





# zoom in **2016**

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## Top Indicators 2016

### EBITDA

(million euros)

**862**

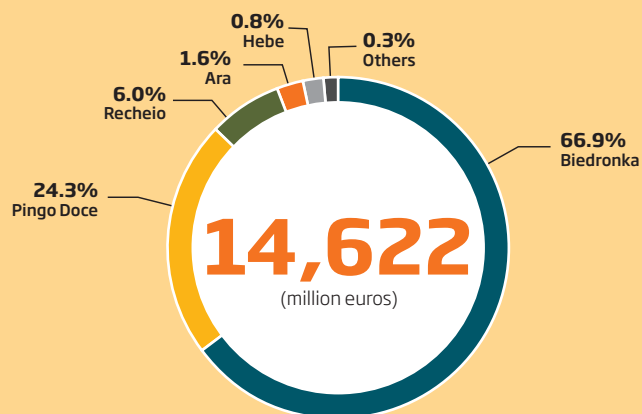
### Net Result

(million euros)

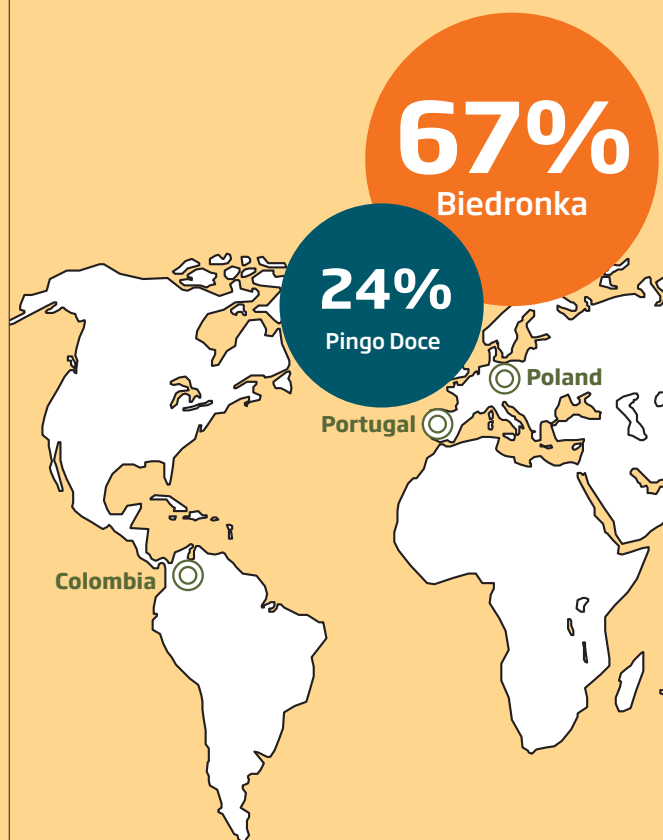
**361\***

\* Excluding capital gains on the sale of Monterroio

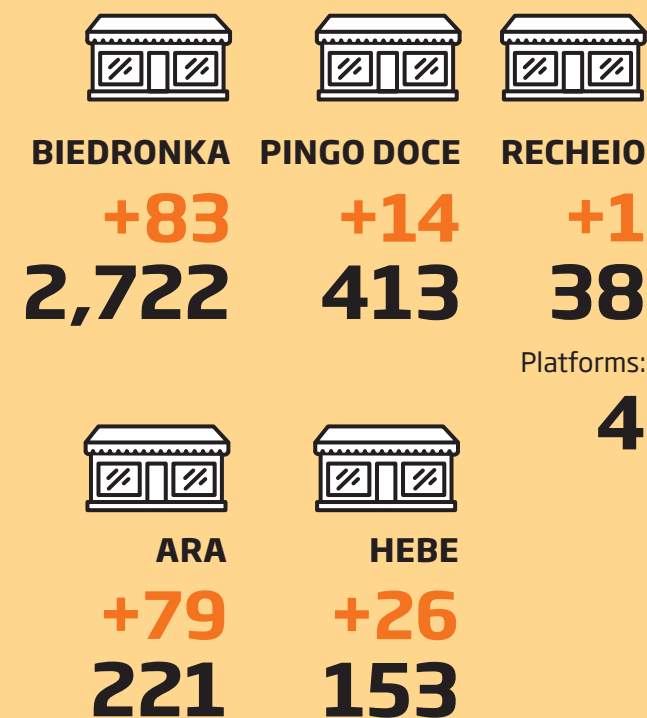
### Sales by Business Area 2016



### Contribution to sales by banner



### Growth in the network of stores





Within our approach to Corporate Responsibility, we assume growth and value creation as pillars of our mission, in a sustainable way. Through our activity, we consolidate the present by anticipating the future, while respecting people's quality of life and Earth's resources.

#### Promoting Good Health through Food

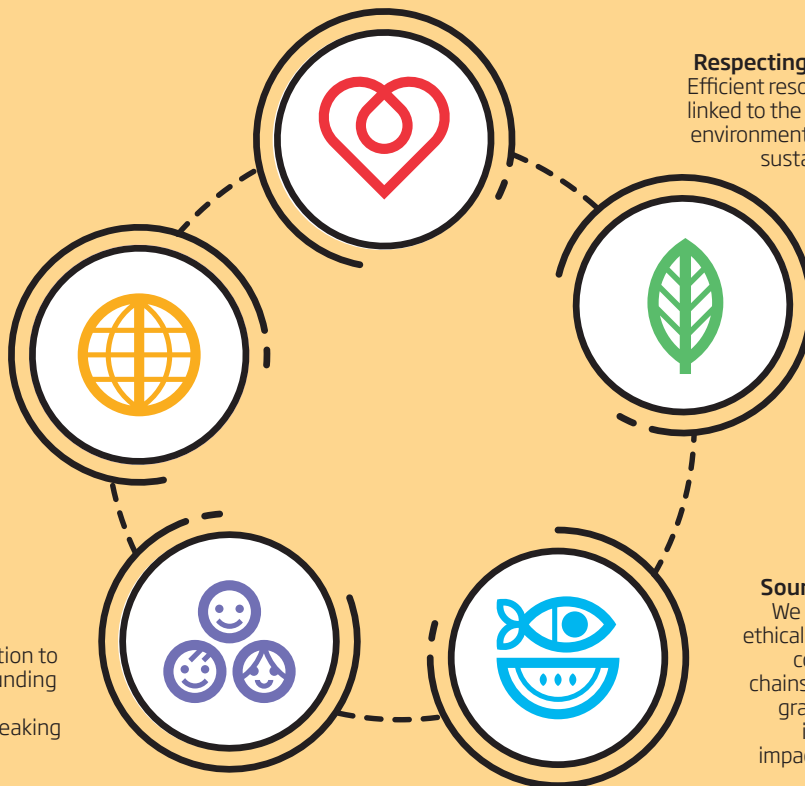
We are committed to improving the quality of life of consumers through food and the promotion of responsible consumption.

#### Being a Benchmark Employer

We seek to provide balanced and competitive wage policies, a healthy and challenging workplace and the professional and personal development of our employees.

#### Supporting Surrounding Communities

We are paying increasing attention to situations of need in the surrounding communities, endeavouring to promote social cohesion and breaking the cycles of poverty and malnutrition.



#### Respecting the Environment

Efficient resource management, linked to the preservation of the environment is essential for the sustained growth of our businesses.

#### Sourcing Responsibly

We seek to incorporate ethical and environmental concerns into supply chains in order to foster a gradual and sustained improvement in the impacts of our activities.

#### Jerónimo Martins team

We are more than 96,000 people in Portugal, Poland and Colombia.



**77%** Women  
**23%** Men



**Management positions**  
**66%** Women  
**34%** Men



**87%** full time  
**13%** half-time



**67%** Effective  
**33%** Not effective



**Message from the Chairman**

In very intensely competitive contexts, all the Companies maintained their sales growth as a strategic priority and reinforced their focus on the consumer in the decision-making processes.

2016 was a year of transformations and change at a global level, marked by growing uncertainty and conflict as well as major upheaval in the European Union, where our Group has its two main ventures.

The refugee crisis, which already casts a shadow over 2015, continued during 2016, with the European Union and Turkey agreeing in March on a policy to discourage migrants and refugees from travelling to Europe, that reinforced the protection of its external borders.

In a referendum in April, the Netherlands rejected the Ukraine-European Union association agreement, failing the unanimity required for it to be applied. In May, Norbert Hofer's FPÖ right-wing Austrian party lost the presidential elections by a small margin, and in June, there was a surprising movement marking a decisive turning point, when, in a referendum, the United Kingdom decided to leave the European Union.

In the middle of the year, Martin Schulz, President of the European Parliament classified the Union's situation as "regrettable", and spoke of extremist and centrifugal forces that are winning elections and referendums.

2016 was also a year in which terrorist attacks in the heart of Europe created heightened tension and a feeling of uncertainty: in March, at the airport in Brussels and at a metro station; in July, in Nice, in the South of France, where the National Front has a stronghold of supporters requiring more security; and, before the end of the year, in Berlin, symbolically destroying a Christmas market. These factors,



in addition to the conflicts spread across the world, which are particularly out of control in Syria, where the European Union recognises its impotence, generate a complex and unstable political and socio-economic scenario, where it is paramount to know how to read the signs at an early stage and make the necessary adjustments.

Uncertainty may also be reinforced by the outcome of the election moments in 2017 in Germany, the Netherlands and in France, as well as by possible consequences of the adoption of new policies - both at the national and international levels - in the USA, following the election of their new President in November 2016.

At the Jerónimo Martins Group, 2016 was also a year of changes, starting with the executive teams of Biedronka, Pingo Doce and Ara, and of strong investment in the businesses, which amounted to 482 million euros.

In very intensely competitive contexts, all the Companies maintained their sales growth - supported by strong promotional dynamics - as a strategic priority and reinforced their focus on the consumer in the decision-making processes. As a result of that focus, the Group's like-for-like increased by 7.2% and all our banners gained market share during the year.

At constant exchange rates, consolidated sales in 2016 would have exceeded, for the first time, the 15 billion euros threshold, meaning a growth of 9.8%.

The Group Companies' capacity to generate cash flow remained strong, reaching 718 million euros in the year. This sum also encompasses the proceeds from the sale of the sub-holding Monterroio to Sociedade Francisco Manuel dos Santos B.V, executed at the end of September, which entailed the receipt of 310 million euros.

On a comparable basis, the net results attributable to Jerónimo Martins stood at 361 million euros, meaning a growth of 14.5% compared to 2015 and confirming the Group's solidity and profitability.

In Poland, where we have our main business, as the first full year of the PiS (Law and Justice party) government, 2016 was above all marked by a certain slowdown in economic growth and a reformist stance, which consisted of a wide variety of measures, such as the 500+ Programme (monthly allowance per child, as from the second child), an increase in the minimum national wage and minimum pensions, and a decrease in the retirement age, among others.

Remaining cautious and very disciplined with regard to additional pressure on labour costs, Biedronka was able to take advantage of the more favourable consumption environment and increased its total sales by 10.8% in local currency.

The Company's determination to create opportunities to differentiate its offer paved the way for a like-for-like growth of 9.5%, a remarkable performance in a year marked by extensive organisational changes in order

to leverage the desired evolution in the average basket. This momentum, along with strict cost management, enabled Biedronka to post an EBITDA of 707 million euros, 10.3% more than in 2015 (+15.1% at a constant exchange rate).

Having added 55 new locations to its network and remodelled 221, Biedronka ended the year with 2,722 stores, in its preparation to continue strengthening its proximity to the Polish consumer with the addition of at least 90 new stores in 2017.

In Portugal, 2016 was also the first full year of a new Government, in this case a left-wing one, which has led to the introduction of anti-austerity measures, that for the time being have had a mild effect on economic growth, in general, and on private consumption, in particular.

In a year in which food inflation in Portugal was 0.5%, the competitive environment continued to be very strong and involved very assertive promotions in the race for the consumer's preference.

In line with previous years, Pingo Doce did not reduce its commitment to the competitiveness of its prices and the attractiveness of the offer and the shopping experience, total sales having increased by 4.4% to

3,558 million euros, with a like-for-like growth of 1.2% (excluding fuel), 2015 providing a tough basis for comparison.

The Company invested on all fronts in order to stimulate the basket, reinforcing the efficiency of its operations and logistics and carrying out 21 comprehensive revampings and an ambitious product launch plan in the various ranges of the Private Brand, which celebrated its 25th anniversary with many initiatives.

Even with the additional pressure resulting from the increase in personnel costs, together with the demands imposed by the promotional intensity dominating the market and the strong investment in the continuous improvement to the shopping experience, the EBITDA generated by Pingo Doce had a 2% increase against 2015, standing at 192 million euros.

As a total for the year, the Company invested 137 million euros and added 14 new locations to its chain.

Also in Portugal, Recheio strengthened its presence nationwide as well as its market share with the inauguration of a store in the South of the country, in Sines, bringing the number of units in its network up to 42. For our wholesale Company it was a year of major investment in consolidating the relationship with

customers, namely in the Food Service area, which continues to gain relevance and now has around 3,000 delivery points.

Sales increased by 5.9% to 878 million euros, with a like-for-like of 5%, reflecting the improvement to the environment in the HoReCa segment. The solid sales growth and the strength of Recheio's market position made it possible to improve the EBITDA margin to 5.4% (from 5.3% in 2015). The EBITDA generated was 47 million euros, 7.4% above the previous year.

With regard to our newer businesses, Ara and Hebe posted combined losses of 62 million euros with regard to the Group's EBITDA - which was 862 million euros for the year - Ara answering to 76% of the total.

As expected, Hebe has been reducing the losses generated and in 2016 added 19 new stores to its network.

The year was particularly important for our operation in Colombia and also for the country, which made decisive breakthroughs in its peace process. Ara achieved market leadership in its first region - the Coffee Growing Region - after three years of doing business in the country, and entered the third operating region, in Bogota, the country's capital, where it opened 22 of the 79 stores inaugurated during the year.

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Our confidence in the Colombian market – and in the South-American region in the area of influence of the Pacific Alliance – led us to decide to strengthen the organisational structure and the network's infrastructure in order to prepare for speeding up growth, which will already start in 2017.

The Group ended 2016 with a net excess cash position of 335 million euros. In a year in which dividends payment to Group's Shareholders was 167 million euros and investments amounted to 482 million euros, the robustness of the balance sheet remained unscathed, financial charges having decreased to 17 million euros.

For a Group such as ours, which is geared towards growth, this liquidity represents freedom of choice and action, which is something we highly value, especially in an increasingly uncertain and insecure world, where we directly employ over 90 thousand people.

We remain committed to being a positive force for transforming the environments where we are present, through the responsible way in which we conduct our businesses and make them grow.

In 2016, our work was acknowledged by being included, for the first time, in the FTSE4Good Global Index and FTSE4Good Europe Index sustainability indices,

as well as in the Ethibel Excellence Investment Registers, the Ethibel Sustainability Index Excellence Europe and the Euronext Vigeo Index: Eurozone 120.

We see these as valuable signs that our focus on profitable and sustainable growth is worthy of credit from those following our activity and who distinguish us with their investment.

I want to express my thanks for that trust, for the renewed support from Jerónimo Martins' major shareholder and also from my fellow colleagues on the Board of Directors, on behalf of the teams I am proud to lead and that are the ones who deserve the merit for the results we are presenting in this report.



**Pedro Soares dos Santos**  
Chairman and Chief Executive Officer  
1<sup>st</sup> March, 2017



Index

# 1.

## Who we are

- |                           |    |
|---------------------------|----|
| 1. Profile and Structure  | 12 |
| 2. Strategic Positioning  | 22 |
| 3. Awards and Recognition | 24 |

# 2.

## What we did in 2016

1. Key Facts of the Year	28
2. 2016 Environment	30
3. Group Performance	36
4. Performance of the Business Areas	50
5. Outlook for 2017	61
6. Dividend Distribution Policy	64
7. Results Appropriation Proposal	65
8. Management Report Annex	65

# 3.

## How we are organised

Part 1 - Information on Shareholder Structure, Organisation and Corporate Governance	70
• Section A - Shareholder Structure	70
• Section B - Corporate Bodies and Committees	74
• Section C - Internal Organisation	100
• Section D - Remuneration	108
• Section E - Related Party Transactions	115
Part 2 - Corporate Governance Assessment	117

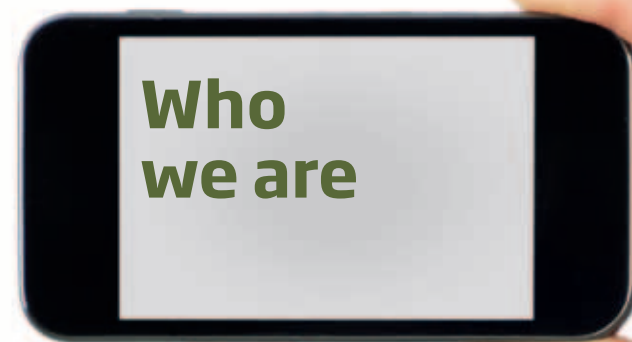
# 4.

## How we make a difference

1. Our Approach	124
2. Stakeholders Engagement	126
3. Highlights	128
4. Promoting Good Health through Food	130
5. Respecting the Environment	138
6. Sourcing Responsibly	148
7. Supporting Surrounding Communities	154
8. Being a Benchmark Employer	159
9. Commitments for 2015-2017	167
10. The Global Compact Principles	171







1. Profile and Structure	12
2. Strategic Positioning	22
3. Awards and Recognition	24

# 1.



Warsaw



Lisbon

We serve more than four million consumers every day in Portugal, Poland and Colombia.



Bogota

## Profile and Structure

This Annual Report of the Jerónimo Martins Group covers the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2016, and includes the areas of Distribution in Portugal (also Agro Business), Poland and Colombia, describing the results of the entities directly held by the Group.

# 1.



## 1.1. Identity and Responsibilities

### Asset Portfolio

Jerónimo Martins is a Group that has assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2016, it achieved sales of 14.6 billion euros (67% in Poland) and an EBITDA of 862 million euros (82% in Poland). The Group has a total of 96,233 employees and ended the year with a market capitalisation of 9.3 billion euros on the Euronext Lisbon.



In Poland, **Biedronka**, a chain of food stores with a positioning that combines the quality of its assortment, store environment and proximity locations with the most competitive prices in the market, is the Food Retail sales leader, operating 2,722 stores spread across the entire country. At the end of 2016, the Company reached 9.8 billion euros of sales, recording around 1.4 billion customer tickets.



Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 153 stores. This business concept is based on the offer of a Health and Beauty assortment with high quality advice, at very competitive prices.



In Colombia, **Ara** currently operates in three regions of the country: the Coffee Growing Region, the Caribbean Coast and, since September 2016, Bogota. It is a chain of proximity food stores, mostly set up in residential neighbourhoods, with a positioning of quality at the best price, combining competitiveness with promotional opportunities in key categories for the Colombian consumer. At the end of the year, Ara was operating in 221 locations.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.4 billion euros in 2016. It operates with the banners **Pingo Doce** (413 supermarkets, including four Pingo Doce & Go) and **Recheio** (38 Cash & Carry and four platforms, three of them related to Food Service), which are leaders in the Supermarket and Cash & Carry segments, respectively.

Also in Portugal, through Pingo Doce, Jerónimo Martins has invested in developing projects that are complementary to the Food Retail business, namely **Refeições no Sítio do Costume** Restaurants, **Bem-Estar** Stores, Petrol Stations, as well as Clothing (for adults and children) and Shoes and Accessories, through the **New Code** and **Spot** banners, respectively. These last two are developed within the scope of partnerships with specialised operators.



The main objective of **Jerónimo Martins Agro-Alimentar (JMA)** is to safeguard the Group's Companies ability to have a supply of some strategic products. It currently operates in the areas of Dairy Products, Livestock (Angus beef) and Aquaculture (sea bass and sea bream).



**Jerónimo Martins Restauração e Serviços** is engaged in developing projects in the Restaurants sector and at the end of 2016, was operating the Jeronymo chain of kiosks and coffee shops with 19 points of sales.

