

value chain



Improving our business competitiveness

"We innovate to meet the demands of our consumers"

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Creating value for our Consumer Partners is what drives our daily work. By setting up the 'with you' model, our unique approach is transferred to the whole distribution cycle to make us more efficient, competitive and to achieve the best range of products and services for our customers. Our different approach is set out in the strategic foundations of the cooperative and in every step we take to optimise our resources, always with the ultimate aim of creating value for our consumers.

That is why our '2017-2020 Efficiency Improvement Plan' includes innovations along the whole value chain with projects that include negotiating with suppliers and partners, building a more personal relationship with our Client Partners and all business and logistics processes. Thanks to our 22 logistics platforms, we have achieved significant improvements in our supply chain and the efficient provisioning of all our stores. Without forgetting that we are a omnichannel group with different ways of interacting with all our interest groups. That is why we have improved our online shopping service, creating more collection points and making same-day deliveries easier.

Today we have a wide network of local and regional producers and work alongside them to develop a purchasing and provisioning policy that adapts to their scale. And we have also been pioneers in creating a pool of suppliers meaning we can access the best local produce and most of our consumers consider us a reference point for buying high quality local products.

We recently published the new EROSKI Commitments to Health and Sustainability to promote healthy eating and more responsible consumption. They include constant innovation in our own brand and our relationships with manufacturing brands and local suppliers. To drive these two policies forwards, we continue to search for new partners, creating alliances to maximise our

purchasing processes and involving all our Worker Partners and Consumer Partners in the Group's important decisions to position it as the leading retail brand for local shopping and via other channels.

We innovate along the whole value chain to ensure we are more efficient and meet the demands of our consumers.

We collaborate with almost **4,500 agri-food suppliers** in all the regions where we operate

We have added **1,768 new local products**, expanding our range to over 22,000 items

We have launched **260 new own brand products** and another 104 have been reformulated as part of our nutritional improvement plan

During the last five years we have **reduced polluting gas emissions generated by transport by 14%**

In 2017 **1,670 tonnes of CO₂** were avoided thanks to improvements in our value chain

The Group **recycled 25,081 tonnes of waste**

We have **22 logistics platforms** covering 360,000 m² that handle over a million boxes each day

We are members of the **"Lean&Green" platform** that aims to reduce polluting emissions in logistics processes

Creating customised offers

Our value chain is orientated around satisfying each of our customers with an increasingly personalised range, greater freedom of choice and greater savings when shopping. We aim to construct the most efficient value chain possible for the maximum satisfaction of our customers so we continue to innovate at every level of the supply chain and in logistics management.

Thanks to our advanced platforms, we have succeeded in automating a large part of our distribution, for example in Elorrio (Vizcaya) and Zaragoza, or by automating fruit and vegetable order preparation processes in Mallorca.

