

# Communication on Progress 2013

United Nations Global Compact Initiative

Jerónimo Martins SGPS S.A.

Lisbon, 26<sup>th</sup> of August 2013

It is my pleasure to submit the COP report regarding 2012, in which we do our very best to fully express our continuous commitment to the United Nations Global Compact's principles in the areas of human rights, labor, environment and anti-corruption.

Throughout its 220 years of history, the Jerónimo Martins Group has always incorporated social and ethical concerns into the management of its businesses. The past year was no different: in 2012, we endeavored to defend human rights and improve working conditions, protect the environment and observe the highest ethical standards in running our activities.

We are proud to say that, last year, we managed to reduce our overall value of carbon footprint by around 9%. Similarly, we reduced our total energy consumption by more than 9% and our total water consumption decreased by more than 2%.

I am personally committed to create the proper conditions for our Group to find a sustainable balance between short-term and medium-long term needs, so that we can fulfill our growth ambition while making sure that we do it the right way. One that guarantees a prosperous and healthy future for the generations to come.

We have been deepening our approach to the Triple Bottom Line (Profit, People and Planet) across all our Companies and countries where we operate, and we will keep on doing so. This year brings us a new opportunity to contribute for the well-being of the Colombian society, with our new retail banner opened in 2013 in this South American country.

I hope that in the COP that we submit this year you will find a strong evidence of our commitment to the United Nations Global Compact's principles and to creating value in a responsible way.



*Pedro Soares dos Santos*  
CEO

## **Jerónimo Martins SGPS S.A. = Communication on Progress 2013 =**

### **Global Compact Principle One**

**“Businesses should support and respect the protection of internationally proclaimed human rights.”**

Jerónimo Martins ensures respect for human rights, according to the Universal Declaration of Human Rights, within labour context, and promotes them among the societies where it operates, being committed to give a positive contribution to improving the living standards of all those with whom it relates.

### **Code of Conduct and other policies**

According to the Group's Code of Conduct<sup>1</sup>, the companies that integrate the Group Jerónimo Martins conduct their businesses with honesty and integrity and in compliance with the laws of the countries where they operate.

The Jerónimo Martins Group ensures respect for the right to equal opportunities, both with regard to recruitment process and to professional development, prohibiting any direct or indirect discriminatory practices, or disrespect for personal dignity.

Additionally, in Poland, specific Policies to Prevent Moral Harassment and to Prevent Discrimination are also in force, what strengthens and establishes the Group's commitment to ensure non-discriminatory practices and discourage potentially offensive behaviours against its employees.

All the employees are informed of the Code of Conduct and, in Poland, also of the policies mentioned above when they join the Group, whatever their position.

In the Manufacturing area, under the partnership with Unilever in Portugal, the Code for Business Principles is distributed to the workers and, posted in the information boards and in the intranet.

### **Whistleblowing procedures**

The Group provides in both Portugal and Poland a telephone number, an e-mail address or letter service for employees to report situations of non-compliance with Code of Conduct or its underlying principles, thereby fostering a relation of trust. These services guarantee total confidentiality and availability.

In 2012, these services were contacted by more than 6,500 employees (more than 4,700 in Portugal and more than 1,800 in Poland). The percentage of procedures concluded varies between 98 and 100%, depending on the country.

Jerónimo Martins has also instituted an Ethics Committee which, since 2003, has been following, with due independence, the communication and application of the Code of Conduct.

This Ethics Committee can be contacted by any stakeholder by letter or e-mail with any questions, comments, suggestions or complaints regarding the observance of the Code of Conduct.

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<sup>1</sup> <http://www.jeronimomartins.pt/media/431763/code-of-conduct.pdf>

## Culture based on merit

Assessments of employee performance are conducted every year, in an impartial and transparent manner. The aim is also to assess the need to invest in on-going learning, which is achieved through the training of specific skills. The culture within the organization is one of meritocracy.

In this context, the remuneration and benefits policies have also been updated, ensuring they are appropriate for the socio-economic circumstances of the countries where we operate.

In Portugal, the variable remuneration systems implemented in Pingo Doce, Recheio and Logistics since the beginning of the year have been geared to rewarding increased sales, while keeping shrinkage under control and minimising absenteeism. Accordingly, 15,827 employees were rewarded.

In 2012, in Portugal and Poland, there were 10,763 promotions.

Similarly, in Portugal, and although 2012 was a year of economic downturn, the minimum wages in the Companies increased 2% on average, compared to 2011. The values of minimum wages reinforced their positive gap towards the legal reference. Moreover, the Group allotted more than 5 million euros in the first half of 2012 in extraordinary bonus payments to the employees of stores and Logistics in Portugal.

In Poland, the minimum wages of Biedronka's employees increased, on average by 3.9% against 2011.

The concern of the Jerónimo Martins Group for the personal and professional development of its employees based on merit was reflected also by the launch, in 2012, of the "Global Approach to People Management" which reinforces the transparency and consistency in evaluation processes.

## Training

In order to build a cohesive organization, it is essential that employees are offered the tools with which they can efficiently perform their duties.

In Portugal, the Jerónimo Martins Training School, the Perishables School focused on the Perishables areas, as well as partnerships with renowned universities, have contributed to a sustainable policy for development.

The Training Academies in Poland are designed for the sharing of best practices and expanding on management concepts. They have different durations according to hierarchical levels, qualifications and experience.

Training Indicators	2012	2011	Δ2012/2011
Total No. of Sessions	22,655	21,378	+6%
Total No. of Training Hours *	1,781,898	1,466,017	+22%

\* Total No. of Training Hours = No. training hours x No. employees in training

Training opportunities were also provided to the unemployed in initiatives under the National Qualifications Catalogue. In Portugal, we organised 16 training courses that encompassed 266 unemployed persons. As consequence, 101 people were hired.

## Social Emergency Programs

Strictly related to Human Rights, the Internal Social Responsibility area aims at improving the quality of life of Jerónimo Martins' employees and their families.



In Portugal, and following the Social Emergency Fund mission of providing workers and their families in great need with food, health and education support, as well as legal matters and financial advice and training, over two million euros were spent on more than 5,700 measures of assistance broken down between food aid (35%), health (21%) and education, legal and financial advice (43%). The merit of this program has deserved Jerónimo Martins a Ruban d'Honneur award from the European Business Awards.