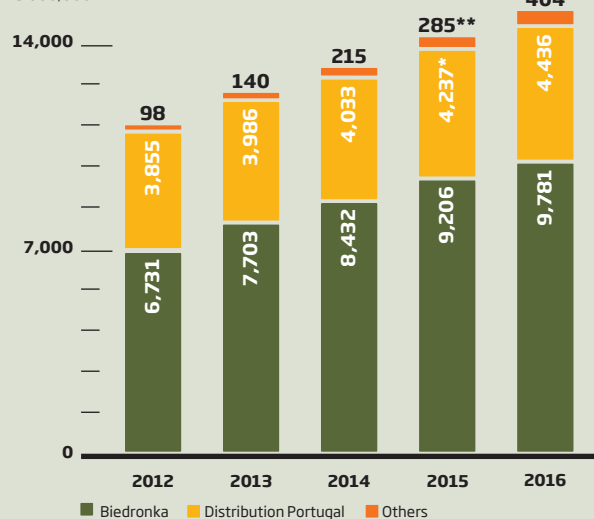


**Hussel**, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2016.

## 1.2. Operating and Financial Indicators

### Sales & Services

€'000,000

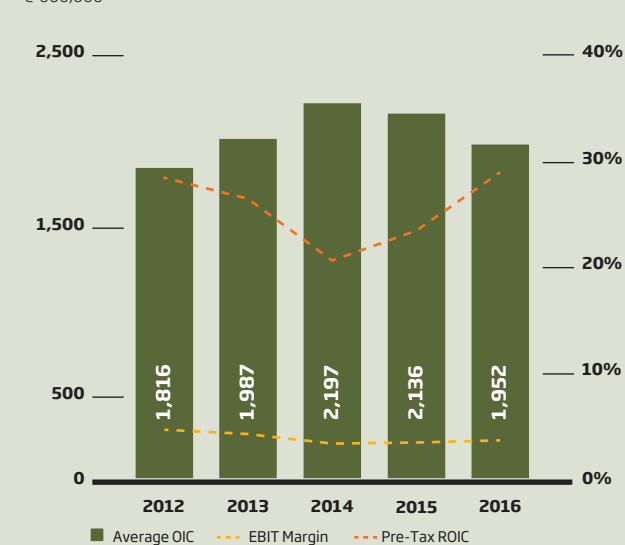


\* Restated figure from 4,240 published in 2015.

\*\* Restated figure from 283 published in 2015.

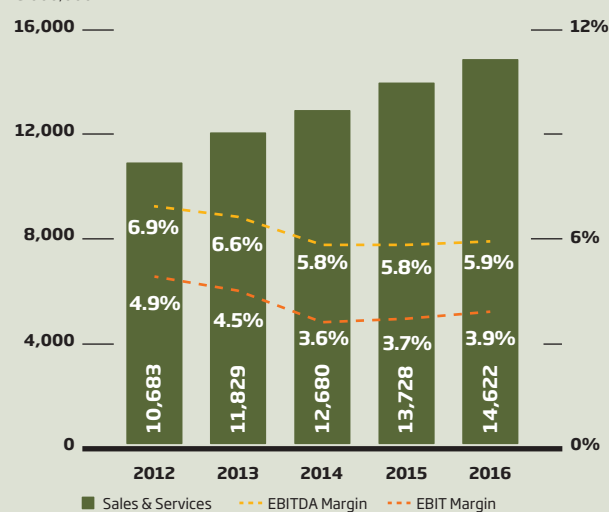
### Pre-Tax ROIC

€'000,000



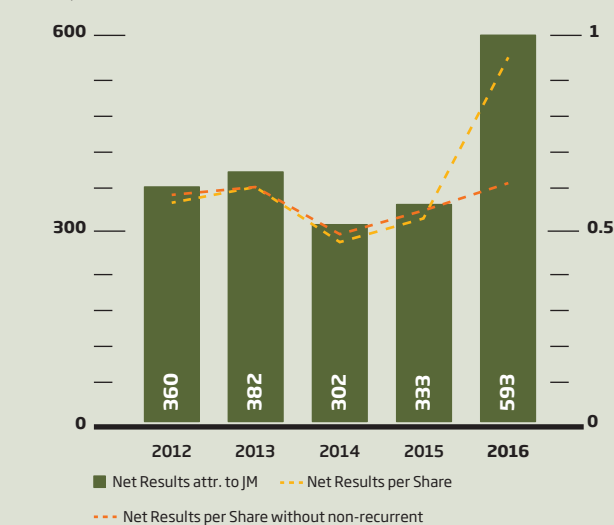
### Sales, EBITDA Margin & EBIT Margin

€'000,000



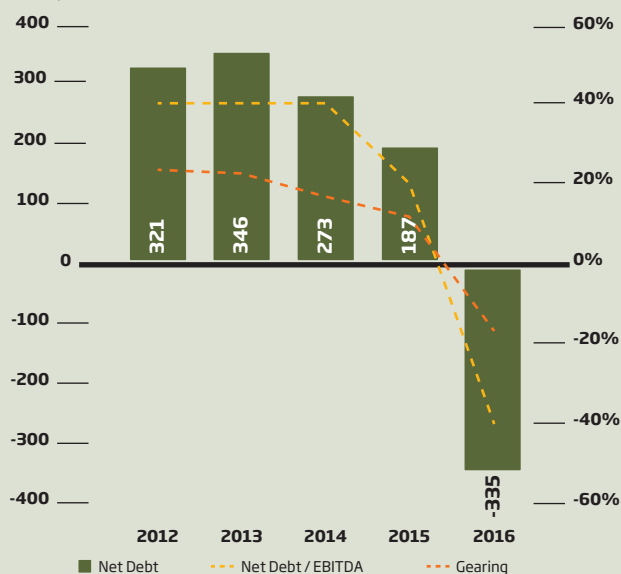
### Net Results and Net Results per Share

€'000,000

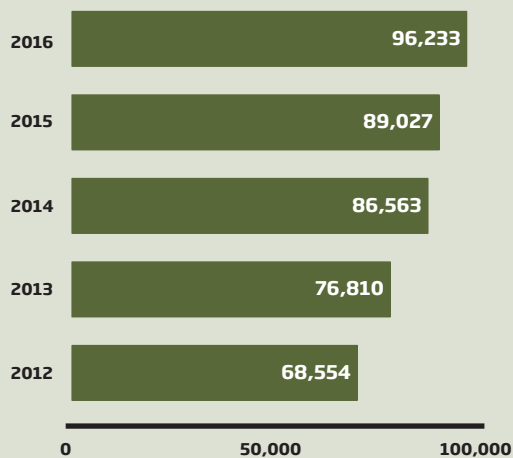


## Net Debt

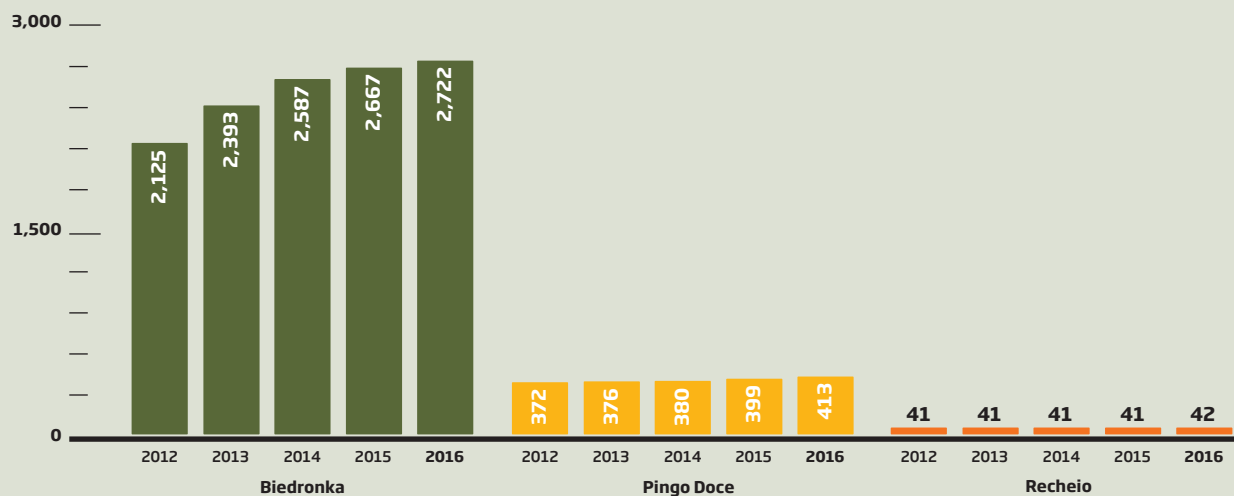
€' 000,000



## Employees

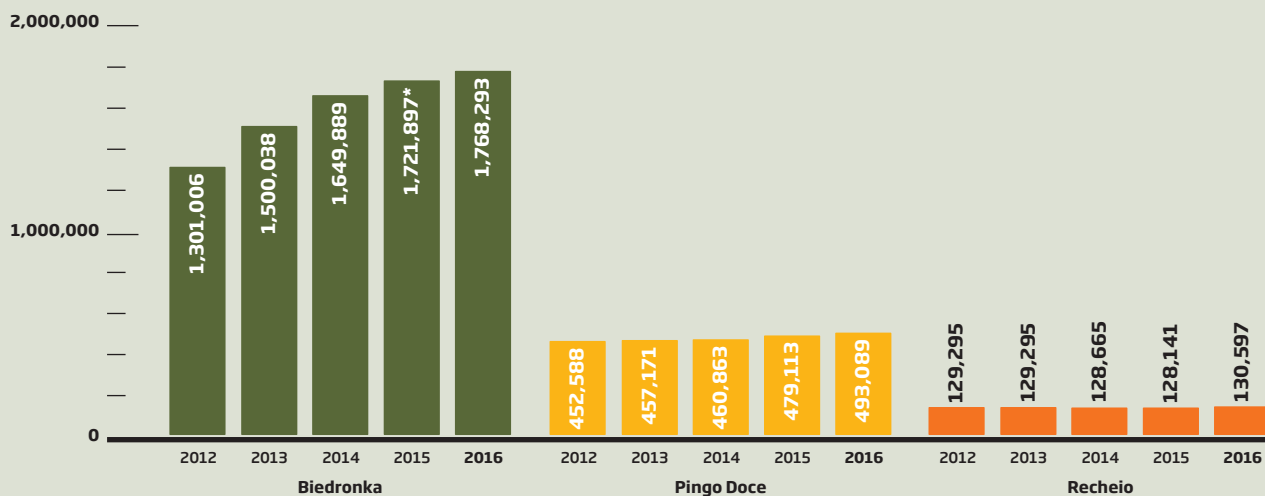


## Number of Stores



## Sales Area

sqm

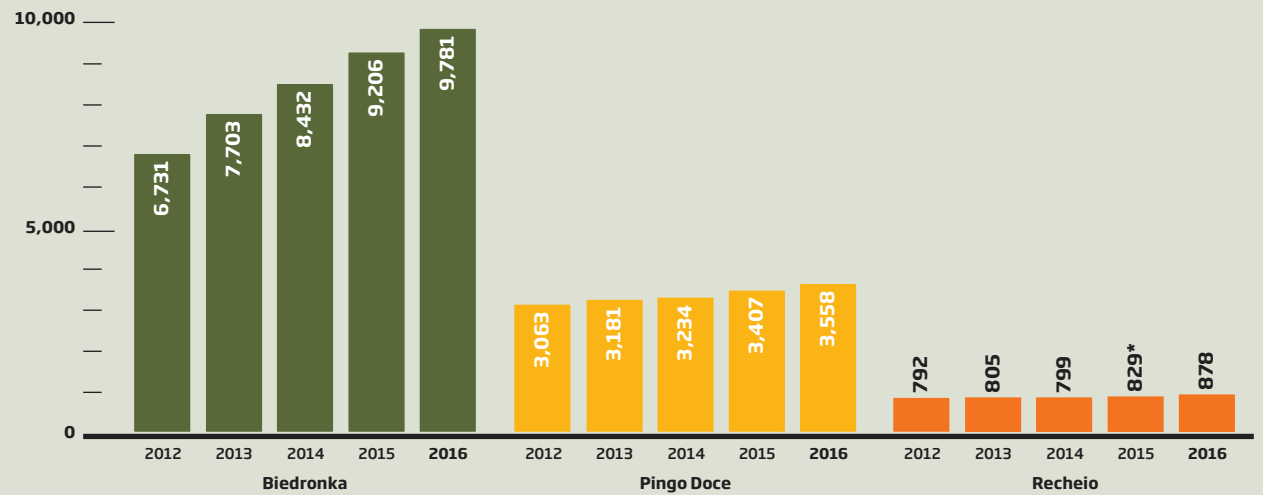


\* Restated figure from 1,717,944 published in 2015 FY.

1. Who we are

### Sales

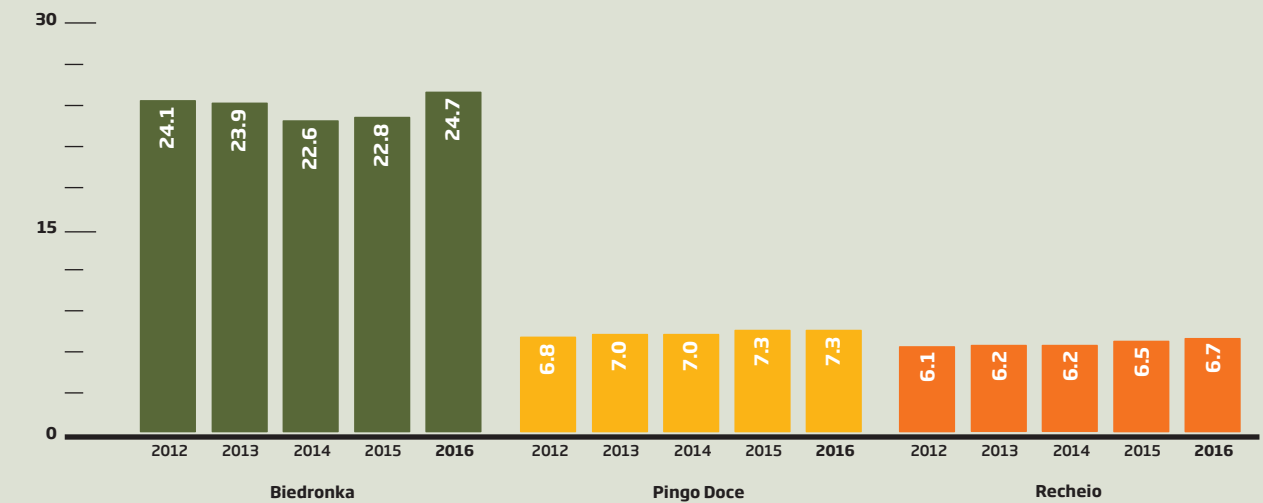
€' 000,000



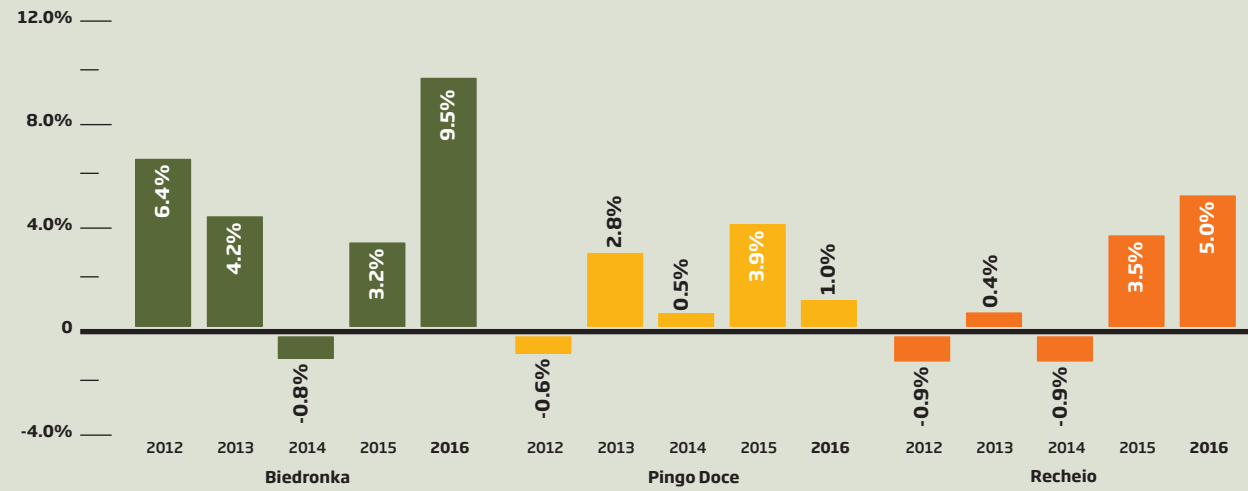
\* Restated figure from 832 published in 2015.

### Sales / sqm

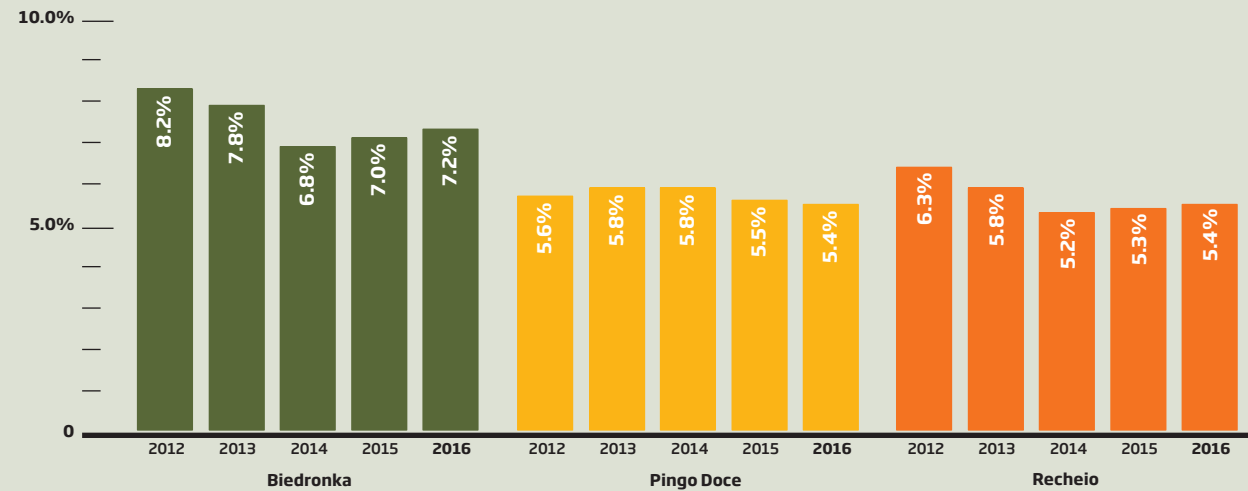
local currency ('000)



## LFL Sales Growth



## EBITDA Margin





## 1.3. Statutory Bodies and Structure

### 1.3.1. Statutory Bodies

**Election date:** 14<sup>th</sup> April, 2016

**Composition of the Board of Directors elected for the 2016-2018 term**



**Pedro Manuel de Castro Soares dos Santos**

Born on 7<sup>th</sup> March, 1960

- Chairman of the Board of Directors and Chief Executive Officer
- Chairman of the Board of Directors, since December 2013
- Chief Executive Officer of the Group, since April 2010
- Member of the Board of Directors, since March 1995



**Andrzej Szlezak**

Born on 7<sup>th</sup> July, 1954

- Member of the Board of Directors, since April 2013



**António Pedro de Carvalho Viana-Baptista**

Born on 19<sup>th</sup> December, 1957

- Member of the Board of Directors, since April 2010



**Artur Stefan Kirsten**

Born on 22<sup>nd</sup> February, 1961

- Member of the Board of Directors, since April 2015



**Clara Christina Streit**

Born on 18<sup>th</sup> December, 1968

- Member of the Board of Directors, since April 2015
- Member of the Audit Committee, since April 2016



**Francisco Manuel Seixas da Costa**

Born on 28<sup>th</sup> January, 1948

- Member of the Board of Directors, since April 2013



**Hans Eggerstedt**

Born on 12<sup>th</sup> March, 1938

- Member of the Board of Directors, since June 2001
- Member of the Audit Committee, since March 2007



**Henrique Soares dos Santos**

Born on 7<sup>th</sup> November, 1968

- Member of the Board of Directors, since April 2015



**Sérgio Tavares Rebelo**

Born on 29<sup>th</sup> October, 1959

- Member of the Board of Directors, since April 2013
- Chairman of the Audit Committee, since April 2016

### **Statutory Auditor and External Auditor**

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.  
Palácio Sottomayor, Rua Sousa Martins, 1 – 3<sup>rd</sup> floor,  
1050-217 Lisbon

### **Represented by:**

João Rui Fernandes Ramos (R.O.C. no. 1,333) or  
António Joaquim Brochado Correia (R.O.C. no. 1,076)

### **Substitute:**

José Manuel Henriques Bernardo (R.O.C. no. 958)

