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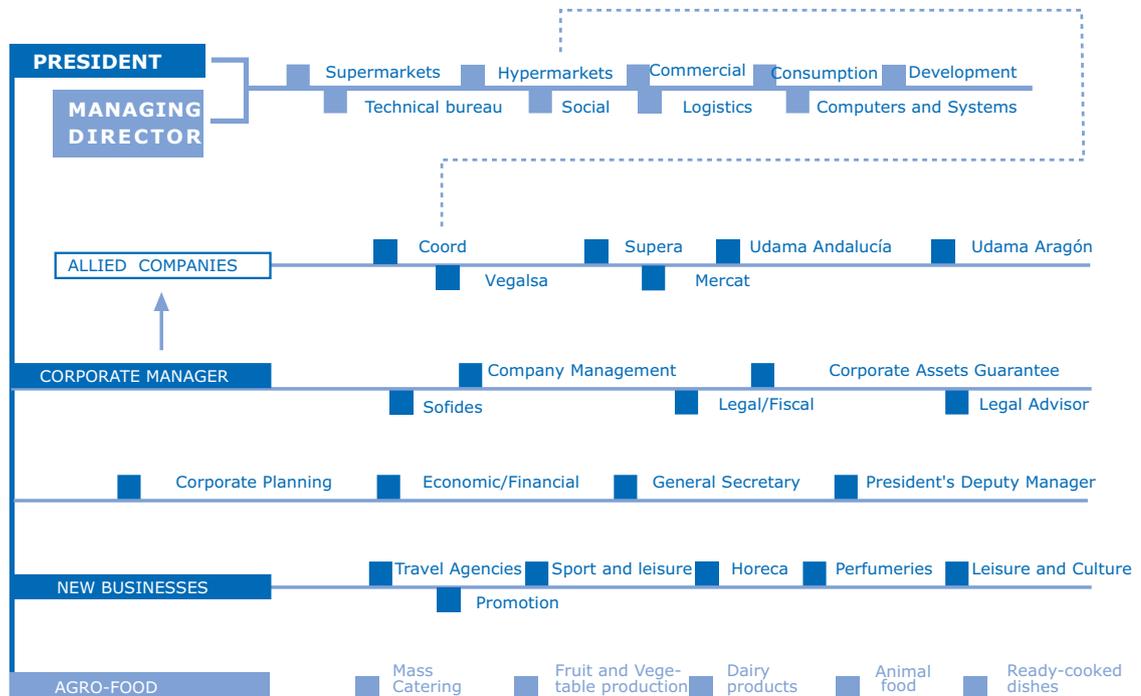
## **A different way** of doing things

- 4.1 Functional organisation
- 4.2. Management of internal commitments
- 4.3 Management of external commitments

## 4.1 Functional Organisation

The Eroski Group manages and directs its main business, the distribution of general consumer goods and services for the home, from its main offices, with top-level →

management, functional offices and business management providing the necessary support for carrying out our activity.



The Governing Council is the governing, management and representative body of the Cooperative Society, subject to the General policy agreed on at the General Meeting. Its legal representative is the Chairman of the Governing Council and also the Chairman of the Cooperative.

The ultimate executive body is the Board of Directors, consisting of the Business Units and functional area managers. This Board elects the Group's Managing Director, whose appointment →

must be ratified annually by the Governing Council.

The management function is governed under the principle of free choice and confidence. The corporate values, which it undertakes to transmit, the operational practices and the management profile are specified in the Management Statute.

The Annual Eroski Corporate Management Report includes the ownership and company administration structure and can be consulted at our website [www.eroski.es](http://www.eroski.es).

## 4.2 Internal Commitments

The Eroski Group's mission statement includes two relevant aspects, amongst others:

- The creation of a project and business model that involves people, encouraging their personal and professional development.
- Commitment to defending consumers and the environment, "contributing to improving the community in which we work, as an expression of our social responsibility".

### The EFQM general management model

The Eroski Group applies a management model based on the principles of the European Foundation for Quality Management (EFQM). This enables us to evaluate the quality of our management and adopt measures for improving all the areas and business units. This global model, based on both horizontal and vertical management systems, sets specific goals, plans of action, instructions and control and monitoring tools that guarantee the application of the commitments taken on by our organisation, favouring the overall management system. So, for example, we identify the **Global Compact** principles referring to human

rights, labour regulations, the environment and anti-corruption, and develop them in accordance with our work model.