In Poland due to the Programme "You Can Count on Biedronka" more than 3,000 workers (and over 200 families of employees with children with disabilities or chronic diseases) have been given support, mostly through cash donations.

### **Communities Supporting Policy**

In 2012, the Jerónimo Martins' strategy to support surrounding communities continued to support projects that helped to promote the values of Humanity, Merit, Enterprise and Citizenship, namely through the fight against malnutrition, hunger and against the traps of poverty and social exclusion, among two preferred groups: the elderly and deprived children and young people.

Consequently, the direct aid given in 2012 to surrounding communities by the Jerónimo Martins Group totalled 11.2 million euros (accounted at cost price), mainly in the form of food donations. This value represented an increase of 65% facing 2011 data.

## Global Compact Principle Two

### **"Businesses should make sure they are not complicit in human rights abuses."**

Jerónimo Martins actively seeks to interact with entities that share the same framework of ethical principles, especially regarding Human and Labour Rights.

According to our Suppliers Code of Conduct<sup>2</sup>, we only cooperate with suppliers who expressly commit to practices and activities that fully comply with national and international laws and agreements. In the Suppliers Code of Conduct, our suppliers undertake to respect the social and labour laws and regulations on occupational health, hygiene and safety in the countries in which they operate.

We are committed to severing business relations with suppliers if we ever learn that they or their suppliers violate human, children's or workers' rights or if there is evidence that they do not incorporate ethical and environmental concerns in their actions and are not prepared to draw up a plan to remedy the situation.

The suppliers and other commercial partners of the Jerónimo Martins Group undertake not to use any discriminatory practice based, inter alia, on descent, gender, religion, marital status, family situation, age, nationality, ethnic origin, disability, political or ideological convictions and union membership, in their relations with their workers or staff. They also guarantee that all their employees or workers receive fair remuneration and benefit from the welfare system in force in the country in which they operate.

The Suppliers Code of Conduct is a part of a general commercial agreement that we sign with our suppliers in Portugal (Pingo Doce and Recheio fresh produce and Private Brand products), by far the country where the Group has its largest suppliers base.

At Unilever Jerónimo Martins and also at Gallo Worldwide, all suppliers assume full acceptance of the principles of the ULJM Suppliers Code<sup>3</sup>. The pre-audit questionnaire for company suppliers includes questions on occupational health and safety and the code of business principles.

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<sup>2</sup> [http://www.jeronimomartins.pt/media/447222/suppliers\\_code\\_of\\_conduct.pdf](http://www.jeronimomartins.pt/media/447222/suppliers_code_of_conduct.pdf)

<sup>3</sup> [http://www.unilever.pt/aboutus/purposeandprinciples/ULJM\\_Supplier\\_Code.aspx](http://www.unilever.pt/aboutus/purposeandprinciples/ULJM_Supplier_Code.aspx)

### Global Compact Principle Three

**"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."**

Jerónimo Martins is in full compliance with the International Labour Organization codes regarding labour standards both within our business and as a condition of our relationship with our business partners.

According to the already stated Code of Conduct in Principle One, Jerónimo Martins follows a recruitment process that takes into account the qualifications and skills required for the job description without employing any discriminatory practices based, namely, on grounds of trade union membership.

This freedom is overseen, as any other matter included in the Code of Conduct, by the Ethics Committee.

On a daily basis, it is assured by the Labour Relations Departments, which take the following actions:

- i. Receive trade unions' requests to meet with our employees on the Company's workplaces;
- ii. Guarantee the observance of rights of employees elected as trade unions' members or associates, namely legal hours of absence permitted by the Collective Agreement to pursue union's activity.

Additionally, in Portugal, regular audits on labour issues are conducted by Human Resources Operational Teams at Pingo Doce's and Recheio's stores. In Poland, an on-going monitoring of labour rights risks has been implemented at Biedronka's sites.

In Poland, regular meetings are held between the trade unions and our Company's *Employee Forum*, a self-regulating collective body set up to represent the employees' interests and claims (counts with nine members that represent Regions and Headquarters). All these three bodies make part of the Social Committee that manages the area of social support for employees.

In Portugal, more than 90% of our employees are covered by collective bargaining agreements, signed with trade unions.

Jerónimo Martins also promotes respect for the freedom of association along its supply chain. According to the Suppliers Code of Conduct, the suppliers and other commercial partners of the Jerónimo Martins Group must acknowledge the different forms of freedom of association of their workers, in particular those of a professional, recreational and socio-cultural nature, as expressions of the principles of responsibility, solidarity, shared objectives and interests, community spirit and spirit of mutual aid that are inherent to human nature and guarantee the existence of conditions for its workers or staff to make use of their freedom of association.

## **Global Compact Principle Four**

**"Businesses should uphold the elimination of all forms of forced and compulsory labour."**

Jerónimo Martins doesn't use any form of forced labour. It is committed to ensuring to its employees a healthy work environment and fair and adequate pay so as to promote work motivation and a sense of personal and professional achievement.

Furthermore, according to the Suppliers Code of Conduct, suppliers and other commercial partners of the Jerónimo Martins Group comply with the existing labour legislation in the countries in which they operate and guarantee, in any situation, that, in the production and manufacturing of the products they sell or services they provide, they do not use any form of forced labour, including that involving the application of corporal punishment, physical or moral coercion.

### **Working Schedules**

Working schedules comply with law, respecting minimum and maximum limits, in order to guarantee that employees make the necessary pauses for physical, mental and social well-being. Additionally, store audits regarding working schedules and hours are conducted by our specialized HR technicians.

### **Training on Labour Issues**

In order to guarantee a full compliance with laws in this matter, several training actions, mostly aimed at the management, were implemented in 2012:

- Labour Law trainings for store management teams;
- Advanced Labour Law trainings for store managers, area managers, Human Resources managers;
- Training in Working Schedules;
- Workshops on labour issues.



## Global Compact Principle Five

### “Businesses should uphold the effective abolition of child labour.”

Jerónimo Martins doesn't accept in its Companies any sort of child labour nor does it employ individuals that have not yet reached the legal age established for work purposes. In addition, the Group seeks to engage with other organizations that share the same ethical views.