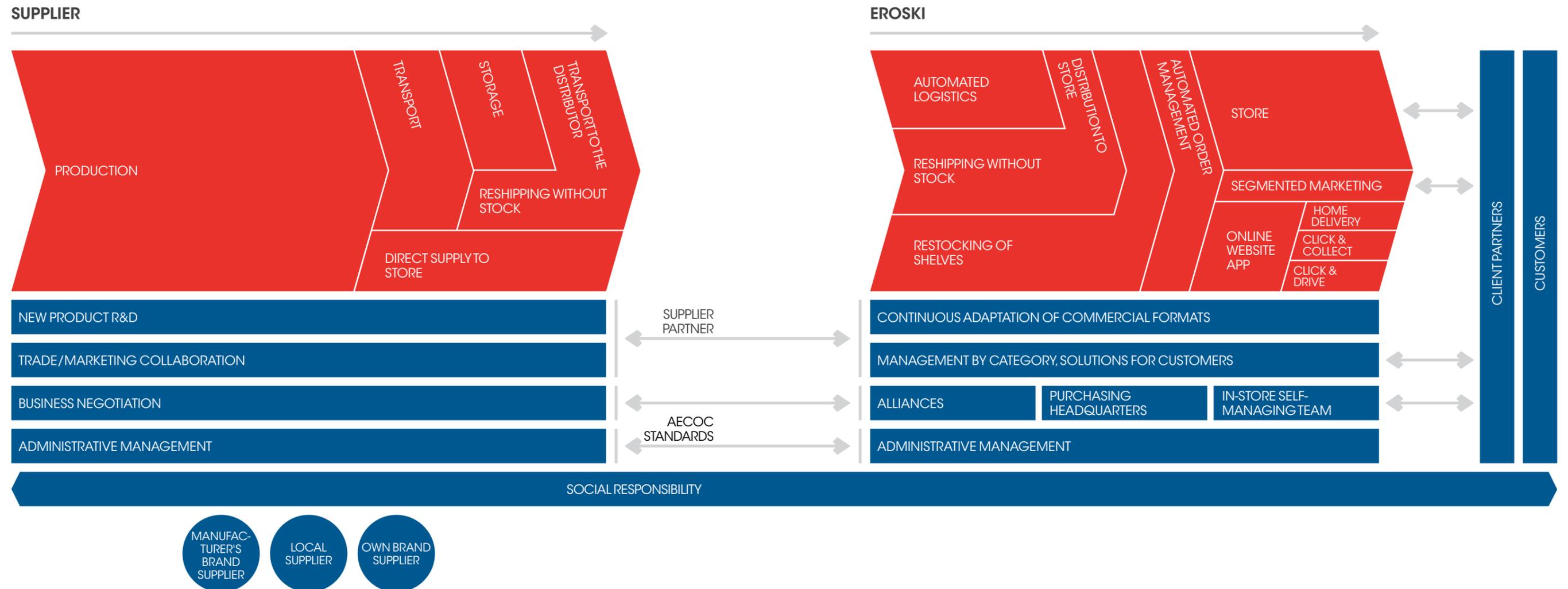
Similarly, this year we have boosted strategic meetings with our suppliers. Because we understand that manufacturers and distributors need to collaborate to achieve a more efficient and optimised provisioning chain.

The new Logistics Management Plan that was launched in 2017 with its sights set on 2020 includes huge progress in this area, such as a review of current useful life criteria established in the different links in the supply chain, always checking risk in our platforms while maintaining the useful life for the end client. We have systematised reviewing the optimum flow per item, which will be determined by the rotation of

goods and the supply cost. This systematisation will mean flow can be adapted to the evolving demand for different items.

We also aim to make further progress in expanding the unloading unit in the Refrigeration and Freezer processes, implementing it in the remaining platforms to be able to plan and speed up unloading at our facilities and avoid any unnecessary waiting time.

