of the company's 1,000th store in Calp (Alicante).

2007



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

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

2008



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

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

Inauguration of the Ingenio (Gran Canaria) Logistics Centre.

2013



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

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

Mercadona starts developing the Sustainable Agri-Food Chain.

Inauguration of the Guadix (Granada) Logistics Centre.

2014



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

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

2015



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

Mercadona's model of radical innovation is internationally recognised.

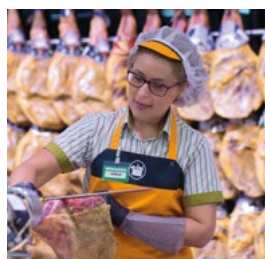
2016



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

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

2017



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

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

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

2018



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

Implementation of the new Ready-to-Eat section.

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

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

2019



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

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



Exterior of the Esmaltaciones supermarket in Vitoria-Gasteiz, Araba/Álava.



The Mercadona Project continues to move forward...



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