In Portugal, where the legal adult age is 18, there are two conditions that must be respected in order to employ individuals aged between 16 and 18 years old:

- First, the applying person has to prove the minimum school grade, as defined by national law;
- Second, the legal representatives must sign a declaration for work purposes.

In any case, this kind of recruitment can be only performed for a school holidays period.

In Poland, only people above 18 years-old are admissible. However, on special request, exceptions can be allowed for a limited number of hours and for professional training purposes only.

Furthermore, according to the Suppliers Code of Conduct, suppliers and other commercial partners of the Jerónimo Martins Group comply with the existing labour legislation in the countries in which they operate and guarantee, in any situation, that, in the production and manufacturing of the products they sell or the services they provide, child labour, as defined by the International Labour Organization, is not accepted.

### Trainees and Internship Programmes

The Jerónimo Martins Group aims to contribute towards preparing young people for professional life. In order to fulfil this goal, the Group promotes curricular and professional internships.

479 curricular and professional internships were also implemented in Portugal and Poland. In Poland there were summer internships for 46 young people.

Also in this context, the International Management Trainees Programme was launched in 2012, which aims to provide training to trainees in another country. We promote the mobility of young people with higher education qualifications through an exchange programme between Portugal and Poland. The aim is to ensure they are better adapted to real operational situations and can develop their potential in a multinational perspective.

### Bridging with Academic Organizations

The partnership with the University of Aveiro (Portugal) was initiated in 2011. Its main goal is to develop a master degree programme in trade management.

It aims at differentiating itself from other higher education entities throughout a strong focus on practical and applied methodology, allowing the students to be, since the very beginning, in a close contact with the business environment.

The programme's ambition is to form graduates in Trade Management with a strong entrepreneur profile that are capable of understanding real problems and use a language and have a behaviour proper for authentic business environment.

In this context, in 2012, 17 internships were completed in our companies as well as 4 field trips and 5 lectures.

## Global Compact Principle Six

**“Businesses should uphold the elimination of discrimination in respect of employment and occupation.”**

Jerónimo Martins wishes to continue to be a reference employer in every country where it operates and aims to be a driver of the job markets where it carries out its businesses and a promoter of social and economic well-being.

As such, the Group follows a recruitment process that takes into account the qualifications and skills required for the job, refusing any discriminatory practices whatsoever.

The Group's Companies are committed to ensuring to their employees a healthy work environment, fair pay, and personal and professional development, based on merit, qualifications and equal opportunities, regardless of ascendance, gender, religion, age, marital status, family background, nationality, ethnical origin, disability, political or ideological beliefs or trade union membership.

These commitments were materialized, in 2012, in the following projects:

- Employing people aged 45 or more: as for the 31<sup>st</sup> December 2012, the Group had 9,722 employees aged 45 years old or more. This number shows an increase of 22% regarding 2011.
- Recruiting disabled workers.

### Citizenship and Equal Opportunities Programs

*Learn and Develop* Programme, created in 2010 under the Portuguese Government's "New Opportunities" Initiative, is an internal program aimed at promoting continuous learning amongst Jerónimo Martins' employees by giving them the opportunity to complete their studies. In 2012, this program enabled 680 employees (against 491 employees in 2011) to successfully conclude the 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> grade. 16,663 training hours were conducted.

### Suppliers and Partners

According to the Suppliers Code of Conduct, the suppliers and other commercial partners of Jerónimo Martins commit not to use any discriminatory practice based, inter alia, on descent, gender, religion, marital status, family situation, age, nationality, ethnic origin, disability, political or ideological convictions and union membership, in their relations with their workers or staff, guaranteeing, in particular, that:

- a) The whole recruitment procedure follows objective criteria, in particular, the qualifications and skills necessary for the position to be held, and refuses any discriminatory criteria;
- b) The remuneration and personal and professional development are based on merit, on qualifications and on equal opportunities, free of any discriminatory criterion.

Furthermore, the suppliers and other Jerónimo Martins' commercial partners guarantee that all their employees or workers receive fair remuneration and benefit from the welfare system in force in the country in which they operate. They also guarantee that the working hours of their employees or workforce does not exceed the limits established in the corresponding legislation or, if there are none, 60 hours per week. If additional work is provided by employees and workforce, due payment must be ensured.

## Global Compact Principle Seven

**“Businesses should support a precautionary approach to environmental challenges.”**

Jerónimo Martins recognizes that most of its activities have a significant direct or indirect impact over the Environment. Whether through the management of our logistics or through the impact that production poses over natural resources, for instance, we believe that to effectively link offer and demand responsibly we must promote sustainable production, at a primary stage, as well as consumption patterns both in the Group's management practices and in the consumer's mind-set.

### **Environmental Policy & Management**

Jerónimo Martins has established an Environmental Policy<sup>4</sup> aiming at three main environment issues: Climate Change, Biodiversity and Waste Management. The following Guiding Principles were set:

- ✓ To combine economic growth with the protection of the Environment;
- ✓ To integrate environmental performance criteria into the development and implementation of all operations and into management decision processes;
- ✓ To promote and encourage environmental management practices and eco-efficiency throughout the supply chain;
- ✓ To promote and encourage eco-innovation through environmental projects and services.

Taking into account the continuous environmental performance of our activities, products and services, the Group has ensured through Environmental Management Systems – according to ISO 14001 principles and requisites – the application of environmental legislation while performing systematic diagnosis of impact to every business units and monitoring environmental indicators.

We are also conscious that scientific data assessment is key to comprehend the overall context of our activities and especially environmental risks so to outline a sustainable business approach. Internal studies conducted on Biodiversity and Climate Change allowed the Group to list the main risks and opportunities and to establish an action-plan in which short and medium-term actions were defined to mitigate the negative impacts generated.

### **Addressing Environmental Risks**

Considering climate change in particular, we may consider as key risks to the business, among others, the negative effects on fisheries and aquaculture and the abundance and geographic distribution of species. The predictable decrease in agricultural productivity from geographical areas prone to droughts and rising global temperature may also have significant impacts on the business. These changes, along with the predictable decline of animal and plant species, and the relevant reduction of coastal upwelling, could have important medium-term effects on the management of the business and associated costs.