### **Company Secretary**

Ana Luísa Abreu Coelho Virgínia

### **Substitute:**

Carlos Miguel Martins Ferreira

### **Chairman of the Shareholders' Meeting**

Abel Bernardino Teixeira Mesquita

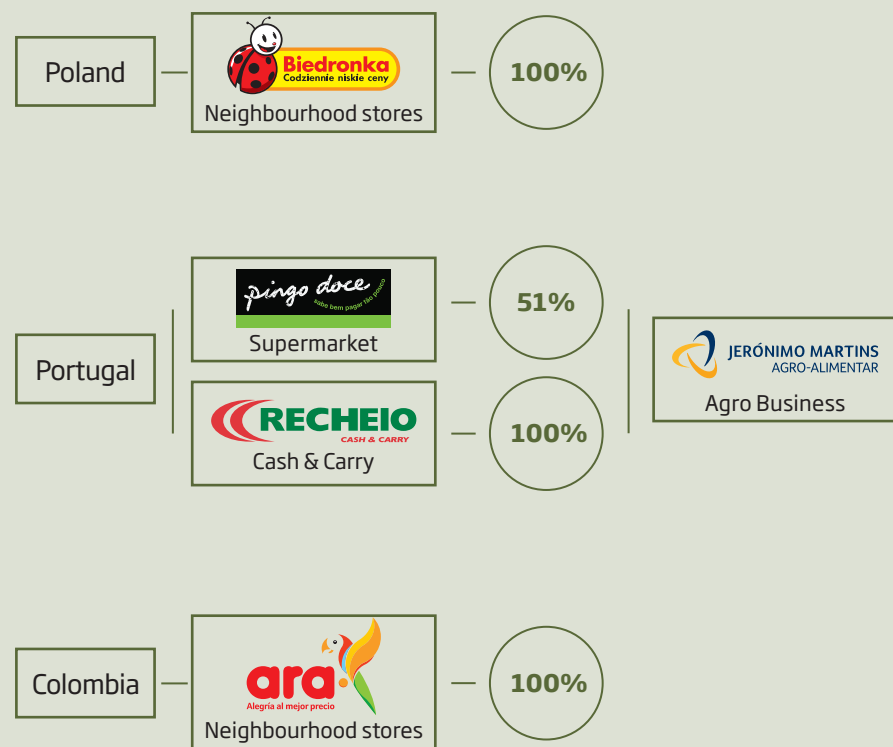
### **Secretary of the Shareholders' Meeting**

Nuno de Deus Pinheiro

## 1. Who we are

### 1.3.2. Business Structure

#### Food Distribution



#### Specialised Retail



## Financial Indicators

### Consolidated Sales

(million euros)

**14,622**

### EBITDA

(million euros)

**862**

### EBITDA Margin

**5.9%**

### Jerónimo Martins Share

(euros)

**14.74**

(31/12/2016)

### Share YTD

**+ 22.9%**

### Market Cap

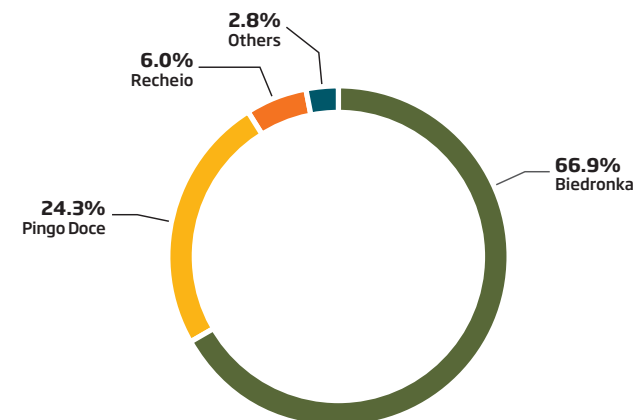
(million euros)

**9,300**

### Pre-tax ROIC

**29.1%**

### Sales by Business Area 2016



### EBITDA by Business Area 2016

(million euros)

	EBITDA	Total
Biedronka	707	82.1%
Pingo Doce	192	22.2%
Recheio	47	5.5%
Others	-84	-9.8%
<b>JM</b>	<b>862</b>	<b>100%</b>

## Strategic Positioning

The success of our formats is leveraged on our market leadership, which within a mass-market approach, is linked to relevant size, is essential for creating economies of scale.

# 2.

### 2.1. Mission

Jerónimo Martins is an international Group with its head office in Portugal, operating in the food area, essentially in the Distribution sector, aiming to satisfy the needs and expectations of its stakeholders and the legitimate interests of its shareholders in the short, medium and long term, while simultaneously contributing towards the sustainable development of the regions in which it operates.

As key pillars for its mission and within the scope of its approach to Corporate Responsibility, Jerónimo Martins adopts continuous and sustainable value creation and growth.

Jerónimo Martins' Corporate Responsibility focuses on its contribution towards improving the quality of life in the communities where the Group operates, by providing healthy products and food solutions, being actively responsible in its purchases and sales, defending human rights and working conditions, stimulating a more cohesive and balanced social structure, and respecting the environment and natural resources.



## 2.2. Strategic Vision

### Creating Value and Growth

The Group's strategic guidelines for creating value are based on four aspects:

1. continuous promotion of sustainable growth;
2. careful risk management to preserve the value of its assets and to reinforce the robustness of its balance sheet;
3. maximisation of the effect of scale and synergies;
4. fostering of proposals for differentiation to ensure competitive advantages.

These four aspects aim to accomplish the following strategic objectives:

- to achieve and consolidate a leadership position in the markets where it operates;
- to build and develop strong and responsible banners and brands;
- to ensure balanced growth of sales and profitability of its business units.

In pursuing these objectives, the Group Companies carry out their activities using the following guidelines:

- strengthening their price competitiveness and value proposition;
- improving their operational efficiency;
- incorporating technological developments;
- identifying opportunities for profitable growth.

## 2.3. Operational Profile

Our operational positioning reflects a clear value food retail approach focused on value and strategically geared towards mass-market.

The Group offers proximity and convenient food solutions for all consumers, at very competitive prices, which requires operating with maximum efficiency and lean cost structures. All our value propositions are marked by strong differentiation in three essential aspects: variety and quality of fresh food, strong private brands, and quality store environment.

The success of our formats is leveraged on our market leadership, which within a mass-market approach, is linked to relevant size, is essential for creating economies of scale that enable us to increase efficiency in our logistics and operations. That is the only way to offer the best prices and boost notoriety and trust, so essential for building lasting relationships with strategic business partners and our consumers.



## Awards and Recognition

For the first time, the Jerónimo Martins Group was included in the sustainability indices of the London Stock Exchange.

# 3.

### Corporate

- The Jerónimo Martins Group is the 64<sup>th</sup> largest retailer in the world in the **Global Powers of Retailing 2017** ranking, a survey carried out by the consultants Deloitte in partnership with the North American magazine "Stores";
- For the first time, the Jerónimo Martins Group was included in the sustainability indices of the London Stock Exchange: **FTSE4Good Global Index** and **FTSE4Good Europe Index**;
- The Jerónimo Martins Group was distinguished with an honourable mention in the **Most Effective Domestic Community Investment** category, awarded by the Ethical Corporation Responsible Business Awards, for its project "Fighting Food Waste on All Fronts";
- Jerónimo Martins scored an "A-" in the **CDP Climate 2016** - the second highest - positioning the Group at the "Leadership" level, recognising performance regarding climate strategy, including transparency in reporting information and risk management;
- At the **CDP Forests 2016** Jerónimo Martins scored an overall "A-" for palm oil, positioning the Group at the "Leadership" level. The commodities soy, paper, wood and beef obtained a classification of "B", the equivalent of the "Management" level.

### Biedronka

- Jerónimo Martins Polska achieved 1<sup>st</sup> place in **The Great Modernizers of Europe 2015** ranking, awarded by Institute of European Business;
- Jerónimo Martins Polska achieved 1<sup>st</sup> place in **The Powers of Business 2015** ranking, awarded by Institute of Modern Business;
- Jerónimo Martins Polska was recognised as **The Most Socially Responsible Chain** and as **The Most Reliable Player** in the "Market of the Year - Retail Chains 2016" award, organised by the publisher "Wydawnictwo Gospodarcze";
- Jerónimo Martins Polska was recognised as one of the **Most Patriotic Companies in Poland**, having achieved the following:
  - 1<sup>st</sup> place in the ranking in terms of turnover in 2015 for foreign companies;
  - 1<sup>st</sup> place in the ranking of the Biggest Employers in 2015;
  - 7<sup>th</sup> place in the ranking of the Biggest Taxpaying Companies in 2015;
  - 8<sup>th</sup> place in the ranking of the Companies that Invest the Most in 2015;

- Jerónimo Martins Polska was recognised with a **Golden Laurel of Super Biznes** in the “Corporate Social Responsibility” category, for organising Biedronka’s Children’s Literature Prize;
- Jerónimo Martins Polska won 1<sup>st</sup> place in the list of the **Biggest Employers in Poland**, compiled by “Gazeta Finansowa”;
- Jerónimo Martins Polska was recognised by the publication “Polityka Weekly” with a **White Leaf** for “Corporate Social Responsibility”, for the work carried out regarding environmental certification;
- Biedronka’s Dada range of products was recognised as a **Super Product of the Year 2015**, by the magazine “Mam dziecko”;
- Biedronka’s BeBeauty, Dada and Puffi and Kitty brands won the **Brand 2016 – Quality, Trust, Reputation** award in the bath salts, nappies and pet food categories, respectively;
- Biedronka received **The Consumers’ Choice 2016** award, attributed by the Center for Consumer Satisfaction Evaluation, in the “Retailer” category;
- Biedronka was recognised as **Retailer of the Year 2015** – Selected by Suppliers, attributed by AC Nielsen Polska;

- Biedronka received the title **The Star of Service Quality 2016**, awarded within the scope of the Polish Quality and Service Programme;
- Biedronka won the **Superbrand** award in the “Shopping – Convenience Store” category, having also been recognised with the title “Created In Poland Superbrands 2015/2016” awarded to brands created in Poland;
- Biedronka’s Children’s Literature Prize received the **Social Campaign of the Year 2015** award.

## Pingo Doce

- Pingo Doce Private Brand wines won three **Gold Medals**, four **Silver Medals**, four **Bronze Medals** and six **Medals of Recommendation** in the International Wine Challenge, Concours Mondial de Bruxelles and Decanter World Wine contests;
- The **Pearl Awards** distinguished the magazine “Sabe Bem” (Tastes Good) with the bronze in the “Best Retail” category.

## Recheio

- It was certified with the **Choice of the Professionals** seal, attributed by “Consumer Choice – Centro de Avaliação da Satisfação do Consumidor”, in the “Wholesale Distribution” category;
- Winner of a **Master da Distribuição**, in the “Best Wholesaler” category, awarded by the magazine “Distribuição Hoje”.

## Hebe

- Hebe won the **Drugstore of the Year 2016** award, in the “Assortment definition strategy” category, awarded by the publisher “Wydawnictwo Gospodarcze”;
- It was considered a **Customer Friendly Company** by Fundacja Obserwatorium Zarządzania;
- It was recognised as a brand **Created in Poland** by Superbrands.









**O MEU  
FAVORITO**  
SÃO OS CHOCOCOS  
E O SEU?

## What we did in 2016

1. Key Facts of the Year	28
2. 2016 Environment	30
3. Group Performance	36
4. Performance of the Business Areas	50
5. Outlook for 2017	61
6. Dividend Distribution Policy	64
7. Results Appropriation Proposal	65
8. Management Report Annex	65

# 2.



## Key Facts of the Year

Clear objectives were established for 2016, focused in consolidating the competitive advantages in Poland and Portugal and on the ambition for growth in Colombia.

# 1.



### Biedronka

- Opening of 83 stores, ending the year with 2,722 locations
- Revamping of 221 stores
- Launch of the *Moja Biedronka* loyalty card, reinforced through various campaigns
- Start-up of a soup factory, producing nine varieties and distributing to all the stores

In 2016, Biedronka accelerated the number of refurbished stores to 221 (from 155 in 2015), giving the programme a more normalised pace, as in 2015 the focus on updating the assortment led to a slower pace.

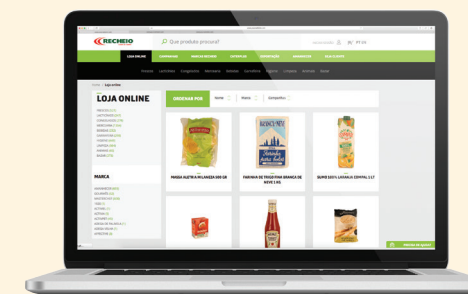
### Pingo Doce

- Opening of 14 stores, five of which under third-party management agreements, and two Pingo Doce & Go convenience stores, closing the year with 413 locations
- Celebration the Private Brand's 25<sup>th</sup> anniversary, with over 1,800 product references in the portfolio in 2016



### Recheio

- Opening of a store in Sines, to join the 37 already in existence and four platforms, three of them related to Food Service
- Inclusion of 36 stores in the Amanhecer concept, ending 2016 with a total of 285 stores in the network
- Renewal of the institutional website, which allowed the opening of the online store, being the first Cash & Carry in Portugal to provide this service



## Ara

- Start of operations in the Bogota region
- Opening of 79 stores, ending the year with 221 locations operating in three regions of Colombia



## Hebe

- Opening of 26 stores, ending the year with a total of 153 locations
- Implementation of the new store concept, with five completely refurbished stores



## Jerónimo Martins Agro-Alimentar (JMA)

- Start of the construction of a new Dairy factory in Portalegre
- Start-up of the first Aquaculture facility in Sines for sea bass production
- Partnership with a local operator in Madeira, in order to produce sea bream



2016 was the second year of activity of JMA, whose main purpose is to ensure the protection of sources of supply for the Group in Portugal, thus contributing towards a differentiated offering in categories considered crucial to the Food Distribution chains.



## Jeronymo and Hussel

- Opening of two Jeronymo stores in Oporto
- Revamping of two Hussel stores to adapt to a new, more modern concept

## Corporate

- Sale to Sociedade Francisco Manuel dos Santos B.V. of 100% of the subsidiary Monterroio - Industry & Investments B.V., which includes shareholdings in the Manufacturing area (Unilever JM and Gallo) and Services (JMD)

## 2016 Environment

In the Food Retail sector there was still a move towards consolidation, with the number of independent stores being reduced, in line with the trend of previous years.

# 2.

## 2.1. Poland

### Macroeconomic Environment

In 2016, the Polish economy maintained a positive performance, but the growth in GDP slowed down compared to the previous year, standing at 2.8% according to the Polish Statistical Office (GUS) (+3.9% in 2015). Domestic demand remained the main GDP growth driver, supported by the gradual improvement in the job market, confidence of households and the distribution of subsidies under the “Family 500 plus” programme. On the other hand, and mainly due to the reduction in European Union flows, the growth in GDP was conditioned by the fall in investment.

Employment continued to grow, with the number of the working population remaining stable, resulting in further declines in the unemployment rate which decreased by 1.5 p.p. compared to 2015, standing at 9%, the lowest level in the last 25 years. The decrease in unemployment, in turn, supported the growth in wages (the average wage rose by 4.1% in 2016).

In 2016, the zloty recorded against the euro a devaluation of 4.1%. The year-end foreign exchange position also showed a deterioration against the euro (-3.3%), with a 4.4103 and 4.2639 rate for 2016 and 2015, respectively.





The evolution of prices in the economy stood at -0.6%, slightly up from -0.9% in 2015 and the food inflation was 0.8% (-1.7% in 2015).

Although it has given clear signs of increase in recent months, inflation remained low throughout the year, in a context of lower economic growth and a drop in the prices of commodities, particularly in energy.

### Modern Food Retail

According to PMR Research, the Modern Food Retail market grew by 4.2% in 2016 (+2.6% in 2015), exceeding 254 billion zlotys, having benefited from a set of economic measures to boost consumption, in particular the "Family 500 plus" programme,

which gives families an amount of 500 zlotys per month for each child (excluding the first child).

Another topic that deserved attention during the year was the retail tax that eventually earned the opposition of the EU, and its entry into force was delayed. It should also be noted that, in 2016, reference was often made to the creation of a law to prohibit the opening of Modern Retail stores on Sundays, although this had not been made public/concluded during the period.

As was the case in 2015, disposable household income continued to show a solid growth. Nevertheless, the Polish consumer has remained very sensitive to the price factor and with a very rational behaviour when

purchasing. Price, along with the increased importance of convenience, were the key elements in the purchasing decision process.

In this context, in 2016, there was an increase in the importance of promotional activity, which was intensified, more focused on increasing the volumes sold rather than on specific products, with the main market players launching various campaigns, offering consumers better benefits to those who made higher value purchases, in order to increase the average basket with discounts and special prizes. Promotional activity was also undertaken as a real marketing tool, with the media giving wide coverage to the promotional actions.

Disposable household income continued to show a solid growth. Nevertheless, the Polish consumer has remained very sensitive to the price factor and with a very rational behaviour when purchasing.

## 2. What we did in 2016

In the Food Retail sector there was still a move towards consolidation, with the number of independent stores being reduced, in line with the trend of previous years. The market remained highly competitive, with the major organised retail chains leading the growth, but also with chains of small local stores and supermarkets having quite substantial representation.

For 2017, it is expected that the increase in income will continue to benefit the Food Retail sector, although penalised by some shift of consumption to the HoReCa channel. On the other hand, there will be a larger number of consumers placing value on convenience. E-commerce should also post growths, with many of the leading operators considering launching online stores. Overall,

the outlook for the market is positive, which is directly related to the projections for the economy as a whole, although still with some uncertainty about the introduction of the retail tax and the prohibition of opening on Sundays.

### Health and Beauty Retail

According to the projections of PMR Research, the Polish Health and Beauty market grew by 4.2% in 2016, to 22.1 billion zlotys, reflecting the significant growth in consumption seen during the year, particularly in the second half, which was decisively helped by the "Family 500 plus" programme which generated an additional consumption stimulus, also having a positive impact on this market segment.

The biggest sales stimulus was the promotions, with retailers intensifying promotional activities to attract consumers.

On the other hand, consumers are increasingly demanding regarding the offer available in the stores, looking for products with effective results, such as professional range products that can be used at home.

Natural cosmetic products represent an increasingly strong trend and there was also an increase in the popularity of local and craft brands. Convenience when purchasing is also increasingly valued, such as the ability to shop in stores with beauty products and cosmetics, which have also pharmaceutical products.

Loyalty programmes continued to be key in the Health and Beauty retail business: about 41% of the Polish population are members of a loyalty programme, despite the 6 p.p. decrease compared to 2015.

There was a significant increase in the opening of new stores, particularly relevant in the larger chains. Shopping centres and arcades continue to be the most attractive places, although we are starting to see an increase in openings in smaller cities.

Discount stores, which in recent years have expanded the offer of both manufacturer brand and Private Brand cosmetics, rose one place to third among the





most popular locations to buy these products, the leader being the drugstores followed by the hypermarkets.

In the cosmetics market, the market share of the Discount stores rose significantly in the last years, driven mainly by Biedronka's growth, followed by Lidl.

For the future, the Health and Beauty market should continue to record significant growth, benefiting from the Polish consumers' better economic situation and the organic growth of the large retailers.

Consumers' attention to the price of products will continue to be a critical aspect when purchasing. However, a greater appreciation of the quality and effectiveness of the product is also predicted.

## 2.2. Portugal

### Macroeconomic Environment

In 2016, Portugal maintained the path to moderate recovery of its economic activity, recorded in the last two years.

The economic growth was 1.4%, below the previous year's growth (+1.6%), reflecting the irregular performance registered throughout the year. The moderate growth seen in the first half of 2016 reflected



the slowdown that began in the second half of 2015 as a result of a lower contribution from domestic demand and exports.

The second half was characterised by an acceleration of the economic activity, supported by an increase in exports and a growth, although slight, in domestic demand, which led to acceleration in private consumption and a lower drop in investment.

According to the European Commission's Winter Report (February 2017) 2016 closed with a slowdown in the domestic demand growth of 1.3% (+2.5% in 2015), reflecting the lower contribution from investments, conditioned by the sharp drop in public investment. The main contribution to the positive evolution of domestic demand came from private consumption growth of 2.1% (+2.6% in 2015), the consumption of durable goods being particularly relevant, due to the increase in disposable income, the decreased unemployment rate and maintenance of consumer confidence.

