Retailer Challenges to Enhance Sustainability and Effectiveness in the Integrated Food Value Chain

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Agenda

- Overview and History
- Food Safety in the Supply Chain
- Sustainability
- Supply Chain Trends
- Questions
Meijer operates 223 stores and one more will open in November. Meijer employs nearly 68,000 team members.

Meijer stores are located in six states: Michigan, Ohio, Indiana, Illinois, Kentucky, and Wisconsin.

The stores average 210,000 sq. feet with an average of 280 team members staffing each location.
The Meijer tradition began in Greenville, MI, in 1934. Hendrik Meijer’s barbershop provided for his family despite the conditions of the Great Depression. Next to his barbershop was a vacant space. In order to avoid bankruptcy, he purchased $338.79 worth of merchandise on credit and opened a grocery store.

At this time, Greenville had 22 other grocery stores, however Hendrik realized that lower prices on the products people needed would help everyone get through the Depression.

Hendrik’s philosophy was, “Just give customers the kind of merchandise, service and prices you would like to see if you were the customer.” The tradition continued under the leadership of Hendrik’s son, Fred, who helped take the family business and name to new heights.

By 1950, the little Greenville grocery store had grown into a chain of hometown supermarkets.

In 1962, the first Meijer Thrifty Acres opened in Grand Rapids, MI. It was the birth of the one-stop shopping concept as food and general merchandise were combined.
Meijer Core Values

- Customers
- Competition
- Family
- Freshness
- Safety & Health
Strengthening the Communities We Serve

Simply Give
More than $21 Million for food pantries since November 2008.

Food Rescue
7.4 Million Pounds (6.1 Million Meals) in 2015 donated to food banks across the Midwest.

Free Prescription Program
More than 30 Million free prescriptions, saving customers more than $422 Million since October 2006.
Distribution

1965 Grand Rapids MI
1974 Lansing MI
1989 Newport MI
1993 Tipp City OH
1997 Middlebury IN
2014 Pleasant Prairie WI
More than 4,000 team members work in our distribution centers located in Grand Rapids, Lansing, and Newport, MI, Tipp City, OH, and Pleasant Prairie, WI. Over 7 million sq. ft. of distribution space.
Four Regional Foods Distribution Complexes

- Lansing, MI
- Newport, MI
- Pleasant Prairie, WI
- Tipp City, OH
Two Regional GM Distribution Complexes

- Lansing, MI
- Tipp City, OH
Manufacturing

1997 Middlebury IN
2010 Fresh Assembly MI
2012 Grandville Roasting & Packaging MI
2012 Purple Cow Creamery MI
2015 Purple Cow Creamery South OH
Fresh Assembly in Lansing, MI
- Fresh Cut Produce
- Fresh Salads

Purple Cow Creamery Dairy operation in Tipp City, OH, and also Holland, MI
- Milk
- Juice/tea
- Bottled Water
Roasting and Packaging Facility in Grandville, MI
- Nut roasting and packaging
- Candy packaging

Central Kitchen and Bakery located in Middlebury, IN
- Deli Salads
- Sandwiches/Subs
- Bread
- Cookies
Outbound Logistics

- **Totals Miles Driven - 2015**
  - Meijer Logistics - 24,595,126
  - Dedicated Carriers - 32,935,546
- **MPG - Meijer Logistics**
  - Average of 8.2 in 2015
- **Trailer Fullness**
  - 93 percent in 2015 vs. 90 percent in 2014
- **Gallons of Fuel Used Meijer Fleet**
  - Tractors - 2,999,000
  - Refrigerated Units - 140,000
  - Switchers - 275,000
Inbound Logistics

- Totals POs Tracked: 2015 - 601,188 (Domestic & Import)

<table>
<thead>
<tr>
<th>Meijer Vendors/Product Flow/Service Providers</th>
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</thead>
<tbody>
<tr>
<td>✓ 7,450 Global Vendors</td>
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<tr>
<td>✓ 249 Service Providers in 13 Categories</td>
</tr>
<tr>
<td>➢ 5,050 Domestic Vendors</td>
</tr>
<tr>
<td>➢ 177 Truckload Carriers</td>
</tr>
<tr>
<td>➢ 15 Truckload Brokers</td>
</tr>
<tr>
<td>➢ 7 Less-Than-Truckload Brokers</td>
</tr>
<tr>
<td>➢ 5 Consolidation Centers</td>
</tr>
<tr>
<td>➢ 2 Small Package Carriers</td>
</tr>
<tr>
<td>➢ 8 Intermodal Carriers</td>
</tr>
<tr>
<td>➢ 2,400 International Vendors (8 Buying Agents)</td>
</tr>
<tr>
<td>➢ 6 Ocean Carriers</td>
</tr>
<tr>
<td>➢ 4 International Consolidators</td>
</tr>
<tr>
<td>➢ 19 Air Carriers</td>
</tr>
<tr>
<td>➢ 1 Customs House Broker</td>
</tr>
<tr>
<td>➢ 3 Deconsolidation Centers</td>
</tr>
<tr>
<td>➢ 1 Bank</td>
</tr>
<tr>
<td>➢ Distribution</td>
</tr>
<tr>
<td>➢ 1 Unloading Company</td>
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</table>
Food Safety

