















and QUality











2021 Annual Report and more information:

https://info.mercadona.es/en/home











































Thanks to Luisa, Guillermo, Nacho, Darlin, Noelia, Ángela, Ana, Xinru Chen, Daniel, Tito, José María, Javi, Fran, Rocío, Sergio, Yolanda, Jose, Laura, Carlos and Paula, Mercadona employees, for participating in the 2021 Annual Report.

Contents













- 4 Our most significant achievements in 2021
- 6 Message from the President

10 The Model

- **12** A supportive model
- 14 A company committed to the Sustainable Development Goals
- 16 Materiality and stakeholders
- 18 Sustainable development and prevention of possible risks
- 20 A sustainable, disruptive, social and open innovation model
- 22 Irmãdona: Mercadona in Portugal

26 1. "The Boss"

- 28 1.1 A selection committed to quality
- 36 1.2 A corporate culture based on excellence in service

42 2. The Employee

- 44 2.1 Quality employment
- 50 2.2 A model that adds value
- **56** 2.3 Health protection

58 3. The Supplier

- **60** 3.1 A common goal: quality
- **64** 3.2 Shared commitments
- **72** 3.3 A quality logistics network

76 4. Society

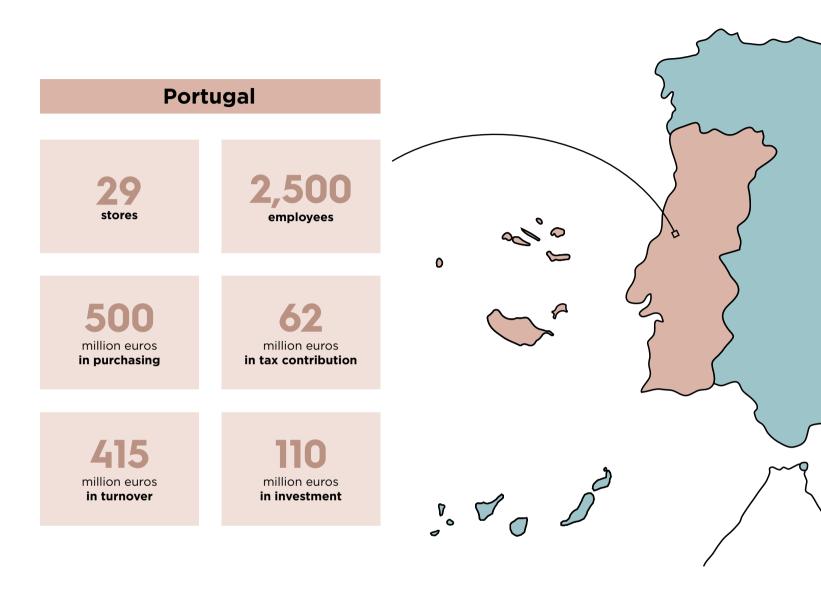
- **78** 4.1 Recognised effort
- **80** 4.2 Sustainable and shared growth
- **82** 4.3 Commitment to caring for the planet
- 92 4.4 A social and responsible Mercadona
- **96** 4.5 Dialogue and transparency with society

100 5. Capital

- 110 Juan Roig and Hortensia Herrero Legacy Project
- 112 Additional relevant information

122 History: 1977-2021

Our most significant achievements in 2021



Mercadona consolidated group

15.5%

market share
in total sales
area in Spain

1,662 stores 79 openings 58 closures



Spain

1,633

93,300 employees

21,000 million euros in purchasing

1,955
million euros
in tax contribution

27,404
million euros
in turnover

1,090
million euros
in investment

95,800 employees

800 new jobs Figures in millions of euros

21,500in purchasing

27,819
in turnover

urnover in investment

+3.3%

Message from the President

As I informed you in my message last year, 2021 has been an extremely difficult year. We have adapted to the various measures that the different administrations have taken to manage the pandemic, ranging from restrictions on mobility to lockdowns, in addition to increases in the prices of raw materials, energy costs and transport prices, among others, which have plunged us into an inflationary scenario.

Having learnt to manage a pandemic in 2020, with its successes and failures, 2021 has taught us how to handle its effects. Indeed, the shutdown of worldwide activity that lasted for several months has caused bottlenecks from the very moment that the supply chain started to move again.

The predictable and stable scenarios in which we operated as a company have been left behind. It is now time to adapt to uncertainty and be able to interpret changes in advance in order to face, with agility, determination and humility, a changing situation that demands the very best from each of us. This is precisely the high level of commitment assumed by the 95,800 people who make up Mercadona; in a year in which transparency and communication have been essential to involve each and every one of them in the perfect storm context that we are managing. Because if every one of the people who make up the Mercadona project gives their best effort and ideas, Mercadona moves forward.

The success of our company model lies in this unwavering commitment. This success is a journey of constant tacking to achieve a common purpose:



to continue satisfying the needs of the "Bosses", as our customers are known internally, and of the rest of the components of the company: The Employee, The Supplier, Society and Capital.

At Mercadona, we have spent 25 years focusing all our efforts on discovering and satisfying the needs of our customers in order to be able to prescribe them the best solution with quality 10 at an unbeatable price. In determining that moving forward to

be 100% Totaler means building a sound competitive advantage that is unique and differentiating, in which the key is the word ALWAYS in our routine job, we have to be TOTALER in a radical way (always) by applying this strategy, comparing and making demands upon ourselves. For this purpose, all of the company's departments have been immersed in a battle for quality, jointly taking up this challenge in all products and processes.

Numerous other differentiating initiatives must be added to this joint work. For example, the development of the Efficient Store Model (Store 8), with more than 1,200 stores in Spain and Portugal; the continued commitment to a more efficient and sustainable logistics network, with the start-up of part of the new logistics centre located in Parc Sagunt (Valencia); or the implementation of the Ready-to-Eat section in over 800 supermarkets. There is also the consolidation of our international project in Portugal, a country in which we ended the year with 29 supermarkets, a new co-innovation centre in Lisbon and the start of the construction of a new logistics centre located in the municipality of Almeirim (Santarém), all advances that have led Mercadona to increase sales across constant

"All departments have been immersed in a battle for quality in all products and processes"

surface area by 3.3%, up to 27,819 million euros, in 2021.

Throughout the year we have also worked to consolidate the satisfaction of our online "Bosses", after having started the construction of two new warehouses (Hives) in Alicante and Seville, intended exclusively for the preparation and distribution of orders via this channel and which will join those of Madrid, Barcelona and Valencia in 2022. However, in this continuous digital transformation process in which the company is immersed, we are also facing new challenges and defining new ways of getting online orders to customers in more profitable and sustainable ways.

In this respect, and with the aim of continuing to promote the company's positive impact on society and the environment, Mercadona has finished the implementation of Strategy 6.25. With this, we are nearing our threefold objective of reducing plastic by 25%, making all packaging recyclable and recycling all plastic waste by 2025. At the same time, we have continued to be involved in the areas in which we are present, contributing to solidarity initiatives, such as, for example, support for those affected by the volcano in La Palma, where we have donated 74 tonnes of essential products and over a million FFP2 face masks.

To sum up, 2021 has been a complicated year and one with significant challenges, in which the transformation and evolution of Mercadona would not have been possible without the investment effort made, which has reached 1,200 million euros over the past twelve months, to face the challenges that lie ahead of the company, with the aim of continuing to consolidate a business that is increasingly sustainable, green, productive and digital.

We have managed the peaks of the pandemic and minimised the impact of inflation, absorbing part of it in order not to pass on the real increase in costs to our customers. Thanks to this effort, we have kept prices at more than 3.5 points below the CPI, which has led to a decrease in margin. As a result, our net profit has decreased by 6%, to 680 million euros. Despite this fall in profits, Mercadona has once again distributed over 375 million euros among our staff as performance-related bonuses. And in its commitment to maintaining the purchasing power of the workforce, it has announced a salary increase in line with inflation.

2022 is going to be very complicated and unpredictable. However, with the Total Quality Model as a lighthouse and guaranteeing our processes, products and services daily, we are convinced that we can achieve the objectives set. These goals will steer us to continue discovering the path that leads us to become a 100% Totaler company, counting on the support of more than 3,000 specialist suppliers to offer an efficient selection at unbeatable prices. In short, to be a company that society feels proud of; a business project in which we all focus our efforts on being efficient and productive and accepting the importance that our decisions have on company costs.

To do so, as always, we have relied on the support of our shareholders and our Board of Directors, to whom I would like to thank for their commitment and effort. Their trust in the Management Committee is also going to be key to successfully face such an unpredictable situation as the current one. For yet another year, thank you very much.

Juan Roig

Management Committee

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



Juan Roig President



José Jordá Managing Director of Stores and Perishables Prescription



Guillermo Pérez Managing Director of Dairy Products Purchasing



Managing Director of Manufactured

Rosa Aguado Managing Director of Logistics

José Miguel Fernández



Héctor Hernández Managing Director of Finance and Marina de Empresas



Paco Espert Managing Director of Dry Products Prescription



Teresa PolManaging Director of Bakery Purchasing



Patricia Cortizas Managing Director of Human Resources



Patricia Tobía Managing Director of IT



Rafael Berrocal Managing Director of Fish, Fruit and Vegetables Purchasing



David Cid Managing Director of Petroleum Byproducts Purchasing and Multinationals



Francis Alonso Managing Director of Meat, Eggs and Delicatessen Meat Purchasing



Marga Santos Managing Director of Phytotherapy Purchasing



Pilar SanzManaging Director of
Construction and Expansion



Elena Tejedor Managing Director of External Relations

Board of Directors

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

Juan Roig Alfonso President

Hortensia Mª Herrero Chacón Vice-president

Carolina Roig Herrero Board Member Secretary

Members of the Board

Hortensia Roig Herrero Amparo Roig Herrero Juana Roig Herrero Rafael Gómez Gómez Fernando Roig Alfonso

Audit Committee

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

Juana Roig Herrero President

Carolina Roig Herrero Secretary

Rafael Gómez Gómez Member of the Board

A common goal: to promote a company model that society wants to exist and feel proud of

Through its Total Quality Model, Mercadona has been driving and promoting passion for excellence for years in order to satisfy the company's five components day in and day out with the same intensity: "The Boss" (customers), The Employee, The Supplier, Society and Capital. A business project that has been constantly evolving since it was founded in 1977, and whose construction came about from the entrepreneurial dream of its president, Juan Roig: to promote a company model that society wants to exist and feel proud of

A supportive model

Mercadona is a business project in constant transformation. It is an evolving project and has been doing so since 1993, with its own model that supports the company's principles and values: the Total Quality Model. Each day, it helps us to satisfy all of the company components: "The Boss", as the customer is known internally, The Employee, The Supplier, Society and Capital. This sequential order is followed but they are all equally important. At Mercadona, having a Model and people who always apply it is a real treasure.

The Mission

Fill bellies

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

... always ensuring conclusive quality (safe and healthy), maximum service (sustainable), minimum budget and minimum time.

The Vision

To achieve a sustainable agri-food chain, that people want and are proud of, led by Mercadona and with "The Boss" as our lighthouse.



The Universal Truths

The Mercadona Model takes into account 9 universal truths, principles that are always followed, whether or not they are believed. The most important one is that in order to receive, we first must give. Because the more we give, the more we receive.

The Paradigm

The Mercadona point of view is Total Quality: constantly thinking about the needs of "The Boss" and making them compatible with the rest of the company's components: The Employee, The Supplier, Society and Capital.

Juan Roig's dream

To share the Mercadona Model with Society.

A company committed to the Sustainable Development Goals

For Mercadona, contributing towards the social development of the areas in which it is present is an obligation and a responsibility. As such, it takes them on board, with the commitment to create shared value and promote sustainable and supportive activity in all of its processes.

It is precisely within the framework of this business model that it works every day to address the needs set out by those Sustainable Development Goals (SDGs) on which the impact of its activity has the most influence. It does so through leadership, promoting socially responsible actions and initiatives.

In this context, since 2011 the company has been a signatory of the Global Compact, an initiative through which the United Nations promotes the different Sustainable Development Goals.

Components impacted*: **SDGs Ongoing actions** B E Su So C 1. No poverty 1 NO POVERTY Mercadona supports initiatives promoted by regional associations whose aim is • Donations to food banks, soup kitchens, and other entities. to help reduce poverty among the most disadvantaged groups. 2. Zero hunger • Donations to food banks, soup kitchens, and Collaboration with soup kitchens, food other entities. banks and other entities promotes food • Stock management in stores to reduce food redistribution and facilitates access to waste healthy food for people at risk of exclusion. 3. Good health and well-being • Quality Management and Food Safety System. Offering maximum food quality and safety • Selection adapted to groups with special are essential requirements for protecting needs the well-being of the five components • Health and safety protocols for employees in through a wide selection of fresh and the different jobs. healthy products. • Workforce training and development. 4. Quality education • Collaboration with educational entities such as Mercadona has an extensive and EDEM and the Mercadona Circular Economy Chair with the UPF Barcelona School of well-developed ongoing training plan for all employees, which supports their Management. • Strategy 6.25: Educating and informing on personal and professional growth. how to recycle in stores. 5. Gender equality • "Equal responsibility, equal pay". Basic commitment of Mercadona, which is · Equality Plan. governed by the principle of equity "equal • Prevention protocol for victims of domestic responsibility, equal pay" and offers the violence. same opportunities for internal promotion Participation in official campaigns for salary to all staff. equality and against domestic violence. • Stable and quality jobs with pay above the 8 DECENT WORK AND 8. Decent work and economic growth sector average. Mercadona's workforce has stable and • Contribution to shared growth in the countries quality employment with permanent in which Mercadona is present. contracts, schedules known in advance • Ethical Conduct Guidelines for Suppliers. that guarantee the established daily and • Own Prevention Service to promote a safe, weekly rest times and salaries above the risk-free work environment for all employees. sector average, while suppliers guarantee respect for the • 5+2 Work Week and annual calendar of rest human rights of their employees.

| SDGs | | Ongoing actions | В | E | Su | So | С |
|---|--|---|-------|----|--|-----------|---|
| 9 ANDUSTRY, INVOVATION AND INFRASTRUCTURE | 9. Industry, innovation and infrastructure The company collaborates with manufacturers and suppliers to promote shared and sustainable growth, generating value through joint work and innovation in all processes that affect Mercadona. | Efficient Store Model. Co-innovation Model. Cross-cutting Innovation Model. Supplier Relationship Model, which supports an industrial cluster. | • | | | | • |
| 10 REDUCED INEQUALITIES | 10. Reduced inequalities Mercadona and its suppliers offer equal conditions and opportunities to all employees, with no discrimination of any kind. | Non-discrimination policy. Workplace harassment prevention protocol. Collaboration with entities that encourage the integration of people with disabilities into the world of work. | | • | • | • | |
| 11 SUSTAINABLE CITIES AND COMMUNITIES | 11. Sustainable cities and communities Mercadona is involved in the communities it forms part of, enhancing urban environments thanks to its local supermarkets, its relationships with neighbours and its Environmental Management System. | Proactive Neighbourhood Management. Own Environmental Management System to help support the transition to a Circular Economy. Sustainable logistics measures. Efficient Store Model. Strategy 6.25: reduction of plastic and waste management. Implementation of Smart Distribution and Silent DUM (urban unloading of goods) in cities. | | | • | • | • |
| 12 PESPONSIBLE CONSUMPTION AND PRODUCTION | 12. Responsible consumption and production Mercadona and the suppliers that collaborate with it apply best practices, such as optimisation of logistics processes and efficient use of resources; and they promote responsible production. | SPB sales policy (Always Low Prices). Responsible production models in the agrifood chain. Animal Welfare Policy. Commitment to reducing waste and food waste. Strategy 6.25: reduction of plastic and waste management. | • | | | • | |
| 13 CLIMATE ACTION | 13. Climate action Mercadona has its own Environmental Management System with the aim of making the most of natural resources, optimising its processes and reducing waste and greenhouse gas emissions. | Emissions Reduction and Action Plan and logistics optimisation. In-house Environmental Management System to help support the transition to a Circular Economy. Carbon footprint measurement. | | | • | • | • |
| 14 LIFE BELOW WATER | 14. Life below water The company works alongside suppliers to ensure their commitment to sustainable fishery products and to guarantee Circular Economy principles. | Sustainable Fishing Policy. Collaboration with organisations for the sustainability of products from fisheries. | • | | • | • | |
| 15 LIFE ON LAND | 15. Life on land Mercadona is committed to continuing to care for the planet through its Environmental Management System, which features strategies for reducing and reusing waste to prevent it from ending up in nature. | Strategy 6.25: reduction of plastic and waste management. | • | | | • | |
| 17 PARTNERSHIPS FOR THE GOALS | 17. Partnerships for the goals Mercadona collaborates closely with different entities and associations to promote compliance with the SDGs. | Partnerships with social and sector-based organisations (AECOC, ASEDAS, CEOE, AVE, Fundación ÉTNOR, APED, Portuguese-Spanish Chamber of Commerce and Industry, Plastics Pact) to advance compliance with the SDGs. Collaboration with entities that encourage the integration of people with disabilities. | | • | | • | |
| 1 5 2 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | | 10 MARIE 11 MARIE 12 MARIE 13 MARIE 14 MARIE 14 MARIE 14 MARIE 15 | 15 == | 16 | MASS, ASSINSS, AND STREET, AND | 17 :::::: | |

































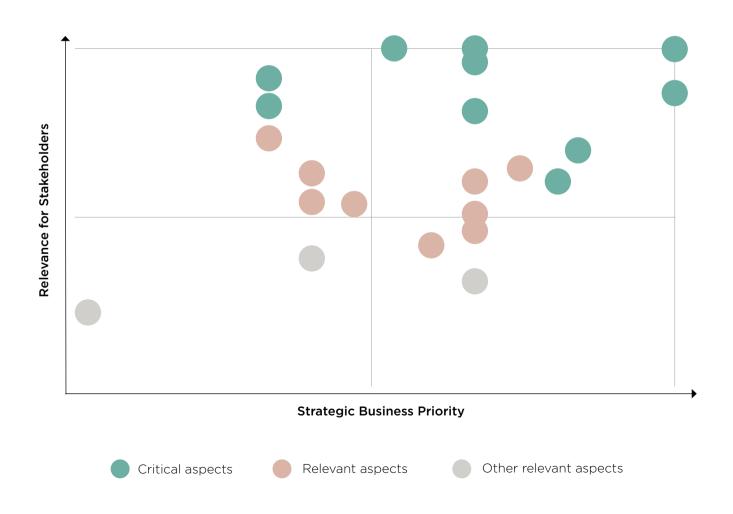


Materiality and stakeholders

In 2021, Mercadona assessed the materiality of each aspect of interest with regard to sustainability, translating the results into a matrix with a twofold axis. The five components ("The Boss", The Employee, The Supplier, Society and Capital) identified in the Total Quality Model coincide with the stakeholders, those who are significantly impacted by the company's activities, products and services, and whose needs are sought to be satisfied.

Knowing their expectations and demands is a fundamental aspect for creating value in the business. To do this, the company maintains regular two-way communication with them. Therefore, the identification process has consisted of three phases: an initial one to identify and prioritise stakeholders; the second, marked by the definition of material issues; and the final phase, in which the information to be provided on material issues has been validated.