In order to promote sustainability, to protect biodiversity and to mitigate environmental negative impacts, Jerónimo Martins set out on-going actions which aim at reducing the unfavourable impacts on the value chain, with possible implications on sales, purchase price or the cost associated with the handling of some products.

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<sup>4</sup> <http://www.jeronimomartins.pt/media/504235/environmental-policy.pdf>



## Strategic Priorities

### **Climate Change**

The Group considers the climate change issues as part of its corporate responsibility. Its Companies are already adopting responsible behaviours and are being pro-active while applying a number of actions that contribute to the reduction of energy consumption and gases emissions that enhance global warming.

#### i) Commitment: Buying Local/National

The Distribution companies of the Jerónimo Martins Group prefer, under equal commercial conditions, to buy from local/national suppliers in order to minimize the carbon footprint of products and to increase the social and economic wellbeing of the communities where we develop business.

The Group also incentivizes consumers' choice for national products by conducting both in Portugal and in Poland, specific marketing campaigns. In 2012, more than 80% of the products in Portuguese stores were acquired to local suppliers. In Poland, the number rose to more than 90%.

#### ii) Carbon Footprint

The Group's carbon footprint in 2012 was estimated at 892,415 tons of carbon dioxide equivalent, which translates an 8.8% decrease regarding 2011, mainly due to the measures taken to rationalize the consumption of energy. Identically, the specific consumption fell from 0.099 to 0.080 tonnes of carbon dioxide equivalent per each 1,000 euros of sales.

#### Global Values

Carbon Footprint	2012	2011	Δ2012/2011
Global value (scope 1 and 2) – t CO <sub>2</sub> eq.	892,415	*978,324	-8.8%
Specific value (scope 1 and 2) – t CO <sub>2</sub> eq./'000 €	0.080	*0.099	-19.2%

*Note: The values marked with \* were corrected compared to the Annual Report for 2011.*

#### Specific Indicators

Carbon Footprint - Indicators	2012 (t CO <sub>2</sub> eq.)	2011 (t CO <sub>2</sub> eq.)	Δ2012/2011
<b>Global Carbon Footprint (scope 1 and 2)</b>			
• Distribution, Portugal	364,414	*436,347	-16.5%
• Distribution, Poland	509,915	524,084	-2.7%
• Distribution, Colombia	56	-	N/A
• Manufacturing	18,030	17,893	+0.8%
<b>Carbon Footprint (scope 1 - direct impacts)</b>			
• Leakage of refrigeration gases	175,009	141,702	+23.5%
• Fuel consumption	48,698	41,397	+17.6%
• Light vehicle fleet	15,803	16,129	-2.0%
• Renewable energy	-109	-95	+14.7%



<b>Carbon Footprint (scope 2 - indirect impacts)</b>			
• Electricity consumption	597,988	*767,540	-22.1%
• Heating	54,918	11,556	+375.2%
<b>Carbon Footprint (scope 3 - other indirect impacts)</b>			
• Transport of goods to stores (Distribution)	124,388	*104,239	+19.3%
• Disposal of waste in landfills	84,838	54,070	+56.9%
• Air travel by employees	1,657	1,439	+15.1%
• Leakage of refrigeration gases	760	*889	-14.5%
(equipment managed by Olá's customers)			
• Backhauling project	-5,256	-4,457	+17.9%

*Notes: The carbon footprint of the different activities at Jerónimo Martins is calculated using the three levels of the WBCSD Greenhouse Gas Protocol method: direct impacts, indirect impacts and impacts of third parties.*

*The figures presented took into account emission factors defined by the IPCC - Intergovernmental Panel on Climate Change (fuels, refrigeration gases and waste), by the International Energy Agency (electricity), and by the European Environmental Agency (air travel). Emissions related to the area of Marketing, Representations and Restaurant Services were not included (estimated to represent less than 1% of total emissions).*

*The values marked with \* were corrected compared to the Report data for 2011.*

## Biodiversity

Acknowledging the importance that Biodiversity represents to the sustainability of every community where we develop our business, the Group decided to build an evaluation process for the main opportunities and risks of our activities as well as of some of our suppliers, according to the Ecosystem Services Review (ESR), proposed by the World Research Institute (WRI) methodology.

The evaluation of these risks allowed the identification of priority axes and, thus, to define a Biodiversity protection strategy and a plan for action. The projects' intention is to integrate, progressively, Biodiversity in the Group's systems and practices:

- Information management;
- Formation;
- Suppliers partnerships;
- Development and investigation.

In 2012, Jerónimo Martins initiated a research project together with MRAG - Marine Resources & Fisheries Consultants in order to identify opportunities for Jerónimo Martin's Sustainable Sourcing Policy<sup>5</sup> particularly that related to fish stocks. During 2013, a risk assessment study will be made for the ten most important species, in biomass terms, for the Group.

<sup>5</sup> <http://www.jeronimomartins.pt/media/508828/sustainable-sourcing-policy.pdf>

## Global Compact Principle Eight

**“Businesses should undertake initiatives to promote greater environmental responsibility.”**

Jerónimo Martins promotes the adoption of good practices by its employees and by the suppliers in order to respond to the environmental concerns of its consumers.

### Environmental Certification

The Companies of the Manufacturing segment have an annual evaluation and revision of the most relevant environmental indicators. This is an operation required by the Portuguese environmental legislation standard (NP EN – ISO 14001:2004) which has been applied to the internal Environmental Management Systems.

In our Portuguese Distribution business, three out of the eight existing Distribution Centres had their certifications renewed according to the above standard. Also the Company's four factory units, in the Manufacturing segment, had their environmental certification renewed.

In 2012, 177 internal environmental audits were completed at stores and Distribution Centres in Portugal to guarantee their compliance with legal requirements and the Group's environmental management procedures. In Poland, 14 internal environmental audits and four audits in Manufacturing were conducted.

### Water and Energy Consumption Rationalization

The Group understood that it is of the outmost importance to rationalize energy consumption in order to carry out the commitment of reducing its environmental negative impacts and protect the ecosystems for future generations. Thus, Jerónimo Martins is continuously developing actions that mitigate climate change phenomena by, for instance, reducing energy waste and increasing its efficiency.