The implementation of this system has focused our efforts and resources and based our management on the satisfaction of our customers and workers and on economic efficiency, through continuous improvement. To date we have obtained 2 **EFQM management quality excellence model Silver Q** certifications, for the Elorrio general goods platform (2002) and the Amorebieta fresh produce platform (2004), and we are continuing to work on extending the model to the entire organisation.

## Quality Management System

The best way for us to attain a high competitiveness level and ensure defence of consumer rights and interests is to be committed to the quality and safety of our products and services, from their production right down to their consumption in the customers' home, and the provision of rigorous, reliable information.

Quality management is a basic mainstay of the work we do. We have therefore implemented exhaustive controls to guarantee safety and hygiene throughout the whole of the chain:

- Initial certification and analytical monitoring audit for suppliers of Eroski brand products.
- Quality management systems in accordance with the **ISO 9001 Standard** for the receipt, storage, cold chain maintenance, despatch and transport of the products to the points of sale.
- **Hazards Analysis and Critical Control Points** (HACCP) at the points of sale for daily checking of product condition, cold chain maintenance and hygiene and cleanliness of the installations.
- Periodical analysis of the microbiological quality of the products and the hygiene of the surfaces on which the fresh produce is handled.
- Periodical internal and external audits for checking quality control systems and tools.
- **Traceability** systems for fresh produce. →

- **Manual of Food Alert and Product Recall** for quality reasons, to guarantee safety and the criteria on which Eroski applies the principle of precaution at all times.

We guarantee traceability and control of the quality standards as regards the freshness and healthiness of our products, with continual advancement regarding defence of the consumers' rights and interests and of the environment. In this way we fully comply with the satisfaction of what we define as **Consumer Value**, a priority objective for Eroski.

Our own laboratory is a key element for the Product Quality Department, which forms part of the Consumption Area and is accountable to the General Management. It is accredited in accordance with the **UNE-EN ISO/IEC 17025:2005 Standard "Conformity assessment. Requirements for the competence of testing and calibration laboratories"**, which assures the reliability, legal value and traceability of the results. It also functions as a reference laboratory in charge of certifying the sub-contracted laboratories that much pass a control of their installations and work practices.

### The Eroski Group Laboratory: Work programmes

We perform a variety of studies at our laboratory, most of them in combination with other analyses for more rigorous results, to check that the foods comply with the legal parameters and, sometimes, to issue a verdict on their quality. In the **Chemical** unit, data is obtained on composition, quality and the presence of undesirable substances. The **Microbiology** division studies any possible contamination of the products from microorganisms which could be hazardous (pathogens). The recently-created **Genetics** unit tests various aspects such as product authenticity and food safety (see chapter 5.1. "Consumer Vocation" for information on the new analytical procedures that have been incorporated).

- **Comparative Analyses.** Published in the Consumer EROSKI magazine, these are a comparative assessment of the value for money of the main brands of a product.

- **Selection of Eroski products.** Previous analysis among suppliers of the minimum requirements for the launch of an Eroski brand product.

- **Control of Eroski products.** Monitoring of Eroski brand products to check the agreed quality level is being maintained.

- **Detection of genetically modified organisms (GMOs).** Analysis for fulfilment of our commitment to the exclusion of transgenics from Eroski brand products.

- **Complaints.** The analytical procedure required for investigating the origin of customer complaints and preventing them from occurring again.

- **Regional awards.** Selection of the winning product in the special call-up for regional suppliers we hold yearly.

#### Chemical Unit

- **Control of products manufactured in our production centres.** Analytical control in our meat processing centres, distribution headquarters and Olilan oil bottling plant.

#### Microbiology Unit:

- **Microbiology campaigns.** Assessment of the state of freshness and checking for any contamination through handling or the presence of pathogens, throughout the entire commercial network.

- **Life span determination.** Definition of the life span of perishable products.

#### Sub-contracted analyses:

- **"Eroski Natur" meat residue plan.** It is guaranteed that there are no traces of illegal fattening agents or drug residues.

- **Plan for control of phytosanitary residues in "Eroski NATUR" fruit and vegetables.** To guarantee there are no traces of phytosanitary and pesticide residues in amounts exceeding half of those permitted by law.

- **Hygiene monitoring at the centres and platforms.** Study of the degree of contamination of surfaces and utensils at the centres and platforms, to assess their microbiological state and the suitability of the cleaning products.

- **Control of non-food products.** Specialist laboratories are required for the analysis of non-food products such as drugstore, cosmetics and bazaar products.