As a result, 22 material aspects have been identified and grouped into 8 main categories, which are detailed in the following materiality matrix and discussed throughout this Report, with regard to both the management and the continuous assessments of the aspects that we carry out:



Material Aspects

| 1 | Food quality and safety |
|----|--|
| 2 | Customer Service |
| 3 | Corporate communication and dissemination |
| 4 | Attracting and retaining talent |
| 5 | Work-life balance |
| 6 | Training |
| 7 | Equality and diversity |
| 8 | Health and safety |
| 9 | Ethical and ESG* criteria in the supply chain |
| 10 | Sustainable production |
| 11 | Managing food waste |
| 12 | Reducing packaging and waste |
| 13 | Sustainable logistics |
| 14 | Product labelling and information |
| 15 | Data security and protection |
| 16 | Corporate governance best practices |
| 17 | Preventing fraud and corruption |
| 18 | Information transparency |
| 19 | Food donations |
| 20 | Integration in the community |
| 21 | Support for entrepreneurship |
| | |
| | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 |

Sustainable development and prevention of possible risks

Mercadona is a business project that is committed to coexistence and shared growth. To do this, it establishes a relationship of transparency and dialogue with society and has a differentiating Total Quality Model of its own, with which it incorporates strategies into its management to ensure the satisfaction of the company's various stakeholders. This model also guarantees and calls for compliance with the current legislation, which, in addition to the work and involvement of the Management Committee, brings together the interests of the

| Components | | Risks | | | |
|--------------|--|--|--|--|--|
| | | Quality with food safety | | | |
| "The Boss" | Our main objective is the complete satisfaction of our customers | Changes in consumption habits | | | |
| | | Data protection | | | |
| | | Digital transformation | | | |
| 9 | Those who satisfy "The Boss" must also be 100% satisfied | Equality and diversity | | | |
| The Employee | | Occupational risk and COVID-19 prevention | | | |
| É | | Work-life balance | | | |
| | | Data protection | | | |
| The Supplier | Totaler Suppliers are the backbone of Mercadona's Sustainable Agri-food Chain | Good business practices | | | |
| F | | Data protection | | | |
| | The company considers contributing towards the country's sustainable development and social progress to be one of its duties | Sustainable mobility in cities | | | |
| ety | | Responsible use of resources | | | |
| Society | | Relationships with local communities | | | |
| | | Environment and climate change | | | |
| | | Data protection | | | |
| | | Legal issues inherent to the different aspects within the business (health, commerce, consumption, industry, employment, finance, environment, etc.) | | | |
| Capital | The goal is to earn profit as a result of doing things the right way | Profitability and sustainability | | | |

Performance 2021

agents involved and launches initiatives and protocols to identify, prevent and manage the risks inherent in its activity.

As part of its commitment to transparency as an indisputable value, Mercadona shares its growth and results with employees, suppliers and society.

Policies and strategies

To guarantee the widest possible dissemination, it does so through a variety of very different channels, such as this Annual Report, the Environment Report, the press conference on satisfying the Five Components, the Activo2 internal communication channel, the website, social networks or the transparency portal in Spain.

| "Very Very Serious (VVS) Accident" drills | ~ |
|--|-----------|
| Traceability exercises | / |
| Efficient Selection and Apron Strategy: conclusive quality at an unbeatable price | |
| Healthy food selection | ∞ |
| Global Fresh (products) Strategy Efficient Store Model (Store 8) | ω ω |
| Implementation of the Ready-to-Eat model | ω ∞ |
| Boost for online shopping through Hives, Honeycombs and the New Teleshopping | |
| Application of the General Data Protection Regulation | ~ |
| Customer Service | ~ |
| Cross-cutting innovation Mercadona Online | × ∞ |
| Process automation | |
| Permanent jobs/salaries above the sector average upgraded annually based on a policy of brackets and the interannual variation in the CP | |
| Principle of equity Performance-related bonuses | <i>\'</i> |
| Equality Plan and diversity management | ~ |
| Training, transparency (Activo2) and internal promotion | |
| Medical service available to employees Health service call centre 24/7, 365 days a year (3C) | <i>'</i> |
| Technical team specialising in occupational risk prevention | ~ |
| Preventive measures and COVID-19 health protocols | <u> </u> |
| Work, life and personal balance Encouragement of joint responsibility | <i>'</i> |
| • 5+2 Work Week in stores | ~ |
| Annual calendar of schedules, holidays and rest days known in advance | |
| Application of the General Data Protection Regulation | |
| Code of Good Commercial Practices Third Conduct Cuidelines for Supplices. | ~ |
| Ethical Conduct Guidelines for Suppliers Sustainable Agri-food Chain | × ∞ |
| Generation of industrial infrastructure | ~ |
| Animal Welfare Policy Sustainable Fishing Policy | ∞ ✓ |
| Co-innovation with suppliers | ~ |
| Application of the General Data Protection Regulation | |
| Sustainable Logistics Model | ∞ |
| Environmental Management System | |
| Anti-exclusion programme: food donations | |
| Dialogue and transparency Relationship model with local communities, NGOs and Consumer Associations | / |
| Promoting entrepreneurship | ~ |
| Proactive Neighbourhood Management to identify and remove potential risks and disturbances | ~ |
| Management to handle neighbourhood inputs, suggestions and complaints quickly and effectively Environmental Management System | |
| Strategies to improve the sustainability of our activity in the environment and the supply chain | 8 |
| Strategy 6.25: reduction of plastic and waste management | ∞ |
| Emissions reduction and action plan and logistics optimisation | |
| Application of the General Data Protection Regulation | ✓ |
| Crime prevention and anti-corruption policies Staying abreast of legislation and adapting internal processes to comply with legislation | ✓ ✓ |
| Financial risk management policies | ~ |
| Reinvestment and long-term vision Wealth generation and shared growth | / |
| Wealth generation and shared growth Conscious capital | / |
| Ongoing review of internal processes | |

A sustainable, disruptive, social and open innovation model

For Mercadona, innovation is a source of progress and guarantee for the future and, as such, it is integrated in its Total Quality Model. Through innovation, it adapts with agility to an environment that is increasingly changing and manages to anticipate the needs of the five components by means of efficient and sustainable solutions with which it offers more quality and better service.





Product innovation

- Disruptive and open Co-innovation
 Model that allows the "Bosses" to
 share their consumption experiences
 in 21 co-innovation centres with a
 multidisciplinary product prescription,
 purchasing and logistics team. With this
 work, the company is aware of exactly what
 customers want and need, information that
 is shared with suppliers to develop higher
 quality products at unbeatable prices.
- 550 new products and 520 improvements to the selection.



Process innovation

- 60 million euros invested in digital transformation.
- Smart store: tools for reducing waiting times
- Fault prediction technologies that reinforce automation in stores.
- Digitalisation of selection management.
- Avoid overexertion and unnecessary expenses and strengthen productivity.
- Implementation of "BIM" methodology in logistics centre construction projects.

The Mercadona Innovation Model is cross-cutting and contributes directly to promoting the United Nations Global Compact's Sustainable Development Goals 9 and 17. It also has 4 priority central points of innovation (product innovation, process innovation,

social innovation and open innovation) and also incorporates experience and knowledge thanks to the close collaboration it maintains with different organisations that foster innovation and the transfer of know-how.





Open and collaborative innovation

- 6 partner organisations to promote innovation: COTEC Foundation for innovation, Innovative Companies Forum, CEOE, Spanish Chamber of Commerce, AECOC and Technological Institute of Packaging, Transportation and Logistics (ITENE).
- 3 companies participating in the Corporate Lanzadera-Mercadona Programme:
 AforoBiz, HoopCarpool and DeepDetection.



Social innovation

- Trencadís murals: social-labour integration project with 32 foundations and occupational centres.
- Strategy 6.25 to reduce plastic and manage its waste.
- 13 urban gardens on the rooftops and façades of several stores, with the environmental benefit that they produce in urban surroundings.

Irmãdona: Mercadona in Portugal

Irmãdona, "Mercadona's sister" in Portugal, has become consolidated in 2021 and has reinforced a value creation commitment with Portuguese society which is increasingly valid after five years of work and continuous learning. These five years have enabled the company, which engages in its activity as a Portuguese company of Spanish origin with its headquarters in Vila Nova de Gaia, to internationalise its Total Quality Model and increasingly strengthen its ties with a country that represents a clear opportunity for development and growth.

To achieve this. Mercadona has intensified its work in 2021, with investment effort that has exceeded 110 million euros. Thanks to this, the company has opened a total of nine supermarkets, closing the year with a total of 29 and presence in four different districts: Porto, Braga, Aveiro and Viana do Castelo, as well as a new co-innovation centre, the second one in Portugal, in the city of Lisbon. However, it has also continued to move forward through innovation, as demonstrated by the start of the work to expand the Póvoa de Varzim (Porto) logistics centre, the acquisition of land to build a second centre and the largest one that Mercadona has in Portugal, more specifically in Almeirim (Santarém), which it plans to open in 2024, or the opening of its first store in Portugal with an integrated co-innovation centre in Vila do Conde. in the Porto district.

In addition to this, Irmãdona has continued to incorporate talent throughout these months. 800 people in total, which has led it to end 2021 with a workforce of 2,500 employees, a team highly committed to doing whatever is necessary to satisfy "O Chefe" ("The Boss"). It has also strengthened its links with the primary sector and the agrifood industry, from which the company has made purchases worth 500 million euros in 2021.

Throughout the year, those who form part of Irmãdona have also continued working to consolidate a company that Portuguese society wants and feels proud of; a company that not only generates employment and dynamism, but is also involved in the development of the areas in which it is present and always searches for the best solutions to generate shared and sustainable growth.

Thanks to this way of understanding distribution, Mercadona continues to consolidate its Portugal Project. Irmãdona is a business reality, which also contributes to the development of Portuguese society, in which the company has invested a total of 450 million euros since its arrival in 2016.

Portugal Figures 2021

29
supermarkets
9
openings

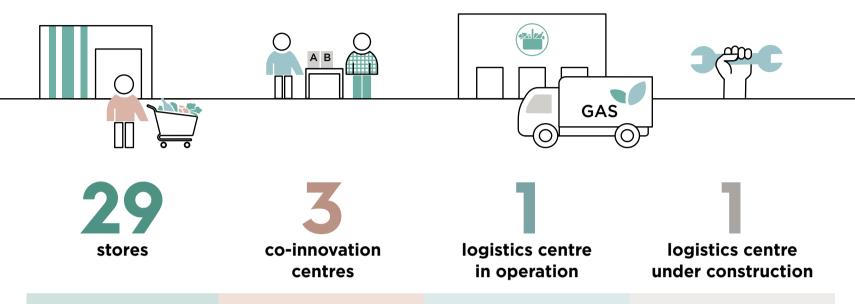
2,500 employees

500 million euros in purchasing 110 million euros in investment

415
million euros
in turnover



Irmãdona in 2021



In 2021, Mercadona has continued to consolidate its Portugal Project, with the opening of nine more stores, taking the total to 29.

Furthermore, the company has maintained its growth, which began in 2019 with the opening of its first store, and it is currently present in four different districts: Porto, Braga, Aveiro and Viana do Castelo.

Next year, Irmãdona plans to open ten new supermarkets, making a total of 39 stores in Portugal, expanding its presence in five new districts: Lisbon, Santarém, Setúbal, Leiria and Viseu.

The company has strengthened its commitment to innovation in Portugal with the opening of its first store with an integrated co-innovation centre, more specifically in Vila do Conde, in the Porto district.

It has also opened its first co-innovation centre in Lisbon, spanning almost 2,400 square metres with an investment of 2.2 million euros.

As such, it now has three co-innovation centres: in Matosinhos, Porto; Lisbon and Vila do Conde, Porto.

In 2021, Irmãdona has continued investing in its logistics network and strengthening its capillarity in Portugal, where it has carried out substantial improvements to the logistics centre in Póvoa de Varzim, Porto.

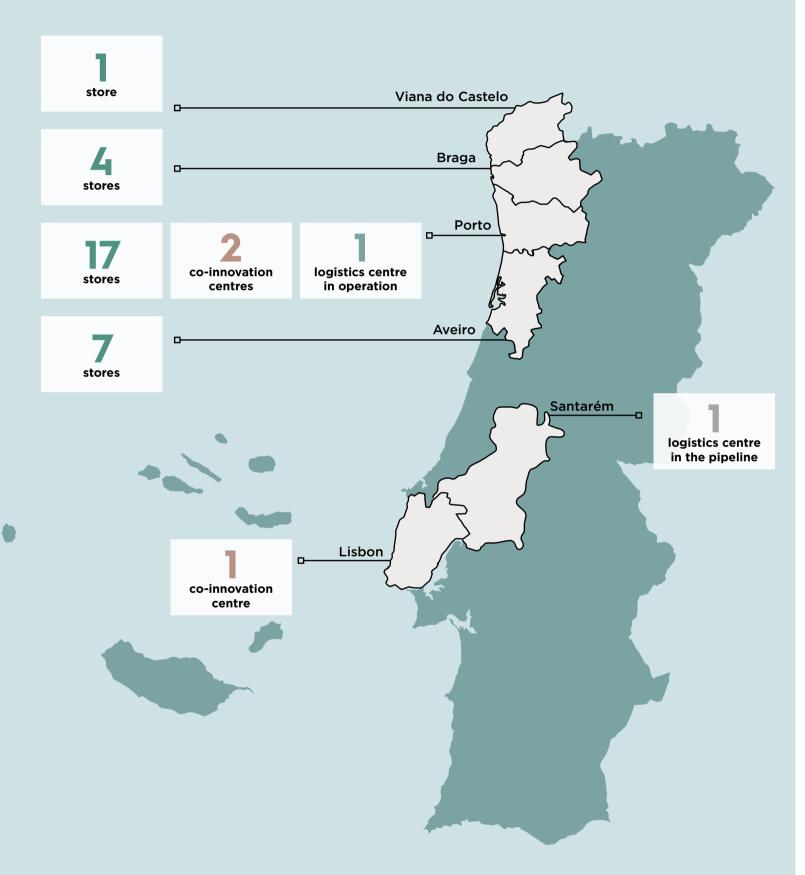
During the year, the company has invested a total of 16.4 million euros in the incorporation of a warehouse for the preparation and dispatch of fruit and vegetables.

This logistics centre has been in operation since 2019 and its strategic location allows it to provide service to the 29 supermarkets located in the north of Portugal.

In 2021, Irmãdona completed the acquisition of the land where its second logistics centre in Portugal will be located.

This new warehouse will be located in the municipality of Almeirim, Santarém district, around 60 kilometres from the Portuguese capital.

The company will start construction in 2022 and will invest a total of 180 million euros in the project. This logistics centre is expected to start operating in 2024.



Section 1

Mercadona is immersed in a battle for quality to offer "The Boss" the best selection and service













In 2021, all those who form part of Mercadona have confirmed that the present and the future of the company depends on the commitment to quality, on being capable of guaranteeing it daily in 100% of processes and in each and every one of the 8,000 products that make up our efficient selection. Over these twelve months, we have learnt that this battle for quality in which we are immersed not only affects suppliers and the prescription and purchasing departments, but is also a joint responsibility assumed in every part of the company, with the common challenge of achieving conclusive quality at an unbeatable price, because we are all Mercadona's quality department

1.1 A selection committed to quality

The ongoing search for quality is one of the main challenges faced daily by all Mercadona departments in order to be able to offer "The Boss" differential products. To do this, it addresses each reference individually, whenever a product is purchased or consumed, to contrast that it meets the company's high quality requirements and that, during its service life, it always meets two essential criteria: it is good, meaning with good flavour, aroma, colour and texture; and it is great, or in other words, it is a product that is safe to consume, healthy for the body, sustainable with the planet and socially responsible.

Thanks to all this work, which has increased in 2021 after detecting a clear opportunity for improvement, Mercadona has an efficient selection made up of around 8,000 products. A "live" selection, which adapts to customers' changing needs in food, household cleaning, personal hygiene and pet care; which also has conclusive quality and guarantees food safety. All of this comes at an unbeatable price, in line with the SPB (Always Low Prices) strategy, which the company has been committed to since 1993 and which offers "The Boss" the highest quality shopping trolley at the lowest possible price, as well as promoting responsible consumption and, therefore, reduction of waste.

Constant growth and work

To be able to define this efficient selection, Mercadona has a team made up of 1,200 people between the prescription and purchasing departments. This means that the former are responsible for detecting new needs, by means of market analysis or their direct relationship with customers within the stores and through coinnovation, and for establishing quality, selection and price. In turn, the latter is responsible for finding the most specialised supplier in the specific product, to collaborate with in offering a response that addresses the new need.

In the constant search for the highest quality products, food safety becomes a non-negotiable attribute. To achieve this, the company has had its own Quality and Food Safety System for more than 15 years, through which it thoroughly analyses every process in the supply chain, from the source to the end consumer, with three objectives (zero risk, zero defect and zero crisis) and three strategies (preventive, reactive and contrasting).

In this area, it collaborates with each Totaler Supplier and has specific food safety guidelines for the purpose of assessing and confirming food safety levels swiftly and continuously. Therefore, in 2021, a total of 2,401 of these types of cross-checks of guidelines were carried out. The company has also carried out over 56,000 controls of fresh products, 775 logistics process controls and a further 26,900 analyses on surfaces and environments.

In collaboration with the suppliers, it also carries out drills in which various governmental entities participate in some cases. Thanks to their collaboration in this type of scenarios, working as if it were a real situation, Mercadona and the Totaler Suppliers enhance their skills in this area, which makes it possible to improve individual and collective skills in order to be able to face possible future contingencies with greater assurance, knowledge and efficiency. By the end of the year, one drill and 11 traceability exercises had been carried out.

In addition to the resources and efforts that the company dedicates daily to guarantee food safety, Mercadona relies on the guidance and involvement of a renowned independent panel of professionals in Spain and a second panel, incorporated in Portugal in 2020. These experts collaborate independently with Mercadona's internal team to validate internal processes and strengthen and accelerate the company's talent in the area of food safety.



Quality based on co-innovation

To guarantee quality in its selection, the company relies on collaboration with its "Bosses" through its Co-innovation Model. It therefore has 21 co-innovation centres in Spain and Portugal, in which a team of 230 specialists works.

In September 2021, Mercadona opened a new co-innovation centre, the second one in Portugal, in the city of Lisbon. Spanning 2,400 square metres, the construction of these facilities involved investment of 2.2 million euros. Thanks to this investment effort, the company now has another "macrolaboratory" of ideas, in this case with various work areas. including a kitchen area, an area for blind tasting, a third area for recreating the layout of products on the shelves, an auditorium and several meeting rooms.

In these centres, the company has held a total of 13,500 work sessions in 2021 with the "Bosses in love", those who always look for a product when they don't have it, irrespective of where it is, which has led to the development of 550 new products and 520 improvements. An example of this is the new Deliplus chewing gum with probiotic, the result of scientific research by the biotechnology company, ADM Biopolis, and a commitment to innovation from the Totaler Supplier Chic-Kles. This product, which has arrived on the shelves after a decade of research, is the first in this business to include a probiotic that reduces abdominal and visceral fat, following verification in various studies and clinical trials. Furthermore, the company has incorporated several new products into the selection of fresh products, such as the pistachio and red berry roll, made by the Totaler Supplier Panidor; or the cheesecake from the Totaler Supplier Granderroble Desserts, in which the recipe has been improved so that coeliac "Bosses" can eat it.

All of this collaborative work has once again made it possible to highlight the importance of its totally differential Coinnovation Model and to have the most complete offer on the market: a differential selection of maximum quality, based on specialisation, and fully adapted to the tastes and habits of Spanish and Portuguese customers, as well as to the specific characteristics of each area in which it is present.

13,500 sessions with "The Bosses"

in **Portugal**













Some of Mercadona's innovations and quality improvements in 2021











New need detected

The specialist identifies in-store, through official channels, by looking at sales or analysing market trends that "The Boss" has a new need that is not being offered



"The Boss" is listened to

Selection of the "Bosses" in love with these products and the co-innovation sessions are held in collaboration with them to define the product characteristics





Search for the specialist supplier

The purchasing manager, in collaboration with the selected Totaler Supplier, establishes the necessary formula or recipe to fulfil the defined attributes





Testing period

The specialist holds coinnovation sessions with "The Boss", either in the co-innovation centres or at the latter's home, where the product is tested to check that it meets their expectations



5

Decision phase

If the product meets the expectations of "The Boss", it is put on sale in Mercadona stores

Adaptation to new times

One of the challenges that Mercadona faces year after year is that of adapting to new eating habits and contexts. Once the changing needs of the "Bosses" have been detected, this involves having, on the one hand, a "live" selection and, on the other hand, sufficient agility to offer a timely response through a quality product that meets their expectations.

The work that the company has been carrying out for more than 20 years in response to groups with specific food intolerances or allergies, as is the case of people with coeliac disease, falls into this area. In 2021, Mercadona has continued working to expand its gluten-free selection through its ongoing collaboration with specialist suppliers and various key entities in Spain and Portugal, which has enabled it to end the year with a total of 1,400 gluten-free products, among which new products, such as burger buns and ham bites have been introduced. In this same respect, significant efforts have also been made in the lactose-free selection, with the incorporation of Hacendado cheese triangles, for example. To do all this work, it has constantly relied on the close collaboration of numerous key entities in Spain, 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), the Spanish Association of People with Food and Latex Allergies (AEPNAA) and the Portuguese Coeliac Association (APC).