The Energy and Water Consumption Management Teams' 2012 data shows that there has been a significant improvement for energy and water indicators. Driven by monthly challenges and an internal benchmarking system, a like-for-like reduction was registered for, respectively, 1,885,026 kWh and 131,760 m<sup>3</sup>. When comparing to 2011, this meant a 0.4% and a 10.1% decrease in consumption, respectively.

#### A) Global Energy Consumption

Global Energy Consumption	2012	2011	Δ 2012/2011
Energy consumption			
• Global value - <b>GJ</b>	5,348,956	*5,886,741	-9.1%
• Specific value - <b>GJ/'000 €</b>	0.477	*0.598	-20.2%
Energy consumption per Business Unit			
• Distribution, Portugal - <b>GJ</b>	1,810,860	*2,357,156	-23.2%
• Distribution, Poland - <b>GJ</b>	3,199,855	*3,186,109	+0.4%
• Manufacturing - <b>GJ</b>	281,407	291,968	-3.6%
• Others (estimate) - <b>GJ</b>	56,835	*51,507	+10.3%

*Note: The values marked with \* were corrected compared to the Report data for 2011.*

## B) Energy Consumption Sources per Business Units

Business Units	2012	2011	Δ 2012/2011
<b>Portugal – Distribution</b>			
Electricity (kWh/m <sup>2</sup> )	913	894	+2,1%
Fuels (GJ*)	26.464	23.843	+11,0%
<b>Portugal – Cash&amp;Carry</b>			
Electricity (kWh/m <sup>2</sup> )	343	362	-5,2%
Fuels (GJ*)	4.129	4.300	-4,0%
<b>Portugal – Distribution Centres</b>			
Electricity (kWh/UMC'000**)	106	117	-9,4%
Fuels (GJ*)	421	384	+9,6%
<b>Portugal – Factories</b>			
Electricity (kWh/t)	808	232	+248%
Fuels (GJ*)	8.215	341	+2.309%
<b>Portugal – Manufacturing</b>			
Energy (GJ*/t)	2,96	2,03	+45,9%
Electricity (MWh)	23.530	24.088	-2,3%
Fuels and Vapour (GJ*)	196.701	188.104	+4,6%
<b>Poland – Stores</b>			
Electricity (kWh/m <sup>2</sup> )	261	594	-56,1%
Heating (GJ)	590.513	124.263	+375%
Fuels (GJ*)	758.191	628.031	+20,7%
<b>Poland – Distribution Centres</b>			
Electricity (kWh/UMC'000**)	48,6	54,5	-10,8%
Fuels (GJ*)	6.719	5.864	+14,6%

\* GJ = gigajoule (energy measurement unit).

\*\* UMC - Purchasing Buying Units.

## C) Global Water Consumption

Global Water Consumption	2012	2011	Δ 2012/2011
Water Consumption			
• Global value – m <sup>3</sup>	2.558.521	2.612.679	-2,1%
• Specific value – m <sup>3</sup> /000	0,228	0,266	-14,3%
Water Consumption per Business Unit			
• Distribution, Portugal – m <sup>3</sup>	1.643.304	1.712.018	-4,0%
• Distribution, Poland – m <sup>3</sup>	554.743	559.710	-0,9%
• Manufacturing – m <sup>3</sup>	333.289	303.541	+9,8%
• Others (estimate) – m <sup>3</sup>	27.186	37.410	-27,3%

#### D) Water Consumption in Business Units per Sales Area

Business Units	2012	2011	Δ 2012/2011
Portugal – Distribution (m <sup>3</sup> /m <sup>2</sup> )	2,96	2,94	+0,7%
Portugal – Cash&Carry (m <sup>3</sup> /m <sup>2</sup> )	0,88	0,74	+18,9%
Portugal – Distribution Centres (m <sup>3</sup> /UMC'000*)	0,58	0,72	-19,4%
Portugal – Factories (m <sup>3</sup> /t)	9,05	8,54	+6,0%
Portugal – Manufacturing (m <sup>3</sup> /t)	2,31	2,24	+3,1%
Poland – Distribution (m <sup>3</sup> /m <sup>2</sup> )	0,30	0,49	-38,8%
Poland – Distribution Centres (m <sup>3</sup> /UMC'000*)	0,08	0,07	+14,3%

\* UMC - Purchasing Buying Units.

#### Environmental Impact Associated with Logistics Processes

It is the Groups Companies' objective to progressively reduce the environmental impact associated with logistic processes over the value chains by minimizing the consumption of raw materials and energy resources and reducing the amount of emissions and waste generated. In 2012, the following actions took place:

##### i) Emissions in Distribution

- ✓ The replacement of distribution vehicles by more efficient Euro 5 trucks continued, having been replaced, in Poland, 152 vehicles working exclusively for Jerónimo Martins;
- ✓ Tests in Poland were conducted with CNG trucks (which use compressed natural gas as fuel);
- ✓ The backhauling operation in Poland entailed a total of 73,368 pallets collected, which resulted in a saving of 264,312 km and a reduction of 262 tonnes of CO<sub>2</sub> emissions;
- ✓ The backhauling operation in Portugal amounted to 253,314 pallets collected. This measure resulted in savings of 5,254,648 km and 4,994 tonnes CO<sub>2</sub> emissions;
- ✓ The speed limitation of 80km/h of about 80% of the distribution fleet in Portugal resulted in a 1.6% reduction of diesel consumption per km travelled;
- ✓ Also in Portugal, following the pilot-project with two hybrid vehicles of the DAF manufacturer, for urban areas, resulted in a 14% reduction in fuel consumption compared to an equivalent diesel vehicle.

##### ii) Emissions in Manufacturing

Lever registered an increase of about 25% in the transport of products directly from the plant to customers, thereby reducing transport and consequently cutting CO<sub>2</sub> emissions.

##### iii) Reusable Boxes

In Portugal, the usage of reusable plastic boxes covered the Meat, Dairy, Fish, Bakery and Fruit and Vegetables areas.

Percentage of reusable boxes vs. total number of boxes transported	2012	2011	Δ 2012/2011
Portugal	16.7%	13.0%	+3.7 p.p.