Exports posted a more moderate growth of 3.9% (+6.1% in 2015). This reflects the negative contribution from the exports of fuels, whose imported content is quite significant and also, but to a lesser extent, the reduction in the exports of services, excluding tourism. In contrast, it was recorded a slowdown in the growth of imports of 3.9%, after a very significant growth in 2015 (+8.2%).

With regard to the job market there was a reduction in the unemployment rate (+11.1%, well below the +12.6% recorded in 2015) and an increase in total employment.

With regard to inflation, it stood at 0.6%, slightly above the 0.5% in 2015, reflecting a smaller decline in the prices of energy and non-energy industrial products and a slight acceleration in the prices of services, particularly in more dynamic sectors such as tourism. Food prices grew by only 0.5%, while in 2015 the increase was 1%; this slowdown is mainly due to the prices of manufactured goods.

## 2. What we did in 2016

In 2016, the deficit stood at around 2% of GDP (4.4% in 2015), meeting the target set by the European Commission. Nevertheless, despite this reduction Portugal will still be facing risks of budgetary sustainability, in the mid-term.

### Modern Food Retail

In 2016, the Portuguese economy underwent a positive evolution, particularly with regard to private consumption, reflecting a set of favourable factors.

Along with the increase in actual disposable income, there was a decrease in the unemployment rate, which helps to explain the increase in consumer confidence, maintaining the recovery trend seen in 2015, recording higher values when compared to the last few years. These factors have of course contributed to an increase in the consumption of Portuguese households, which was extended to the food area.

After a recent past showing a decrease or moderate growth in sales, Food Retail performed more dynamically, with a more favourable sales growth than that recorded in 2015, having increased by 4.2% in 2016, according to the National Statistics Institute.

However, the competitive environment remained very intense throughout the year. In addition to the strong promotional aspect, there was also an accelerated pace of opening new food retail stores, as well as remodelling existing stores.

Regarding purchases in the food, hygiene and cleaning categories, there was simultaneously an increase in the purchasing frequency and in the average basket.

Factors such as proximity, price and promotion continued to be critical for consumers to choose their shopping location throughout the year. As was already the case in 2016, it is expected that in 2017 these aspects will continue to be relevant, combined with an increased consumer awareness about the importance of healthy eating and the growing importance of convenience in the purchasing decisions.

### Wholesale Market

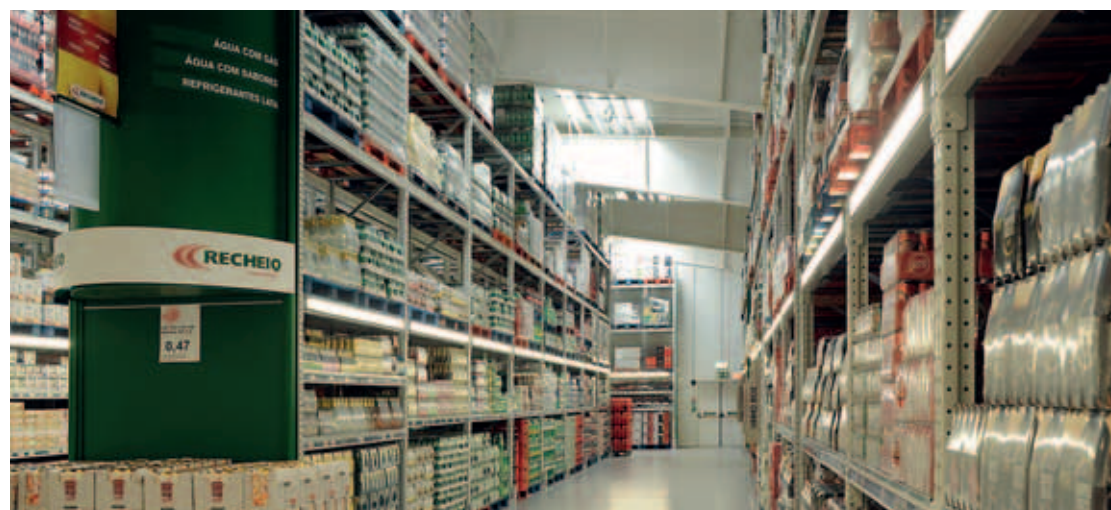
In 2016, the turnover of the Cash & Carry operators recorded a positive trend (3.7%, according to TSR

Nielsen – Cash & Carry Market), mainly as a result of the dynamics seen in the HoReCa channel.

In terms of the opening of Cash & Carry stores, of particular note are the opening of the Recheio store in Sines and the “Poupança” store in Setúbal.

In Traditional Retail, it should be noted the openings of 54 new Amanhecer stores and around 80 from other market players (mainly “Meu Super” stores), reinforcing the positioning of the proximity retail chains scattered over a wide area of the country.

For 2017, a continued good performance in the tourism, hospitality and restaurants sectors is predicted, as well as the revival of Traditional Retail.



## 2.3. Colombia

### Macroeconomic Environment

In 2016, the growth of the Colombian economy slowed down more than estimated as a result of an unfavourable external environment and some internal constraints having a significant effect on the economic activity, especially the lower global growth, the reduction in the production and price of oil and a slower implementation of the country's road infrastructure plan. In addition, there was an increased uncertainty in the economic agents caused by issues concerning the tax reform, the peace process and the elections in the United States.

The more modest GDP growth (2%) was also a reflection of the low dynamics in farming and mining, and also of the significant impact of the strikes that took place in the transport sector.

This GDP growth was the lowest level since 2009, when the economy registered an annual growth of 1.7%, with both private consumption and public and private investments decreasing significantly. The slowdown in domestic demand was also reflected in the reduction of imports.

The reduction in oil and coal prices worsened the trade balance, significantly impacting the public deficit, which exceeded international economic standards (about 5% in 2016).

Average inflation in 2016 was 7.5% compared to 5% in 2015, remaining well above the objective of the Colombian Central Bank (+3% with a variation of  $\pm 1$  p.p.). The main inflationary pressures were recorded in the tradeable food, goods and services categories, resulting from the *El Niño* weather phenomenon, the strikes in the transport sector and the strong devaluation of the Colombian peso.

The accelerated inflation led the Central Bank to increase the reference interest rate by 175 basis points during the year (from 5.75% to 7.5%).

On the other hand, the Colombian peso registered a significant devaluation during the year, which averaged 11.2% against the euro.

The unemployment rate also reflected the modest economic growth, contrary to the downward trend of the last six years and averaged 9.2% in 2016, 0.3 p.p. more than in 2015.

In this context, the consumer confidence index deteriorated significantly, having remained negative throughout the year, and considerably lower than in previous years, although it started a recovery trend as from April 2016.

### Modern Food Retail

It is estimated that Food Retail in Colombia has a value of 65.5 billion dollars, with organised retail holding a market

share of approximately 20%. According to data from Nielsen, Food Retail sales increased by 7.4% in 2016. Traditional Retail grew by 7.3%, Modern Retail by 7.1% and independent supermarkets grew 10.9%. During the year, there was more store openings in Modern Retail, with a total of 547 new stores opened compared to 233 openings in 2015. The Discount format had the highest number of openings in organised retail, with 337 new stores, which represents 62% of the total number of stores opened.

The rapid expansion of the Discount format in Colombia led to additional dynamics in the Modern Retail market, increasing its penetration in 2016.

The economic environment in the country presented in this chapter led to Colombian consumers changing their consumption habits, as they moved their purchases to cheaper brands.

Regarding products, it is worth highlighting the need to align developments that are in line with new consumer habits, more focused on low prices and convenience.

With regard to the categories, of particular note is that the sales of alcoholic drinks and beauty products did not undergo any sales losses resulting from lower economic growth. However food and non-alcoholic beverages were the most affected categories.

The latest trends and which should continue to be seen in the retail market are related to the increasing importance attributed to price and product innovation as a stimulus to sales growth. Regarding products, it is worth highlighting the need to align developments that are in line with new consumer habits, more focused on low prices and convenience.

In terms of format, it is expected that the Cash & Carry, Discount and Convenience Stores will continue to increase its penetration.

#### Sources:

Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; Portuguese National Statistics Institute (INE); National Bank of Poland Economic Bulletins; Central Statistical Office (GUS); Banco de la República (Colombian Central Bank); Colombia National Administrative Department of Statistics (DANE); Business Monitor International (BMI); BBVA; Planet Retail; Deloitte; TNS; Nielsen and PMR Research.

### Group Performance

All the defined strategies and objectives were implemented and achieved by the Management Teams.

# 3.

### 3.1. Main Projects of 2016

The main banners of the Group – Biedronka, Pingo Doce and Recheio – began the year of 2016 with an enhanced focus on competitiveness and like-for-like growth. This determination led to a strong performance throughout the year with growth of like-for-like sales, total sales and market shares.

In general, all the defined strategies and objectives were implemented and achieved by the Management Teams while being duly monitored by the Board of Directors, which oversaw the business activities without any constraints.

Clear objectives were established for 2016, focused in consolidating the competitive advantages in Poland and Portugal and on the ambition for growth in Colombia. As a result:

- i. in Poland, Biedronka has **consolidated the revision of the offer** initiated in 2015, promoting a more integrated approach and, therefore, more responsive to the needs and aspirations of the consumer;
- ii. in Portugal, both Pingo Doce and Recheio have maintained an intense promotional activity, while guaranteeing **quality and innovation in its overall value proposition**;
- iii. in Colombia, **Ara entered the great region of Bogota**, continuing to invest in the ongoing improvement of the value proposition.

#### 3.1.1. Biedronka – consolidation of the review of the offer

In 2015, Biedronka began a full revision of its assortment, which led to its increase but it mainly led to a renewed design of the different categories and their composition. This strategic project came about following a scenario of more dynamic consumption, with new aspirations on food level, very much driven by the increase in disposable income in Poland.

Reinforcing the assortment was the starting point for a renewed way of approaching the value proposition, which is now more than ever focused on the consumer and is aware of how quick the latter has been proven to be in their aspirations and the effective evolution of their food basket.

In 2016, Biedronka's new management team focused on consolidating the organisational changes needed in order to be more focused on the like-for-like sales performance, through a basket that aims to be more dynamic, both in its basic assortment, in the promotional and the in & out campaigns.

Towards a consumption environment more positive than anticipated for 2016, the Company created, right from the start, an array of more assertive initiatives that surprised the consumers with products and campaigns throughout the year, enabling them to complement their food basket.

#### 3.1.2. Pingo Doce and Recheio – quality and innovation in their overall value proposition

As Portuguese consumers remained very much geared to promotional opportunities, Pingo Doce and Recheio persisted with their commercial strategy based on competitive prices combined with intense promotions.

Simultaneously, the banners invested in consolidating their competitive advantages in the market.

Pingo Doce maintained an ambitious revamping plan which covered 21 stores, and that is essential for maintaining its differentiated shopping experience.

The Private Brand was also a priority in the year with 221 launches and a campaign to celebrate its 25<sup>th</sup> anniversary.

Recheio remained highly focused on customer proximity, for which the store managers played an essential role, and invested in a new store and the total revamping of another, giving greater importance to the Perishables area, as this is recognised as one of the banner's competitive advantages.



### 3.1.3. Ara - entrance in the great region of Bogota

Operating in Colombia for just three years, Ara validated its value proposition in the two initial regions (Coffee Growing Region and Caribbean Coast) and began 2016 with the ambition of inaugurating operations in the capital of Colombia.

Ara is permanently improving its offer and adapting it to the reality of each region, and its priority for the year was to prepare and carry out its entry into the Bogota region.

This project involved all areas of the Company, namely regarding: i. the expansion area, in searching for and negotiating locations, ii. the commercial and marketing area regarding the development of the regional part of the assortment, and iii. the human resources area, in creating and training the teams for this new region which opens the door to one of the biggest markets in Colombia.

## 3.2. Execution of the Investment Programme

The Group's investment plan in 2016 stood at 482 million euros, of which 44% was invested in expansion (new stores and Distribution Centres).

Investment in expansion still plays an important part in the Group's growth strategy.

(million euros)

Business Area	2016			2015		
	Expansion <sup>1</sup>	Others <sup>2</sup>	Total	Expansion <sup>1</sup>	Others <sup>2</sup>	Total
<b>Biedronka</b>	<b>53</b>	<b>180</b>	<b>233</b>	<b>90</b>	<b>114</b>	<b>204</b>
Stores	51	170	221	84	110	193
Logistics & Head Office	2	10	12	6	5	11
<b>Pingo Doce</b>	<b>75</b>	<b>62</b>	<b>137</b>	<b>75</b>	<b>59</b>	<b>133</b>
Stores	33	59	92	54	57	111
Logistics & Head Office	42	3	45	21	2	23
<b>Recheio</b>	<b>8</b>	<b>13</b>	<b>21</b>	<b>5</b>	<b>14</b>	<b>18</b>
<b>Ara</b>	<b>64</b>	<b>0</b>	<b>64</b>	<b>49</b>	<b>0</b>	<b>49</b>
Stores	59	0	59	31	0	31
Logistics & Head Office	5	0	5	17	0	17
<b>Total Food Distribution</b>	<b>199</b>	<b>255</b>	<b>455</b>	<b>218</b>	<b>187</b>	<b>404</b>
<b>Hebe</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Services &amp; Others</b>	<b>10</b>	<b>11</b>	<b>21</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Total JM</b>	<b>214</b>	<b>268</b>	<b>482</b>	<b>224</b>	<b>189</b>	<b>412</b>
<b>% of EBITDA</b>	<b>24.9%</b>	<b>31.1%</b>	<b>56.0%</b>	<b>28.0%</b>	<b>23.6%</b>	<b>51.6%</b>

<sup>1</sup> New Stores and Distribution Centres.

<sup>2</sup> Revampings, Maintenance and Others.

Biedronka invested a total of 233 million euros (48% of the Group's total capex), opened a total of 83 new locations.

Also in Poland, Hebe added 26 new locations to its store network.

At Pingo Doce, the investment plan reached a total of 137 million euros, including the investment in 14 new locations, five of which are managed through an agency contract and two under the innovative Pingo Doce & Go convenience concept.

Recheio opened a store in Sines, ensuring its presence in a market where there is a significant sales opportunity and where the banner was not yet present.

In Colombia, Ara opened a total of 79 stores, accelerating from the 56 openings carried out in 2015, and continued to invest in preparing its expansion, aiming to increase the pace of new stores in the future. Of the total openings, 22 were in the new region – Bogota.

	New Stores		Revampings <sup>1</sup>		Closed Stores	
	2016	2015	2016	2015	2016	2015
<b>Biedronka</b>	83	102	221	155	28	22
<b>Pingo Doce</b>	14	21	21	29	0	2
<b>Recheio</b>	1	0	1	2	0	0
<b>Ara</b>	79	56	0	0	0	0
<b>Hebe</b>	26	15	5	10	7	0
<b>Other Businesses<sup>2</sup></b>	5	13	2	1	4	11

<sup>1</sup> Only includes the revampings that implied the closing of the food selling area, with exception for Recheio.

<sup>2</sup> Including the stores NewCode, Spot, "Bem-Estar", "Refeições no Sítio do Costume", Fuel Stations, Jeronymo, Kropka Relaks, "Olá", Hussel and Jeronymo Food with Friends.

Logistics remains an important area within the investment plan, reflecting the strategic importance of this area for each of the Group's business models.

Going ahead with its logistics restructuring plan in order to better address the needs of the store network, Pingo Doce invested in setting up a new Distribution Centre, which is in the final construction phase and should be inaugurated in the first half of 2017.

Revamping has been gaining more weight in the capex plan, being this investment essential for ensuring the quality of the store experience, the efficiency of the operation and the innovation of the value propositions, and as such, it has an important role in each banner's potential like-for-like sales growth.

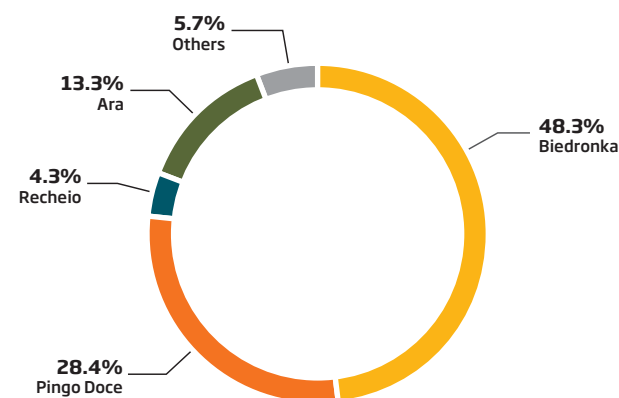
In 2016, Biedronka accelerated the number of refurbished stores to 221 (from 155 in 2015), giving the programme a more normalised pace, as in 2015 the focus on updating the assortment led to a slower pace.

Pingo Doce maintained the revamping plan as an important pillar for reinforcing its competitive position, having refurbished 21 stores in 2016.

Recheio completely refurbished the Torres Vedras store, preparing it to better operate Perishables.

Besides the major investment areas presented above, innovation for differentiation, outside the revamping programme, was also given the Group's attention, namely through the opening of Biedronka's soup factory and, within the Agro Business area in Portugal, by starting the construction of a new milk factory and the start-up of the first Aquaculture facility. At the end of the year *Santa Maria Manuela*, an emblematic vessel that was part of the old *white fleet* of Portuguese cod fishing, was also acquired.

## Investment by Business Area



### 3.3. Consolidated Activity in 2016

#### 3.3.1. Consolidated Sales

In 2016, the Group reached sales of 14,622 million euros, 6.5% ahead of the previous year (+9.8% at a constant exchange rate).

	2016		2015		Δ %		LFL
	% total		% total		w/o F/X	Euro	
<b>Sales &amp; Services</b>							
Biedronka	9,781	66.9%	9,206	67.1%	10.8%	6.3%	9.5%
Pingo Doce	3,558	24.3%	3,407	24.8%		4.4%	1.0%
Recheio	878	6.0%	829*	6.0%		5.9%	5.0%
Ara	236	1.6%	122	0.9%	110.2%	92.5%	n.a.
Hebe	122	0.8%	100	0.7%	27.5%	22.2%	n.a.
Others & Cons. Adjustments	46	0.3%	63	0.5%		n.a.	n.a.
<b>Total JM</b>	<b>14,622</b>	<b>100%</b>	<b>13,728</b>	<b>100%</b>	<b>9.8%</b>	<b>6.5%</b>	<b>7.2%</b>

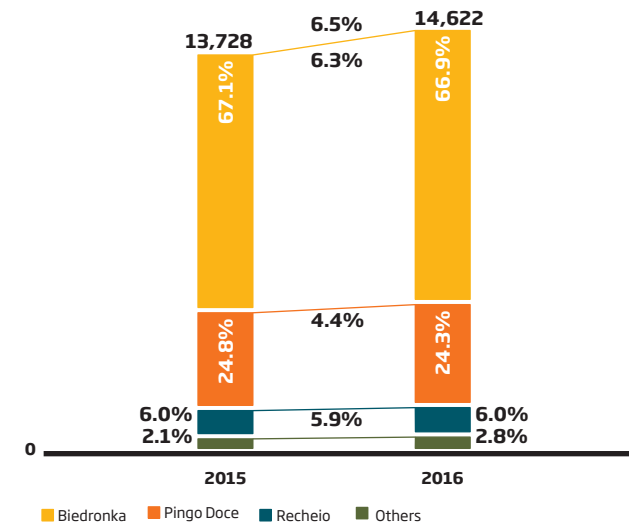
\* Restated figure from 832 published in 2015

2016 was a year of solid sales growth, which was helped by the extraordinary increase in Biedronka's turnover, which led to the Group achieving an increase in like-for-like sales of 7.2%.

The growth posted by all the banners confirms that our strategy to focus on consumer through competitive prices and reinforced attractiveness of our basket and of our shopping experience. This strategic positioning proved it can maximise the capture of the growth opportunities we see in each market where we operate.

#### Consolidated Sales

(million euros)



In Poland, the competitive environment remained highly promotional, with the consumption scenario proving to be more positive than anticipated due to the increase in the minimum wage in the country and a distribution of a subsidy to families with more than one child.

This increase in disposable income, combined with the fact that Polish consumers have an innovative approach to food consumption, generated interesting opportunities to develop the food basket in the market.

With a reinforced offer and a more intense and innovative approach to commercial campaigns, Biedronka fully benefited from this favourable environment and posted a growth of 9.5% of its like-for-like sales, despite maintaining a slightly negative inflation in the basket.

The banner reached a net increase of 55 locations, having ended 2016 with a total of 2,722 stores.

Biedronka's sales increased by 6.3% in the year (+10.8% in local currency) to 9,781 million euros, leading to an increase in its market share.