SIN/SEM



Similarly, Mercadona is aware of the role it has to play in promoting healthy eating habits and its commitment to offer products that encourage them. For this purpose, it has been involved in a variety of projects for years, such as the National Strategy on Nutrition, Physical Activity and Obesity Prevention (NAOS); or the Advertising Self-Regulation Code (PAOS code), also from the Spanish Ministry of Health. It must also be pointed out that 2021 was the year that saw the conclusion of the Collaboration Plan for the Improvement of Food and Beverages prepared by the Spanish Agency for Food Safety and Nutrition (AESAN). Thanks to this initiative, which the company joined in 2018, over 400 products have been recrafted.

Through its participation in these types of programmes, Mercadona makes its knowledge in relation to nutrition available to society. However, it also offers its capacity for innovation and its commitment to scientific rigour, factors that together enable it to offer a healthy, quality selection that contributes to improving people's well-being and quality of life.

In this context, the company has continued to dedicate significant efforts throughout 2021 into incorporating extremely high quality healthy alternatives in order to offer a selection that guarantees a balanced diet at the most competitive price possible. An example of this is the crunchy oat cereal, a new product manufactured by the Totaler Supplier Dailycer; or natural hake, an innovative product from the Totaler Supplier A Poveira.

It has also concentrated on improving its selection to make it healthier. Therefore, it has reduced additives, fat, sugar and salt in various products, such as the roasted vegetables, into which the Totaler Supplier Elaborados Naturales de la Ribera, does not introduce any type of additive; the roast chicken stuffed with egg, ham and cheese from the Totaler Supplier Cinco Tenedores, with 57% less fat; the isotonic drinks from the Totaler Supplier San Benedetto, with less sugar; the fizzy orange soft drink from the Totaler Supplier Refresco Iberia, which has removed 3 grams of sugar per litre; or the 0% salt roasted peanuts, produced by the Totaler Supplier Importaco.

Furthermore, to adapt to the new contexts and eating habits, Mercadona has continued to incorporate plant-based products into its lines, which may be suitable for vegetarians and vegans. Proof of this is the Ready-to-Eat section, which has included a couscous salad with coriander sauce for months; or the new coconut kefir, produced by the Totaler Supplier Productes del Moianès.

Transparent labelling

In its commitment to quality in its selection, Mercadona maintains an ongoing relationship with customers based on transparency, aware of the importance of not only offering information, but doing so in an ongoing, accessible and truthful way. In this way, each "Boss" has the possibility of freely choosing the food to include in their diet whilst having wider criteria for introducing products that contribute to maintaining a healthier and more balanced diet.

To fulfil this objective, the company has its own method, which is committed to the principles of identification and information in labelling. For years, it has followed this method to transparently identify the suppliers of all Mercadona brand products: Hacendado, Bosque Verde, Deliplus and Compy, as well as offering the "Bosses" relevant information on each reference in its efficient selection.

Mercadona brands



Healthier selection

New varieties of bread with

100% wholegrain flours

Improved recipes with removal of additives

Commitment to fresh products

Plant-based drinks with no added sugar

New products for people with allergies and intolerances

Greater variety for vegetarian and vegan diets





1.2 A corporate culture based on excellence in service

Mercadona has an ongoing commitment to quality, which it understands in a cross-cutting and multidimensional way. To do so, it has had its own management model, the Total Quality Model, since 1993, with which it offers its "Bosses" transparency and participation in order to meet their needs and expectations. In 2021, the whole of Mercadona's assembly line has focused its efforts on improving quality in all processes and services.

Efficient supermarkets (Store 8)

Mercadona has continued to reinforce its network of supermarkets in 2021 and, thanks to investment of 894 million euros, it has ended the year with a total of 1,662 stores, having opened 70 in Spain and 9 in Portugal and closing a total of 58, which did not adapt to the chain's current quality standards.

Of this total investment, Mercadona has dedicated 438 million euros to new openings and 263 million to renovating 84 stores to adapt them to the Efficient Store Model (Store 8). Furthermore, 12 million euros have been invested in equipment for supermarkets, 69 million in actions and 112 million in the acquisition of new land and sites.

Thanks to this, the company has a differentiating network of supermarkets, with 1,183 efficient stores, 163 more than in 2020. This is a pioneering project that began at the end of 2016 in order to give the "Bosses" better service quality, offering them a better shopping experience, with a larger and more comfortable space and a better layout of the selection.

Stores 8 introduce cutting-edge technologies and important advances for the entire workforce, with more modern services, tools and devices that optimise the flow of information in real time and facilitate collaboration between employees.

This project has also made sustainability one of the pillars of its structure: with facilities that make the most of efficiency and a strategy that encourages conscious and critical consumption guided by social and environmental criteria and which pursues the clear objective of ensuring consumption of products of maximum quality with the least possible impact, thus contributing to improving the life of the people who inhabit our planet and of future generations.

In fact, thanks to the development of the Store 8, Mercadona continues to generate energy savings of up to 40% compared to a conventional store, as a result of the combination of diverse factors, such as, the choice of LED lighting or the use of thermal enclosures on façades and improved flooring, among others.

In this area, the company has continued with its commitment to renewable energy through the installation of 9,000 solar panels in 34 of its supermarkets. Therefore, Mercadona has a total of 44 stores in Spain and Portugal with such facilities. The photovoltaic panels located on the roofs of these stores have accumulated a total of 4,418 kWn of rated installed power and production of 5,964 MWh/year, equivalent to 1,849 tonnes of CO₂ emissions. Furthermore, industrial refrigeration systems have been installed in 163 stores with technologies based on environmentally friendly refrigerant gases.

Ready-to-Eat

In 2021, Mercadona continued to expand the Ready-to-Eat section in Spain and *Pronto a Comer* in Portugal, which had been established in 824 of the chain's supermarkets by the end of the year.

There, the "Bosses" can enjoy a quality and varied selection of ready-to-eat dishes, having added individual pizza portions in both countries, macaroni au gratin in the 795 stores in Spain that offer this service and *perna de frango* in the 29 centres in Portugal. All of these new products are the result of co-innovation between specialists

and customers, who have participated in over 300 sessions. Similarly, the taste and texture of lentils, fried chicken and omelettes have been improved, whilst the price of the products in the Hot Deli has been adapted, a physical resource in which the company offers "The Boss" the option of choosing

from the family of roasts, which is now more competitive. It is also worth highlighting the test being carried out in 15 stores to try out a model with more self-service options, reducing waiting times for "The Boss" without affecting the quality of the dishes.

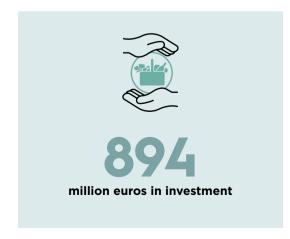
Mercadona Supermarkets in 2021













Mercadona Online

In its dual commitment to offer "The Boss" a quality service and adapt to their real needs, in 2016 Mercadona decided to redefine its online shopping service. To do so, it began the design and implementation of the Hives model, warehouses dedicated exclusively to online orders, with the aim of optimising and streamlining their preparation and distribution, which involves increased productivity and time savings.

Five years on, Mercadona Online has become consolidated and has increased its sales to 257 million euros in 2021. This figure represents growth of 45% with respect to the previous year. The company has also increased its number of orders to 1.8 million compared to 1.2 million in 2020, and it has a total of 1,636 employees with stable, quality jobs, including Mercadona Tech, the technology division that has developed the processes and the technology of this project, in addition to the Hives team.

To gain the trust of the "Bosses" who do their shopping via this channel, Mercadona currently has three Hives, located in Barcelona, Madrid and Valencia, and the company plans to add a further two in 2022, one located in Alicante and another in Seville. The first of them will involve investment of 14 million euros and the participation of 25 local suppliers, which will provide jobs for 150 people. Meanwhile, the Seville Hive will be built on a plot of over 30,000 square metres in the south Higuerón area, in which Mercadona will make a similar investment to that in Alicante, of around 14 million euros.

These distribution centres are especially adapted for "last mile" distribution, and therefore the Mercadona Online fleet is made up of gas vehicles that can carry up to 15 orders and which have also been exclusively designed with three temperature zones adapted to each type of product: room temperature, refrigerated and frozen. They also feature a mechanised unloading system that minimises the handling of loads, resulting in less strain on workers and shorter delivery times.

In this respect, it must be pointed out that the Hives have also been designed in order to achieve maximum efficiency in the preparation of orders, as demonstrated by the fact that orders for frozen products in the cold storage area are organised on the perimeter, which avoids the employee being inside the cold chamber.

In 2021, the company has begun to develop the New Teleshopping with the aim of continuing to grow and define new solutions to reach more homes. This model, which is being tested in two stores in the province of Castellón and one in Tarragona, has been designed to cover the needs of the online "Bosses" in areas with a lower order density, in which the store is sufficient to cover such demand. Customers near these supermarkets place their orders on the revamped website or the mobile application and they are prepared and sent from the stores using the same processes and technologies as in the Hives, which reduces preparation time, makes better use of physical resources and reduces strain on employees. Along the same lines, Mercadona is testing another new online ordering model, known as Honeycomb, in a store in Gandia (Valencia), which aims to expand the radius of action of the Hives. Therefore, the orders are prepared in the Valencia Hive and taken by trailer to this store in the region of La Safor so that the Mercadona Online delivery staff can pick them up and deliver them to the "Bosses".







Mercadona Online in 2021

257
million euros
in turnover

1,636 employees

million orders



Customer Service

For Mercadona, communication and dialogue are fundamental tools to connect with "The Boss", providing relevant and interesting information about the company, detecting possible contingencies and offering agile and effective solutions. For this work, there is a team of 83 people (69 in Spain and 14 in Portugal) who make up the company's Customer Service (SAC) team, which works every day to consolidate customer satisfaction.

In 2021, this team has once again made an effort in order to answer each and every one of the queries received throughout the year, a total of 229,800 (218,000 in Spain and 11,800 in Portugal). Like every year, this work involves an individual analysis of every query or suggestion, which the SAC is responsible for coordinating, forwarding to each manager for its appropriate resolution.

Furthermore, Mercadona has profiles on Facebook, Twitter, Instagram, YouTube and LinkedIn, which involves a constant stream of communication with its "Bosses". By means of these social networks, the company has been capable of having a total of 395,380 conversations with customers in 2021, more specifically 341,850 in Spain and 53,530 in Portugal. These figures confirm that social networks have not only become an obvious communication channel, but it has occurred in an agile and intuitive way.

The company has also continued to respond to customers from Spain through the virtual assistant via WhatsApp, called Carol, with a 24 hour service, seven days a week, which has involved a total of 25,000 conversations with customers in 2021.

Therefore, Mercadona Customer Service has continued to grow and improve thanks to the implementation of a new IT management tool. This improvement not only leads to suggestions being processed with more agility, but also gives the people who form part of the team greater efficiency and comfort in their work.

Customer Service channels



Spain

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

Portugal

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



Section 2

The Employee's involvement and transparency have been essential to consolidate Mercadona's success













The high level of commitment of the 95,800 people who form part of the Mercadona Project have made it possible for the company to adapt to such an unpredictable scenario as that experienced in 2021. Furthermore, it has done so agilely and purposefully, along with the necessary humility to correct errors and learn

es forward **a**

from them. Throughout the year, transparency and communication have been essential

to involve employees, who are one of the company's greatest assets and are behind its

success. If they satisfy "The Boss", Mercadona

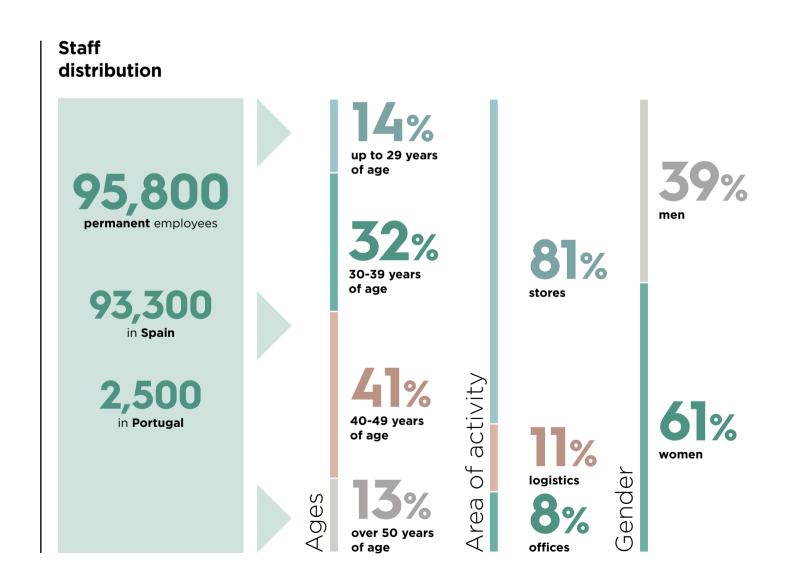
2.1 Quality employment

Obsessed with excellence in service, the company is aware that it must have quality human resources in order to be able to offer such service, which involves investing in people and offering conditions that satisfy them and motivate them to do their routine job in the best possible way.

Thanks to this, it has consolidated an exceptional and highly-performing workforce year after year; a cohesive and committed team with a common goal: fully satisfying "The Boss" through quality.

Staff indicators

The key factor in the expansion, growth and development of the Mercadona Project comes from those who make up its workforce, a professional team of 95,800 people, who are its main asset. Their daily work, effort and involvement is a major driving force that enables the company to face different challenges each year and continue to lead a highly competitive sector, in a sustained and sustainable way.





Creation of stable and quality jobs

To maintain this deep level of commitment and the high performance from the workforce as a whole, Mercadona has a human resources policy committed to the universal truth that "in order to receive, we must first give". Therefore, it offers quality employment in which people can grow professionally, in a stable work environment, with salaries above the sector average and general and specific training plans through which they can continue to grow professionally. It is also an environment that encourages teamwork and believes in people's talent, values their skills and abilities and also understands that equal opportunities and recognition, diversity and work-life balance generate a clear return and are essential.

These human resources, who are capable of transferring high performance and involvement to their most routine job, have increased again this year, with a total of 800 people joining the company in 2021, all of whom have quality, permanent contracts, bringing the total workforce to 95,800 people. 93,300 of them make up the workforce in Spain, while the remaining 2,500 carry out their activity in Portugal.

The company's human resources policy plays a fundamental role in attracting new talent and in retaining existing talent. It does so through what is known in the company as the "value set", in other words, by promoting highly competitive working conditions, both in terms of wages and in work-life balance or professional development.

Table of employee salaries at Mercadona in 12 monthly payments per year

| Spain | | | | |
|---|----------|---------|----------------|----------|
| Seniority | <1 year | 2 years | 3 years | >4 years |
| Gross/month | € 1,425* | €1,565 | €1,738 | €1,929* |
| Net/month | €1,242 | €1,313 | €1,436 | €1,572 |
| In force 01/01/2022 6.5% increase in the CPI | | | | |
| ≈ 27% ↑ than the Official Minimum Wage ≈ 71% ↑ than the Official Minimum Wage | | | | |

^{*} The minimum wage at Mercadona Spain is approximately 27% higher than the Spanish Official Minimum Wage (€1,126 gross/month), with the last bracket, over 4 years employed, 71% higher (extra payments included).

In both countries, performance-related bonuses must be added to the gross annual salary which is one monthly payment starting from the first year of employment up to the 5th bracket, and two monthly payments starting from the second year in the 5th bracket.

In fact, all the new hires begin with a general and specific induction plan from the very first day in order to gain in-depth knowledge of the characteristics of the Mercadona Model: a transforming initiative based on shared growth, which seeks, as a company, to contribute to generating employment, prosperity and wealth.

To do so, the company has had a remuneration policy for decades that is committed to people and recognises their effort. It does so with salaries that are above the sector average and well above the Official Minimum Wage (SMI). In addition, it offers a variable remuneration policy, with which it rewards involvement, high performance and productivity.

In 2021, a year in which the workforce once again demonstrated that it is capable of facing any challenge, especially in months that have been marked by the uncertainty of the pandemic, the company has once again shown its commitment to all the employees who, every day, continue to make the Mercadona Project a reality. For this purpose, it has shared part of its profit for the year with all employees who have been with the company for over a year and whose dedication has made it possible for them to meet the personal objectives specifically agreed for their position. Specifically, a total of 375 million euros was distributed among the 99% of employees who have reached these goals.



^{*} The minimum wage at Mercadona Portugal is approximately 13% higher than the National Minimum Wage (€823 gross/month), with the last bracket 72% higher (extra payments included).

An internationally recognised model

Mercadona aims to contribute to improving people's quality of life and innovating to transform society, through a joint vision shared by all those who form part of the Mercadona Project: "Being a company that people want to exist and feel proud of".

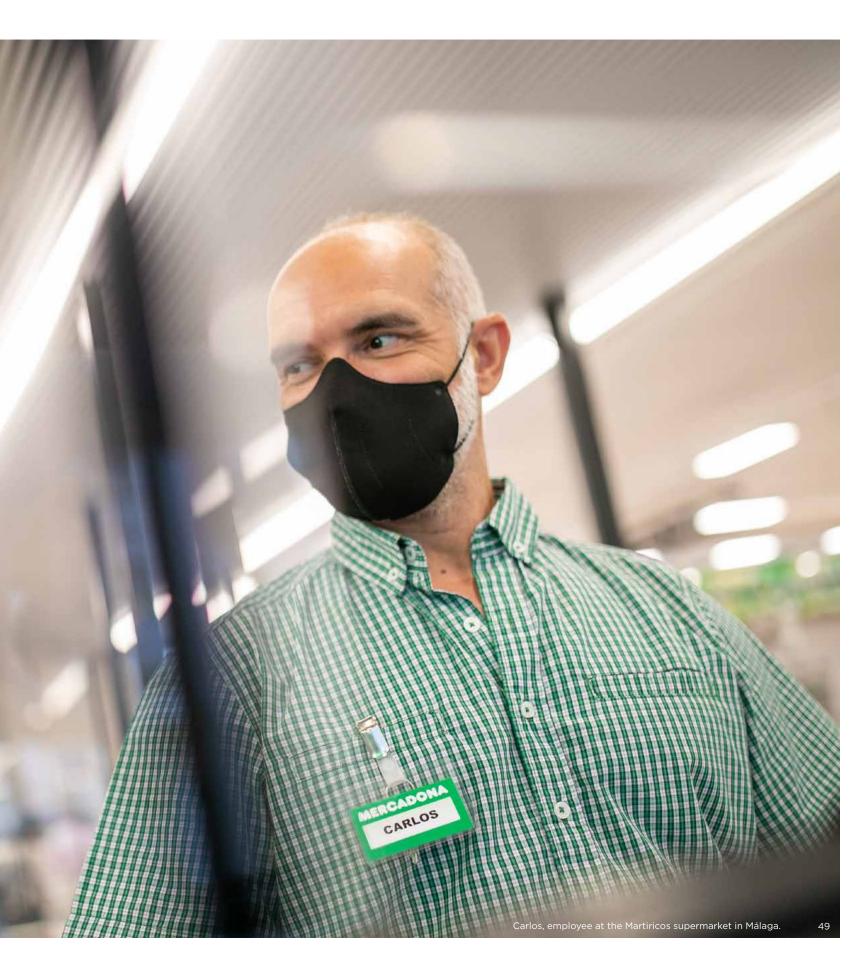
In the work environment, the Total Quality Model of the Mercadona Project is designed by and for people, which results in a Human Resources Model that values talent and is committed to inclusion and collaboration, aware that the differential nature of its staff does not lie in individuality but in the sum of synergies that draws the team together and makes it grow.

This way of managing talent and being committed to it has been recognised for yet another year by the Financial Times newspaper and market research company, Statista, in its Financial Times Diversity Leaders ranking. Mercadona took tenth place in recognition of diversity management in the wholesale trade group.

In this respect, Mercadona's human resources management model had already been recognised by the Harvard Business Review, which considered that the company "gets the most out of its staff by leveraging their creative and problem-solving skills to make improvements".

Such recognitions reflect the company's ongoing commitment, ever since it was founded, to becoming one of the companies that best treats its human resources and they also represent a learning opportunity to introduce improvements that contribute to the personal and professional development of its workforce.





2.2 A model that adds value

For Mercadona, work quality is a key factor to guarantee the company's growth and development. For this reason, it invests significant personnel and material resources year after year to foster initiatives with which it can continue to build a distinctive work environment. An environment in which every person on the staff, individually and collectively, has always the opportunity to grow professionally, to make the most of and improve their skills and talent and, also, to have their effort and work recognised.