### **Refrigerating Gases Management**

As to managing refrigerating gases, all actions taken by the Group tried to ensure a decrease of leakages. Therefore, the Groups' Companies have been investing in cleaner technologies and cooperating with services providers in the area of HVAC (Heating, Ventilation and Air Conditioning) in order to minimize the release of greenhouse gases and/or ozone depleting pollutants.

In the Groups' Companies, the only substance subject to regulation is R22 gas which has been systematically swapped by substances with a lower environmental impact. The assessment of fluorinated greenhouse gases' impact on climate change is already considered in the calculation of the carbon footprint disclosed in Principle Seven.

When comparing to 2011 data, a 24% decrease was registered, the vast majority being obtained throughout the air cooling systems replacement.

Equipment	No. of Establishments in 2012				2011
	Portugal Distribution	Poland Distribution	Portugal Manufacturing	Total	Total
Refrigeration systems with R22	13	0	1	14	17
Air conditioning systems with R22	58	0	3	61	80

The investment initiated by Biedronka in implementing systems for cooling freezers to transport meat and frozen items (from seven distribution centres to the stores) using carbon dioxide dry ice, with substantially lower environmental impact than the most common refrigerants, is to be highlighted.

### **Paper Consumption Rationalization**

Office paper consumption is substantial in the Group and a number of projects have been undertaken to reduce it, resulting in considerable benefits for the sustainability of forest resources. Several initiatives have been undertaken by the Group in both Portugal and Poland, such as the electronic management of billing or the cutting of administrative processes, which have achieved an overall saving of more than 185 million sheets of paper (equivalent to 14,000 trees).

### **Waste Management**

Jerónimo Martins focuses on the prevention, minimization and recycling of the waste generated not only by its activities but also helping its consumers in this task. Raising awareness of the Groups' employees and communities towards selective collection of waste as well as searching for new solutions to create value through recycling are the foundations of the Companies' strategy.

#### **i) Waste Profile**

Waste	Distribution Portugal	Distribution Poland	Manufacturing
Cardboard and paper	39.6%	57.3%	14.3%
Plastic	3.3%	3.0%	3.1%
Wood	0.1%	1.3%	1.2%
Organic waste	6.5%	2.0%	1.2%
Unsorted	42.7%	36.4%	26.4%
Used cooking oil and fat (grease traps)	0.2%	0.0%	0.2%

Sewage Treatment Waste	5.2%	0.0%	0.0%
Hazardous Waste	0.0%	0.0%	0.7%
Other Waste	2.4%	0.0%	52.9%

*Note: For progress evaluation purposes, this Communication does not refer to 2011 data since waste profiling changed.*

## ii) Waste Recovery Rate

Business Units	2012	2011	Δ 2012/2011
Distribution - Portugal	57.8%	53.9%	+3.9 p.p.
Distribution - Poland	63.6%	75.6%	-12.0 p.p.
Manufacturing	92.0%	90.5%	+1.5 p.p.

## iii) Generating Value through Waste

The following projects were noteworthy in 2012:

- ✓ Pingo Doce stores, in Portugal, continued to be a reference for customers in the field of waste recovery, possessing a total of 320 establishments with recycling points, accounting for 86% of all Pingo Doce stores.
- ✓ The paper and card waste (1,390 t in 2012) of the Sieradz Distribution Centre (Poland) was sent to a factory that produced cardboard packaging to provide Biedronka's suppliers;
- ✓ The unsorted waste of the Lever, Fima and Olá Companies was considered as non-hazardous waste to landfill and, thus, was energetically recovered;
- ✓ In Fima, the bleaching earth of the Refinery began to be sent for composting and the unsorted waste sent for recovery as RDF (Refuse Derived Fuel) by cement manufacturing factories.

## iv) Waste Dropped-Off by Customers in Stores' Recycling Bins

### *Distribution – Portugal*

Waste	2012 (tonnes)	2011 (tonnes)	Δ 2012/2011
Batteries	29.9	45.4	-33.9%
Waste electrical and electronic equipment (WEEE)	127.2	135.5	-6.1%
Used cooking oil	150.1	183.5	-18.2%
Printer ink cartridges	2.2	2.3	-4.3%

### *Distribution - Poland*

Waste	2012 (tonnes)	2011 (tonnes)	Δ 2012/2011
Batteries	29.9	16.8	+78.0%
Waste electrical and electronic equipment (WEEE)	382.9	413.3	-7.4%

#### v) Packaging Ecodesign

Jerónimo Martins is aware that an effective corporate responsibility strategy involves influencing the adoption of more sustainable methods by its suppliers and has, consequently, developed packaging eco-design initiatives to increase natural resources efficiency. Understanding that scaling responsible practices can only be achieved working together with partners, the Group has developed a Guidelines Manual to be taken into consideration by all parties.

A good performance has been achieved since 2009 when this project started due to a proactive engagement where several benefits were valued:

- ✓ Reduction of environmental impacts that packaging generates over the ecosystems (in the development and in the disposal stages);
- ✓ Cost savings from packaging materials and packaging waste management;
- ✓ Optimization of distribution routes, quantities transported and the display of goods.

#### *Results*

Products encompassed	No.	Measuring Unit
Products encompassed	103	SKU**
Savings in packaging materials	1,918	t materials / year
Transport avoided	*395	t CO <sub>2</sub> eq. / year

*Note: \*2011 data was corrected*

*\*\* SKU – Stock Keeping Unit.*

#### **Environmental Criteria in Sites Construction and Refurbishment**

The Group reinforced the inclusion of environmental criteria in all unit construction and/or remodelling projects, in order to minimize the environmental impact of building work, the use of natural resources and the disposal of waste generated. The highlights in 2012 were:

- ✓ The distribution sector (Portugal, Poland and also Colombia) produced documents (technical standards or specifications) that gathered construction measures and equipment in order to improve environmental performance;
- ✓ Biedronka currently has 11 eco-stores, five more than in 2011. These stores comprise ten standard measures to manage water and energy consumption as well as waste;
- ✓ Biedronka initiated the development of the second generation of eco-stores.