Hebe, with a value proposition that is more focused on the areas of the assortment, where it wishes to differentiate, and with a communication plan in line with that positioning the banner, presented a good sales evolution throughout the year, reaching 122 million euros, 22.2% above 2015. The complete store network totalled 153 locations, 19 more than in 2015.

In Portugal, where food inflation was 0.5%, the food retail sector remained extremely competitive, with promotions playing a determining role.

Pingo Doce maintained strong promotional dynamics, simultaneously guaranteeing quality and innovation in

its Private Brand offer. The Company continued to execute its store revamping plan, with a view to a continuous improvement in the overall shopping experience.

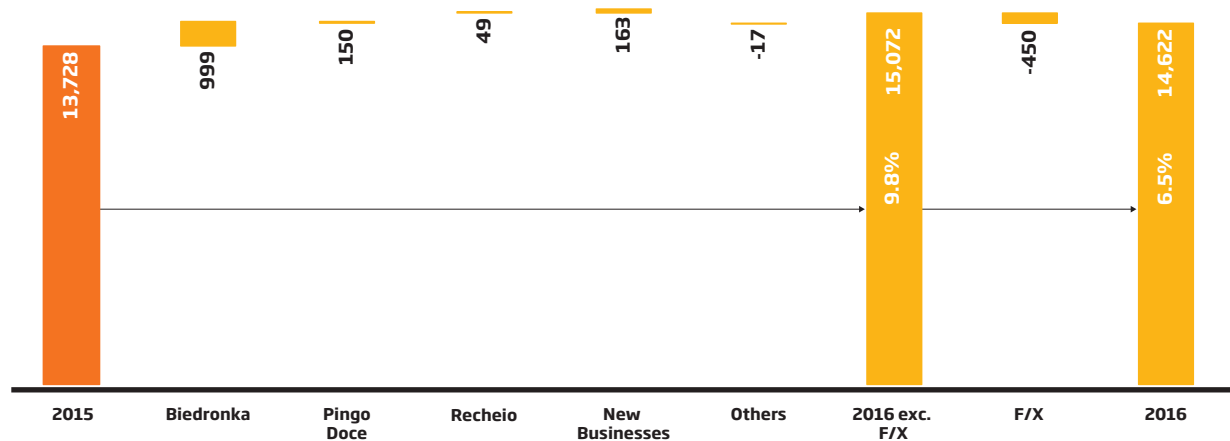
Over the challenging comparison base from 2015, like-for-like sales (excluding fuel) increased 1.2% in 2016 and total sales grew 4.4%, to reach 3,558 million euros.

Recheio's sales rose 5.9% to 878 million euros. Supported by its solid competitive position, the Company benefited from the improvement that took place in the HoReCa segment as a result of the strong tourism in Portugal. Like-for-like growth in the year was 5%.

Ara closed the year with 221 stores in three regions of Colombia. The sales performance continued to confirm that the value proposition has been well accepted by Colombian consumers in all the regions. The banner achieved sales of 236 million euros in 2016, having more than doubled its sales in local currency compared to 2015.

### Contribution to Consolidated Sales Growth

(million euros)





### 3.3.2. Consolidated Operating Results

	2016		2015		(million euros)
		%		%	Δ %
<b>Net Sales &amp; Services</b>	<b>14,622</b>		<b>13,728</b>		<b>6.5%</b>
Gross Margin	3,113	21.3%	2,937	21.4%	6.0%
Operating Costs	-2,251	-15.4%	-2,138	-15.6%	5.3%
<b>EBITDA</b>	<b>862</b>	<b>5.9%</b>	<b>800</b>	<b>5.8%</b>	<b>7.8%</b>
Depreciation	-294	-2.0%	-294	-2.1%	-0.1%
<b>EBIT</b>	<b>568</b>	<b>3.9%</b>	<b>505</b>	<b>3.7%</b>	<b>12.4%</b>

The priority focus on like-for-like sales growth, maintaining strict cost management, led to the main business areas posting growths in the EBITDA generated in the year.

Consolidated EBITDA reached 862 million euros, a growth of 7.8% compared to 2015 (+11% at a constant exchange rate).

	2016		2015		(million euros)
		% total		% total	Δ %
Biedronka	707	82.1%	641	80.2%	10.3%
Pingo Doce	192	22.2%	188	23.5%	2.0%
Recheio	47	5.5%	44	5.5%	7.4%
Others & Cons. Adjustments	-84	-9.8%	-73	-9.2%	15.1%
<b>Consolidated EBITDA</b>	<b>862</b>	<b>100%</b>	<b>800</b>	<b>100%</b>	<b>7.8%</b>

Although inflation in the basket remained slightly negative both at Biedronka and Pingo Doce, both banners recorded a solid like-for-like sales growth, enabling them to mitigate the evolution in operating costs, especially regarding personnel expenses which increased significantly in Poland and in Portugal. As such, the Group's EBITDA margin increased to 5.9%, from 5.8% in 2015.

Biedronka posted an EBITDA of 707 million euros, an increase of 10.3% compared to 2015 (+15.1% at a constant exchange rate). This performance was the result of the strong like-for-like growth and the very strict cost management, and achieved despite the intense promotional activity carried out by the banner in 2016.

Biedronka's EBITDA margin was 7.2% (vs. +7% in 2015).

Pingo Doce generated an EBITDA of 192 million euros, 2.0% above the previous year. The EBITDA margin was 5.4%, a reduction from the 5.5% recorded in 2015 as a result of maintaining the intense promotional activity and of the investment in the shopping experience, namely store revamping.

In Recheio, EBITDA reached 47 million euros, a growth of 7.4% compared to 2015, the respective margin standing at 5.4%, up from the 5.3% recorded in 2015, driven by the solid like-for-like growth.

Together, Ara and Hebe posted EBITDA losses of 62 million euros, Ara having been responsible for around 76% of the total losses.

The increase of losses generated in Colombia compared with the previous year was, essentially, consequence of the decision taken by Ara's management team in the third quarter to strengthen its structure in the various teams, as a way to prepare its future growth capacity, in a sustainable manner.

With regards to Hebe, the losses generated continued to diminish, as expected.

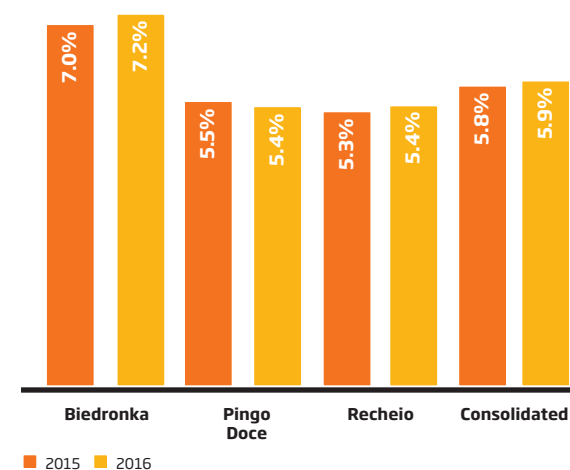
The sustained investment in sales growth led to a solid generation of EBITDA, while simultaneously reinforcing the competitive positions in all markets.

The priority focus on like-for-like sales growth, maintaining strict cost management, led to the main business areas posting growths in the EBITDA generated in the year.

### Contribution to Consolidated EBITDA Growth (million euros)



### EBITDA Margin



### 3.3.3. Net Consolidated Result

	2016		2015		(million euros)
		%		%	Δ %
<b>EBIT</b>	<b>568</b>	<b>3.9%</b>	<b>505</b>	<b>3.7%</b>	<b>12.4%</b>
Net Financial Results	-17	-0.1%	-26	-0.2%	-34.5%
Profit in Associated Companies	10	0.1%	17	0.1%	-38.2%
Non Recurrent Items	184	1.3%	-20	-0.1%	n.a.
<b>EBT</b>	<b>744</b>	<b>5.1%</b>	<b>475</b>	<b>3.5%</b>	<b>56.7%</b>
Taxes	-130	-0.9%	-117	-0.8%	11.5%
<b>Net Profit</b>	<b>614</b>	<b>4.2%</b>	<b>358</b>	<b>2.6%</b>	<b>71.5%</b>
Non Controlling Interest	-21	-0.1%	-25	-0.2%	-15.5%
<b>Net Profit attr. to JM</b>	<b>593</b>	<b>4.1%</b>	<b>333</b>	<b>2.4%</b>	<b>78.0%</b>
EPS (€)	0.94		0.53		78.0%
EPS without non-recurrent (€)	0.62		0.55		12.8%

The Group's net result reached 593 million euros.

Excluding the contribution from Monterroio, on a comparable basis<sup>1</sup>, the net results were 361 million euros, representing a year-on-year growth of 14.5%.

Besides the 221 million euros capital gains on the sale of Monterroio, non-recurring items incorporate the costs of restructuring in Portugal and Poland, impairment of assets in Portugal and the extension of the Group's seniority bonus plan to Poland.

Net financial costs were 17 million euros, 9 million euros lower than in the previous year due to the reduction of the average level of net debt throughout the year, as well as the decrease in average cost of debt.

The solid growth in the net result was the consequence of the sales growth, cost control and robustness of the balance sheet.

### 3.3.4. Cash Flow

	2016		2015		(million euros)
<b>EBITDA</b>	<b>862</b>		<b>800</b>		
Interest Payment	-14		-29		
Other Financial Items	3		14		
Income Tax	-177		-108		
<b>Funds From Operations</b>	<b>673</b>		<b>677</b>		
Capex Payment	-433		-394		
Δ Working Capital	193		212		
Others	285		-12		
<b>Free Cash Flow</b>	<b>718</b>		<b>482</b>		

Cash flow generated during the year reached 718 million euros, 236 million euros more than the previous year.

The good cash flow performance was essentially due to:  
i. the growth in the EBITDA generated, as a result of the combination of the strong sales performance and maintenance of operational efficiency; ii strict management of working capital; and iii. the sale of Monterroio.

<sup>1</sup> Excluding in both years the impact of Monterroio.

### 3.3.5. Consolidated Balance Sheet

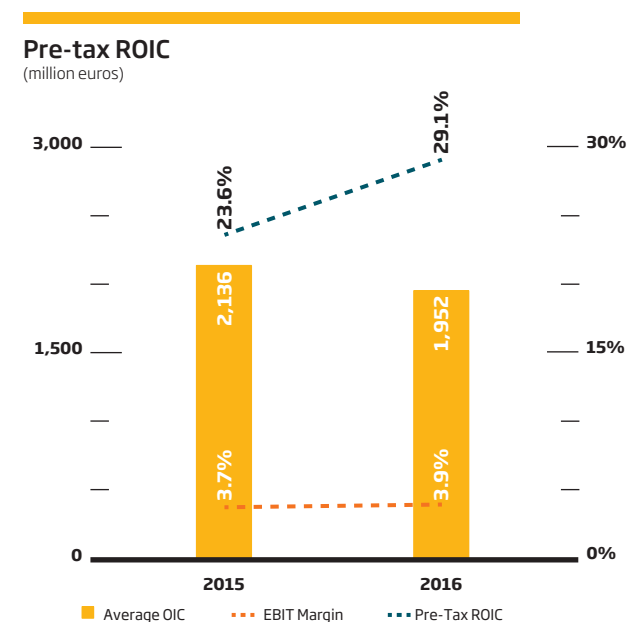
	(million euros)	
	2016	2015
Net Goodwill	630	640
Net Fixed Assets	3,180	3,060
Total Working Capital	-2,201	-2,001
Others	46	82
<b>Invested Capital</b>	<b>1,656</b>	<b>1,780</b>
Total Borrowings	335	658
Leasings	4	0
Marketable Sec. & Bank Deposits	-674	-471
<b>Net Debt</b>	<b>-335</b>	<b>187</b>
Non Controlling Interests	253	252
Share Capital	629	629
Retained Earnings	1,109	712
<b>Shareholders Funds</b>	<b>1,991</b>	<b>1,593</b>
Gearing	-16.8%	11.7%

At the end of the year, the Group's net excess cash position was 335 million euros benefiting from the Monterroio sale, but also due to maintaining strict management of working capital.

The robustness of the balance sheet has been reinforced in the year in which dividends payment to Group's shareholders was 167 million euros and investments of 482 million euros were made.

### 3.3.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, stood at 29.1%, an increase compared to the 23.6% recorded in 2015.



The Group's like-for-like growth in sales (+7.2%) and the disciplined management of investments and working capital were the reason for the improvement in capital turnover and enabled a positive return on invested capital to be achieved.



## 2. What we did in 2016

The increase in the turnover of invested capital in the three main business areas – Biedronka, Pingo Doce and Recheio – combined with the increase in Biedronka's EBIT margin, were the drivers of this performance, which reflects the improvement in the Pre-Tax ROIC of the above three business areas.

### 3.3.7. Debt Breakdown

At the end of the year, the Company had an excess liquidity resulting in a negative net debt of 335 million euros compared to a net debt of 187 million euros in 2015.

The new debt issued during 2016 was related with Colombia, in order to cover investment needs in that country, thereby mitigating the investment's exposure in terms of foreign exchange.

	(million euros)	
	2016	2015
<b>Long Term Debt</b>	<b>112</b>	<b>534</b>
<i>as % of Total Borrowings</i>	33.3%	81.2%
<i>Average Maturity (years)</i>	3.5	2.4
Bond Loans	0	150
Commercial Paper	0	100
Other LT Debt	112	284
<b>Short Term Debt</b>	<b>224</b>	<b>123</b>
<i>as % of Total Borrowings</i>	66.7%	18.8%
<b>Total Borrowings</b>	<b>335</b>	<b>658</b>
<i>Average Maturity (years)</i>	1.6	1.9
Leasings	4	0
Marketable Securities & Bank Deposits	-674	-471
<b>Net Debt</b>	<b>-335</b>	<b>187</b>
% Debt in Euros (Financial Debt + Leasings)	44.2%	47.4%
% Debt in Zlotys (Financial Debt + Leasings)	27.8%	40.4%
% Debt in Pesos (Financial Debt + Leasings)	27.9%	12.2%

### 3.3.8. Jerónimo Martins in the Capital Markets

#### Shares Description

Listed Stock Exchange		Euronext Lisbon
IPO		November 1989
Share Capital (€)		629,293,220
Nominal Value		1.00 €
Number of Shares Issued		629,293,220
Symbol		JMT
Codes	ISIN	PTJMT0AE0001
	Reuters	JMT.LS
	Bloomberg	JMT PL
	Sedol	B1Y1SQ7
	WKN	878605

Jerónimo Martins' shares are part of 66 indices, the most relevant being the PSI 20 (the reference index of the Euronext Lisbon), the Euronext100 and the EuroStoxx index, among others, and are traded on 37 different platforms, mostly in the main European markets.

#### Capital Structure

For information on the capital structure of Jerónimo Martins, please see point 9. Management Report Annex, in this chapter.

## PSI 20 Performance

After increasing in value by 10.7% in 2015, the PSI 20, the reference index in the Portuguese market, closed 2016 devaluing 11.9% to 4,679.20 points, having recorded the most significant drop among the European indices.

The index started the year with 17 securities, having 18 once again at the annual review in March 2016. Teixeira Duarte and Impresa were excluded from the index and Montepio, Sonae Capital and Corticeira Amorim were included.

The PSI 20 was noted for the losses at the beginning of the year, with investors showing fears about the weak economic growth, which mostly penalised the euro periphery, about the banking problems and the possible withdrawal of incentives as from 2017, with a negative impact on national debt. Of the 18 companies listed on the PSI 20, 12 posted a negative performance. Positive performances were seen by Sonae Capital (+46.7%), Corticeira Amorim (+42.9%), Galp Energia (+32.4%), Jerónimo Martins (+22.9%), Semapa (+5.6%) and Banco BPI (+3.7%).

June was the month with the biggest drop of the year (-10.2%) for the PSI 20. On June 23<sup>rd</sup> the United Kingdom voted in favour of leaving the European Union (Brexit). The stock exchanges had a negative reaction, however July brought a recovery and the PSI 20 followed the positive trend of the other stock markets, increasing in value by +6.6%, in what was the index's best month.

Stoxx600, the reference index that encompasses the 600 biggest listed European companies, ended the year with the first overall negative balance in five years, posting a cumulative loss of 1.2%. The sectors that most contributed towards the index's performance were mining (+62%) and oil and gas (+22.9%). Preventing the Stoxx600 from a greater increase in value was the telecommunications sector (-15.9%).

The Portuguese stock market index was below the main European indices, whilst the FTSE100, the DAX30 and the AEX were the indices with a better performance during the year, having increased in value 14.4%, 11.6% and 9.4% respectively.

## Jerónimo Martins Share Price Performance

After increasing in value by 43.9% in 2015, Jerónimo Martins shares posted a 22.9% increase in value in 2016.

According to the Euronext Lisbon, in 2016 Jerónimo Martins was the Portuguese company with the third highest market capitalisation, having closed the year with a relative weight of 13.7% in the PSI 20. The Group closed 2016 with a market capitalisation of 9.3 billion euros *versus* 7.5 billion euros at the end of 2015. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext100 index, with a weight of 0.4% (0.3% in 2015).

Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 250 million shares

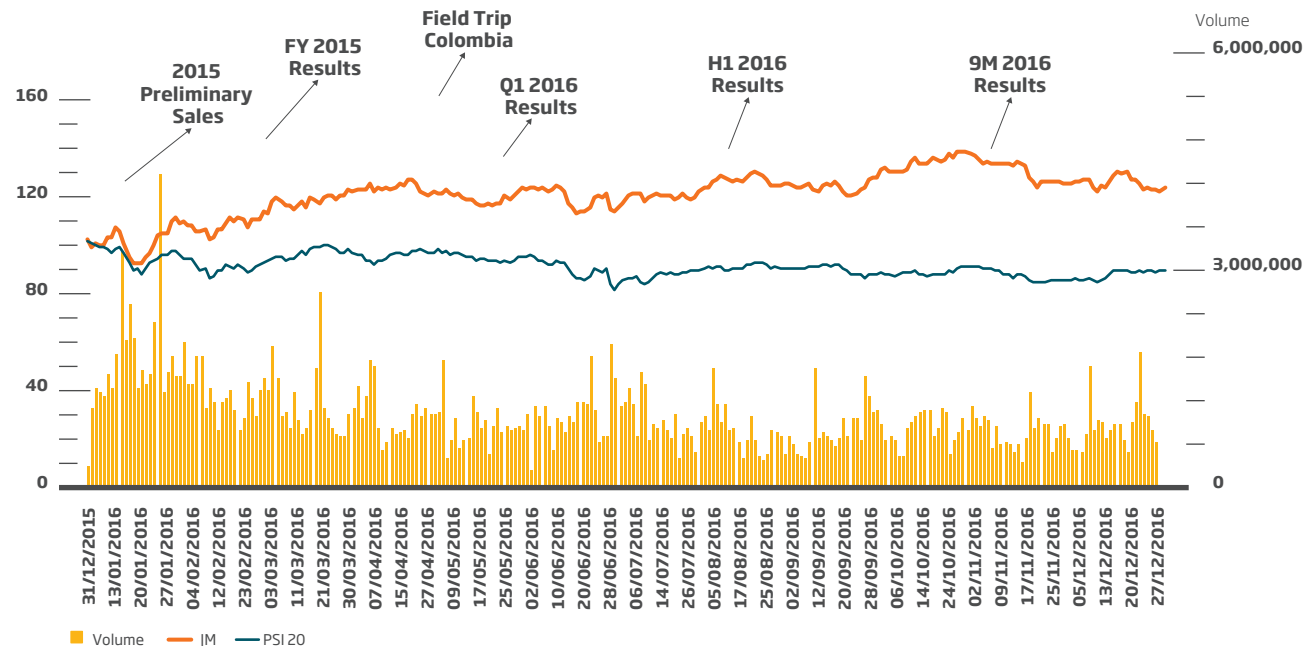
traded, meaning a daily average of one million shares, at an average price of 14.239 euros (20.3% higher than that recorded in 2015). In terms of turnover, these shares represented the equivalent of 16% (3.5 billion euros) of the overall volume of shares traded on the PSI 20 index in 2016 (21.7 billion euros).

Jerónimo Martins' shares showed a positive trend during the most part of the year, having recorded a minimum price of 10.92 euros on January 18<sup>th</sup> and a maximum price of 16.35 euros on October 19<sup>th</sup>. Throughout the year, except in January, the performance of Jerónimo Martins' shares remained above the PSI 20, ending 2016 with a price of 14.74 euros, which represents a 22.9% increase in value compared to the end of 2015.