Activo2: a tool for staff

Precisely one of the most relevant resources that the company has strengthened in 2021 has been the Activo2 tool, a mobile application for internal use that has become consolidated during the year as one of the main internal communication channels. Thanks to this app which was developed in-house, staff are not only informed from time to time about the company's evolution, but also important events, such as the opening of stores or logistics centres, as well as every new development, both in terms of internal processes and selection.

Furthermore, Activo2 is a collaborative tool that fosters the involvement of all of Mercadona's human resources, who can incorporate their input online. This encourages direct and agile dialogue and facilitates the joint search for solutions as well as decision-making, given that each manager can answer queries submitted by employees and even validate their suggestions to introduce improvements in processes and products.

In 2021, a total of 268 publications have been made on a variety of topics via this channel, with an average of 110 comments per publication, 29,000 in total. This content has gained a total of 36,000 "likes" and 16.5 million views by its users. Added to this are the 950 examples that staff have shared, whereby this involvement has proven the potential of this internal tool.

Training and supporting talent

In its goal of maintaining and promoting a quality work environment, the company has once again made a commitment to training as a driver of growth for the people who form part of its workforce. To do this, it has invested more than 92 million euros in 2021 to continue improving employees' skills through cross-cutting training plans.

Due to the risks derived from the pandemic, and to protect the health and safety of those who form part of the company, Mercadona decided to adapt some of its learning plans to an online format in 2020, an initiative that has been maintained in 2021. The company has had to invest 137,000 euros and equip facilities with programmes and devices to deliver training by videoconference. This has been the case for 6,500 perfumery assistants who received on-the-job training in a period of one month, leading to significant savings in time and costs.

As part of this training policy, plans related to the streaming of the Mercadona Model, can be highlighted, enabling its principles to be explained in detail to new employees in order for them to optimise their skills and be more efficient in their routine job.

Within specific training, the training courses for managers set up by the company in 2009 must

be mentioned. More than a decade later, this course is still being offered and has enabled the company's human resources to be strengthened, having improved the leadership and management capacity of the 547 people in Spain and in Portugal, who have taken part in the 2021 Mercadona Management Leaders programme, for which the average investment per person amounts to more than 20,000 euros.

Throughout the year, the company has also stepped up the development of the in-house training programme that it decided to set up in 2020 to improve the specialisation of the people who are hired for different positions in the Purchasing Departments. Therefore, through

the LIFE Project (Training, Onboarding and Development Laboratory), a total of 57 people, led by internal tutors, have perfected their resources and been promoted in these departments, to continue to pursue the objective of conclusive quality at unbeatable prices.

Furthermore, a total of 890 people have been promoted to positions of greater responsibility in Spain and Portugal, thanks to their worthiness and involvement, from which they can continue to contribute to the ongoing transformation that Mercadona is undergoing. Therefore, investment in training is a commitment to work quality, to people and, hence, to the company's future.



Fostering equality and diversity

Mercadona has a human resources policy in which respect for equality and diversity are cross-cutting values, the application of which has a positive rebound effect on all the components of the Model. In this way, it assigns significant resources so that the entire workforce understands that the Mercadona Project is a project that grows at the same pace as the people who form part of it.

The company develops a corporate neutrality policy both in Spain and in Portugal that neither tolerates nor allows any type of discrimination, whether based on gender, sexual orientation, marital status, disability, age, race, political and/or religious beliefs, union affiliation or anything else.

In this context, the company signed its first Equality Planin 2009, an agreement with which it undertook to continue studying and introducing improvements to move forward in equal treatment and opportunities for men and women, in collaboration with the entire workforce. Twelve years later, this commitment remains valid and the current Equality Plan (2019-2023) has recently been updated to adapt to recent changes in equality legislation, strengthening the company's commitment to equal pay.

This reality is also endorsed, year after year, by the data, as reflected by the fact that 61% of staff at the end of 2021 are women and, furthermore, there is a total of 2,038 women in managerial positions, 45% of the total. It is also confirmed through the internal promotion plans, thanks to which 379 women have accessed positions of greater responsibility within the company.

Mercadona and its union representatives have established an action protocol in the event of workplace, sexual and gender-based harassment, through which it establishes the reporting channel and the performance of an investigation. Since

2013, it has also been a signatory to the National Pact against Gender Violence and belongs to the group Companies for a Society Free from Gender-Based Violence. With this same level of commitment, it actively participates in the awareness campaigns on 25 November every year to mark the International Day for the Elimination of Violence Against Women, which it subscribes to and supports both in Spain and in Portugal. In Portugal, Irmãdona is also a signatory to the Pact Against Violence, promoted by the Secretary of State for Citizenship and Equality and the Commission for Citizenship and Gender Equality.

In 2021, the company has also promoted collaboration with events organised in support of the victims of domestic violence, such as the 8th Edition of the "Race against Gender-based Violence", which was once again held virtually in 2021 due to the pandemic. In the area of diversity, the company has several ongoing partnerships. An example of this is the partnership agreement with Fundación ONCE since 2019. Through the agreement, it participates with this entity to improve workplace inclusion for people with different levels of disability. Along the same lines, it has also collaborated with the Capacis Foundation since 2016, which is devoted to the social and workforce insertion of people with intellectual disabilities and whose users are responsible for the construction and maintenance of the urban gardens that Mercadona has in various stores. Another example is the *Trencadís* Project, which employs over 1,000 people from 32 foundations and occupational centres to prepare the murals developed using this mosaic technique and which decorate the seafood section in all of the chain's stores. Therefore, Mercadona employs more than 4,000 people with disabilities, between company employees and its collaboration in different projects with special employment centres.









2,038
women in managerial positions

female employees promoted









1. Estíbaliz, employee at the Barrio Buruntza supermarket in Andoain, Gipuzkoa. 2 Jesús, employee at the Ensanche supermarket in Alcalá de Henares, Madrid. 3. Noelia, employee at the Avenida de la Ilustración supermarket in Cádiz. 4. Mónica, employee at the Avenida Orihuela supermarket in Alicante. 5 Talita, employee at the Santo André II supermarket in Santa María da Feira, Aveiro. 6. Edson, employee at the Avenida Sancho El Fuerte supermarket in Pamplona, Navarra. 7. Loli and Silvia, employees at the Avenida del Textil supermarket in Ontinyent, Valencia. 8. Luís, employee at the Avenida Oliveira Zina supermarket in Valongo, Porto.

Measures for work-life balance

Having an exceptional workforce involves using pioneering measures to consolidate a management model that has an impact on work quality, analyses people's needs and establishes ongoing listening mechanisms to detect opportunities and offer solutions within the work environment. In this way, and to encourage the well-being of employees, it constantly fosters respect for the working day and a balance between professional, personal and family life.

Given its relevance, many of the company's measures to establish commitments that seek to reduce imbalances and foster conditions to improve the work-life balance, are included in the 2019-2023 Equality Plan, which forms part of the Company Collective Agreement signed with the UGT and CCOO trade unions. An example of this is leave for childcare until the child reaches the age of 12, leave to care for family members for a period of up to five years and leave due to domestic violence, which is up to three years waiting time during which time the job is reserved. Leave is also granted for international adoptions, along with preference for geographical mobility in the case of caring for family members.

In addition to this, the company has reinforced the 5+2 Work Week in 2021, an initiative that it set up in August 2020. With this type of work schedule, entry-level store staff organise their week into five days' work and two days off. However, they also have eight long weekends a year, from Saturday to Monday, and they can plan their holidays sufficiently in advance and an annual calendar is available with all days off specified, and those signed up for this type of work week can consult their monthly schedule on the Activo2 internal mobile application.

All these initiatives, which endorse joint responsibility and equitable distribution of family responsibilities, confirm that the Mercadona Project is highly committed to society. It is a project in which quality is worked on across the board and which allows all of its staff not only to grow personally and professionally, but also to coordinate such development with that of their family and personal life. This is accredited by some facts, such as, for example, that a total of 2,050 women decided to become mothers in 2021. Or that 2,143 employees who are mothers and fathers decided to extend their maternity or paternity leave by 30 days and 14,942 employees chose to enjoy reduced working hours for these twelve months.

Work-life balance in 2021

2,143

people chose to become parents and extended their parental leave by

30

days

14,942

employees took advantage of reduced working hours



2.3 Health protection

Ensuring health and safety in the workplace for staff is a responsibility that Mercadona assumes with the highest level of commitment. This is particularly true in the context of the pandemic, which has led to greater individual and joint effort to be able to guarantee that work is carried out at every workstation and in every process without risks, making every person related to the organisation to feel healthy and safe.

Prevention Plan

To be able to guarantee the highest level of workplace health and safety, Mercadona has its own Prevention Plan and Health Programme in place. Through this, it implements various training and procedural protocols and initiatives, to prevent occupational diseases and accidents from occurring.

In 2021, the company, as it does every year, reviewed every job and every process, introducing improvements in terms of prevention. Given the pandemic context experienced throughout the year, it has also made a huge effort to adapt each job and process to the changing conditions. All this work has been agreed with the legal representatives of the employees through the Health and Safety Committee.

In this respect, and whilst always applying and following instructions from the Ministry of Health, the company has provided its entire workforce with the necessary hygiene measures to prevent the spread of coronavirus, such as reusable corporate face masks, which have involved investment of over 5 million euros, hand sanitizers, gloves, paper towels and perspex protective screens. In addition to this, it has carried out a total of 125,000 preventive disinfections of communal areas and surfaces at work sites and 350 COVID-19 analyses on surfaces, all with favourable results.

At the same time, the company has collaborated with the healthcare authorities in the areas in which

it is present, promoting COVID-19 vaccination and playing an active role in some cases, such as, for example, through the vaccination of the employees at the logistics centre in Riba-roja de Túria (Valencia). In addition to this, it has continued to adapt different spaces, mainly at its logistics centres, for use by external suppliers, such as transport suppliers, for whom facilities for exclusive use have been provided. And it has continued to insist on what it considers to be the key rule for prevention of COVID-19: the 3M (clean hands, social distancing, mask), which it has applied at each and every one of its work sites.

Medical Service and 3C

Prevention and occupational health processes at Mercadona are always led by the company's own medical and prevention service, made up of 197 professionals, 108 doctors, 11 nurses and 78 people answering telephone calls. This is a multidisciplinary team which is also supported by the external prevention services of Quirón Prevención, Previs, Preving and Cualtis, the 9 mutual insurance companies and the healthcare providers that offer cover for the company's workforce. The Mercadona health and safety team has stepped up its monitoring work in 2021 and has succeeded in substantially increasing the company culture in terms of prevention.

Throughout this process, special relevance has been given to the 3C (COVID Call Centre) healthcare assistance telephone service that was created in 2020 to provide healthcare assistance 24 hours a day to the entire workforce, in both Spain and in Portugal. Given its positive acceptance and operation, the company decided to expand its area of action in 2021, and to make the most of this new channel so that employees can carry out any type of medical consultation, not only those related to COVID-19. Therefore, 3C has increased its resources and at the end of the year it involved 78 healthcare professionals, 71 in Spain and 7 in Portugal, who have handled over 500,000 queries (476,843 in Spain and 25,325 in Portugal).



Section 3

Mercadona and
The Supplier continue
to move forward in
the commitment
to become 100%
Totaler and to do
so in a radical way















In 2021, and with the aim of advancing in the development of an efficient selection, Mercadona and its suppliers have adopted the firm commitment to achieve the goal of being 100% Totaler and to do so in a radical way in order to always satisfy "The Boss". And it is moving along this path on which the specialist supplier's knowledge is essential for prescribing high quality products to our customers each day at an unbeatable price. Taking on this challenge together will lead the company to build a solid competitive and differentiating advantage

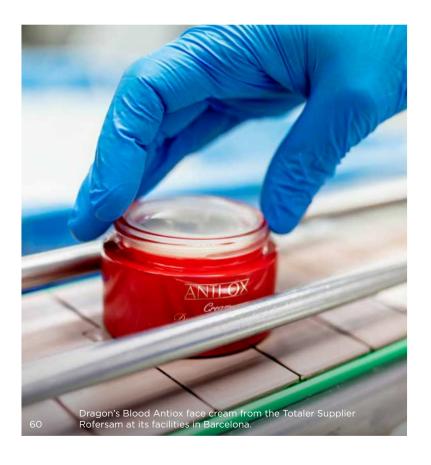
3.1 A common goal: quality

The Supplier is an essential part in the Mercadona Project, whose involvement, through an ongoing commitment to quality and specialisation, has become one of the company's essential growth vectors. It is so differentiating that, for several years, it has been driving its own model, the Totaler Supplier Model, which is based on shared responsibility and on the fact that collaboration and agility are key attributes to be able to develop products to offer customers the best selection.

The Totaler Model is governed by a set of essential principles based on mutual trust. Thanks to it, Totaler Suppliers can focus all their efforts on making the most of their knowledge and specialisation to introduce solutions, through coinnovation processes that take into account the ideas, suggestions and opinions of the "Bosses". Furthermore, this is all under the umbrella of ethical preparation, which fosters sustainable and socially responsible production, applies

and requires best practices from all suppliers in environmental protection, and drives initiatives based on the Circular Economy and on the efficient use of resources to trim the consumption of raw materials as far as possible.

Since its launch, this model has given excellent results such as, for example, in the Lambrusco wine family, in which the company has already managed to prescribe the best option for "The Boss". However, in other cases it has not yet achieved this objective. For this reason, Mercadona and its more than 1,500 Totaler Suppliers have set the common goal of developing an efficient selection at an unbeatable price that makes it possible to obtain profitability on all products. To do this, the involvement of the entire company is essential in the search for new strategies and tools, reaffirming that the first objective is to have high quality products and the second is profit, always in this order. This is





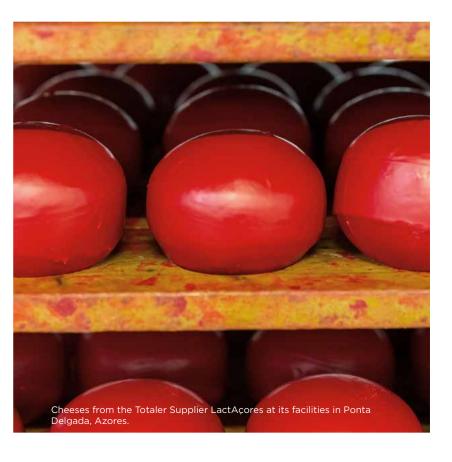
achieved through discipline, contrasting and being demanding.

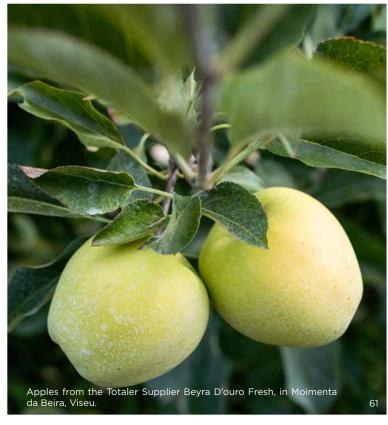
In this search to "say yes again to being a Totaler and doing so in a radical way (always)", Mercadona has decided to strengthen its purchasing departments. increasing them from four to seven. In addition to this decisive commitment, there is also the initiative started up in 2020 to form a purchasing team aimed at improving the shopping experience of the "Bosses", thanks to the LIFE Method (Onboarding, Training and Development Laboratory), the company's in-house career plan for onboarding and training its future purchasing managers. Over these twelve months, 57 new people have been hired in these departments, from which the company not only searches for, selects and hires specialist suppliers for its project, but also consolidates, year after year, an industrial network of manufacturers, farmers, fishermen and livestock breeders who guarantee maximum quality at unbeatable prices.

Totaler Supplier

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

- Quality 10 with food safety
- Service
- Competitive price
- Sustainable and socially responsible production processes





We all must say YES again to being a Radical Totaler

Where radical means ALWAYS doing it

3

2

Quality

Every product must always guarantee conclusive quality with food safety

Service

Guarantee that "The Boss" always has the product they need

Selection

Efficient to always guarantee getting it right for "The Boss"

Create a team

Foundations



5

4

Price

Always ensure an **unbeatable price** for each product

Profitability

Always guarantee the profit for Mercadona and for The Supplier

00

Continuous improvement

Constant work to keep reviewing, continue improving and always boost growth in a socially responsible way



1,200 people in the prescription and purchasing departments



1,500 Totaler Suppliers

3.2 Shared commitments

Mercadona establishes a framework to work with suppliers based on transparency, in which all parties work towards the shared objective of offering "The Boss" the best solution through a company culture with values and ethical standards. To do this, Mercadona, which subscribes to the fundamental principles of the United Nations Global Compact and the ethical principles of the International Labour Organisation (ILO), shares and requires compliance with Ethical Conduct Guidelines from all the suppliers with which it collaborates. These guidelines, which are continuously supervised, involve compliance with regulations related to human rights and labour ethics, respect for the environment, promotion of equality and the defence of sustainability under all circumstances and in any country where the activity takes place.

In the search for constant progress in the environmental performance of the supply chain with respect to the environment, Mercadona's Totaler Suppliers are asked to provide environmental certificates for their facilities. In addition to compliance with prevailing legislation, these certificates guarantee environmental protection through continuous improvement measures and environmental risk prevention.

Mercadona has its own Animal Welfare Policy, which is shared by its suppliers of meat, eggs and milk, and which is based on the animal welfare principles of the World Organisation for Animal Health (OIE). Therefore, the fresh meat, eggs and milk that Mercadona sells in Spain come from approved suppliers who hold certificates in animal welfare standards recognised and endorsed both at the farm stage and during transport and subsequent slaughter at the end of 2021. Meanwhile, all Portuguese egg suppliers have this certificate, while those who supply meat will obtain it during 2022. All of the parties involved carry out ongoing audits and collaborate with institutions of renowned prestige on the matter.

Furthermore, meat and milk suppliers adhere to the Spanish Action Plans on Antibiotic Resistance (PRAN) driven by the Spanish Agency of Medicines and Medical Devices and the Spanish Ministry of Health, while suppliers who have slaughterhouses in operation have cameras for the recording and storage of images in order to assure and guarantee best practices at all times.

Meanwhile, all extractive fishing and aquaculture suppliers share the Fishing Products Purchasing Policy, which aims to achieve a substantial improvement in the sustainability of these products with measures, such as guaranteed traceability from source to sale, or the removal of species considered to be threatened or endangered from the selection. At the same time, aquaculture suppliers are certified in internationally recognised standards that assess environmental, social, animal welfare and food safety aspects.

Among the numerous initiatives started up in this respect, Mercadona has signed three partnership agreements with the Spanish National Research Council (CSIC), for the purpose of analysing and quantifying the level of Anisakis and other parasites in different species of fish and cephalopods. Several of its suppliers are involved in the study and are introducing improvements to reinforce safety and maximum quality in these products. For years, the Totaler Supplier Escurís, has been committed to guaranteeing that 100% of Hacendado tinned tuna comes from responsible and sustainable fishing grounds, whereby it collaborates with the International Seafood Sustainability Foundation (ISSF); and the supplier, Leroy Seafood, has renewed its certificates in 2021 related to food safety, environment and animal welfare for all the fresh salmon that Mercadona sells and that comes from fish farms.

In addition, Mercadona's fruit and vegetable suppliers are certified under the Global GAP sustainability standard, based on the application of sustainable good practices, which include food safety, traceability, employee health and safety, environmental protection and efficient use of resources.



Code of Good Commercial Practices

Aware of the responsibility regarding the consequences that its activity may have on society and the environment, Mercadona has promoted fair and sustainable business practices with all of its suppliers for years, enabling it to consolidate a responsible agri-food sector that is committed to eco-efficiency and which therefore optimises natural resources as far as possible.

In this respect, the company adheres to the Code of Good Commercial Practices in Food Procurement. This voluntary agreement, which is part of the Law on Measures to Improve the Functioning of the Food Chain in Spain, is promoted by the Ministry of Agriculture, Fisheries and Food (MAPA). Different associations across the entire national agri-food chain collaborate in it, which undoubtedly contributes to consolidating fair commercial practices in the agrifood sector. Meanwhile, it has been a signatory to the Code of Good Practices in the Agri-food Chain in Portugal since 2019.

Primary sector

Mercadona has been collaborating with farmers, livestock breeders and fishermen for years to consolidate production which, based on the principles of the green economy, certifies sustainability and, at the same time, contributes, by means of modernisation and innovation, to incorporating increasingly efficient and productive processes that result in benefits for each and every one of the links in the chain.