The EROSKI value chain

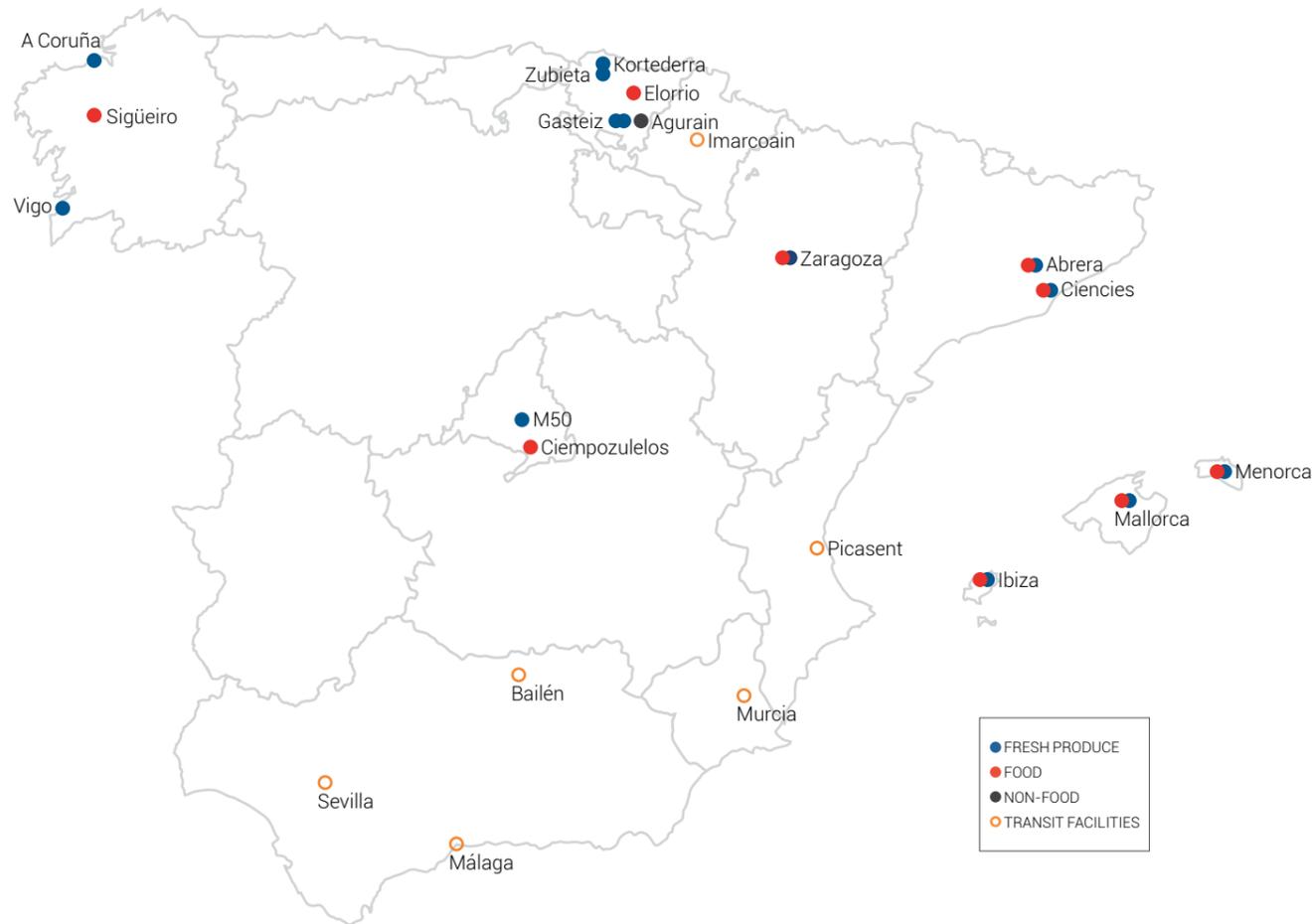


Map of logistics platforms

EROSKI's logistics network is currently comprised of 22 platforms: 12 fresh produce, 9 food and 1 non-food. It also has 6 transit facilities. Its map of logistics platforms and facilities covers 360,000 m² and provides highly efficient logistics coverage to the current business network, handling up to a million boxes a day.

The logistics platforms in Madrid, Elorrio (Vizcaya), Zaragoza and Mallorca have a high level of automation making it possible to increase the range of products to offer consumers greater freedom of choice and to shorten the time between picking and availability in stores for greater specialisation in fresh produce and in seasonal products in particular.

EROSKI's logistics organisation is based on five areas: Platform, Provisioning and Transport, Projects, Continuous Improvement and Value Chain, the latter three coordinating and ensuring the smooth running of the first two.



New collaborative environments with suppliers

EROSKI is currently working on developing innovative, new collaborative environments with suppliers to increase the competitiveness of our business range.

This initiative will help us make shared decisions that improve consumers' experience in key areas such as size of range and freedom of choice, price, promotions and research and development into new products.



New express home delivery service

EROSKI online shopping service, recognised as being the best in Spain, has created a new same-day home delivery option that is already up and running in Bilbao, Vitoria, San Sebastian and Pamplona. Same-day home delivery of online orders are made from Monday to Friday with no additional cost to the client, although orders must be placed before 3 pm. During its first few days in operation, over 20% of customers chose same-day deliveries.

This new instant delivery option represents an added service to current same day deliveries to the Click&Drive and Click&Collect collection points where customers can collect their orders placed at EROSKI in a few hours with no waiting or queues.