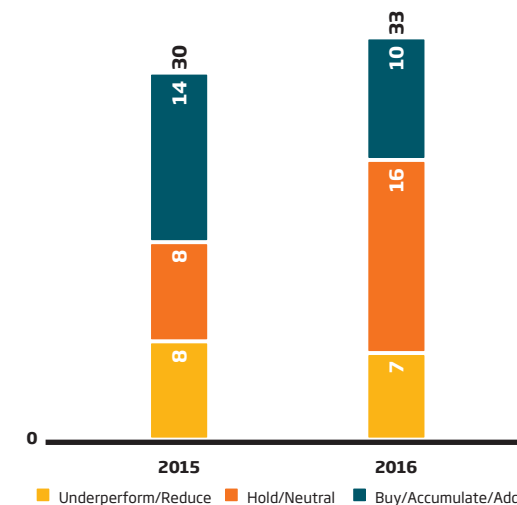
Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 250 million shares traded, meaning a daily average of one million shares.

## 2. What we did in 2016

### Performance of Jerónimo Martins' shares



### Analysts recommendation



### Analysts

In 2016, five investment companies began covering Jerónimo Martins (BiG, Deutsche Bank, Intermoney Valores, Invest Securities and Millennium Dom Maklerski) and another four stopped covering this stock (Macquarie, MainFirst Bank, Natixis and Nomura). At the end of the year, 33 analysts were covering Jerónimo Martins: 10 analysts issued a positive recommendation on the security, 16 issued a neutral recommendation and seven issued a negative recommendation. At the end of 2016, the average target price of the analysts was 15.41 euros, which corresponded to a potential rise compared to the closing price on December 31<sup>st</sup> of 4.5%.

## Jerónimo Martins Financial Performance 2012-2016

(million euros)

Balance Sheet	2016	2015	2014	2013	2012
Net Goodwill	630	640	640	648	655
Net Fixed Assets	3,180	3,060	2,940	2,810	2,557
Total Working Capital	-2,201	-2,001	-1,778	-1,686	-1,615
Others	46	82	111	112	99
<b>Invested Capital</b>	<b>1,656</b>	<b>1,780</b>	<b>1,912</b>	<b>1,885</b>	<b>1,695</b>
Net Debt	-335	187	273	346	321
Total Borrowings	335	658	714	688	660
Leasings	4	0	1	6	18
Accrued Interest	0	0	4	20	15
Marketable Securities and Bank Deposits	-674	-471	-446	-368	-372
Non-Controlling Interests	-335	187	243	236	251
Equity	1,738	1,342	1,396	1,304	1,122

(million euros)

Income Statement	2016	2015	2014	2013	2012
<b>Net Sales &amp; Services</b>	<b>14,622</b>	<b>13,728</b>	<b>12,680</b>	<b>11,829</b>	<b>10,683</b>
<b>EBITDA</b>	<b>862</b>	<b>800</b>	<b>733</b>	<b>777</b>	<b>740</b>
EBITDA margin	5.9%	5.8%	5.8%	6.6%	6.9%
Depreciation	-294	-294	-277	-249	-221
<b>EBIT</b>	<b>568</b>	<b>505</b>	<b>457</b>	<b>528</b>	<b>518</b>
EBIT margin	3.9%	3.7%	3.6%	4.5%	4.9%
Financial Results	-17	-26	-34	-39	-30
Profit in Associated Companies	10	17	15	19	13
Non Recurrent Items <sup>1</sup>	184	-20	-9	-4	-19
<b>EBT</b>	<b>744</b>	<b>475</b>	<b>429</b>	<b>503</b>	<b>483</b>
Taxes	-130	-117	-104	-111	-116
<b>Net Income</b>	<b>614</b>	<b>358</b>	<b>325</b>	<b>393</b>	<b>366</b>
Non Controlling Interests	-21	-25	-23	-10	-6
<b>Net Income attributable to JM</b>	<b>593</b>	<b>333</b>	<b>302</b>	<b>382</b>	<b>360</b>

<sup>1</sup> Non-Recurrent Items include the Exceptional Operating Losses and Gains in Others Investments.



	(million euros)				
Market Ratios	2016	2015	2014	2013	2012
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Total Number of Shares	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Free Float	29.7%	31.7%	26.9%	32.0%	27.2%
EPS (€)	0.94	0.53	0.48	0.61	0.57
Dividend per share (€)	0.27	0.62 *	0.31	0.30	0.51 **
<b>Stock Market Performance</b>					
High (€)	16.35	13.81	14.25	18.47	15.62
Low (€)	10.92	7.70	6.98	13.61	11.87
Average(€)	14.24	11.84	10.94	15.51	13.71
Closing (End of year) (€)	14.74	12.00	8.34	14.22	14.60
Market Capitalisation (31 Dec) (€ 000.000)	9,276	7,548	5,245	8,945	9,188
Transactions (volume) (1,000 shares)	251,292	344,797	274,146	202,709	157,916
Annual Growth	22.9%	43.9%	-41.4%	-2.6%	14.2%
Annual Growth – PSI 20	-11.9%	10.7%	-26.8%	16.0%	2.9%

\*The value refers to the payment of a gross dividend of 0.245 euros per share, on May 07, 2015, regarding the distribution of 2014 results and to the distribution of free reserves corresponding to a gross dividend of 0.375 euros per share, paid on December 22, 2015.

\*\*The value refers to the payment of a gross dividend of 0.275 euros per share, on April 30, 2012, regarding the distribution of 2011 results and to the distribution of free reserves corresponding to a gross dividend of 0.239 euros per share, paid on December 31, 2012.

## Performance of the Business Areas

Biedronka opened 83 stores during 2016, resulting in a net increase of 55 locations, ending the year with 2,722 stores.

# 4.

## 4.1. Food Distribution

### 4.1.1. Biedronka

#### Message from the Managing Director

2016 was a year of important achievements. With regard to the team, we worked on alignment and trust and developed a strong group spirit, which enabled us to transform the organisation, particularly with regard to operations, with a view to preparing Biedronka for new challenges.

We established new, more competitive commercial dynamics, with all the teams demonstrating a high level of flexibility, ambition and creativity. The goals were clearly defined and we managed to serve our increasingly discerning consumers even better, and gain market share.

We developed our assortment and brought innovation to the market and, above all, we surprised our consumers with new promotional activities and with a major loyalty initiative, which enabled systematic communication between the Company and the consumers.

Biedronka proved that it is capable of quickly adapting and continuing on the success path it has been creating. We are proud of our employees who have proven to be capable of adapting and facing new challenges, through methodical organisation and great resilience, in order to continue to be the consumer's first choice in the Polish Food Retail market.



#### 2016 Performance

In Poland, the increase of the minimum wage and the allocation of subsidies to families with more than one child provided a favourable consumer environment, which was also reflected in terms of Food Retail's positive performance, while there is still fierce competition focused on promotions.

At Biedronka, 2016 began under a new leadership in order to consolidate the changes initiated in 2015, maintaining additional focus on the consumer. With sales as the main priority, the Company aimed to capture the potential that it identifies in the value of the shopping basket in order to achieve an increase in like-for-like and strengthen its position in the Polish market.

Taking into account these objectives, the first measure implemented consisted of reorganising the operations, enabling the respective structure to be simplified and efficiency to be increased, namely regarding the Supply Chain or the Technical and Expansion areas.

Biedronka continued to consolidate the review of the assortment, which began in 2015, promoting a more integrated approach and, therefore being more streamlined in adapting to the needs and aspirations of an increasingly discerning consumer.

In 2016, sales increased by 6.3% to 9,781 million euros (+10.8% in local currency), with a 9.5% like-for-like during the year, mainly driven by the evolution

## 2. What we did in 2016

of the average basket and greater relevance in the categories of Specialised Perishables, given the strong investment that the Company has been making and also as a result of the strong commercial dynamics implemented throughout the year.

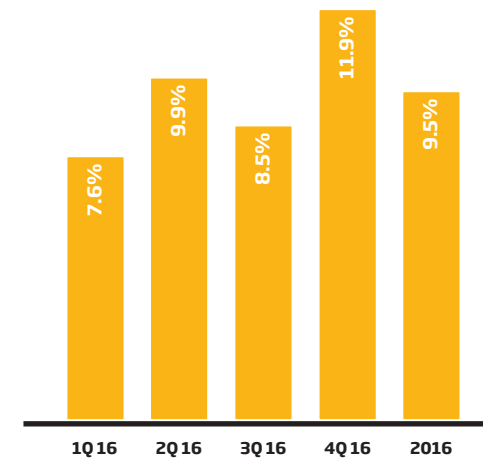
### Biedronka - Net Sales

(million euros)

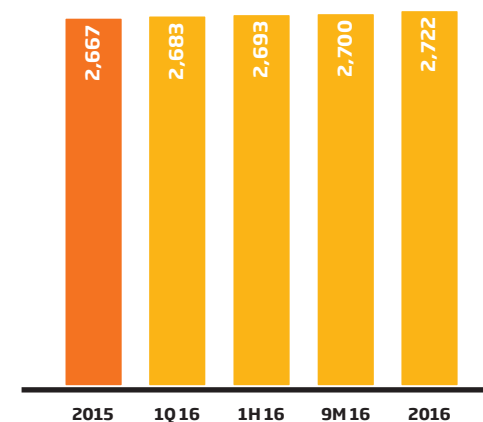


Biedronka opened 83 stores during 2016, resulting in a net increase of 55 locations, ending the year with 2,722 stores. Among the 28 stores closed, 15 were to replace old stores or smaller ones, in order to better serve the target public.

### Biedronka Like-for-like Sales Growth



### Biedronka Number of Stores



In order to improve the customer shopping experience and to maintain the standards of quality in the stores, throughout the year the Company refurbished 221 stores, and, whenever possible, increased the sales area to give greater visibility to some key categories, namely Fruit and Vegetables, Wine and Cosmetics.

The food in & outs campaigns played an important role in enhancing the value proposition offered to consumers, contributing towards the positive evolution of the basket and towards strengthening the relevance of Biedronka in the market.

Also worth highlighting in 2016 is the launch of the “Moja Biedronka” loyalty card in September. This will enable the Company to have a closer communication with the consumers and at the same time direct promotions to increase customer loyalty to the banner. In the last quarter of the year, strong commercial activity linked to the use of the card enabled it to significantly increase its penetration.

Within a strategy geared towards serving the consumer with innovation and efficiency, the opening of the Fresh soup factory should be mentioned, which enabled the launch of nine varieties of high quality soup, sold exclusively in Biedronka stores at very competitive prices.

Biedronka remained strongly focused on cost control and the permanent search for efficiencies gains at an operational level, in order to counter the pressure regarding the increase in staff costs, the Company's EBITDA margin having reached 7.2% a rise over the 7% registered in 2015.

#### 4.1.2. Pingo Doce

##### Message from the Managing Director

In 2016, even though price continued to be the main factor to be taken into account by Portuguese households when choosing the store to do their shopping, Pingo Doce grew above the average market for the fifth consecutive year, increasing its market share and its leading position in consumers' preference.

This is the result of an intense promotional dynamic, improving the shopping experience – with the revamping of 21 stores – and an investment in strengthening Pingo Doce's strategic pillars.

Celebrating its 25<sup>th</sup> anniversary, the Private Brand maintained its momentum of innovation, with the launch of 221 new references, and is the banner that consumers consider to have the best quality products.

In the Meal Solutions area, Pingo Doce posted a remarkable growth as a partner of Portuguese households for convenient food solutions, especially during the Christmas season, when it more than doubled its orders.

In 2016, Pingo Doce consolidated its position as a specialist in Fresh Produce, with Perishables gaining weight in the total sales.

As such, Pingo Doce has proven to be well prepared to continue to address the needs of Portuguese consumers, in a competitive and increasingly demanding market.



## 2. What we did in 2016

### 2016 Performance

In 2016, Pingo Doce successfully coped with the challenge of increasing its sales, even compared with the excellent performance recorded in 2015.

On the other hand, throughout the year, there was a strong increase in the installed capacity in proximity modern retail, with several players concentrating their efforts on opening stores.

The Company itself opened 14 stores during the year, five of which with a third-party management system and two stores in the new Pingo Doce & Go concept, set up in BP petrol stations.

Sales increased by 4.4%, (1% including fuel) in the same store network, which enabled Pingo Doce

to strengthen its market share, despite the deflation registered in the basket.

2016 marked the 25<sup>th</sup> anniversary of the Pingo Doce Private Brand. This was celebrated with a television campaign and exclusive promotions to leverage the reputation of its products and associate its quality to low prices. During the year, 221 Private Brand products were launched.

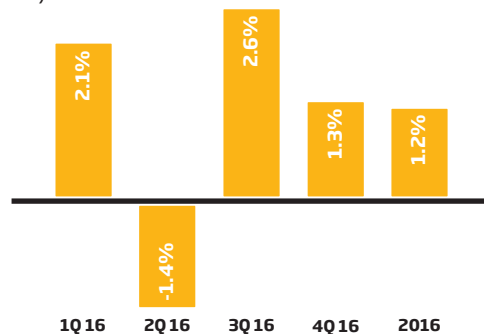
In terms of communication, the Company simultaneously invested in weekly leaflets and leaflets dedicated exclusively to Fresh products. The weekly leaflets were one of the most prevalent communication tools, with increasing importance for consumers in recent years – whether in hard or digital format. Its active role in the consumer's journey, influencing

both the shopping location and the choice of what to buy, imposes the need for renewal and continuous improvement.

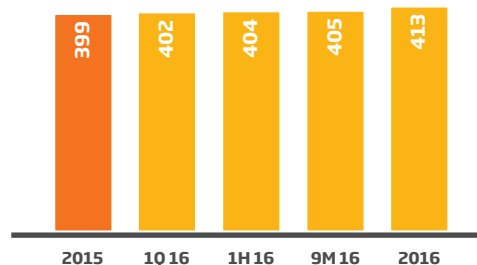
Remaining focused on Perishables, various actions were carried out, with particular emphasis on the differentiating offer, at more affordable prices, of Angus beef and on the development of new pastries, recovering traditional Portuguese recipes.

Pingo Doce's EBITDA margin stood at 5.4%, compared to 5.5% registered in 2015, in a year marked by a social and economic environment that brought greater pressure in terms of costs and which forced the Company to strengthen its efficiency, in order to minimise that pressure, as well as the impact of the continuous investment in price.

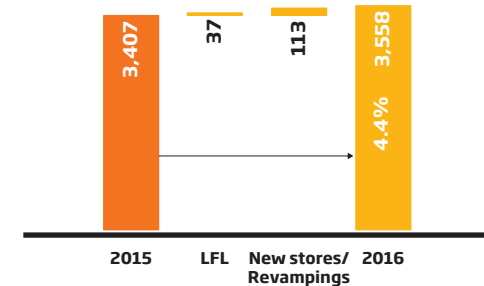
**Pingo Doce  
Like-for-like Sales Growth  
(excl. fuel)**



**Pingo Doce  
Number of Stores**



**Pingo Doce  
Net Sales  
(million euros)**





### 4.1.3. Recheio

#### Message from the Managing Director

2016 was a historic year for Recheio. Continuing the work of previous years, it has hit sales records, while maintaining a sustained and above-market growth with progress in all its strategic areas. The continuous focus on process improvement and customer service has led to the development of a logistic operation in the region of Leiria. The commitment with renovation made Recheio become the first Cash & Carry with an online store in Portugal. It has opened a new store in Sines, which reinforced the presence of Recheio in terms of presence in the country. The Exports and Food Service businesses have grown significantly and the Amanhecer project totalled 285 stores at the end of the year, being a certainty in the Retail scenario in Portugal.



#### 2016 Performance

Recheio sales increased by 5.9% in 2016, driven by growth in all segments in which it operates: HoReCa, Traditional Retail and Exports channels.

The HoReCa channel was the one registering higher growth, driven mainly by the increase of tourism in Portugal. Also regarding Traditional Retail, Recheio managed to increase its sales, although this segment registered a decrease in the country. With regard to Exports, Recheio managed to increase sales, either by enlarging the number of countries to which it exports, or by the growing number of customers.

In 2016, Recheio opened a new store in Sines, introducing a more efficient and innovative concept regarding the use of energy resources. It has further strengthened its focus on the HoReCa channel with the remodelling of one store, to which the Meat and Fish areas were added, in order to reinforce the Recheio position as a specialist in Perishables category.

Regarding the Amanhecer project, 36 stores were added to the network, ending the financial year with 285 partner stores.

In order to respond to the increased customer demand for distribution services, a logistic operation was developed in Leiria and a *Transport Management System* was implemented in 11 Recheio stores. These developments have allowed the increase of the efficiency of operations and the improvement of the customer service level.

In 2016, progress was also made with the online presence, through an innovative proposal in the Cash & Carry area in Portugal, since there was no operator working in this channel. First months of operation have proved to be interesting, attracting new customers, increasing brand awareness, developing new means to target clients and streamlining communication with international clients.

Throughout the year, Recheio maintained the focus on Private Brand and launched 160 products, increasing its sales by 6.1%.

In order to continue its growth, also through the development and valorisation of employees, Recheio launched the 2<sup>nd</sup> edition of General Store Management Programme, as well as the 1<sup>st</sup> edition of the Executive Management Programme for Managers and Sales Academy.

Recheio managed to increase its EBITDA margin by 10 basis points to 5.4% in 2016, despite strong investment in price and promotional initiatives that were carried out.

#### 4.1.4. Ara

##### Message from the Managing Director

2016 left a positive mark on our operation in Colombia, which achieved two important objectives:

1. market leadership in the Coffee Growing Region - after three years of operation, we are market leaders in this region, reaching a market share in excess of 22%. This is without a doubt a strong sign that the Colombian consumer values our proximity business model, based on competitive prices, with an offer of quality and variety in the Private Brand and a warm customer service.
2. start of operations in Bogota - following the Coffee Growing Region and the Caribbean Coast, in September, we entered in the third region - Bogota. This region has a population of more than 14 million inhabitants, representing around 40% of the country's GDP. As in the first two regions, here we also have an assortment adapted to the characteristics and preferences of the local consumer, namely a wider offer.

All this was only possible both because we are able to listen to and understand the consumer in each region and therefore carry out the necessary adjustments to our project and assortment, and because we have a very determined and dedicated



team, that gives its very best every day to serve and satisfy our customers.

We believe we are building a solid project, which in the near future will be relevant for the Jerónimo Martins Group and recognised and appreciated by the Colombian people.

##### 2016 Performance

After three years of operation, Ara has reached a leading position in the Coffee Growing Region, and is one of the main modern retailers in that region, thus confirming the Colombian consumers' recognition and awareness of the Ara brand.

2016 was once again a historic milestone for the operation in Colombia, with the entry into Bogota, the Company's third operating region. Expansion continues to be a priority and Ara network ended the year with 221 stores.

By the end of December, Ara had 102 stores in the Coffee Growing Region, 97 stores in the Caribbean Coast and 22 stores in the Bogota region.

The Private Brand assortment, which already has more than 500 references, is an important feature of differentiation and growth pillar, achieving over 37% of sales. In order to guarantee service levels, as well as sustainability in the supply chain, Ara extended its range of Private Brand suppliers, which increased more than 50% in the last year, thereby managing to improve the quality of its products and strengthen the ability to supply its stores more efficiently.

Ara remained focused on operational efficiency, placing a priority on developing operational and logistics projects, where of particular note is the implementation of the Transport Management System. This tool will allow optimizing the entire transport operation and management system, reducing costs and enabling processes at a logistics level to be better planned. Cost efficiency continues to be crucial for the Company's profitability evolution, as well for its price leadership.

During the year, Ara launched weekly themed campaigns - "El Rebajón" - and improved communication in the stores, through leaflets and in-store prizes dynamics, maintaining continuous dialogue with the consumers.

In the second half of the year, the Company started reinforcing its teams, in order to achieve stronger presence in the market, with a greater ability to rise to the challenge of growth that the banner has set itself for the next years.

## 4.2. Agro Business

### 4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

#### Message from the Managing Director

2016 was the second year of activity of JMA, the main purpose of which is to ensure the protection of sources of supply for the Group, thus ensuring a differentiated offering in categories considered crucial to the food distribution chains. JMA extended its activity to Aquaculture with the setting up of Sociedade Seaculture, dedicated to the production of sea Bass in Sines, and the setting up of Sociedade Marismar, for the production of sea Bream in Madeira, in partnership with a local operator. In June 2016, we started the construction of a new Dairy Product factory in Portalegre, after a long process of obtaining the necessary licenses. In the current factory, we optimized efficiency by more than 20% in order to meet the needs of our Private Brand of UHT Milk for Pingo Doce. The Angus operation in the North of the country has already ensured 20% of the sales of Pingo Doce for this product, and JMA is preparing to extend this production to other locations.