In its commitment to the primary sector, the company is deeply involved in numerous initiatives and projects which, as a whole, are source of synergies and innovation. A clear example is Mercadona's Early Harvest Casa Juncal Extra Virgin Olive Oil, which comes from the picual variety irrigated olive grove plantations, located on the hillsides of the Sierra de Andújar Natural Park (Jaén). This supplier's commitment and its collaboration with Mercadona in this project has enabled a differentiating product to be introduced on the shelves of stores in Spain,

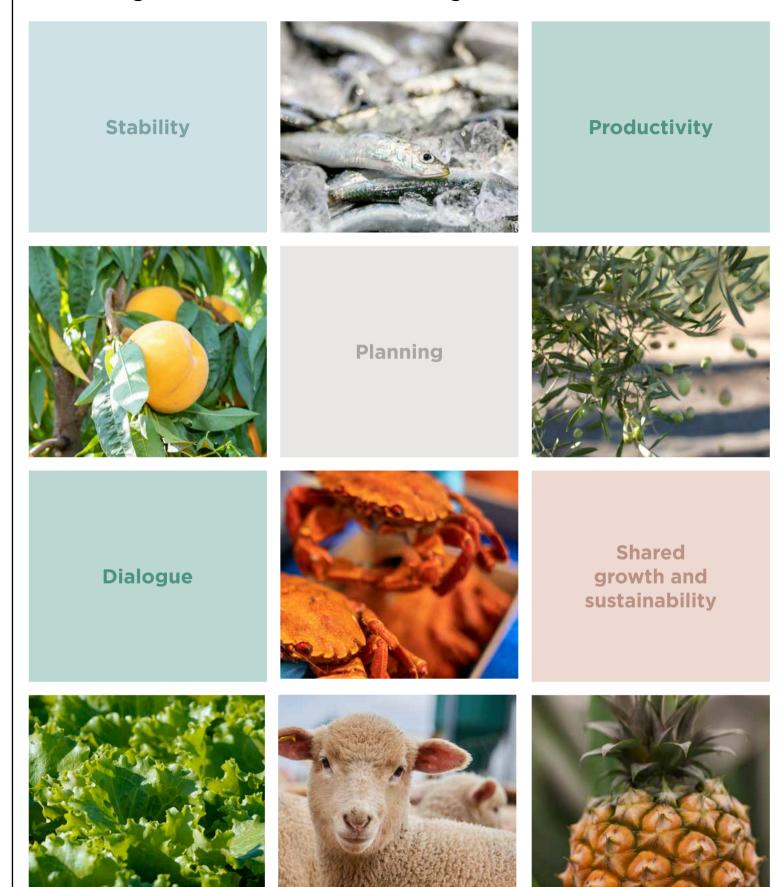
as accredited by the New York International Olive Oil Competition (NYIOOC) and the London International Olive Oil Competitions (London IOOC), competitions that have both awarded gold medals to the quality of this Extra Virgin Olive Oil.

Another example is the new traditional recipe of its cooked octopus, which the Totaler Supplier Profand prepares with water, salt and without any type of additive. This new recipe, which incorporated one of the qualities most valued by the "Bosses", the tender but not soft "bite", thanks to the coinnovation sessions, is available in the Mercadona selection in three different formats (one kilo, half a kilo and the format of headless octopus tentacles), all on 100% recyclable plastic trays made from 85% recycled material.

The commitment to a sustainable and increasingly modern and efficient agri-food chain has also been maintained in Portugal in 2021. In this way, and in its search for the country's best suppliers to offer the finest quality products to its "Chefes" (Bosses), the company has been working with Unileite-LactAçores for years, a specialist supplier that produces Hacendado queso flamengo Açores, a traditional Portuguese product that is presented as a ball, as a block, sliced, diced or grated. The collaboration with this supplier has enabled the company to value this product not only on the shelves of its supermarkets in Portugal, but also in some areas of Spain, due to its quality and traditional nature, thus encouraging the export of one of the favourite cheeses of the Portuguese.

Along the same lines of taking advantage of synergies, the company has worked closely with suppliers from different areas of Portugal in 2021. This is the case of the supplier, António Viegas Guerreiro, a family business dating back more than 50 years that has two boats, 20 fishermen and 15 people in the factory, all responsible for ensuring that its sardines arrive daily from the auctions to the supermarkets to be able to offer the best fresh fish every day.

Main strategies of Mercadona's Sustainable Agri-food Chain



Shared and sustainable growth

Since its foundation, Mercadona has been a project committed to dialogue and collaboration as a driver of growth. These attitudes allow it to work very closely with suppliers and to construct an entrepreneurial ecosystem that is committed to specialisation and that grows thanks to its ongoing commitment to product and service quality, through synergies and the exchange of knowledge and experience.

In 2021, over 3,000 product suppliers and over 13,000 non-commercial and service suppliers, including more than 250 carriers, have contributed to helping the Mercadona Project continue to grow, thanks to a business model that encourages stability, safe shopping and specialisation. Over these twelve months, the development of this project has involved a total purchasing volume of 21,500 million euros, 21,000 million of which in Spain and 500 million to Portuguese suppliers. In short, this project only grows if all the links in the chain grow and which has for yet another year generated industry and has been a driver of development of numerous local economies.

Furthermore, with the aim of strengthening market knowledge and, in parallel, being able to have the best option for "The Boss", Mercadona is present in 11 countries, in addition to Spain and Portugal, where 36 members of staff work with the best specialist suppliers to strengthen its selection and service with differentiating and the products of maximum quality.

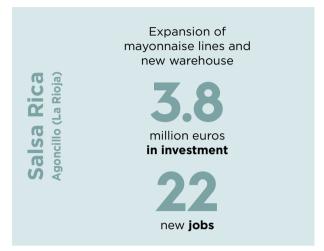
In parallel, during 2021, the company has continued to support the #EActiVate initiative, promoted by Mercadona in March 2020 in the middle of lockdown, with the objective of promoting the country's economic recovery through five pillars of reactivation: employability, infrastructure, productivity, reinvention and sustainability. Throughout these twelve months, and by means of this initiative, it has highlighted the efficiency of the more than 5,500 entities that adhered to this project, giving visibility to the effort that both companies and entrepreneurs, self-employed workers and employees have made day after day to accelerate and activate the national economy.





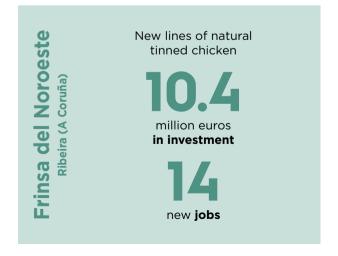
Examples of Totaler Supplier investment and employment

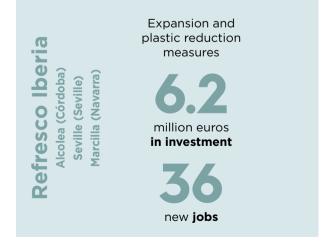












New offices and new sushi plant

17
million euros in investment

32
new jobs

Expansion of frozen vegetable lines

Place (La Rioja)

Mayarra

Alfaro (La Rioja)

million euros in investment

million euros in investment

million euros in investment

New gluten-free pastry factory

A million euros in investment

15

new jobs

New pizza lines and environmental improvements

48
million euros in investment

55
new jobs

Improvements to facilities for Alentejo wine

Alentejo wine

million euros in investment

new jobs

Expansion of the flamengo cheese factory

2.9
million euros in investment

11
new jobs

Portuga

3.3 A quality logistics network

To be able to provide optimum service and guarantee efficiency in its activity, Mercadona has a quality distribution network: more than 1.4 million square metres that the company optimises to "manufacture more with fewer resources", through processes and strategies that pursue a balance between environmental and economic efficiency, which reduce the impact on the environment and on cities and, at the same time, minimise the repercussion on each area and district where it is present, through responsible protocols and its commitment to innovation and cutting-edge technology.

Advances in the logistics centres

Mercadona's logistics network is made up of a total of 16 operational logistics centres, 2 satellite warehouses and 2 regulating warehouses. From this network, Mercadona supplies its 1,662 supermarkets in Spain and Portugal, led by a team of 10,700 professionals whose effort, involvement and constant adaptation make it possible to respond to the needs of the "Bosses".

Mercadona dedicates important resources to reinforcing its logistics network year after year, to constantly transform it and adapt it to each environment and context. This investment effort reached 170 million euros in 2021, a year in which significant improvements have been made, such as, for example, those executed in Portugal, with the incorporation of a fresh products warehouse into the logistics centre of Póvoa de Varzim (Porto), where activity will begin at the start of 2022.

Another of the company's logistics improvements in Portugal has been the acquisition of a plot of 440,000 square metres in Almeirim (Santarém), where construction work will begin in 2022, once the administrative processes have been completed,

on what will be Mercadona's second logistics centre in Portugal, which is expected to open in 2024.

In the case of Spain, the effort made has enabled the dry goods service in Zaragoza and the perishable goods service in San Isidro (Alicante) to be opened. Meanwhile, the Andalusian logistics centres in Guadix (Granada) and Huévar del Aljarafe (Seville) have started up new frozen food and fish warehouses, respectively. Furthermore, the logistics centre in Villadangos (León) began new services for perishables and frozen food at the end of the year.

Furthermore, the company has started up part of its logistics centre in Parc Sagunt (Valencia) in 2021, from where it offers fresh product services to approximately one hundred stores located in Valencia, Castellón, Teruel and Cuenca. During the year, Mercadona invested over 27 million euros in starting up part of this warehouse, in which 170 people work. The aim is for it to be fully operational by 2026.



logistics centres in operation

million square metres

170 million euros in investment



- 2 ANTEQUERA, Málaga
- 3 SANT SADURNÍ D'ANOIA, Barcelona
- 4 SAN ISIDRO, Alicante
- 5 HUÉVAR, Seville
- 6 GRANADILLA DE ABONA, Tenerife (Santa Cruz de Tenerife)
- 7 CIEMPOZUELOS, Madrid
- 8 INGENIO, Gran Canaria (Las Palmas)
- VILLADANGOS DEL PÁRAMO, León

- 11 GUADIX, Granada
- 12 ABRERA, Barcelona
- 13 VITORIA-GASTEIZ, Araba/Álava
- 14 PÓVOA DE VARZIM, Porto
- 15 GETAFE, Madrid
- 16 PARC SAGUNT, Valencia
- 17 ALMEIRIM, Santarém (under construction)
- A1 MERCAPALMA, Palma de Mallorca (Balearic Islands)

- R1 RIBA-ROJA DE TÚRIA REGULATING WAREHOUSE, Valencia
- R2 SANT SADURNÍ D'ANOIA REGULATING WAREHOUSE, Barcelona

HIVES (online warehouse)

VALENCIA BARCELONA MADRID

ALICANTE (under construction) SEVILLE (under construction)

More sustainable logistics centres

To continue reinforcing quality and excellence in its service, Mercadona has continued to commit to the transformation of its logistics structure throughout 2021, which is increasingly innovative and environmentally friendly. The best example of this is the 21st Century Warehouse, a project that the company began in 2007 in the town of Ciempozuelos (Madrid). This type of intelligent warehouse relies on technology and innovation to modernise and optimise processes, which has allowed it not only to make these environments safer, but also to eliminate over-exertion to prevent and reduce the risk of occupational accidents.

At present, in addition to the one in Madrid, Mercadona has three intelligent logistics centres, located in Villadangos del Páramo (León), Abrera (Barcelona) and Vitoria-Gasteiz (Araba/Álava); and it has undertaken the expansion of the logistics facilities in Guadix (Granada), Zaragoza (Zaragoza) and San Isidro (Alicante); as well as the construction of the logistics centre in Parc Sagunt (Valencia). All of them are more sustainable and responsible models, which optimise efficiency and generate skilled and quality jobs in this area.

As part of its commitment to sustainability, the company also participates in the Lean & Green initiative, supported by the AECOC in Spain and







which is the largest European collaboration platform focused on reducing emissions associated with the supply chain.

Its work in this area, in which it has been able to accredit a 27% reduction in ${\rm CO_2}$ equivalent emissions in its logistics processes between 2015 and 2020, led to the company being awarded its first Lean & Green star.

The Lean & Green initiative is aligned with the objectives set out by the Paris Agreement (COP21) to become climate neutral by 2050. Mercadona has formed part of this international and interprofessional project since 2020, to which

more than 200 European companies that must have a traceable and transparent system of monitoring their emissions are adhered.

This programme is structured into five levels, each of them with quantifiable targets for the reduction of greenhouse gases. Once the target for each level is met, the company is awarded a

star, up to a total of five. The award of this first star is an incentive for Mercadona, whose commitment is to continue working on its reduction plan until it meets the demanding targets that it has set itself.







Section 4

Mercadona has a joint commitment with Society to protect the environment and generate a positive return



























Societ

In 2021, Mercadona has continued to apply its company model so that, day by day, it can lay the foundations of a common goal shared by all of us who make up the company: to achieve a more positive social impact for society and the environment. All of this is achieved by generating well-being and extensively distributing our profits. It is only through business practices that produce in an environmentally efficient, responsible and sustainable way that we will be addressing the needs that society demands of us as a company

4.1 A recognised effort

In addition to the complexity of the pandemic, the company has had to face different scenarios over the years. In this context, Mercadona has continued to strengthen its ties with the various areas in which it is present, understanding their needs and offering solutions and support within its means.

Obvious examples are the effects of Storm Filomena in January 2021, which required a special effort to continue supplying the supermarkets; or those caused by the eruption of the Cumbre Vieja volcano which, for practically the last three months of the year, plunged the island of La Palma into a constant state of emergency, to which Mercadona responded from the very first day with donations of essential articles and cleaning products for those affected, including FFP2 face masks.

Despite all these adversities, the 95,800 people who form part of its human resources, as well as the rest of the company's assembly line, have been able to face all of the challenges that have arisen over these twelve months giving the best of themselves with the aim of living up to society's expectations. This commitment to being capable of understanding their needs and giving them answers was rewarded with various awards that recognise the effort made, motivate those who are part of the project to continue to improve and confirm that Mercadona's relationship with society generates value and a return for both parties.

A clear example of this is the recognition made by the Royal House of Spain which on the occasion of the 7th Anniversary of His Majesty King Felipe VI on the throne, decided to award Mercadona the Medal of the Order of Civil Merit, in recognition of its key work and as an essential service during the pandemic. Along the same lines, the award granted to Mercadona by the Association of Victims of COVID-19, and the prizes awarded by the city councils of Salamanca and Plasencia (Cáceres), as well as by Protección Civil in Moralzarzal (Madrid), all in recognition of the role of the company and its staff as an essential sector, should be highlighted.

For another year, the Gómez Gómez siblings siblings, shareholders in the company, rewarded and expressed their thanks for the work that the professionals of the police forces of Antequera have carried out to maintain the welfare of all citizens, through a new edition of the Patrocinio Gómez Award. Meanwhile, the Juan Manuel Gómez Serrano award recognised the commitment demonstrated by Joaquín Ruiz Luque, a volunteer with Protección Civil; Sergio Martín, a member of the Local Police; and Santiago Paradas, a member of the National Police.

For another year, this way of relating to society, understanding its needs and being an active part of its transformation has enabled the company to become the business with the best reputation in its sector and the second at a national level, according to the data from the MERCO General Business Ranking 2021. This monitor also places Juan Roig in first position in the General Leaders' Ranking in 2021, a position that the president of Mercadona has occupied for three consecutive years.

All of this recognition reflects the relevance that the Total Quality Model confers on society and the initiatives that it constantly promotes to generate environments of shared prosperity. A management model that pursues excellence and whose solidarity is not only recognised by society, but also rewarded with prizes, a fact that is a source of pride and a responsibility for those who make the Mercadona Project a sustainable reality each day.

Medal of the Order of Civil Merit





Elena, employee at the Montigalà supermarket in Badalona, Barcelona, receiving the Medal of the Order of Civil Merit from His Majesty King Felipe VI and Her Royal Highness the Princess of Asturias, on behalf of Mercadona staff.



Ana Baschwitz, President of the Association of Victims of COVID-19, and Gonzalo Canelada, Mercadona External Relations Officer, at the presentation of the award to the company for the work carried out during the pandemic.



The Gómez Gómez siblings, Mercadona shareholders, at the Juan Manuel Gómez Serrano Award ceremony.



Winners of the Patrocinio Gómez Award, promoted by the Gómez Gómez siblings.

4.2 Sustainable and shared growth

Mercadona is a project that is committed to the development of society. To do so, it establishes fluid relationships with the environments in which it carries out its activity, where it maintains a permanent dialogue and promotes numerous initiatives to benefit these places, hence applying one of the universal truths on which it bases its Total Quality Model: "to be able to receive, we first must give".

Faithful to this reality, the company therefore promotes ethical and responsible behaviour, with which it also drives numerous initiatives to the benefit of society. By means of a proactive attitude, based on transparency and trust, it becomes involved in the needs of its surroundings, both local and in the national or global sphere, and it proposes solutions aimed at solving real existing problems, within a framework of collaboration in which empathy and effort are constant factors.

In 2021, all of this work has led to a positive result for society that has translated into specific data, such as, for example, the creation of 800 stable and quality jobs that have made it possible to end the year with a staff of 95,800 fully committed people. In addition to this, it has invested a total of 1,200 million euros to continue consolidating its shared company project, a responsible and sustainable model whose growth is, in turn, a driver for the rest of society.

One of the most obvious signs of this impetus is the tax contribution made every year to the Public Administrations. In 2021, and in the case of Spain, its contribution in terms of taxes incurred and paid was 1,955 million euros, of which 931 million were payments to Social Security, 197 million to corporate tax, 685 million to VAT and personal income tax, and 142 million to the payment of various taxes and duties. In the case of Portugal, these contributions were channelled through Irmãdona. More specifically, 62 million euros in taxes incurred and paid, of which 13 million euros went to Social Security, 1 million euros to corporation tax, 43 million to personal income tax and VAT, and 5 million euros to other taxes and duties.

In this way, the Mercadona Project has continued to grow hand in hand with society to give back a good portion of its profit, as confirmed by the fact that it has contributed a total of 25,172 million euros to the GDP for 2021 in the case of Spain, a figure that represents 2.09% of the total. The impact on tax revenues over these twelve months must be added to this, which, with a value of 9,007 million represents an additional impact of 2% on the estimated total tax paid to the Spanish Public Administrations.

In fact, Mercadona's role and the impact of its activity on the development of Spain as a whole has increasing relevance. This is accredited by the Valencian Institute for Economic Research (Ivie). According to its data, Mercadona's activity, to which that of all its suppliers and the rest of the assembly line must be added, has generated a total of 660,751 direct, indirect and induced jobs over these twelve months, a figure that makes it jointly responsible for 3.7% of total employment in Spain.

Impact of Mercadona's economic activity

Total contribution of income, employment and tax revenues*

25,172

million euros aggregate contribution to GDP

2.09% of GDP

660,751

jobs in Spain

3.7% of Spain's total employment

9,007

in tax revenue

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

Mercadona tax contribution (SPAIN)

Taxes incurred and paid

million euros +3% compared to 2020

Irmãdona tax contribution (PORTUGAL)

Taxes incurred and paid

million euros +96% compared to 2020

Mercadona Tax Contribution Incurred

Social Security

778

million euros

Corporate Tax

million euros (21.5% effective tax rate)

Other taxes and duties

142 million euros

Irmãdona Tax **Contribution Incurred**

Social Security

million euros

Corporate Tax

million euros

Other taxes and duties

million euros

Mercadona Tax **Contribution Paid**

Social Security

153

million euros

Income Tax

million euros

VAT

296 million euros

Irmãdona Tax **Contribution Paid**

Social Security

million euros

Income Tax

6

million euros

VAT **37**

million euros

^{*} Data updated according to the methodology used by the Valencian Institute for Economic Research (Ivie) in 2021.