#### **Employee's Adoption of Best Practices**

The Group continued to train employees to adopt best practices so to support a better management of natural resources, emissions and waste. The most important initiatives were:

- ✓ The launch of an in-house annual conference cycle about responsible sourcing. In 2012, the theme focused on Responsible Fisheries and included aspects such as systematic risk evaluation/tracking of this natural resource;
- ✓ The development of internal signage for Pingo Doces' stores in Portugal, focusing on the rationalisation of water and energy consumption, and waste separation;
- ✓ The launch of a revised edition of the Good Environmental Practices Manual and pocket manuals (water, energy and waste);



- ✓ Training courses on environmental management practices for employees of the Distribution companies in Portugal, totalling 1,563 training hours (including service providers). Training courses were also held in the industrial units of the Manufacturing segment, totalling 72 training courses.

### **Engaging with Suppliers and other Stakeholders**

When evaluating the Group's suppliers in order to institute a commercial contract, and even during the established relationship, audits are made to guarantee, among other items:

- ✓ The protection of groundwater;
- ✓ Compliance with wastewater discharge limits and the correct approach to the use of fertilizers in accordance with law;
- ✓ The management of the packaging produced and channelling of the different types of waste generated;
- ✓ Compliance with the emission limits set by law as well as emissions monitoring plans;
- ✓ Compliance with the law on the use of gases and refrigerants;
- ✓ The correct use of tanks and areas containing hazardous substances, in the context defined by law.

A proactive cooperation is therefore undertaken to achieve a responsible management of natural resources. During 2012, Jerónimo Martins has conducted 16 audits to service providers in the areas of maintenance and waste.

### **Raising Environmental Awareness of Customers and Consumers**

Aware of the need to encourage the companies to adopt more sustainable behaviour, Jerónimo Martins developed several initiatives aimed at customers and consumers:

- ✓ The "*Amanhecer* Manual of Good Environmental Practices" was developed in order to support the store owners that joined the *Amanhecer* Project\*. It encourages the rational use of natural resources and efficient consumption of energy and water in the stores, among other measures;
- ✓ Raising the environmental awareness and training of Recheios' HoReCa (Hotels, Restaurants and Coffee-shops) customers through several articles in the "Notícias Recheio" magazine on themes such as the adoption of good environmental practices, the management of refrigeration gases and combating food waste;
- ✓ Raising the environmental awareness and training of Pingo Doces' customers through various articles in the "Sabe Bem" magazine and an engagement with APED's - Portuguese Association of Distribution Companies campaign about food waste;
- ✓ Launch of the "Em Sintonia com a Natureza" (In Tune with Nature) environmental campaign, which collected nearly 10 tonnes of glass containers;
- ✓ Monthly publication of articles on environmental protection entitled "The green side of Biedronka", in the Kropka TV magazine;
- ✓ Organisation of the third "We take care of ECO-practices" campaign, which collected more than 42 tonnes of glass waste at 30 Biedronka stores alongside with polish consumers.

*\* The Amanhecer project consists of an advanced commercial cooperation that helps to maximize Recheio's own-brand products exposure and penetration in traditional market segments. By providing free consultancy and advice to independent groceries stores owners, Recheio reinforces the sales of its own-brands products to these small businesses, in a true win-win relationship.*



## Global Compact Principle 9

**"Businesses should encourage the development and diffusion of environmentally friendly technologies."**

Jerónimo Martins aims at minimizing the environmental impacts of its activities, products and services by adopting more sustainable solutions to several priorities:

- to decrease the negative externality over the ecosystem and, indirectly, over the global price of commodities;
- to provide the same quality of service and products to our customers;
- to influence our supply chain actors to develop new approaches that result in raw material efficiency, cost reduction and wealth creation;
- to enhance the Group's ability to manage positively all Private Brands traded.

### **Sustainable Consumption**

The Groups' retail stores kept the practice (implemented in 2007 in Pingo Doce and in 2008 in Biedronka) of not providing free plastic bags to consumers. These stores sell several types of long-lasting bags and trolleys that meet the needs of customers and at the same time raise their awareness to the favourable practice of reuse as a means of reducing the environmental impact on the ecosystem.

In Pingo Doce, the following options could be found:

- Sale of reusable plastic bags at a symbolic price of €0.02. In six years, the following results were achieved: 49% reduction of consumption of bags (by weight), 9,152 tonnes reduction of bags disposed of in landfills, 18,223 tonnes reduction in CO<sub>2</sub> emissions, representing a reduction of 14,236 tonnes in oil and natural gas. At the same time, Pingo Doce also sells trolleys and large reusable bags;

In Biedronka, the following option could be found:

- Sale of reusable plastic bags, having recorded a reduction in its consumption by 11%, which represents a reduction of 3,083 tons of bags in landfill reduction and of 6,139 tonnes of CO<sub>2</sub> emission, representing a reduction of 4,796 tons of oil and natural gas.

### **Private Brands Research & Development**

On a broader level, various products have been made available which enable the consumer to opt for more sustainable solutions. The Pingo Doce' and Biedronka's private brands are responsible for 42% and 54% in total sales ratios, respectively.

A Quality Management System is implemented in the Companies, one that previews a "Plan-Do-Check-Act" product design in order to achieve better performances. During these stages, innovation takes a considerable aspect, in accordance to the Group's strategic vision of creating value through responsible production.

Following continuity over the last years, the Group has favoured in 2012:

- ✓ The sale of Private Brand organic products – chicken, veal and steer, fruit and vegetables in Pingo Doce and dairy products in Biedronka;
- ✓ The protection of Portuguese autochthonous breeds through the sale of certified beef (Mertolenga, Barrosã e Alentejana);
- ✓ The sale in Pingo Doce of 10 references of concentrated UltraPro detergents which have undergone positive tests to 30 degrees performance. This allows consumers to opt for washing-cycles with less water heating and, thus, minor impact over energy usage;

- ✓ The sale of Pingo Doce brand in the following products: recycled toilet paper, tinned tuna with “Dolphin Safe” certification and 22 personal hygiene products all certified by the Sustainable Forestry Initiative;
- ✓ In Pingo Doce, 5 types of ecologic light-bulbs of “Home 7” brand were on sale. These light-bulbs estimate a saving of 78% when comparing to a normal glowing light-bulb;
- ✓ The sale of the Neo private brand recycled toilet paper in Biedronka, as well as of 3 references of concentrated detergents (Milan, Eden and Cler brands);
- ✓ In the last years, concentrated products for clothing and dishwashing machines have become favourites to consumers. Comfort, Skip, Surf and Sun brands (all from Unilever Jerónimo Martins Manufacturing joint-venture) have been combining environmentally-friendly formulas bearing less chemicals and phosphates.