To achieve leadership in technological innovation for the introduction of new procedures guaranteeing healthy, quality consumption, Eroski supports and collaborates with technological innovation centres as part of the food area **R+D Plan**, which involves us in a growing number of new projects, detailed below in section 5.1. "Consumer Vocation". Ongoing projects are as follows:

- **Development of PCR food analysis techniques with the Gaiker Technology Centre.** This analysis uses the PCR technique to identify DNA fragments. It can be used to detect pathogenic microorganisms and identify transgenic species and ingredients in foods.
- **Implementation of integrated production techniques for vegetable-growing, with the Neiker Technology Centre.** Biological pest control procedures



to combat pests and disease, reducing to the utmost the environmental impact of agricultural production and derived contamination.

- **Improving the quality and lifespan of ready-cooked foods, with the AINIA Technology Centre.** Research and improvement project for new materials and packaging technologies.

- **Food chain assurance, in collaboration with Mondragon University.** A study on the monitoring and improvement of cold storage units at the points of sale, and on the installation of discontinuous cooling systems guaranteeing cold chain maintenance.

## **Ethical Management System**

As an indication of our control and awareness-raising work, we are committed to our workers throughout the whole of the production chain. Respecting and safeguarding human rights is a priority objective for Eroski and is shared throughout the organisation, with a view to assuring people's physical, psychological and social well-being everywhere we operate. For this reason we have obtained certification in accordance with the **SA 8000:2001 Standard**.

Our responsibility entails internal monitoring and monitoring of our suppliers, particularly the most critical producers, for whom we have designed a future plan which will make use of external audits to guarantee gradual compliance with the criteria established in the SA 8000:2001 Standard.

We have formally undertaken to implement an **Ethical Management System**, which will be



a guideline for managing the work with our interested parties, both internal and external. The monitoring of this system is led by an **Ethics Committee** consisting of the General Management, Consumer Management, Social Responsibility Management, Social Management and Purchase Management departments, and this is an indicator of our high degree of commitment with achieving its aims.

Its implementation is carried out through a **Management Team**, whose aim is to achieve continuous improvement of the indicators governing our relationship with our suppliers (working conditions, occupational health and safety, etc.), our prominent workers (participation, integration of different groups, training, voluntary turnover rate, remuneration, people satisfaction), our consumer partners (new members joining →

each year, assessment survey, participation index), society, and the surrounding environment.

Every year, the members of the Ethics Committee perform an internal audit using a self-assessment tool created by the Danish Ministry of Social Affairs and adapted for use with our organisation. At the same time we also have an annual external audit carried out.

### Occupational Risk Prevention System.

Attention to people in all our areas and business units is complemented with an occupational risk prevention system that complies with current legislation and provides for systematic measures to be taken, identifying areas for improvement.

The system is managed around a Joint →

Prevention Service, led by the Eroski Prevention Service Manager, who establishes and coordinates the common measures, policies, plans and objectives (see section 5.3. "People".) Management authorities like the Health and Safety Committee, the Prevention Representatives and other actors such as the Prevention Coordinators help to implement it.

### Environmental Management System: ECOPLAN

Our commitment to **sustainable development** and to satisfying the basic needs of the **future generations** means combining the preservation of the environment with an endeavour to bring together social well-being and financial goals. Our predominance as regards minimising the impact on **climate change**, protection of **natural resources**, **waste** management and the preservation of **biodiversity** is an obligation for us.

Our Environmental policy is run by the Quality and Environment Department, who ensure compliance with the objectives integrated within all the areas and business lines. We also encourage consumer and society awareness through the Idea Sana EROSKI education and information programmes. →

The management tool governing protection of the environment is ECOPLAN, whose key figures are the people in the organisation. Their individual and collective commitment consists of:

1. Maintaining a proactive attitude, which enables us to take on increasingly ambitious commitments.

2. Controlling and either preventing or reducing the environmental impact of our activity.

3. Implementing environmental management systems with quantifiable yearly goals, and providing resources for these.

4. Including the environmental variable in our research and development of products and services, with a view to the profitability of our environmental action, and identifying new business opportunities. →

5. Informing and educating at all levels of the organisation, for orientating people towards sustainable development.

6. Establishing free-flowing communication channels with the authorities, the local community, sectoral organisations, suppliers and consumers which will ensure full information on the impact of our activity and the resources and technologies we devote towards minimising it.

### **Economic/Financial System: ECOFIN**

Our initial responsibility as a business organisation is to generate wealth for our interested parties and to become consolidated as a stable group, guaranteeing the stability of our profits and their distribution throughout the company.

Our initial responsibility as a business organisation is to generate wealth for our interested parties and to attain financial goals which, in coordination with our ethical and social commitments, will be a guarantee for the development of our mission and values, satisfying society's needs and helping to improve the quality of life.