4.3 Commitment to caring for the planet

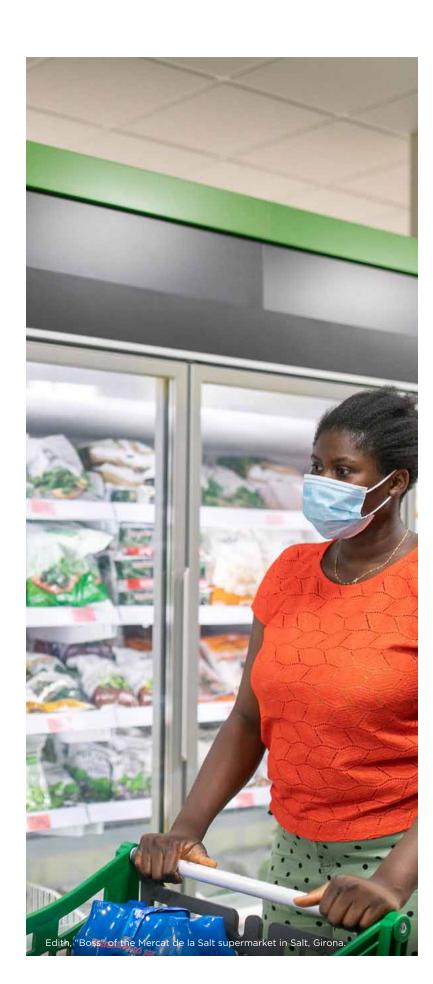
Mercadona, as a responsible company, continues with its firm commitment to "continuing to care for the planet". Aware that sustainability and respect for the environment are non-negotiable values, it has its own Environmental Management System. Through it, the aim is to reduce the impact that its activity involves, rethinking every process in order to optimise the use of natural resources, increase its energy efficiency, reduce waste and minimise its carbon footprint.

For all of this, the company has made significant investments in 2021, dedicating a total of 49 million euros to different initiatives and measures, many of which are cross-cutting and all are aimed at becoming increasingly sustainable. It has also relied on the support of its entire assembly line, whose preventive work and commitment have made it possible to generate synergies and continue to consolidate an efficient and competitive company model, increasingly committed to the preservation of biodiversity and ecosystems and the efficient use of resources. In short, a responsible company that aims to do more and more with fewer natural resources and to remain aligned at all times with the Sustainable Development Goals (SDGs) promoted by the UN (United Nations).

Shared value

Mercadona strictly complies with the current legislation and promotes ethical behaviour internally, backed by its Regulatory Compliance Committee, which is responsible for supervising the organisational and management model in an impartial, independent, objective and confidential manner.

In addition, and in relation to human rights, the company complies with all the regulatory standards required, in accordance with all current legislation, and asks its suppliers for the same level of commitment in this area. Furthermore, all Mercadona and Irmãdona staff receive a training plan based on Total Quality, a management model whose principles are the universal truths and the paradigm that shapes their values and behaviour.













Circular Economy

In its commitment to sustainability, Mercadona is committed to strategies based on the principles of the Circular Economy. To do this, all those who are part of its project are aware of the need to reduce, recycle and reuse materials, as well as to work constantly on processes to introduce improvements that contribute added value and consolidate the company's efficiency.

Strategy 6.25

Firmly convinced of the need to adapt to the ecological transition as a general framework for action, Mercadona has continued to promote its Strategy 6.25 in 2021, which will allocate investment of 140 million euros by 2025 to meet the threefold objective of reducing plastic by 25%, making all packaging recyclable and recycling all plastic waste.

In fact, the work carried out in this respect has been such that the company has managed to convert all its sites into Stores 6.25 in less than one year, an effort that has involved investment of 30 million euros, but has enabled it to reinforce its commitment to the environment and raise awareness and better inform the "Bosses" and employees of the importance of recycling, providing bins to separately dispose of paper and cardboard, light packaging, organic waste, gloves, batteries and coffee capsules, promoting the principles of the Circular Economy.

Within the framework of Strategy 6.25, intensive work is being carried out, in collaboration with the suppliers, to increase the recyclability of packaging, to which the company is assigning significant resources. Proof of this are the changes made in 2021 to the packaging of some products, such as, for example, the entire category of Hacendado coffee capsules or Hacendado classic chocolate bars, which are now offered in cardboard boxes. In other cases, such as in the category of air freshener sticks, plastic has also been replaced with glass.

Waste management and prevention of food waste

Another major vertex of Mercadona's Circular Economy policies is to carry out proper waste management to make better use of resources and extend their useful life. First of all, this involves major prevention work and, secondly, the introduction of measures that promote the reuse, repair and recycling of materials.

A good example of this is the pool of Logifruit reusable packaging that Mercadona has incorporated in its logistics model, with elements, such as boxes, pallets and crates that make numerous rotations during their life span of five years, optimising reverse logistics and avoiding the use of thousands of tonnes of single-use materials.

Regarding food waste, Mercadona carries out preventive measures, such as, for example, the so-called "complete tree", which seeks to make use of the entire production, whether by direct sale or for a different production use and adjust orders to sales, using state of the art IT tools. Along the same lines, it keeps a variety of actions active in its supermarkets, such as liquidating fresh products and donating surplus food and cleaning and hygiene products to social entities.

In addition to all of this, Mercadona has continuously participated in the Ministry of Agriculture, Fisheries and Food's "More food, less waste" initiative and in the AECOC initiative "There is no waste in food, use it up", which seek to generate synergies among all the stakeholders in the supply chain to reduce the problem of food waste. In the same way, the company has promoted this commitment in Portugal, where it participates in the strategy that companies in the sector have been implementing for years against food waste, through Irmãdona. Therefore, at the beginning of 2021, it became a member of the "Unidos Contra el Desperdicio" movement in Portugal.

Tonnes of waste separated and recycled

2020 2021

Wood **3,899 5,127**

Paper and cardboard 233,185 245,070

Plastic (including expanded polystyrene) 16,701 17,754

Recycling rate
(of total waste generated)

Recycled/Recovered

Destroyed

78%

22%

79%

21%



Reduction of emissions

The processes carried out by Mercadona's assembly line generate emissions of various gases that contribute to climate change. For this reason, carbon footprint calculation is an environmental indicator that aims to reflect all the greenhouse gases emitted directly or indirectly by the company in a certain period of time in order to take decisions based on this information and draw up an emission reduction plan.

For years, Mercadona has been drawing up an inventory, detailing these impacts. This calculation has recently been modified to adapt to the ISO 14064 international standard, with which Mercadona has calculated its direct and indirect emissions from electricity consumption in recent years. In the case of 2020, both the methodology and the calculation have been verified by AENOR

as part of the standardisation and transparency process of these indicators.

Measures such as updating the fleet with alternative fuels, changing refrigerant gases in refrigeration equipment or the use of more efficient systems, such as trains for goods transport, are a commitment to sustainability and the resulting reduction of the carbon footprint of Mercadona's processes.

Sustainable transport

As part of its commitment to sustainable transport, the company has introduced numerous improvements to the fleet, such as the elimination of elements that do not add value, such as the pallet loader or the spare wheel, in order to



lighten the total weight of the vehicle and be able to load an extra tonne per lorry than the sector average. Along these same lines, and continuing with the strategy of using higher capacity vehicles, since 2016 the company has been working on and studying the use of the mega trailer as an alternative form of transport to reduce the number of journeys; as well as due to inverse logistics to avoid journeys when empty, which has enabled it to reach a filling rate of 82% in 2021. At the end of 2021, Mercadona had 40 mega trailers in operation.

It also has a fleet of 119 lorries powered by liquefied natural gas and 15 by compressed natural gas under contract. Mercadona chooses vehicles that meet the most demanding standards in terms of polluting emissions, as demonstrated by the fact that 99% of the fleet under contract complies with the Euro VI C, Euro VI D and, new for 2021, Euro VI E engine standards.

In addition, it has continued to make use of silent urban unloading, which is in operation in a total of 822 supermarkets. This method makes it possible to reduce traffic by using higher tonnage lorries during off-peak hours, avoiding traffic jams, accelerating unloading processes and reducing noise and atmospheric pollution through all of this.

In 2021, the company has continued to collaborate actively in the AECOC Lean & Green initiative, which it joined a year ago, the purpose of which is to achieve the objectives defined at the Paris Climate Summit (COP21). Its involvement in this programme has been outstanding over these twelve months, as it accredited a reduction of 27% in its $\rm CO_2$ emissions derived from its logistics processes, a milestone that led it to be awarded its first Lean & Green star.

Logistics optimisation in 2021

119

lorries powered by liquefied natural gas

15

lorries powered by compressed natural gas

40

mega trailers in operation

99%

of the fleet complies with the **Euro VI** engine standard

822

supermarkets with silent logistics in off-peak hours

82%

fill rate of lorries

Carbon footprint (kg CO₂/m³ of goods¹)

2020 Carbon intensity of direct emissions, 13.56 including goods transport Carbon intensity of electricity 8.09 purchase and consumption 830,482 Total CO₂ emissions ¹ tonnes 120,000 Annual reduction of emissions¹ Mercadona and Irmãdona do not use **Emissions of ozone-depleting substances** ozone-depleting substances

1. Carbon footprint calculated according to standard ISO 14064. Data from 2020 verified by AENOR. Provisional data for 2021.

2021

11.88

7.76

771,958

tonnes

56,000

Mercadona and Irmãdona do not use ozone-depleting substances





Certificado Medio Ambiente CO₂ Calculado



HCO-2022/0002

AENOR certifica que la organización

MERCADONA, S.A.

genera, de acuerdo con los requisitos de la norma ISO 14064-1:2012 emisiones totales t CO2e Año 2019: unas emisiones totales de 950.614t CO2 e (Alcance 1: 559.572 t CO2 e; Alcance 2: 391.043 t CO2 e Año 2020: unas emisiones totales de 830.482 t CO2 e (Alcance 1: 520.182 t CO2 e Alcance 2: 310.300 t CO2 e y se compromete a su seguimiento en el tiempo.

para las actividades: El alcance de la verificación se establece para las actividades que presta la organización dentro del GRUPO MERCADONA, para las actividades de compra, entrega a las tiendas de productos, aprovisionamiento en los almacenes para abastecer a las tiendas y al cliente final en su domicilio.

El GRUPO MERCADONA está compuesto por MERCADONA, S.A., empresa de supermercados situada en todo el territorio de España e IRMADONA SUPERMERCADOS, S.A., filial en Portugal.

Las actividades objeto de la verificación se establecen en dos alcances (siguiendo las directrices de la Norma ISO 14064-1:2012 que son:

Alcance 1: Emisiones directas de GEI

Alcance 2: Emisiones indirectas de GEI asociadas al consumo de electricidad

adquirida en las instalaciones.

CL VALENCIA, 5. 46016 - TAVERNES BLANQUES (VALENCIA) que se realizan en:

periodo calculado: 2019.2020

> Informe de Emisiones Verificado del periodo 2019, 2020 y la Declaración de Verificación de AENOR, resultado de la verificación, de fecha 23 de diciembre de conforme al:



AENOR INTERNACIONAL, S.A.U. Génova, 6. 28004 Madrid. España Tel. 91 432 60 00.- <u>www.aenor.com</u>



Mercadona's carbon footprint calculation certificate for 2020 issued by AENOR.

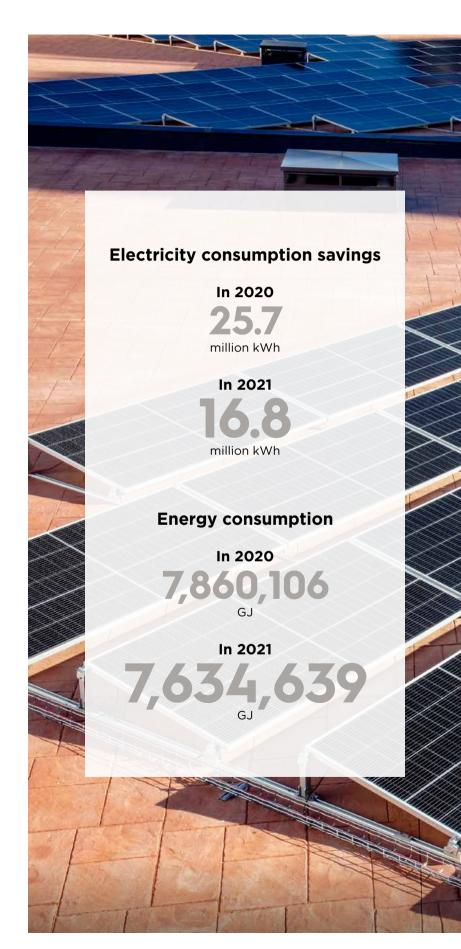
Energy efficiency

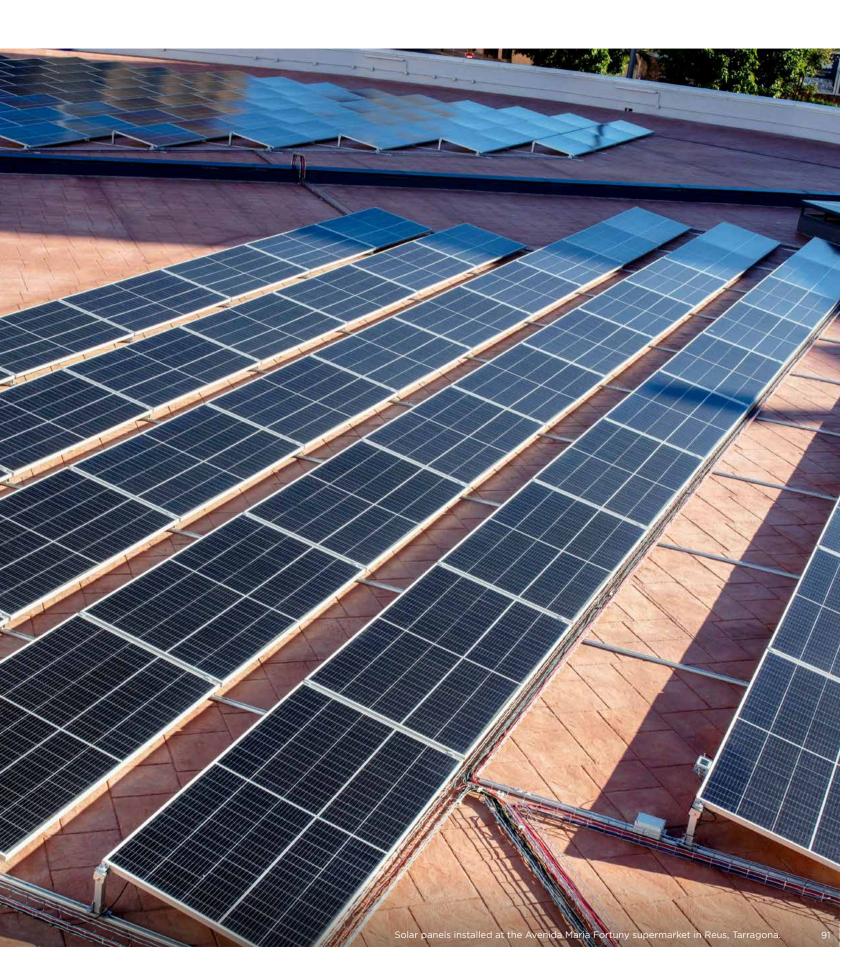
Mercadona's Environmental Management System pursues optimisation of energy consumption, which involves implementing policies on responsible use of energy resources. In this respect, one of its main exponents is the eco-efficient store, which includes measures that allow for energy savings of up to 40% compared to a conventional store.

This type of store, for example, has improvements to the insulation of the enclosures and refrigerators, LED lighting and smart management of energy consumption throughout the entire site. In addition, and thanks to new refrigeration technologies, this type of supermarket incorporates more sustainable refrigeration systems, which reduce the use of fluorinated gases and greenhouse gas emissions.

All of these benefits convert eco-efficient stores into a differentiating project to which Mercadona is decisively committed, as reflected by the fact that at the end of 2021 the company has a total of 1,379 sites of these characteristics in Spain and in Portugal, 83% of the total. The company has also been introducing renewable energy for years, as shown by the incorporation of solar panels in stores, logistics centres and Hives. In total, 11,500 solar panels account for 5,549 kWn of rated installed power and savings of 1,446 tonnes of CO₂ a year.

Furthermore, it has continued to install electric vehicles charging points in the car parks of its stores, logistics centres and offices, reaching a total of 1,762 facilities of this type (1,704 in Spain and 58 in Portugal), 271 more than in 2020. Saving water is also a priority for Mercadona. In this respect, 100% of its water comes from municipal water supplies, but with a real time remote management system with which it is able to detect leaks in the network. In addition, the logistics centre in Abrera (Barcelona) has underground cisterns that facilitate the collection of rainwater from the roofs, which the company then uses for irrigation, washing and exterior cleaning.





4.4 A social and responsible Mercadona

Mercadona is a supportive business project, which grows hand in hand with society and is involved in its development, driving initiatives that seek to improve the quality of life of those most in need, foster social cohesion and promote training, innovation and entrepreneurship as drivers of growth through its own Social Action Plan. It also collaborates with various entities and institutions in Spain and in Portugal.

Signatory to the Global Compact

WE SUPPORT Since 2011, Mercadona has been a member of the United Nations Global Compact, the largest association that exists to defend fundamental values in terms of human rights, labour and environmental regulations and anti-

corruption. Over all these years, the company has been actively involved in this voluntary project in which over 13,000 signatory entities from 170 different countries participate, making it the largest and most ambitious social responsibility project in the world.

In 2021, it has continued working to drive the various initiatives existing under the Compact and has collaborated in the preparation of a guide of best practices designed to help food and beverage companies to promote the UN Sustainable Development Goals (SDGs).

Collaboration with social entities

In its commitment to society, Mercadona carries out a social action plan, which takes the form of direct collaboration with numerous social entities of different types dedicated to helping vulnerable groups and those with specific needs with the objective of contributing to improving their situation and opportunities.

This solidarity support, which the company has maintained for years and which is part of its responsibility as a company, was stepped up in 2021, a tremendously complex year due to COVID-19 and to different disasters, the effects and consequences of which were increased in the most vulnerable groups.

This is reflected by the information on food donations made throughout the year, 20,600 tonnes, a figure that shows an increase of 21% compared to 2020. Of this total, 19,200 tonnes were distributed among more than 350 soup kitchens, food banks and social entities in Spain, while another 1,400 tonnes served to help groups of the most disadvantaged people in Portugal, through more than 70 similar solidarity organisations.

In this way, Mercadona has once again demonstrated in 2021 that it is a company that is committed to society and listens to its needs. An example of this is its recurrent participation in the "National Food Collection Campaign", organised by the Food Banks of Spain, as well as in the various "Operations Kilo", which in 2021 has made it possible, thanks to the commitment of the company's "Bosses", employees and logistics team, to donate over 2,700 tonnes of food to help to cover the basic needs of those most in need. And also the participation in Portugal in the two food collections promoted during the year by the Banco Alimentar Contra a Fome and the special Christmas donation of 82 tonnes to various social institutions in the country.

Furthermore, throughout the year, exceptional situations have arisen which, given their magnitude, have worsened the living conditions of many people, in which Mercadona has got involved in order to alleviate, within its possibilities, the effects of these disasters. This is the case suffered by the island of La Palma since the end of summer as a result of the eruption of the Cumbre Vieja volcano, the ravages of which are still being felt. In this specific case, Mercadona became involved from the first day, aware of the magnitude of the problem, through the donation of 74 tonnes of food and essential products. including one million FFP2 face masks.



20,600 tonnes of products donated

19,200 in **Spain** 1,400 in Portugal











Solidarity with the island of La Palma

74

tonnes of products donated

1

million FPP2 face masks

1. Ana, employee at the Montserrat supermarket, Valencia, during the "National Food Collection Campaign". 2. Samuel, employee at the Avenida 25 de Abril supermarket in Águeda, Aveiro; and representatives of the *Cruz Vermelha de Águeda* during a food delivery. 3. Fran Amaro and Yoli Burgos, employees at the Calle Trigo supermarket in Madrid; and Beatriz León and Natalia Castrillo, Mercadona External Relations Officers; together with José Manuel Rodríguez and Jimmy Brody, on behalf of CEMU, during a donation made to the organisation. 4. Ángel, Carmen and María, *Creu Roja* volunteers in Maó; together with Vanessa, employee at the Poima supermarket in Maó, Balearic Islands, during a food delivery. 5. Jorge Pérez, External Relations Officer; together with Domingo Luis Martín, Provincial Vice-president of *Cruz Roja Tenerife*; at the first donation of products in solidarity with the island of La Palma.

Support for entrepreneurship

Mercadona's Social Action Plan also includes support for education and knowledge as a driver of transformation of society. Aware that investing in people's talent is the way to guarantee a better future for everyone, the company participates in different external projects, which enable it not only to renew ideas and attract talent, but also to broaden points of view in order to modernise environments between us all.