Reducing CO₂ emissions

The current transport model has led to changes to all route planning, from suppliers to platforms, and local-level distribution to each of our stores. This management system (TMS) optimises route planning and monitoring, improves the quantity of goods fitted into transport modes and reduces routes, driving time, kilometres travelled and fuel.

During the last five years we have reduced transport emissions by 14%, which is equivalent to preventing the emission of 8,000 tonnes of CO₂. During 2017 alone, 1,670 tonnes of CO₂ were avoided.

“Lean & Green” Project

Reducing the environmental impact of our stores, facilities and processes continues to be one of our main commitments. In this context, EROSKI and fifteen other companies in the consumer sector have joined the European Lean&Green Platform that aims at reducing emissions linked to the supply chain by up to 20% within five years. To do this, we are drawing up an action plan that will include a detailed calculation of our carbon footprint and a series of improvement measures to achieve this reduction.



AGECORE, the largest European purchasing alliance

The AGECORE international alliance represents the largest European purchasing alliance and is comprised of EROSKI, the ITM Group (France), EDEKA (Germany), COLRUYT (Belgium), CONAD (Italy) and COOP (Switzerland) who together, based on the value of representing independent companies, share a long-term strategic vision.

Its aim is to offer European consumers a wider range of products for greater freedom of choice and lower prices while expanding business opportunities for our suppliers. It operates in 8 European countries: Germany, Belgium, Spain, France, Italy, Switzerland, Poland and Portugal. The alliance also represents a meeting point for partners as they search for synergies through the exchange of knowledge in fields such as sustainable consumption, quality management, store formats and collaboration programmes with small local producers.



BCC-EROSKI Award, food innovation with local products

6th Basque Culinary Center and EROSKI Saria Award. This prize is open to all professional chefs working in Spain and aims to acknowledge and award chefs who promote specific varieties and species that form part of the cultural and gastronomic wealth of Spain's various regions.

Healthy, sustainable and innovative dishes with a strong focus on foods produced in the local environment and that demonstrate a social commitment to producers and the preserving the biodiversity of species, varieties and flavours.

Paulo Airaudó, from the restaurant Amelia in San Sebastián, was declared the winner of the 6th BCC Eroski Saria Prize for his recipe "Molleja, ajo negro y zanahoria".



Paulo Airaudó of the restaurant Amelia de San Sebastián, winner of the "BCC EROSKI Saria Prize"

During the 6th Basque Culinary Center and EROSKI awards, we once again gave recognition to cooking professionals who work to give greater value to local, traditional food, giving them a new, innovative gastronomic dimension. This year the prize was awarded to Paulo Airaudó of the restaurant Amelia in San Sebastián.
<https://vimeo.com/245896832>



Supporting local foods and wealth generation in the local environment

Our consumers know that EROSKI's commitment to local produce is one of its identifying features. Entering an EROSKI store is being given access to a wide range of fresh, local produce but also hundreds of unique, quality items made by small local producers and by companies in the area. This demonstrates our firm support for regional development and the trust we place in our own produce as added value. EROSKI drives forwards an agri-food sector that bases its sustainability on the diversity of its production framework as a key element for contributing to the economy, culture and the environment. Our cooperative convictions are what inspire us to make this commitment to diversity, create collaborative environments and work with a large number of suppliers.

EROSKI currently has 10,079 suppliers and over half are commercial suppliers. Of this big family of commercial suppliers, 2,642 are SMEs with whom we have a purchasing and provisioning policy that is adapted to their scale and the particular nature of their product.

In 2017 we had 22,014 unique items. Each has a story to tell about exceptional raw materials, unique locations and special production methods.

We continued to run several on-going campaigns to valorise food through knowledge about foods prepared in the area and to re-introduce them as an extra option for the weekly shop because they are products that support the local economy and are more sustainable because they are produced closer to their place of consumption.

To help people discover all these products, EROSKI runs various regional campaigns to promote different local produce. Specifically, in 2017 we ran 33 activities of this type in our stores.