### **Engaging with Suppliers and other Stakeholders**

The Group understands that this *modus operandi* must be shared with suppliers. Promoting sustainable practices comes not only as commercial imperatives but also by providing proper training and changing mind-sets. During 2012, the following initiatives took place:

- ✓ Promotion of sustainable practices in agriculture suppliers such as the Biological Control, decreasing the usage of pesticides or other synthetic products hence contributing to minimize the pollution over groundwater and the eutrophication phenomena;
- ✓ Promotion of energy-efficient methods in agriculture such as the cogeneration processes in greenhouse vegetable production;
- ✓ Development of seminars and workshops in different areas about alternative procedures, by replacing nitrates or sulphites for example;
- ✓ Development of a project with Portuguese suppliers in the Fruit and Vegetables area with the purpose of enhancing the application of Jerónimo Martin's technical standard on "Environmental Management for Suppliers of Goods and Services". This initiative added knowledge and skills as well as facilitated the audit processes performed by the Group.

### **Renewable Energy**

The Distribution Companies in Portugal have been investing in technologies that use renewable energy sources since 2007, enabling the decrease in the use of fossil fuels and the emission of greenhouse gases. The technologies operating in 2012 were the following:

Technology	# Stores		Energy saving/Month	CO <sub>2</sub> Prevention/Year
	2012	2011	kWh	Tonnes
Solar Collectors for Water Heating	8	5	59,500	30 t
Outdoor Lamp Posts powered by photovoltaic panels	1	1	60,000	30 t
Natural light transport systems	4	3	83,000	41 t
Solar collectors for hot water production used in air conditioning systems and heating of domestic water	2	-	16,300	8 t

### **Partnerships**

Aiming at supporting natural habitats' recovery and at protecting Biodiversity, the Distribution Companies in Portugal developed several projects in partnership with some independent organizations:

- Pingo Doce continued to support the Lisbon Oceanarium, by contributing with 100,000 € towards this organism's participation in various conservation, education and awareness-generating initiatives directed at preserving the oceans and marine life;

- Pingo Doce continued its partnership with Nature Protection League, promoting environmental volunteering initiatives at a local dimension;
- Jerónimo Martins participated in the Business Council for Sustainable Development's Sustainability Yearbook with the case study "Combating waste - water and energy consumption management teams";
- Similarly, three case-studies were developed to figure in «Green Economy 2020 - Challenges and Opportunities for Companies» Manual, promoted by the Portuguese non-governmental organization GRACE (Discussion and Support Group for Corporate Citizenship). These cases were the following: «Rationalization of consumption - avoid wasting natural resources», "Eco-stores project - promote good environmental practices" and "Packaging Ecodesign".

## Global Compact Principle 10

**"Businesses should work against corruption in all its forms, including extortion and bribery."**

Jerónimo Martins believes that sustainability implies not only financial stability and ecological protection but also ethical business behaviour. This means not only to support a sound working place for our employees but also instating good practices through the Group's supply chain. By assessing the underlying risks for the business, Jerónimo Martins has, in 2010, extended the commitments undertaken in its Code of Conduct to its suppliers.

In order to enforce these Codes, the Group decide to nominate an Ethics Committee.

### Code of Conduct

Jerónimo Martins' Code of Conduct is a document made available to every employee and signed by each, in which a clear position is assumed: *"Jerónimo Martins' Companies don't offer or receive, directly or indirectly, any kind of bribery or inappropriate advantages for its business or financial interest and, therefore, none of the employees or workers are able to offer, give or receive any gift or payment that can be considered a bribe."*

In any indication of possible extortion, bribery or corruption, an investigation is conducted by the Security Department and, in case of need, corrective measures are taken.

### Ethics Committee

Since 2003, the Ethics Committee follows independently the disclosure and fulfillment of the Code of Conduct. In 2004, it has implemented a communication system in order to ensure to all stakeholders and in particular to its employees that the appropriate channels are made available to report irregularities, to pose comments or suggestions regarding the procedure manuals of the Group.

With the creation of this tool, guidelines were set to better explain the ruling law, the respect for non-discrimination and equal opportunities principles, environmental concerns, transparency in business negotiations and integrity in every relation to suppliers, clients and official entities, among others.

The Ethics Committee made aware to all employees that there are ways through which this Committee may be contacted such as letters (referral-free) or internal/external electronic mailing. As an addition, the employees may ask the General-Director or Functional Director, the necessary questions about the ruling law, its application or communicate any situation on the fulfilment of the internal procedures.

The Ethics Committee may in fact propose to the Committee on Corporate Governance and Corporate Responsibility, measures to improve its mission, including internal procedures review as well as Code of Conduct changes. This latter Committee collaborates with the Board of Directors, assessing and submitting proposals for strategic orientation in the area of corporate responsibility, as well as monitoring matters concerning ethics, business sustainability and systems of assessment and resolution of conflicts of interest, especially regarding relations between the Company and its Shareholders or other Stakeholders.





### **Unilever and Manufacturing Code of Business Principles**

To avoid conflict of interest: it is expected that all employees at Unilever or in the Manufacturing segment avoid any personal activities and economic interest that might conflict with their job descriptions. Business integrity: The Company doesn't offer, give or takes any sort of gifts or payments that may be considered bribery.

The fulfilment of the Code of Business Principles is ensured by an external entity which manages contacts made through telephone, fax or electronic mailing. That entity reports and is aligned with the Ethics Committee.

### **Jerónimo Martins' Code of Conduct for Suppliers**

All contracts signed by product suppliers bear their signature on the Code of Conduct for Suppliers, where it states that "Jerónimo Martin's suppliers and overall business partners commit themselves to conduct their businesses with honesty, integrity and respect for the ruling law in every country where they operate."