This commitment by the company to promote education and knowledge also includes its participation in Marina de Empresas. This entrepreneurial hub, which is located in Valencia and is part of the legacy of Juan Roig, aims to construct a large ecosystem in Spain, capable, precisely, of attracting and developing talent. To do this, it has three axes: EDEM, Lanzadera and Angels.

The first of them, EDEM, is a university and business school that has been committed to knowledge for almost two decades, contributing to the training of men and women who, through their time at this school, which belongs to the foundation chaired by Hortensia Roig and of which the company is a Trustee, become managers, entrepreneurs and businesspeople.

In 2021, EDEM received support from 35 partner universities, as well as from over 100 companies, who shared their experience to promote entrepreneurship and a culture of effort and leadership in society. Among them is Mercadona, which for another year has been involved with EDEM to train the managers of the future, as demonstrated by the participation of Juan Roig as a teacher of the senior management course, "15x15: 15 days with 15 leading executives", and in the 4th year of the Bachelor's Degrees in Business Administration and Management and Engineering and Business Management.

Furthermore, during these twelve months, managers from the company have also taken part in EDEM programmes, where they have contributed, by transmitting and explaining in detail to students the principles of the Total Quality Model, promoting leadership, entrepreneurial spirit and the culture of effort, thus becoming a source of talent for society. Furthermore, and as a result of such close and direct participation, the company has given the opportunity to put the knowledge gained into practice to a total of 134 students from this university centre, who did their internships at Mercadona during a period of two months.

The second pillar of Marina de Empresas is Lanzadera, a business accelerator and incubator that began its activity in 2013 and that currently has programmes specifically designed to adapt to each company's maturity. In 2021, this project for developing entrepreneurial talent was able to accelerate more than 400 initiatives, 800 since its foundation, which demonstrates the effort made in such a complicated year. Furthermore, two new hubs were launched during the year, health and mobility.

Meanwhile, the third pillar, Angels, is a Juan Roig investment company to promote development in Spain by supporting sustainable and scalable projects, which are committed to introducing the Total Quality Model into their management. Since its foundation, Angels has supported a total of 35 business projects, 11 throughout 2021, involving total investment of 31 million euros. Its investment forum is a meeting point for over 200 investors where startups, from Marina de Empresas and from outside, present their projects and find support on their journey. Over the past twelve months, 58 entrepreneurs have presented their projects, gaining financing for a total value of 2.5 million euros.

Rei Jaume I Entrepreneurship Award



Diego Lorente, Secretary General and Director of AVE; Vicente Boluda, President of AVE; Benito Jiménez Cambra, President and CEO of Congelados Navarra and recipient of the Rei Jaume I Entrepreneurship Award; and Hortensia Roig, President of EDEM Escuela de Empresarios and Director of Mercadona.

Commitment to shared knowledge



Javier Jiménez, Managing Director of Lanzadera; together with Marc Gasol; and Fernando San Emeterio and Gonzalo García, from the business accelerator project selection.



Hortensia Roig, President of EDEM Escuela de Empresarios; Carlos Herrera; Vicen Balaguer, Head of the President's Office of Mercadona; and Juan Roig, on a visit to the Marina de Empresas facilities in Valencia.



Silvia Gil, Lieutenant Colonel of the Guardia Civil and head of the Command Headquarters of Teruel, at an EDEM "Triple A" training exercise.

4.5 Dialogue and transparency with society

For Mercadona, dialogue and transparency are key elements to establish a lasting relationship with society, as is its objective. A relationship based on transparency, a non-negotiable value, which is part of its Social Action Plan. Through it, the company can build environments of trust, from which it can contribute to starting up initiatives where everyone wins, both society and company, through active listening and empathy. In addition to this, and in this framework of transparency that the company pursues and defends, it regularly shares relevant institutional and economic information related to its business activities with society and provides answers to the different queries that it receives from various areas of society, as corresponds to a company that has been committed to responsible communication for years.

Relationship with consumers

For years Mercadona has been encouraging participation and collaboration, through the

promotion of individual or joint actions, with the most representative national, regional and provincial consumer associations in Spain and Portugal. Thanks to this relationship it has more in-depth knowledge of consumers' needs, which enables it to search for specific solutions to add value and continue to strengthen the Mercadona Project through dialogue.

In addition to this, the company promotes the development of training and information activities, in which it actively participates, with the aim of improving consumer protection and satisfaction and consolidating a differentiating project capable not only of providing the "Bosses" with an exceptional service, but also of detecting opportunities for improvement, through their perception of Mercadona, aware of how much they can still do in this respect.

This work, consolidated in Spain for many years, has been stepped up in Portugal in 2021

Collaboration with

127

consumer associations

Support for

30

actions and events promoted by the associations

26 s to Mercado

visits to Mercadona facilities



through Irmãdona, which has made it possible to further strengthen ties over these twelve months with the Association for the Protection of Consumers (DECO), with Editors for the Protection of Consumers (DECO Proteste) and with the Portuguese Coeliac Association (APC), with which it has held numerous meetings, made visits to facilities and entered into collaboration agreements.

Mercadona, aware of the relevance that commerce has for Spanish and Portuguese society, actively participates in Spain in the CEOE Competitiveness, Commerce and Consumer Commission (C4) and in the CIP Commerce, Services and Consumption Commission, its counterpart in Portugal. Throughout 2021, the company has continued to work through both commissions to protect the interests of commercial distribution, whose role in supporting and generating wealth and employment make it a strategic sector.



Participation in

56

congresses and conferences

28

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

92

meetings and events with consumer associations

"Participatory Roundtable"

In 2014, Mercadona, together with the consumer and user association Confederations and Federations CECU, FUCI, UNAE and CAUCE, started up the "Participatory Roundtable" (MPAC).

This collaborative project, which in 2021 also set up its own Scientific Committee, has become consolidated since its creation as a benchmark in the area of consumption habits and every year it shares its "Consumption Habits" survey with society. During the year, this work examined the changes made to these habits in more depth, both those derived from COVID-19 and those associated with the evolution of society.



Francisco Marín, Vice-president of the CEOE R&D&I Commission; Manuel Martín, Legal Officer at UNAE; Clara Medina, Mercadona's Officer for Relations with Consumer Associations; Gustavo Samayoa, President of FUCI; Montaña Cámara, Professor of Nutrition and Food Science at the UCM; Fernando Moner, President of CECU; and Pablo José Contreras, teacher at EAE Business School; during the presentation of the "Consumption Habits 2021" Survey.

Proactive management with neighbours

Mercadona maintains an open relationship with its neighbours, based mainly on mutual respect and understanding. Through these values, and the transparent communication that it promotes through its Proactive Management of Neighbours Project, which began in 2014, it is capable of detecting the needs that they express and of harmonising its commercial activity so that it does not interfere or cause a nuisance in the districts where it is present.

In 2021, and as a result of listening in order to promote sound coexistence with its neighbours, the company checked 4,998 internal processes in Spain at its facilities as a whole, 18,679 loading and unloading processes in stores and handled a total of 391 suggestions from its neighbours, providing a satisfactory solution in less than 30 days for 79% of them.

This effort was also made in Portugal, where the company supervised 651 loading and unloading processes, assessed 63 internal processes in facilities and supermarkets and handled 75% of the suggestions from neighbours in less than 30 days.

In total, more than 5,000 internal processes assessed in facilities and stores, 19,330 checks on loading and unloading processes in the chain's supermarkets and 399 complaints, suggestions and improvements from neighbours managed during the year.

The company, which is committed to the coexistence of all commercial stores as a key factor for the development of districts, has been firmly committed to the revitalisation of municipal markets since 2001. Thanks to its involvement, it has managed to consolidate 37 stores in this type of environment since then and to maintain and even recover this traditional format in various parts of Spain.

The close relationship that Mercadona maintains with its neighbours is expressed each year by specific projects to improve environments and boost their dynamism. In 2021, for example, the company was capable of understanding the idiosyncrasies of the inhabitants of the Portuguese city of Espinho (Aveiro) and their concerns. Therefore, in addition to building a

supermarket with an iconic design by means of vertical metal profiles that give it an avant-garde nature, it has been committed to finding solutions to the needs of this town from the very first day, as demonstrated by the decision to donate, from the day of its opening, essential products to the Social Canteen of the Parish of Espinho, which has been operating for over 30 years and whose mission has become even more relevant with the start of the pandemic.

In the case of Spain, where numerous initiatives of this type have been carried out, it is worth highlighting the one implemented in the city of Talavera de la Reina. The company has made a special effort to preserve and share the historical and cultural heritage of this iconic city. More specifically, and to contribute to the renovation of the city's historic quarter, Mercadona has invested 5 million euros, which has allowed it, after a building project divided into no less than 15 phases, to recover, for incorporation into the façade of its new store, a small fragment of what historically constituted the "wide part of the station", a construction dating from the 19th century which, in this way, has been preserved.

Relationship with neighbours in 2021

19,330

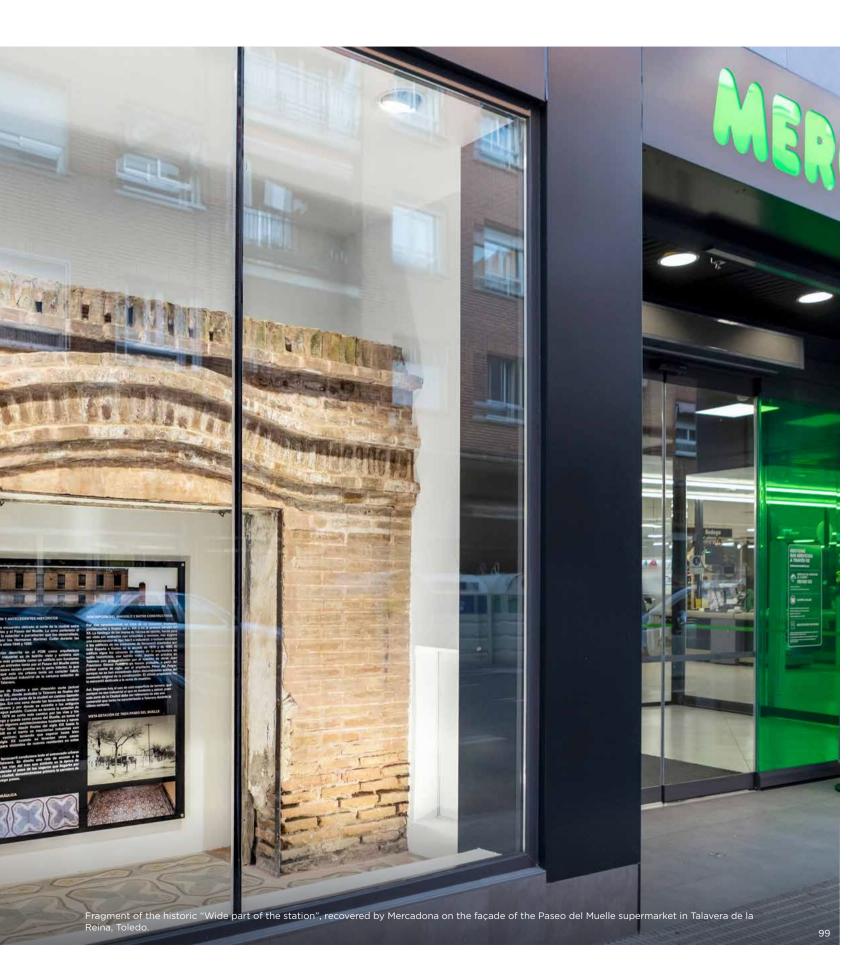
checks on loading and unloading processes at stores

399

suggestions, complaints and improvements managed

5,061

checks on internal processes of facilities and supermarkets



Section 5

Capital has to satisfy the other components of the Model, as well as being fully satisfied and committed











Capita

The cornerstone of Mercadona's Model is satisfaction with the same intensity of the five components that make it up. For another year, satisfaction of the other components "The Boss", The Employee, The Supplier and Society has been reflected in the company's economic data and, therefore, has enabled the fifth component to be satisfied: Capital. To do so, the company always looks towards the long-term in its decision-making and implementation and is fully aware in each of its processes that "results come if you look after people"

Mercadona S.A., registered in Spain (Calle Valencia, No. 5, Tavernes Blanques, Valencia), and Irmãdona Supermercados, Unipessoal, Lda., registered in Portugal (Avenida Padre Jorge Duarte, No. 123, Vila Nova de Gaia, Porto), are companies that share the corporate purpose of "buying and selling all items that fall within the remit of the food industry, as well as marketing them, and being able to open establishments for the retail or wholesale of said products". These two companies make up the Mercadona Group, whose activity is the distribution of food, beverage, personal care, household and pet care products. To do this, it has a network of 1,662 supermarkets in Spain and Portugal, which it supplies from its own logistics network, made up of 16 logistics centres, 2 satellite warehouses and 2 regulating warehouses.

In addition to its network of stores, Mercadona has its own model of Hives, warehouses dedicated to the management and preparation of online orders, in order to serve customers in Spain who opt for the digital sales channel, which are currently in operation in Valencia, Barcelona and Madrid. Aware of the road to improvement and the potential for development in this area, the company has begun to explore possible solutions to cover areas with less order density through the new Teleshopping

initiative and it is testing out another new model, known as Honeycomb, in a store in Gandia (Valencia), to expand the radius of action of the Hives and offer the service to the "Bosses" in these nearby areas.

In 2021, Mercadona opened a total of 70 stores in Spain, 16 of which are net openings, and it renovated 84 to adapt them to the Efficient Store Model (Store 8). In the case of Portugal, Irmãdona opened 9 new supermarkets, which enabled it to end the year with a network of 29 stores. Furthermore, it opened two new co-innovation centres in which it develops new products and incorporates improvements into the selection, hand in hand with the "Chefes" (Bosses).

The Group's workforce is made up of 95,800 people (93,300 in Spain and 2,500 in Portugal) with a high level of commitment and dedication who give the best of themselves to satisfy the 5.6 million households that do their shopping every day through the Group's different sales channels. To satisfy the needs of its customers, it works with a network of over 3,000 product suppliers, whose joint collaboration allows it to have a differentiating selection of approximately 8,000 products with conclusive quality at unbeatable prices. The Group also makes an effort in the places where it is present to maintain an excellent relationship with society,



through dialogue and transparency, which enables it to know its needs and, where possible, offer solutions.

While 2020 was an unprecedented year, 2021 has been a very complex year in which the Group has had to continue to manage the COVID-19 pandemic and has faced other difficulties, such as the increases in raw material prices, energy costs and transport prices, circumstances that have had an effect on Capital, which has seen its net profit reduced by 6% to 680 million euros.

These difficulties have not prevented it from making a huge investment of 1,200 million euros, which have been dedicated to the brutal transformation in which the company is immersed in order to be able to face future challenges, since the Total Quality Model involves decision-making with long-term profit in mind. In this context, the 60 million euros dedicated to accelerating the technological transformation stand out. Therefore, after migrating the financial processes to the SAP S/4HANA and SAP Fiori systems in 2020, over these twelve months the implementation of SAP BW has been chosen, which allows a large number of queries to be made, as well as cross-referencing any information in an agile and standardised way.

Since 2011, Mercadona has been a voluntary member of the Tax Agency's Large Companies Forum (Ministry of Finance and Civil Service), the aim of which is to establish a collaboration framework between large companies and the State Tax Administration, based on the principles of transparency, mutual trust, good faith and loyalty. Within this framework, the company is committed to the Code of Good Tax Practices. which has been drawn up to promote a relationship of mutual cooperation between the Tax Agency and the companies that subscribe to it. Mercadona also voluntarily submits a Fiscal Transparency Report to the Tax Agency each year with the most relevant information for the year. This Fiscal Transparency Report appears on the website of the Tax Agency as one of the companies that has submitted it, a fact that confirms that the company complies with the collaboration and transparency standards demanded by the Tax Agency.

2021 is the first year that the annual accounts of Mercadona and Irmãdona have been audited by Ernst & Young, S.L. and Ernst & Young Audit & Associados - SROC, S.A., 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 2021

(in millions of euros and kilitres)

Sales units in kilo-litres

12,827

Turnover with VAT

27,819

Operating income

835

Income before tax

837

Income after tax

680

Sales units (kilitres)

At the end of 2021, the Group had sold a total of 12,827 million *kilitres*, 285 more than the previous year. These numbers are proof of the trust placed in Mercadona by "The Boss" over the past twelve months.



Sales

Customer loyalty and the solid commitment to prescribe an efficient selection with conclusive quality at unbeatable prices led the Group to achieve turnover of 27,819 million euros. Mercadona and Irmãdona thus managed to exceed the sales obtained in 2020 by more than 887 million euros.



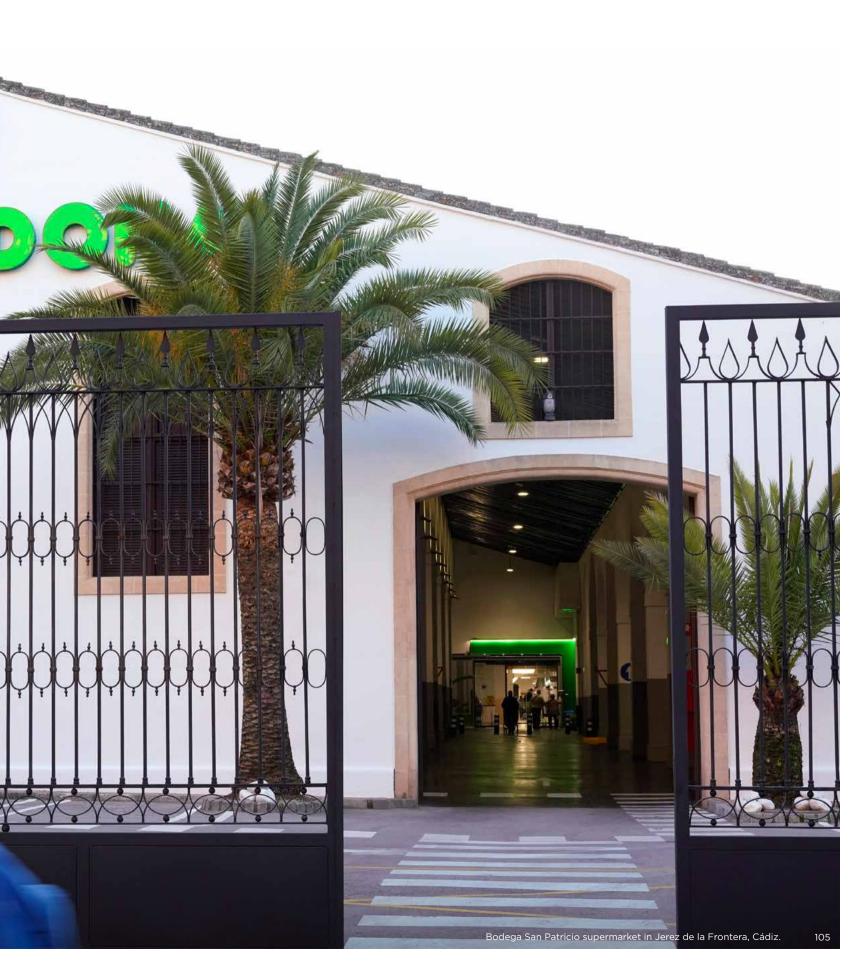
Trend in net profits

The complexity of 2021 has led the Group's net profit to fall by 6%, to 680 million euros. Therefore, the profit before tax was 837 million euros, 9% less than the previous year.

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

| Trend in net profits | |
|----------------------|--------------|
| 20 | - 727 |
| 21 | 680 |
| million euros | |





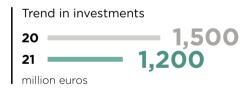
EBITDA

The company's EBITDA (Earnings before interest, tax, depreciation and amortisation) stood at 1,525 million euros at the end of 2021. The Group's operating income evolved in line with expected profit, consistent with the strategy and in line with the solid commitment to long-term results.



Investments

In 2021, the Group invested 1,200 million euros, financed entirely with its own resources. The investments made during the year have continued along the same lines as last year, focusing on opening and refurbishing stores and warehouses, expansion in Portugal, the development of Mercadona Online and digital transformation. It is also necessary to take into account the effort made to continue to manage the COVID-19 pandemic efficiently and safely.



Equity capital

The profit obtained during the year and the capitalisation of nearly its entirety meant that equity capital stood at 6,972 million euros at the end of 2021.