- Manufacturing Facilities
  - Harmonized Good Manufacturing Practices (GMP’s)
  
- Successful completion of SQF Certification Process
  - Central Kitchen & Bakery, Fresh Assembly
  - Grandville Packaging just certified with score of 99

- All plants were inspected by our food safety team
  - GMP assessment - No critical issues were noted
  - SQF Certification ensures program readiness to FSMA (Food Safety Modernization Act)
Food Safety

Distribution Centers

- DF’s had 31 regulatory visits in 2015
  - All visits compliant - no follow-up required

- SQF - FSMA gap assessments

- Seafood HACCP Certification
Food Safety

- Regulatory Trends
  - Regulators hiring more inspectors to increase staff
  - More inspectors = more inspections or does it?
    - 2015 saw 8 percent fewer regulatory inspections vs. 2014
    - Meijer moved to lower risk category = fewer visits
  - More detailed assessments replace inspections
  - Allergen training and customer notification
  - Equipment & product sampling programs
    - Are we clean & ready?
  - FDA menu labeling initiative
Government Rules and Regulations
  - FSMA - Changing Regulatory Landscape
    - FDA to be proactive, not reactive
      - Records review
      - Focus on written plans
      - More product testing and records maintenance
      - Requires detailed written risk review
  - SQF being used as a template for building plan
  - Regulators will audit to plan
    - Plan must meet the FSMA rules and controls
  - Makes Meijer responsible for food facilities outside the U.S. where we are the importer
Outbound Logistics - Refrigerated Trailer Tracking

Refrigerated trailers have GPS tracking and temperature monitoring

The GPS units are capable of transmitting data via cellular

Refrigerated trailers have microprocessors which are attached directly to the GPS and give all data available during each run

If any refrigerated unit alarm codes are triggered, the GPS will immediately transmit these alarms via email to Dispatch and Fleet Maintenance
Sustainability

A Part of Our Company’s Heritage

"I want to leave the world in a little better shape than when I entered it."

Fred Meijer
### Total Supply Chain

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Dumpster Hauls</td>
<td>1,152</td>
<td>787</td>
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<tr>
<td>Tons to Landfills</td>
<td>8,735</td>
<td>5,831</td>
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<tr>
<td>Biodigester Hauls</td>
<td>197</td>
<td>406</td>
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<tr>
<td>Biodigester Tons</td>
<td>1,638</td>
<td>4,242</td>
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Sustainability

Supply Chain 2015

- Corrugated Cardboard: 12,661,652 lbs.
- Banana Corners: 148,191 lbs.
- Sheet Iron: 763,220 lbs.
- Plastic: 2,712,233 lbs.
- Misc: 619,587 lbs.
Recycle Markets

- Have Waste Streams identified by signage standardized throughout Supply Chain
- Identified on the map hanging in the DFs and Manufacturing facilities
- Well marked; painted green on the floors
- Each break room standardized throughout the Supply Chain
Meijer has one of the most fuel efficient fleets in the industry

Tractors are experiencing 8 to 10 MPG; the national average is 6.5

Fleet is 100 percent EPA/Smart Way Clean Diesel Emissions certified
Sustainability

Building a Strategic, Integrated Plan

- Environmental Footprint
- Sustainability Roadmap
- Communication
To be a good company, we must be a good neighbor

Sustainability makes good business sense, aligns with our values, and is the right thing to do

Cultivate a range of initiatives that focus on minimizing our environmental impact and creating greater value for our customers
Supply Chain Trends

- Witron - Lansing, MI and Pleasant Prairie, WI
  - Aisle ready pallets
  - Full automated DF
Supply Chain Trends

- Witron
  - Tall pallets
High Bay Warehouse - Lansing, MI
- Completed in April 2014
- 275,000 cases shipped per week
Aisle Ready Totes - Lansing, MI
- 7,900 items
- 400,000 Meijer packs per week
- 32,000 totes per week
Supply Chain Trends

- 5 percent more fuel efficient than last year’s model
- Programmed engine ECM for short idle, speed, and fuel economy
- Use of advanced aerodynamics to achieve best in class fuel economy
- Roll stability control
- Use of single wide tire technology with low rolling resistance and aluminum truck rims
- This tractor has all wheel disc brakes for shorter stopping distances and low maintenance costs
- Automated manual transmission; no clutch pedal or stick shift; less driver fatigue; consistent fuel economy

- Virtual technician fault codes are sent in real time to our maintenance department
- Advanced Detroit Diesel 12.9 liter engine is quiet and clean
- 100 percent of our fleet is now 2010/2014 EPA Emission and Smart Way certified
- 65 times cleaner than previous trucks; first fleet in North American to use them
Thank you

Any Questions