## 2. What we did in 2016

### 2016 Performance

JMA ended the year 2016 with a strong presence in three areas of operation: Dairy Products, production of Angus beef cattle and Aquaculture.

In the area of Dairy Products, 2016 was a year dedicated to operational improvements, optimization of the existing factory, reorganization of teams, training of employees and adapting information systems. The current Dairy Products factory significantly improved its efficiency and its processed milk production, with a significant increase in its production volume.

2016 also saw the start of the construction of the new Dairy Products factory, which will substitute the present one and enable production capacity to triple.

In the area of Angus production, various measures were implemented to maximize the production capacity of the unit at Manhente (Barcelos). The introduction of new technologies has enabled significant improvements in environmental conditions and animal welfare, as well as increasing overall levels of efficiency.

JMA also established an agreement with local producers, to supply food for the animals, thereby ensuring the desired standards of quality, and strengthening the relationship with local communities.

Given that the main objective of protecting the supply sources for differentiated products, in order to guarantee the internal needs of the Group in terms of competitive cost, efficiency and quality, in July, JMA started its Aquaculture project, thus fulfilling one of the major objectives set for 2016. The project consists of a partnership on the Madeira Island, for the production of sea Bream, and the concession in the Port of Sines, where, with the setting up of the Sociedade Seaculture, began the production of sea Bass.

## 4.3. Specialised Retail

### 4.3.1. Hebe

#### Message from the Managing Director

For Hebe, 2016 was a year of strong performance through the consolidation of our business model, marked by openings and revamping. Hebe ended the year with 153 locations throughout Poland.

Over the course of the year, we concentrated on implementing the main strategic lines: i. to guarantee an assortment with relevance for the consumer strongly focused on brands sold exclusively at Hebe, in order to reinforce differentiation; ii. to maintain price competitiveness in a highly competitive market environment for the discerning Polish consumer; iii. to increase the focus on digital through strong campaigns on social networks and the loyalty card; iv. to expand internal capacity in order to accelerate and gain scale in the coming years.





## 2016 Performance

Hebe's main performance indicators continue to record a positive evolution, with the team focused on the set objectives. In 2016, Hebe opened 26 new stores and posted a sales volume of 534 million zlotys, mostly as a result of the increase in the number of customers.

This sales momentum was reflected in the market share evolution, Hebe being the chain with the highest growth in the Polish Health and Beauty and Personal Care markets.

With the objective of enhancing sales performance and brand awareness, seasonal campaigns took place throughout the year related to Valentine's Day, Women's Day, Easter, Christmas and New Year.

A new category management approach was developed as a way of leveraging consumption opportunities, optimising sales and margins.

In order to increase the efficiency of the operation and service levels to the stores, measures were introduced in the stores and warehouses, with new solutions being implemented for goods-in and replenishment. The launch of an e-learning platform also helped to strengthen the quality of service provided to customers.

Hebe's loyalty programme has nearly reached two million members, 90% of whom are women. Close to 60% of the Company's total sales are made to customers who are holders of the loyalty card, showing the relevance of this programme, which still has room for development.

The new store concept has been very well accepted by the consumer and that was reflected in the financial indicators, as for the second year running the Company managed to reduce its operating losses.

## 4.3.2. Jeronymo and Hussel

### Message from the Managing Director

In 2016, despite the macroeconomic situation in the country, JMRS' performance once again exceeded our expectations, namely in terms of results.

Jeronymo proved the resilience of its value proposition, having achieved double digit like-for-like growth in the second half.

Hussel launched its 5<sup>th</sup> generation store concept, which was very warmly welcomed by its customers.





## 2016 Performance

In 2016, the Company's sales increased compared to the previous year, with a like-for-like growth in both the Hussen (1.2%) and Jeronymo (8.7%) banners.

Jeronymo inaugurated two new stores in the centre of Oporto, in the S. Bento Railway Station, classified as a national monument, and in the recently renovated Rua das Flores, thereby strengthening its presence in highly renowned locations.

The Company carried out various promotional initiatives, notably a pop-up store in Lisbon, in the Museu da Cidade, as well as the World Children's Day initiative in partnership with Museu da Misericórdia do Porto.

In 2016, the Jeronymo coffee shops consolidated its offer with an assortment of exclusive recipes and products better adapted to Portuguese taste. During the year, various themed campaigns took place, with communication at the point of sale and on Facebook, among which the initiative on Valentine's Day and the Christmas campaign are highlighted.

In 2016, Hussen presented the market with its 5<sup>th</sup> generation store in the Amoreiras and Alegro Shopping Centres. It developed a more modern concept in its business sector, proving its ability to reinvent itself.

In marketing terms, Hussen continued to invest in the innovation of its portfolio with regard to regular campaigns (Valentine's Day, Easter and Christmas) and also created new campaigns, such as Back to School and Autumn, as a way of boosting the softer sales seasons.

An institutional line of new packaging was also launched and in-store decoration and communication were improved, focusing on information about allergens.



## Outlook for 2017

The Group believes that its businesses have the adequate value propositions, and that they are in a good position to continue performing ahead of their respective markets.

# 5.

### Outlook for the Jerónimo Martins Businesses

Jerónimo Martins will keep adopting a prudent financial stance in order to maintain a solid balance sheet and to maximise the return on its assets. The Group believes that its businesses have the adequate value propositions, focused on price, quality and consumer service and on operational cost-efficiency, and that they are in a good position to continue performing ahead of their respective markets.

#### Biedronka

In 2017, Biedronka will keep sales growth in the same store network as a top priority, while at the same time it will continue to invest in opening stores in locations it considers to be important, in order to strengthen its position in the Polish market. The Company also intends to open a new Distribution Centre and will maintain its revamping plan in order to modernise and adapt the stores to the highest operating standards.

Simultaneously, the Company intends to continue expanding its base of loyalty card holders and will continue to invest in strengthening the presence

of the Private Brand as a differentiating factor, by reviewing the assortment and packaging.

The Company intends to adopt technologic solutions that enable it to achieve greater levels of efficiency and provide support to product management in the stores.

Although it is anticipated that, in the current social and economic environment the pressure will remain on the sector's cost structure, Biedronka will stay focused on obtaining gains in efficiency, enabling it to have a balanced management of its operating profitability.

#### Hebe

In 2017, Hebe wants to consolidate the investments into a single value proposition, through a differentiating assortment with very competitive prices, while always remaining focused on service and on the shopping experience, being present in locations with greater consumer traffic.

The Company will be focused on consolidating its margin mix, on increasing productivity and on cost efficiency. The expansion plan will continue to be an important driver to gain scale and also to increase awareness of the brand.

## Pingo Doce

In 2017, Pingo Doce will remain focused on continuing its expansion, investing in proximity locations and in revamping stores in order to ensure the quality of the shopping experience and the store environment.

During the first half of the year, it will open the new Distribution Centre in the North of the country, which will enable the restructuring of Pingo Doce logistics to be continued and, in the mid-term, to boost gains in efficiency.

Given that it is anticipated that promotions will remain very important to consumers, right from the start of the year, Pingo Doce will invest in a new line of communication, that will link television and leaflets. Putting the emphasis on the employees in the different sections, who, with their competence and dedication, make a difference in the daily life of the stores. The new leaflets will be designed to meet the preferences and needs of our customers, also enhancing the quality of our products.

## Recheio

In 2017, Recheio plans to open a new store in the North of the country, investing in the proximity with its customers. It will also remodel another store,



in order to improve the shopping experience and its customer service and to develop the Perishable category, an area where the Company aims to be an expert. Focus will also be on the expansion of the partnership with Traditional Retail and continue to contribute to the development of the Amanhecer chain.

Identified as the main drivers of Recheio's sales growth, Food Service and Exports areas will continue to evolve and consolidate in 2017.

At the same time, Recheio will continue to develop its information systems to simplify processes and strengthen relations with its customers.

## Ara

In 2017, Ara plans to accelerate its expansion. Within this context of rapid growth, the recruitment, selection and training of future employees will be a priority, in order to reinforce the structure to address the business needs.

As far as expansion is concerned, the Bogota region will be the main priority for 2017, planning the opening of new sub-regions within this region. From a logistics point of view, this expansion will mean implementing new Distribution Centres.

With regard to the Private Brand, Ara aims to continue investing in launching new, innovative, differentiating products, attracting more suppliers to keep up with its pace of growth, and boosting the increase of its weight in the Company's sales.

## Jeronymo & Hussel

In 2017, both banners will continue to be focused on the store operation and commercial dynamics as means of ensuring effective, permanent dialogue with their consumers.

Jeronymo will go ahead with identifying potential locations of interest for the opening of new stores and Hussel will invest in revamping some of its stores, adapting them to the new concept.



## Agro Business

In 2017, it is envisaged that all of JMA's areas of operation will expand: i. building of the new Dairy Products factory, reinforcing efficiency and innovation in this area; ii. expansion of production of Aquaculture, on the Madeira Island and in other locations, for the production of sea Bream and sea Bass, and potentially other key species for the Group; and iii. increase the production of national Angus in new operations.

As far as expansion is concerned, the Bogota region will be the main priority for 2017.

### Dividend Distribution Policy

In 2016, the gross dividend allocated to shareholders was 0.265 euros per share.

6.

The Company's Board of Directors maintained a policy of dividend distribution based on the following rules:

- the value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- if, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

In accordance with the above-mentioned directives, in relation to the 2015 fiscal year, the gross dividend allocated to shareholders was 0.265 euros per share, paid in May 2016.



## Results Appropriation Proposal

7.

In the financial year 2016, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 593,218,203.38 euros and a profit in individual accounts of 350,645,129.42 euros.

The Board of Directors proposes to Shareholders that the net profits for the year be applied in the following manner:

- Legal Reserve ..... 4,837,263.38 euros
- Free Reserves ..... 169,045.04 euros
- Dividends ..... 345,638,821.00 euros

The Board of Directors also proposes to shareholders the distribution of free reserves in the amount of 34,563,882.10 euros, in addition to the referred distribution of profits for the year.

The proposed distribution of profits for the year and free reserves represents a **gross dividend payment of 0.605 euros** per share, excluding own shares in the portfolio, corresponding to a dividend yield of 4.1% on the close share price in 2016, which was 14.74 euros.

Lisbon, 21<sup>st</sup> February 2017

The Board of Directors

## Management Report Annex

8.

## Information Concerning Stakes Held in the Company by Members of the Board of Directors and Statutory Auditor

(Under the terms of paragraph 5 of article 447 of the Portuguese Commercial Companies Code)

### The Board of Directors

Members of the Board of Directors	Held on 31.12.15		Increases during the year		Decreases during the year		Held on 31.12.16	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Alan Johnson <sup>1</sup>	30,075	-	-	-	-	-	n.a.	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) <sup>2</sup>	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
Henrique Manuel da Silveira e Castro Soares dos Santos	26,455 <sup>3</sup>	-	-	-	-	-	26,455 <sup>3</sup>	-
Nicolaas Pronk <sup>1</sup>	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) <sup>4</sup>	31,464,750	-	-	-	-	-	n.a.	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

<sup>1</sup> Ceased duties as Director on 14 April, 2016.

<sup>2</sup> Sociedade Francisco Manuel dos Santos, B.V.

<sup>3</sup> Of which 1,500 shares held by spouse.

<sup>4</sup> Asteck, S.A.

## Statutory Auditor

As at 31<sup>st</sup> December 2016, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions, this year, with Jerónimo Martins, SGPS, S.A. securities.

## List of Transactions made by Persons with Managerial Responsibilities and People Closely Connected with Them

Under the terms of paragraph 7 of Article 14 of CMVM Regulation 5/2008, Jerónimo Martins, SGPS, S.A. hereby informs that no transactions were made by persons with managerial responsibilities in the Company during the course of 2016.

## List of Qualifying Holdings as at 31<sup>st</sup> December 2016

(Pursuant to paragraph 4 of Article 448 of the Commercial Companies Code and in sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Code Regulations no. 5/2008).

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights*
<b>Sociedade Francisco Manuel dos Santos, SGPS, S.A.</b> Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
<b>Aberdeen Asset Managers Limited</b> Directly	31,482,477	5.003%	31,482,477	5.003%
<b>Heerema Holding Company Inc.</b> Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
<b>BNP Paribas Investment Partners, Limited Company</b> Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
<b>Genesis Asset Managers, LLP</b> Directly	12,659,067	2.012%	12,659,067	2.012%

Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A.

\* Based on the total number of shares under the terms of section b), paragraph 3 of article 16 of the Portuguese Securities







Part 1 - Information on Shareholder Structure, Organisation and Corporate Governance	70
• Section A - Shareholder Structure	70
• Section B - Corporate Bodies and Committees	74
• Section C - Internal Organisation	100
• Section D - Remuneration	108
• Section E - Related Party Transactions	115
Part 2 - Corporate Governance Assessment	117



# Part 1.

## Information on Shareholder Structure, Organisation and Corporate Governance

### Section A Shareholder Structure

#### Subsection I Capital Structure

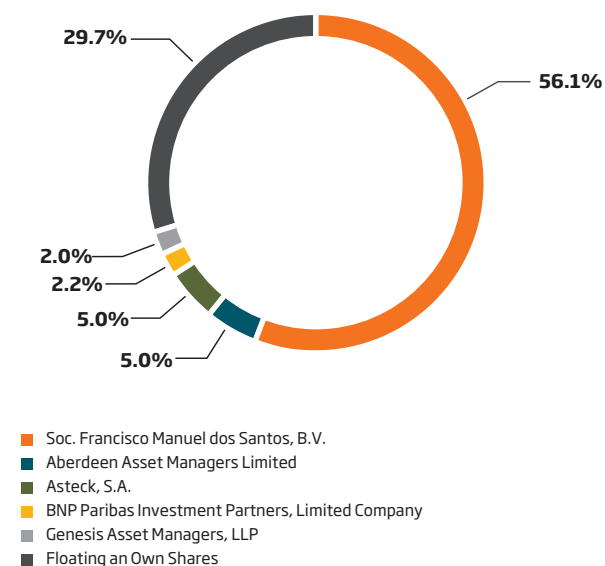
##### 1. Capital Structure

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid up, and divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with a nominal value of one euro each.

All issued shares are ordinary, there are no other categories of shares, and all shares have been admitted to trading on the Euronext Lisbon stock exchange.

The Company's shareholder structure is the following, with reference to 31<sup>st</sup> December 2016\*:

#### Shareholder Structure



\* According to the last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

---

## 2. Restrictions on the Transfer of Shares

Jerónimo Martins' shares are freely transferable and there are no restrictions concerning their tradability.

## 3. Own Shares

The Company holds 859 thousand shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital, which would correspond to equal percentage of voting rights.

## 4. Significant Agreements to which the Company is a Party and that come into Effect, Amend or are Terminated in Case of Change in the Control of the Company after a Takeover Bid

There are no significant agreements (including financing agreements) to which the Company is a party and that come into effect, are amended or terminated in case of a change in the control of the Company after a takeover bid.

## 5. Defensive Measures

No defensive measures were adopted that require payments or the assumption of costs by the Company in the event of a change of control or a change in the composition of the Board of Directors and that are likely to impair the free transfer of shares and the free assessment by the shareholders of the performance of the Board members, or that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

## 6. Shareholders' Agreements Known to the Company

Pursuant to the communication regarding the qualifying holding received by the Company on 2nd January, 2012, the same was informed of a shareholders' agreement concerning the exercise of voting rights, on the following terms:

"It is further informed that, in accordance with the terms of number 2 of article 21, paragraphs b) and

c), of the Portuguese Securities Code, Sociedade Francisco Manuel dos Santos, SGPS, S.A.\* controls Sociedade Francisco Manuel dos Santos B.V., since it may exercise the corresponding voting rights under a Shareholders Agreement.

In accordance with the terms of article 20 of the Portuguese Securities Code, especially paragraph b) of its number 1, under the above mentioned Shareholders Agreement, the corresponding voting rights of the Jerónimo Martins, SGPS, S.A. shares, object of the purchase and sale above mentioned, remain attributed to Sociedade Francisco Manuel dos Santos, SGPS S.A.\*\*

The Company, however, does not know of any restrictions concerning the transfer of securities or voting rights.

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\* The company name was changed on 2015 to "Sociedade Francisco Manuel dos Santos, SGPS, S.E."

## Subsection II Shareholdings and Bonds Held

### 7. Shareholders with Qualifying Holdings

The holders of qualifying holdings, calculated in accordance with the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, based on the total number of shares under the terms of section b), paragraph 3 of Article 16 of the Portuguese Securities Code, as at 31<sup>st</sup> December 2016, are identified in the table below.

#### List of Qualifying Holdings as at 31<sup>st</sup> December 2016\*

(Pursuant to paragraph 4 of Article 448 of the Commercial Companies Code and in sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Code Regulations no. 5/2008)

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights*
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<b>Heerema Holding Company Inc.</b> Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
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<b>Genesis Asset Managers, LLP</b>	12,659,067	2.012%	12,659,067	2.012%

\* Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

## 8. Number of Shares and Bonds Held by Members of the Management and Supervisory Boards

(Pursuant to paragraph 5 of Article 447 of the Commercial Companies Code)

### The Board of Directors

Members of the Board of Directors	Held on 31.12.15		Increases during the year		Decreases during the year		Held on 31.12.16	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Alan Johnson <sup>1</sup>	30,075	-	-	-	-	-	n.a.	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) <sup>2</sup>	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
Henrique Manuel da Silveira e Castro Soares dos Santos	26,455 <sup>3</sup>	-	-	-	-	-	26,455 <sup>3</sup>	-
Nicolaas Pronk <sup>1</sup>	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) <sup>4</sup>	31,464,750	-	-	-	-	-	n.a.	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

<sup>1</sup> Ceased duties as Director on April 14, 2016.

<sup>2</sup> Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.

<sup>3</sup> Of which 1,500 shares held by spouse.

<sup>4</sup> Asteck, S.A.; See Point 20.

### Statutory Auditor

As at 31<sup>st</sup> December, 2016, the Statutory Auditor, PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and did not make any transactions, during 2016, with Jerónimo Martins, SGPS, S.A. securities.

### 9. Special Powers of the Board of Directors, Especially in Relation to Deliberations on Capital Increases

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

### 10. Significant Business Relationships between the Holders of Qualifying Holdings and the Company

Pursuant to the policy that has been followed by the Company in this area, no business was carried out by the Company with the owners of Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

As disclosed to the market on 30<sup>th</sup> September 2016, the Company sold 100% of the shares of its subsidiary Monterroio - Industry & Investments B.V. ("Monterroio") to Sociedade Francisco Manuel dos Santos B.V. (SFMS), which resulted in the immediate receipt of 310 million euros.

The company sold - Monterroio - was the sub-holding for manufacturing and services businesses comprising its subsidiaries Jerónimo Martins - Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins - Restauração e Serviços, S.A., fully owned (100%), as well as the shareholdings in Unilever Jerónimo Martins, Lda. (45%), Gallo Worldwide, Lda. (45%), Hussel Ibéria - Chocolates e Confeitaria, S.A. (51%) and Perfumes e Cosméticos Puig Portugal - Distribuidora, S.A. (27.545%).

Considering the strategic fit of these businesses within Jerónimo Martins' portfolio, the Company bought back to a subsidiary company of SFMS, as from 31<sup>st</sup> December 2016, through the company Tagus - Retail & Services Investments B.V., the control of 100% of the share capital in Jerónimo Martins - Restauração e Serviços, S.A. and of 51% of the share capital in Hussel Ibéria - Chocolates e Confeitaria, S.A.

Besides the transactions above detailed, there are no significant business relationships between holders of Qualifying Holdings and the Company.

## Section B Corporate Bodies and Committees

### Subsection I General Shareholders' Meeting

#### A. Composition of the Presiding Board of the General Shareholders' Meeting

#### 11. Details and Position of the Members of the Presiding Board of the General Shareholders' Meeting

Abel Bernardino Teixeira Mesquita and Tiago Ferreira de Lemos were in office as Chairman and Secretary of the General Shareholders' Meeting, respectively, until 14<sup>th</sup> April 2016.

On 14<sup>th</sup> April 2016, Abel Bernardino Teixeira Mesquita and Nuno de Deus Pinheiro were appointed as Chairman and Secretary of the General Shareholders' Meeting, respectively, for the term 2016-2018.

#### B. Exercising the Right to Vote

#### 12. Restrictions on the Right to Vote

The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by shareholders of the performance of members of the Board of Directors.