It is worth noting that the ratio of equity capital to total assets remained at around 62% over the year.



Other Indicators

Suppliers

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

OPEX

Defined as Personnel Expenses ± Other Operating Expenses and Income (without taxes), which amounted to 5,100 million euros.

Productivity

During the year, Mercadona and Irmadona 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 2021, was as follows:





Net cash variation

235
million euros

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



MERCADONA GROUP

Balance sheet at 31 December 2021*

(in thousands of euros)

| NON-CURRENT ASSETS | 7,518,567 |
|---|------------|
| Intangible assets and property, plant and equipment | 7,342,777 |
| Financial investments and other assets | 175,790 |
| CURRENT ASSETS | 3,642,636 |
| Inventory | 718,206 |
| Trade receivables and financial investments | 143,446 |
| Cash and cash equivalents | 2,780,984 |
| TOTAL ASSETS | 11,161,203 |
| EQUITY | 6,971,771 |
| Capital | 15,921 |
| Reserves | 6,275,543 |
| Profit for the period | 680,307 |
| NON-CURRENT LIABILITIES | 40,078 |
| Provisions and other liabilities | 40,078 |
| CURRENT LIABILITIES | 4,149,354 |
| Suppliers | 2,854,185 |
| Creditors and debts with Public Entities | 981,484 |
| Personnel | 313,685 |
| TOTAL EQUITY AND LIABILITIES | 11,161,203 |

 $^{^{\}ast}$ Consolidated data for Mercadona and Irmãdona calculated solely for this Report.

MERCADONA GROUP

Income statement at 31 December 2021*

(in thousands of euros)

| PROFIT FOR THE PERIOD | 680,307 |
|-------------------------------------|--------------|
| Income tax | (156,407) |
| PROFIT BEFORE INCOME TAX | 836,714 |
| NET FINANCIAL INCOME | 1,119 |
| Financial income | 1,119 |
| OPERATING INCOME | 835,595 |
| Fixed asset deprediation | (009,001) |
| Fixed asset depreciation | (689,801) |
| Other operating income and expenses | (1,738,938) |
| Personnel expenses | (3,381,530) |
| Provisioning | (18,871,088) |
| Revenue | 25,516,952 |

 $^{^{\}ast}$ Consolidated data for Mercadona and Irmãdona calculated solely for this Report.

Juan Roig and Hortensia Herrero Legacy Project

Launched in 2012, the Legacy Project came about as a result of a shared dream of Juan Roig and Hortensia Herrero: to share their knowledge and personal wealth in an altruistic contribution to society's development through entrepreneurship, training, art, culture and sports patronage. Its development is driven by the Total Quality Model and, in 2021, the investment effort of its founders reached 100 million euros from their personal wealth.

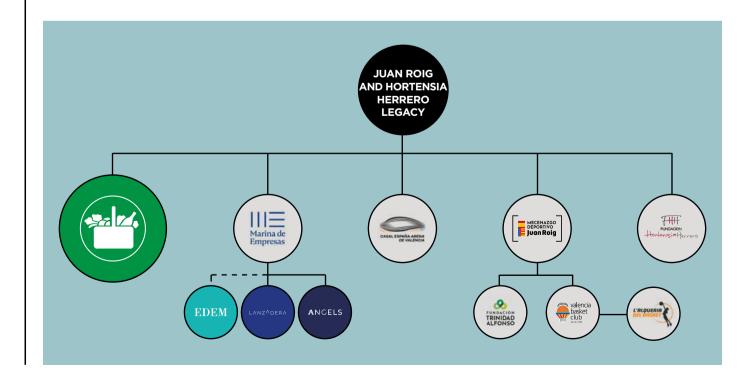
Marina de Empresas constitutes the largest entrepreneurial hub in the Mediterranean and has three pillars: EDEM, a university centre and business school for business education; Lanzadera, an accelerator that gives support to startups; and Angels, a company that invests in entrepreneurial leaders. In 2021, Marina de Empresas continued to host projects and it accumulated investments of over 4 million euros.

For its Patronage, the Legacy Project has the Fundación Trinidad Alfonso and Licampa 1617. By means of this foundation it supports sports patronage, with an investment effort that came

to 16.5 million euros in 2021. Meanwhile, Licampa 1617 has continued to advance in its objective to provide Valencia with a first rate indoor venue for hosting sports, cultural and entertainment events. A sustainable project with 220 million euros of investment which, in 2021, invested 22.4 million euros.

In the area of support for sport, there is also the work carried out through the men's and women's teams at Valencia Basket Club and L'Alqueria del Basket. Both Juan Roig and Hortensia Herrero invested over 20 million euros in these projects in 2021.

Meanwhile, support for artistic and cultural patronage has been channelled through the Hortensia Herrero Foundation, chaired by Hortensia Herrero, Vicepresident of Mercadona. In 2021, through this foundation, work began in Valencia on the restoration of the Los Santos Juanes church, declared a National Historical and Artistic Monument. For this and other projects, the Hortensia Herrero Foundation has made an investment effort of over 11 million euros during the year.







Legacy Project

100

million euros

in investment in 2021 from the personal assets o

from the personal assets of Juan Roig and Hortensia Herrero













1. Juan Roig and Hortensia Herrero, together with their four daughters, Juana, Hortensia, Amparo and Carolina; artist Julian Opie; and rector of the University of Valencia, Mavi Maestre, at the opening of the Julian Opie Exhibition in La Nau cloister at the University of Valencia. 2. Lawrence Cherono, winner of the 41st edition of the Trinidad Alfonso EDP Valencia Marathon. 3. Execution of the works for Casal España Arena de València. 4. Players from the Valencia Basket Women's First Team, winner of the SuperCup Women 2021 played in Valencia. 5. Fernando Roig, Juan Roig and Hortensia Herrero, shareholders and Members of the Board of Directors of Mercadona. 6. Headquarters of EDEM Escuela de Empresarios in Valencia. 7. Entrepreneur, Rocío Fernández de las Heras, CEO of the Feelit Cosmetics startup, at the Lanzadera facilities. 8.Exterior of the new Angels facilities in Marina de Valencia.

INDEPENDENT VERIFICATION REPORT

"In compliance with Law 11/2018, of 28 December, the Consolidated Group Inmo-Alameda, S.L.U., to which Mercadona, S.A. and Irmãdona Supermercados, Unipessoal, Lda. belong, has submitted a consolidated Non-Financial Information Statement (NFIS), which forms part of the consolidated management report, which has been verified by **EY**, as an independent provider of verification services, which issued its verification report without qualifications on 8 February 2022.

As part of this assignment, EY verified a significant part of the indicators that are included, among many others, in this corporate Report. The attached table, 'Impact of Mercadona's economic activity', lists the indicators that appear in this Report and which, in turn, have been verified by EY (identified with $\sqrt{\ }$). In the event of a discrepancy, the information included in the NFIS prevails over the latter".



For more information, this verification report, together with the Non-Financial Information Statement, will be available at the following website: **www.info.mercadona.es**

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

Impact of Mercadona's economic activity

| No. | INDICATOR | PAGE/COMMENT | |
|-----|--|--|--------------|
| 1 | Name of the organisation | MERCADONA, S.A. | √ |
| 2 | Activities, brands, products, and services | Pp. 12-21, 32-33 | √ |
| 3 | Location of headquarters | Calle Valencia, 5 Tavernes Blanques, Valencia, Spain | \checkmark |
| 4 | Location of operations | Spain and Portugal Pp. 4-5 | |
| 5 | Ownership and legal form | Pp. 12-13, 100-103 | √ |
| 6 | Markets served | Pp. 4-5, 12-13 | |
| 7 | Scale of the organisation | Pp. 4-5 | |
| 8 | Information on employees and other workers | Pp. 4-5, 42-57 Mercadona has 95,800 permanent employees (93,300 in Spain and 2,500 in Portugal) and has no subcontractors in its primary activity | ✓ |
| 9 | Supply chain | Pp. 4-5, 58-71 | |
| 10 | Significant changes to the organisation and its supply chain | Pp. 6-7, 20-21, 60-61 | |
| 11 | Precautionary principle or approach | Pp. 18-19 | ✓ |
| 12 | External initiatives | Pp. 28-66, 92-99 | |
| 13 | Relationship with associations of which the organisation is a member | Pp. 96-97 | |
| 14 | Message from the President | Pp. 6-7 | |

| No. | INDICATOR | PAGE/COMMENT | |
|-----|--|--|----------|
| 15 | Key impacts, risks, and opportunities | Pp. 18-19 | √ |
| | | Pp. 12-19 | |
| 16 | Values, principles, standards, and norms of behaviour | Mercadona is governed by the Total Quality Model, which forms the basis of the company's values and paradigms. The internal conduct that all employees share is defined therein. In addition, the company has a Code of Conduct whose mission is to ensure compliance with our values and with the Law | ✓ |
| 17 | Governance structure | Pp. 8-9 | |
| 18 | Executive positions or positions with responsibility for economic, environmental, and social aspects | Responsibility for economic, social, and environmental issues lies with the members of the Board of Directors, who take their decisions collectively | |
| 19 | Consulting stakeholders on economic, environmental, and social topics | Pp. 92-99 | |
| 20 | Composition of the highest governance body and its committees | Pp. 8-9 | |
| 21 | Information on whether the person chairing the highest body also holds an executive position | The President of the Board of Directors also chairs the Management Committee | |
| | | There are no conflicts of interest | |
| 22 | Conflicts of interest | All members of the Management Committee are Mercadona employees and there are no conflicts of interest | |
| 23 | Role of the highest governance body | Pp. 8-9, 18-19 | |
| 24 | Collective knowledge of the highest governance body | Pp. 8-9 | |
| 25 | Evaluation of the highest governance body's performance | Pp. 8-9 | |
| 26 | Identification and management of economic, social, and environmental impacts | Each department submits the relevant economic, social, and environmental aspects related to its activities to the Management Committee, specifically during coordination meetings | ✓ |
| 27 | Effectiveness of risk management processes | Pp. 16-19 | √ |

| No. | INDICATOR | PAGE/COMMENT | |
|-----|--|---|------------|
| 28 | Review of economic, environmental, and social topics | Pp. 14-19 The company's governance bodies supervise and approve everything related to economic, environmental, and social topics | ✓ |
| 29 | Highest governance body's role in sustainability reporting | The company's governance bodies supervise and approve all externally-reported information | √ |
| 30 | Process for communicating critical concerns to the highest governance body | Each department submits the relevant aspects related to its activities to the Management Committee, specifically during coordination meetings | √ |
| 31 | Total number and nature of critical concerns that were communicated to the highest governance body | All concerns related to its activities and under its responsibility are brought forward | √ |
| | | Pp. 46-47 | |
| 32 | Remuneration policies | The company's remuneration policy has been based on the principle of "equal responsibility, equal pay" for years | ✓ |
| 33 | Processes for determining remuneration | Pp. 46-47, 50-51 | √ |
| 34 | Stakeholders' involvement in remuneration | The company has a Collective Agreement in force, signed and agreed with the employees' union representatives | ✓ |
| 35 | List of stakeholders | Pp. 16-19 | √ |
| - | | P. 52 | |
| 36 | Collective bargaining agreements | The company has its own labour agreement covering 100% of employees | |
| 37 | Identifying and selecting stakeholders | Pp. 14-19 | |
| 38 | Approach to stakeholder engagement | Ongoing dialogue with all stakeholders in order to capture and meet their needs and expectations | √ |

| No. | INDICATOR | PAGE/COMMENT |
|-----|--|---|
| 39 | Key topics and concerns raised | Pp. 14-19 The relationship maintained with the stakeholders allows us to apply product improvements made with the "Bosses", innovate with the suppliers, or add knowledge with the primary sector to improve the fresh produce selection |
| 40 | Definition and contents of the Report | The structure of the report corresponds to the Total Quality Model and reports on the five components of the company (stakeholders) |
| 41 | List of material topics | Pp. 16-19 Each section details the strategies and actions carried out that are relevant to each component (stakeholders) |
| 42 | Restatements of information | There have been no relevant changes |
| 43 | Reporting period | 1 January 2021 to 31 December 2021 |
| 44 | Date of most recent report | 2020 |
| 45 | Reporting cycle | Annual |
| 46 | Contact point for questions regarding the report | Contact information on the back cover |
| 47 | Ratio between the starting salary broken down by gender and the minimum wage by significant locations of operation | Pp. 44, 46-47 The remuneration policy responds to the principle of equity: "equal responsibility, equal pay", without making distinctions by gender or any other differentiation |
| 48 | Percentage of spending at significant locations of operation corresponding to local suppliers | Pp. 4-5, 70-71, 81 |
| 49 | Number and percentage of departments where corruption-related risks and significant risks have been detected | 100% of the activities and internal procedures of the various departments 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 in the Mercadona Model | / |
| 51 | Confirmed incidents of corruption and actions taken | No cases of corruption have been detected during the period analysed | √ |
| 52 | Number of judgements for unfair competition, monopolistic, or anti-competitive practices and their outcome | None recorded during the reporting period | ✓ |
| 53 | Internal energy consumption | 7,634,639 GJ | ✓ |
| 54 | Energy intensity | 0.1937 GJ/m³ of goods | |
| 55 | Savings of energy consumption | 16.76 million kWh | ✓ |
| 56 | Water consumption | Total consumption of 3.8 hm³ (of which 2.4 hm³ correspond to stores and the rest to logistics centres) | √ |
| | | Average consumption by store and month: 119 m ³ | |
| 57 | Water withdrawal by source | 100% from municipal public water supply Rainwater harvesting in three logistics platforms, which is used for irrigation and washing | ✓ |
| 58 | Direct greenhouse gas emissions from refrigerant gas leaks | 4.253 kg CO ₂ eq/m³ of goods | √ |
| 59 | Indirect greenhouse gas emissions from energy consumption | 7.761 kg CO ₂ eq/m³ of goods | √ |
| 60 | Indirect greenhouse gas emissions from freight transport | 7.070 kg CO ₂ eq/m³ of goods | ✓ |

| No. | INDICATOR | PAGE/COMMENT | |
|-----|---|---|------------|
| 61 | Intensity of total greenhouse gas emissions | 19.64 kg CO ₂ eq/m³ of goods | ✓ |
| 62 | Annual reduction of greenhouse gas emissions | -56,000 tons of CO ₂ | √ |
| 63 | Emissions of ozone-depleting substances | The company does not use ozone-depleting substances | √ |
| 64 | Total weight of waste, according to type and treatment method | 374,420 tonnes of waste (wood, paper, cardboard, plastic, expanded polystyrene and others), of which 79% goes to recycling/recovery | |
| 65 | Percentage of new suppliers reviewed in terms of environmental criteria | Mercadona requires all its Totaler Suppliers to be certified under an internationally recognised effective environmental management standard (ISO 14001, EMAS, or equivalent) | |
| 66 | New employee hires and employee turnover, broken down by age group, gender, and area of activity | P. 44 | ✓ <u> </u> |
| 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 regarding operational changes and possible inclusion in collective agreements | Any relevant event that may affect staff is reported to the employees and their representatives sufficiently in advance and always within the time limits established by the legislation in force | |
| 69 | Percentage of employees who are represented on formal joint management and employee health and safety committees established to help monitor and advise on health and safety programmes | Existing committees represent all employees at the same level and all agreements are confirmed by management | ✓ |
| 70 | Rates of accidents, lost hours and absenteeism | Incidence of work accidents: 30.53‰ Lost hours: 8,578,470 Absenteeism: 4.18%* Male absenteeism: 1.33% Female absenteeism: 2.85% *Includes the effect of COVID-19 | √ |

| No. | INDICATOR | PAGE/COMMENT | |
|-----|--|--|-----------|
| 71 | Workers with high incidence or high risk of diseases related to their occupation | In general, no employees involved in activities with a high incidence or high risk of specific illnesses have been identified | ✓ |
| 72 | Health and safety topics covered in formal agreements with trade unions | There are agreements in force with the trade unions that include aspects such as improvements in the design of work stations and the choice of equipment and production methods to ensure safety at work, as well as promoting the information and training necessary to minimise risks in each position | ✓ |
| 73 | Average hours of training per year per employee, broken down by gender and professional category | Per employee: 27 hours of training and €912 invested on average per person in Spain and 191 hours of training and €3,075 invested on average per person in Portugal | |
| 74 | Skills management and ongoing training programmes that promote employability for employees and help them manage the end of their careers | Pp. 50-51 | ✓ |
| 75 | Percentage of employees receiving regular performance and career development reviews by gender and professional category | P. 47 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, 44, 52-53 | ✓ |
| 77 | Ratio of basic salary of women to men, broken down into women's versus men's remuneration | Pp. 44, 46-47 The "equal responsibility, equal pay" principle of equity is applied without any difference in terms of gender | ✓ |
| 78 | Incidents of discrimination and corrective actions taken | In 2021, 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 | The company guarantees that there is no incident of child labour in its operations No significant suppliers considered at risk have been identified |
| 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 | The company guarantees that there are no incidents of forced labour in its operations No significant suppliers considered at risk have been identified |
| 82 | Number and percentage of operations that have been subject to human rights reviews or impact assessments | The company complies with the standards required in this area, in accordance with current legislation |
| 83 | Hours of employee training on policies and procedures related to those aspects of human rights relevant to their activities, including the percentage of employees trained | All staff receive training in the Mercadona Model, which shapes values and behaviour within the company |
| 84 | Percentage of operations in which development programmes, impact assessments, and local community engagement have been implemented | The company does not have this indicator, but the different actions carried out are specified in the Society section (pp. 74-99) |
| 85 | Operations with significant potential or actual negative impacts on local communities | Pp. 18-19, 98 No operations with negative effects on local communities have been identified |
| 86 | Percentage of new suppliers reviewed in terms of criteria relating to human rights, labour practices and social impacts | Pp. 58-71 85% of the selection is of Spanish origin, obtained from suppliers audited according to Mercadona's Model, which includes the satisfaction of employee needs |

| 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 | During the reporting period, no significant incidents of non-compliance have been identified in this area | ✓ |
| 89 | Type of information required by the organisation's procedures relating to the information and labelling of its products and services, and percentage of significant product and service categories that are subject to such requirements | Pp. 32-35 | ✓ |
| 90 | Number of cases of non-compliance with regulations and voluntary codes on information and labelling of products and services, 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. | In 2021, the Control Authority imposed a data protection sanction, which has already been paid* | ✓ |

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

With a 40-year history, Mercadona is present in Spain and Portugal through 1,662 supermarkets

Tistor/

The Mercadona Project has been constantly developing since its foundation, knowing that, year after year, it has to surpass itself and propose new challenges with the ultimate aim of satisfying the five components of the company. Aware that there is always room for improvement, it focuses its efforts on being a responsible company that people want to exist and feel proud of

Mercadona's History 1977-2021

1977 1981 1982 1988









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.

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

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

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

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

1990

1993

1996 1997



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



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



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.



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

Mercadona's History 1977-2021

1999 2000 2001 2003









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.

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).

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).

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 2005 2006 2007









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

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

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

The company's twentyfifth anniversary.

Inauguration of the company's 1000th store, in Calp (Alicante). Launching of the first stage of the company's 21st Century warehouse logistics centre in Ciempozuelos (Madrid).

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

Mercadona's History 1977-2021

2008 2013 2016 2017







Realignment of Mercadona with the Total Quality Model, 15 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.

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.

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).

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 2019 2020 2021









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.

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

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

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

Commitment to conclusive quality by all Mercadona departments in all processes and services.

Completion of the implementation of the Store 6.25 Model. with compostable bags, sustainable disposable products, recycling pictograms on packaging, informative signs on the Circular Economy, recycling bins and an improved waste management system.

Inauguration of the Vila do Conde (Porto) and Lisbon coinnovation centres.



The Mercadona Project continues to move forward



2021 Annual Report and more information:

https://info.mercadona.es/en/home

MERCADONA

MERCADONA S.A.

C/ Valencia, 5 - 46016

Tavernes Blanques (Valencia)

Telephone: (+34) 963 883 333

IRMÃDONA SUPERMERCADOS, UNIPESSOAL, LDA.

Avenida Padre Jorge Duarte, 123 4430-946 Vila Nova de Gaia (Portugal) Telephone: (+351) 221 201 000



CUSTOMER SERVICE CHANNELS SPAIN

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

CUSTOMER SERVICE CHANNELS PORTUGAL

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