Economic and financial analysis, which enables our profits to be monitored and controlled, is carried out through the Operating Account and Balance Sheet, generated from the lowest level (the individual centres) to the highest levels. These financial reference statements are contrasted monthly with the Management Plan and the data from previous years in order to detect any deviations and/or trends making new policies or corrective measures necessary.

In 2004, as a result of an internal redesign of the organisation, we created an Assets Guarantee Department, which is placed under →

the Corporate Area on the hierarchy, separate from the former common management that controlled the drawing up of the economic and financial reports and their internal audit, for greater independence and analytical rigour. Its objective is to perform administrative audits and procedures at the points of sale, leading to the creation of an Internal Audit Report which includes a broken down financial evaluation produced each month and studied by the Company Council and all the managers.

Like all companies of our size and volume of business, we are under obligation to carry out an External Audit providing a true and fair view of the state of our accounts. The Report drawn up as a result of this Audit is presented to the General Meeting for their approval.

## 4.3 Management of our External commitments

Our commitment to social responsibility is not an improvised or transitory policy. It is one of our most distinctive collective values as a cooperative company whose aim is to carry out an economic and social project in all the places it operates.

This project involves reinvesting 10% of the company's annual profit, and it is proclaimed and communicated to the entire organisation in the **Code of Ethics** as one of the main principles behind our actions. It is integrated in each of the areas and business units by means of the annual challenges and goals defined in each Management Plan.

More specifically, through the **Eroski Foundation**, we develop Social Action projects in accordance with the priorities established in the goals of the United Nations **2015 Millennium Declaration**. We form alliances with **non-governmental organisations** so that the combination of knowledge and effort will led to greater benefits for the entire community.

This means across-the-board implementation of Social Responsibility policies, and we communicate these by means of the key indicators of the **Global Reporting Initiative** in our Sustainability Report, which is supported by our education and information programme, **Idea Sana EROSKI**. These indicators are managed internally by the **Ethics Committee**.

The Eroski Group was also one of the Spanish signatories to the principles of the **Global Compact** in 2002 and a founder member of the **Spanish Global Compact Association** created in March 2004, actively participating in disseminating it and extending its principles to other organisations. Our degree of implication has enabled us to become a permanent member of its **Square Table**, a dialogue forum bringing together companies, NGOs, Educational Authorities and Public and Social Institutions in order to define and design good practices that encourage fulfilment of its principles.

As signatories to the Global Compact, we inform society and our interested parties of our advances in fulfilling its 10 principles through a **Progress Report**, attached as Annex III of this Sustainability Report and also featuring in the official website of the Global Compact, [www.globalcompact.org](http://www.globalcompact.org).

We also endeavour to extend our commitment as a socially responsible company to other agents in society. To do this, we attend the main forums of reflection and debate, where it is defined how social responsibility policies are to be applied as



part of company strategies, and we also participate in the analysis of how the different countries should regulate these practices so that the veracity and transcendence of the actions communicated is guaranteed, e.g. the **Ministry of Labour and Social Affairs' Forum of Experts**.

We belong to several consumer cooperatives, including Hispacoop, the confederation of Spanish consumer cooperatives, which acts as a consumers' association and a cooperative and business organisation.



#### **Organisations we participate in**

- Global Compact
- Spanish Global Compact Association (ASEPAM)
- Global Reporting Initiative
- Board of Trustees of the Fundación Entorno
- Ministry of Labour and Social Affairs' Forum of Social Responsibility Experts
- Federation of Consumer Cooperatives of the Basque Country
- EURO-COOP: European Consumer Cooperative Organisation
- HISPACOOP: Confederation of Spanish Consumer Cooperatives
- ICCO, International Consumer Co-operative Organisation
- Business Confederation for Social Economy
- Social and Economic Council (CES)
- Council for Promotion of the Social Economy
- Social Responsibility Commission of the Spanish Association of Accounting and Company Administration (AECA)
- Group for creating the Social Responsibility Guide of the Spanish Association of Standards and Certification (AENOR)
- Basque Association for Sustainability
- Spanish Consumer Council
- National Consumers' Institute
- Basque Autonomous Community Consumers' and Users' Council
- Consumption/Company Observatory of the Directorate-General for Promotion
- CIOA - Inter-ministerial Commission for Food Planning
- Spanish Association of Large Distribution Companies (ANGED)
- Spanish Association of Commercial Coding (AECOC)
- UE Energy Advisory Committee