As such Article Twenty Four of the Articles of Association of the Company establishes the rule that each share has the right to one vote.

Accordingly, the Company has not established mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, inter alia, no special rights for shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association, nor is there any special rule in the Articles of Association regarding systems whereby the financial rights attached to securities are separated from the holding of securities.

Attending the Shareholders' Meeting is not subject to holding a minimum number of shares.

According to Article Twenty-Six of the Articles of Association of the Company, the Shareholders' Meeting may take place upon the first convocation, as long as more than 50% of the Company's capital is present or represented.

### **Participation in the General Shareholders' Meeting**

Under the provisions of the Portuguese Securities Code and Article Twenty-Three of the Articles of Association, the shareholders that meet the following conditions can participate and vote at the General Shareholders' Meeting:

- i. On the Record Date, corresponding to 00:00 (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;

- ii. By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;
- iii. By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that shareholder's name on the Record Date.

### **Postal Vote**

According to paragraph three of Article Twenty-Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the General Shareholders' Meeting or his substitute to verify their authenticity and full compliance with the procedures, as well as to assure confidentiality when a vote is submitted. In the event that a shareholder or a shareholder's representative is present at the General Shareholders' Meeting, the postal vote that was issued is revoked.

Postal votes count as negative votes in relation to deliberative proposals presented subsequent to the date on which those votes were issued.

The Company has provided a form to exercise the right to vote by post on its web page.

As the Company's Articles of Association do not state anything on this matter, the Company has established a deadline of 48 hours prior to the General Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM on this matter.

### **Vote by Electronic Means**

The Company, also recognising that using new technologies encourages shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at [www.jeronimomartins.pt/?lang=en](http://www.jeronimomartins.pt/?lang=en). In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

### 13. Maximum Percentage of Voting Rights That May Be Exercised by a Single Shareholder or by Shareholders that Are in any Relationship as set out in Art. 20/1 PSC

The Company has not established rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

### 14. Details of Shareholders' Resolutions that, Imposed by the Articles of Association, may only be Taken with a Qualified Majority, in Addition to Those Legally Provided

There is no special rule in the Articles of Association regarding deliberative quorums.

## Subsection II Management and Supervision (Board of Directors)

### A. Composition

### 15. Details of Corporate Governance Model Adopted

The Company has adopted the anglo-saxon governance model which corresponds to the option foreseen in subparagraph b) of Article 278 of the Commercial

Companies Code. According to this model the management and supervision of the Company are organized through a Board of Directors, which includes the Audit Committee, and a Statutory Auditor.

### 16. Articles of Association Rules on the Procedural Requirements Governing the Appointment and Replacement of Members of the Board of Directors

The first Article of the Regulations of the Company's Board of Directors foresees that the composition of this body will be decided in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and that it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of Article nine of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within 60 days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

According to Article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed simultaneously with the members of the Board of

Directors, and the lists of proposed members of the latter body must indicate those that are intended to form the Audit Committee. The members of the Audit Committee cannot perform executive roles in the Company.

There is no specific regulatory provision regarding the appointment and replacement of Members of the Audit Committee, being applicable only what is set forth in law.

### 17. Composition of the Board of Directors

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members, elected by the General Shareholders' Meeting for three year terms. During 2016, the Board of Directors had the composition indicated below, being currently composed of nine effective members, who were elected at the General Shareholders' Meeting held on 14<sup>th</sup> April 2016 for the term of office 2016-2018:

### **Pedro Manuel de Castro Soares dos Santos**

- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31<sup>st</sup> March 1995
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Andrzej Szlezak**

- Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **António Pedro de Carvalho Viana-Baptista**

- Independent Non-Executive Director
- First appointment on 9<sup>th</sup> April 2010
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Artur Stefan Kirsten**

- Non-Executive Director
- First appointment on April 2010 (term of office expired on February 2011)
- New appointment on 9<sup>th</sup> April 2015
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Clara Christina Streit**

- Independent Non-Executive Director
- First appointment on 9<sup>th</sup> April 2015
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Francisco Manuel Seixas da Costa**

- Independent Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Hans Eggerstedt**

- Non-Executive Director
- First appointment on 29<sup>th</sup> June 2001
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Henrique Manuel da Silveira e Castro Soares dos Santos**

- Non-Executive Director
- First appointment on 9<sup>th</sup> April 2015
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Sérgio Tavares Rebelo**

- Independent Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

### **Alan Johnson**

- Non-Executive Director
- First appointment on 30<sup>th</sup> March 2012
- Expiry of the term of office on 31<sup>st</sup> December 2015
- In office until 14<sup>th</sup> April 2016

### **Nicolaas Pronk**

- Non-Executive Director
- First appointment on 30<sup>th</sup> March 2007
- Expiry of the term of office on 31<sup>st</sup> December 2015
- In office until 14<sup>th</sup> April 2016



## 18. Distinction Between Executive and Non-Executive Directors and Identification of Independent Directors Among Non-Executive Directors

The Company seeks a balance in the composition of the Board of Directors through the integration of Non-Executive Directors and Independent Directors alongside the Executive Director, in the scope of a delegation of duties, the respective discrimination of which being referred in point 17, above. The distinctive criterium used by the Company coincides with that of the EU Commission's Recommendation 2005/162/EC, of 15<sup>th</sup> February 2005, being considered as Executive Director any member who is engaged in the daily management of the Company and, a *contrario sensu*, Non-Executive Directors are those who are not engaged in the daily management.

The Board of Directors is therefore composed of Non-Executive Directors, in particular Independent Directors who possess a wide range of technical skills, contact networks and connections with national and international bodies, who therefore enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its shareholders, thereby ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board of Directors.

In accordance with the principles by which the Company is run, although all Board Members are accountable to all shareholders equally, the independence of the Board of Directors in relation to the shareholders is further reinforced by the existence of Independent Board Members.

Pursuant to the 2013 CMVM's Recommendations on Corporate Governance, hereafter referred to as "2013 CMVM's Recommendations", considering the provision of recommendation II.1.7, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-Baptista, Clara Christina Streit, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit Committee and therefore they are subject further to the independence criteria indicated in paragraph 5 of Article 414 of the Commercial Companies Code. According to these criteria Director Hans Eggerstedt cannot be regarded as independent. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

Being the number of Independent Directors of four, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. (2013 CMVM's

Recommendations), also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, half of such Directors).

## 19. Professional Qualifications of the Board of Directors

**Pedro Soares dos Santos** joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the latter Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and in Brazil. In 2001, he also assumed responsibility for the operations area for Food Distribution in Portugal. He has been a Director of Jerónimo Martins, SGPS, S.A. since 31<sup>st</sup> March 1995, and has been Chief Executive Officer since 9<sup>th</sup> April 2010 and Chairman of the Board of Directors of the Company since 18<sup>th</sup> December 2013.

**Andrzej Szlezak** is a Polish national and has a Master degree in English philology and in law from Adam Mickiewicz University in Poznan, Poland. In 1981, he passed the judicial exam and in 1994, he was admitted to the Chamber of Legal Advisors (Poznan Chapter). In 1979, he started his academic career at said university where he was awarded his doctorate and post-doctorate degrees in Law ("Habilitated Doctor") in 1985 and in 1992, respectively. In 1994, he was awarded a

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professorship at Adam Mickiewicz University (Law School), which he held until 1996. At present, he is a professor at Warsaw School of Social Sciences and Humanities. In 1991, he joined the law firm of Soltysinski, Kawecki & Szlezak ("SK&S") where he became Partner in 1993 and Senior Partner in 1996. During his practice at SK&S he has provided legal advice in numerous privatization and restructuring transactions in many sectors of Polish economy (mostly in M&A, corporate and greenfield projects). Since 1999, he has been an arbitrator of the Arbitration Court at the Polish Chamber of Commerce (KIG) in Warsaw, being at the moment Deputy Chairman of the Arbitration Board of this Court. He has also been appointed an arbitrator in several proceedings (national and international) before the ICC International Court of Arbitration in Paris and in *ad hoc* proceedings conducted according to the UNCITRAL Arbitration Rules. He is also the author of several publications, including foreign-language publications, in the fields of civil, commercial and arbitration law. He has been a Non-Executive Director of the Company, since 10<sup>th</sup> April 2013.

**António Viana-Baptista** holds a Degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991, he was Principal Partner of McKinsey & Co. in the Madrid and Lisbon offices. He held the post of Director

in the Banco Português de Investimento, between 1991 and 1998. From 1998 to 2002, he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008, he was Chairman and CEO of Telefónica España. Between 2000 and 2008, he was a Non-Executive Director of the Board of Directors of Portugal Telecom. He was CEO of Crédit Suisse AG for Spain and Portugal, from 2011 to 2016, acting currently as a consultant of that company. He has been Non-Executive Director of the Company since 9<sup>th</sup> April 2010.

**Artur Stefan Kirsten** is a German national and took his master degree in Business Economics and Informatics, from 1981 to 1986, at the FernUniversität Hagen and Georg-August-Universität Göttingen. In 1991, he has taken his Doctorate Degree followed later by the Stanford Executive Program with the Graduate School of Business of Stanford University in California. Since 1995 he has been teaching at different universities in Germany and abroad. Dr. Kirsten has been appointed to a professorship with the Westfaelische University in Gelsenkirchen since 2001. He serves as the Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") where he has been a member of the Management Board since 1<sup>st</sup> January 2011. He was Member of the Board of Directors of the Company, from April 2010 to February 2011, and he is currently a Board member at Sociedade Francisco Manuel dos Santos BV.

His previous positions were as Chief Executive Officer (CEO) of Majid Al Futtaiim Group LLC, a real estate development company focusing mainly on property, retail and ventures in the Emirates, and Chief Financial Officer (CFO) of Metro AG and ThyssenKrupp AG in Germany. He has been Non-Executive Director of the Company, since 9<sup>th</sup> April 2015.

**Clara Christina Streit** is both a US and German citizen and holds a Master's Degree in Business Administration from the University of St. Gallen, Switzerland. She serves as an Associate Professor at the Lisbon Nova e Católica Universities and independent Non-Executive Director of several European corporations. She began her career as a Consultant at McKinsey & Company where she retired as Senior Partner in 2012, after more than 20 years of experience as an advisor to financial institutions. She serves as a Director of Bank Vontobel AG, since 2011, where she is also a member of the Nomination and Compensation Committee. Since 2013, she has been a Member of the Supervisory Board and Chairs the Nomination Committee of the Dutch insurance company Delta Lloyd N.V. She is also a member of the Supervisory Board of the German property company Vonovia SE (former "Deutsche Annington SE"). From May 2015, she is a Member of the Board of Directors and of the Internal Controls & Risks and Corporate Governance, HR & Nomination Committees at Unicredit S.p.A, Milan. She has been Non-Executive Director of the Company, since 9<sup>th</sup> April 2015.



### 3. How we are organised

**Francisco Seixas da Costa** has a degree in Political and Social Sciences from the Universidade Técnica of Lisbon. He started his diplomatic career in 1975 as a diplomat in the Portuguese Ministry of Foreign Affairs. Between 1995 and 2001, he was Secretary of State for European Affairs, where he had several official functions, amongst others, Portuguese chief negotiator of the EU Amsterdam treaty, from 1995 to 1997, Portuguese coordinator for the negotiation of the EU financial framework, from 1997 to 1999, and President of the Council of Ministers of the EU Internal Market in 2000. From 2001 until 2002, he was Ambassador, Permanent Representative to the United Nations, in New York, and, from 2002 until 2004, he was Ambassador, Permanent Representative to the Organization for Security and Cooperation in Europe (OSCE), in Vienna. Between 2004 and 2008, he was Ambassador to Brazil, in Brasília, and, between 2009 and 2013, he was Ambassador to France and Permanent Representative to UNESCO (since 2012), in Paris. Since 2013, he has been member of the Consultative Council of Fundação Calouste Gulbenkian and Member of the Strategic Council of Mota-Engil, SGPS, S.A. Since 2014, he is a professor in Universidade Autónoma de Lisboa. In April 2016, he was appointed Director and Member of the Nominations and Remunerations Committee of EDP Renováveis. He is a columnist and cooperates with several publications, also being the author of several works on international issues and security. He has been a Non-Executive Director of the Company, since 10<sup>th</sup> April 2013.

**Hans Eggerstedt** is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director and Information and Technology Director of Unilever. He was nominated to the Board of Directors of Unilever N.V. and Unilever PLC in 1985, a position he held until 1999. Between 2003 and 2012, he was a Non-Executive Director of the COLT Telekom Group S.A., from Luxembourg. He has been Non-Executive Director of Jerónimo Martins, SGPS, S.A., since 29<sup>th</sup> June 2001.

**Henrique Soares dos Santos** holds a Degree in Management by Instituto Superior de Gestão and is an Alumni of INSEAD. He began his career in 1993 as Management Accountant Trainee at Fima - Produtos Alimentares S.A., and one year later was Assistant of the Management Accounting Director. He served as Budget Controller of Jerónimo Martins, SGPS, S.A., between 1996 and 1997, the year he started serving as Treasury Manager of Eurocash Sp. zo.o. in Poland, until 1998. The following year he was appointed Financial Controller of Jerónimo Martins Retail Activity Polska Sp. zo.o. In 2001, he served as Deputy Group Controller and in 2001, the same year he was appointed Chief of Staff to the Chairman of the Board of Directors, a position he held until 2002. He last served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, SGPS, S.A. He is a Member of

the Board of Directors of Jerónimo Martins - Serviços, S.A., of Arica Holding BV, of Sindcom - Investimentos, Participações e Gestão, S.A., as well as of Nesfia - Sociedade Imobiliária, S.A. and of Waterventures - Consultoria, Projectos e Investimentos, S.A. He has been Non-Executive Director of the Company since 9<sup>th</sup> April 2015.

**Sérgio Tavares Rebelo** has a degree in Economy from Universidade Católica Portuguesa. He also has a M.Sc. in Operations Research from Instituto Superior Técnico of Lisbon, as well as a M.A. and a Ph.D. in Economy from University of Rochester. He began his academic career as an instructor at Universidade Católica Portuguesa, in 1981. In 1988, he joined Northwestern University as Assistant Professor of Finance and became Associated Professor of Finance, in 1991. Between 1992 and 1997, he was Associated Professor of the Department of Economics of the University of Rochester and, since 1997, he has been Tokai Bank Distinguished Professor of International Finance, Kellogg School of Management, of Northwestern University. Since 1982, he has published numerous articles and books on economics and finance. He has been a Member of the Advisory Council to the Global Markets Institute at Goldman Sachs, since April 2012, and was appointed Non-Executive Director of Integrated DNA Technologies, as from September 2015. He has been Non-Executive Director of the Company, since 10<sup>th</sup> April 2013.

**Alan Johnson** is a British national, with a degree in Finance & Accounting obtained in the UK. He joined Unilever in 1976, where he made his professional career,

occupying various financial positions in several countries such as United Kingdom, Brazil, Nigeria, France, Belgium, the Netherlands and Italy. Amongst other positions, he was Senior Vice President Strategy & Finance for Europe, Senior Vice President Finance & IT and CFO of Unilever Foods Division worldwide. Until March 2011, he was Chief Audit Executive, based in Rotterdam. He was a Member of the Market Oversight Committee of the Chartered Association of Certified Accountants, between 2007 and 2013, and has been a member of the Professional Accountants in Business Committee of the International Federation of Accountants based in New York, since 2011. In January 2012, he joined the Jerónimo Martins Group as Chief Financial Officer, having been Director of Jerónimo Martins, SGPS, S.A., from 30<sup>th</sup> March 2012 to 14<sup>th</sup> April 2016.

**Nicolaas Pronk** is a Dutch national and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989, he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989, he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and disinvestments and defining Corporate Governance. Since 1999, he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He was Non-Executive Director of the Company, from 30<sup>th</sup> March 2007 to 14<sup>th</sup> April 2016.

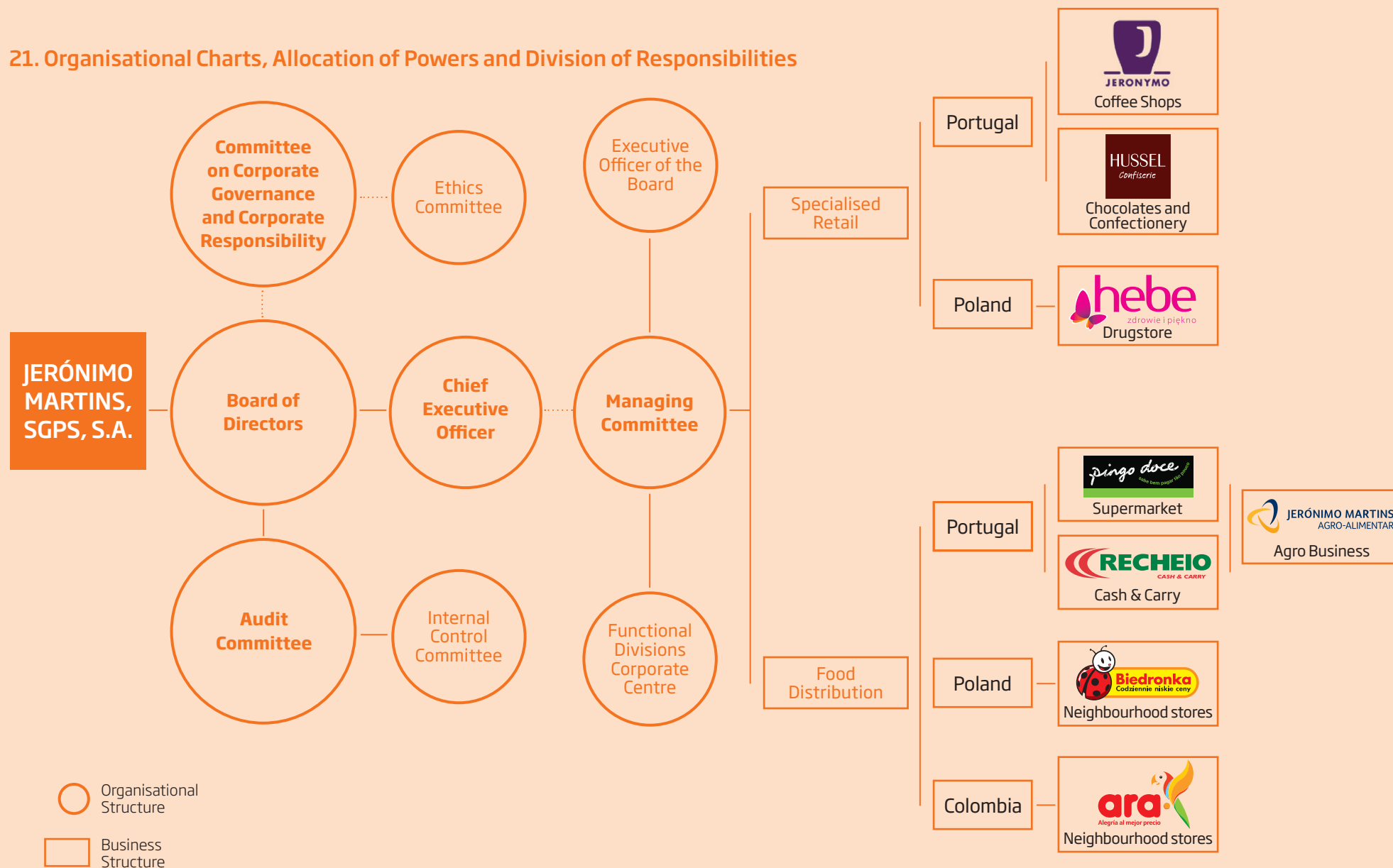
## 20. Customary and Meaningful Relationships of Members of the Board of Directors with Shareholders that are Assigned Qualifying Holdings

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
Artur Stefan Kirsten	Director	Sociedade Francisco Manuel dos Santos, B.V.
Nicolaas Pronk <sup>1</sup>	Director	Asteck, S.A.

<sup>1</sup> Expiry of the term of office on 14<sup>th</sup> April, 2016.



## 21. Organisational Charts, Allocation of Powers and Division of Responsibilities



### Chairman of the Board of Directors

The Chairman of the Board of Directors, according to the Board of Directors' Regulations, in addition to the institutional representation of the Company, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for taking part in the meetings of other committees set up by the Board of Directors and for defining the overall strategy of the Company.

### Delegation of Powers and Coordination of Non-Executive Directors

The Board of Directors, by resolution, delegated various duties regarding the day-to-day management of the Company in one Chief Executive Officer who, in the terms of such delegation, is entitled:

- a. to manage all corporate businesses and perform all operations relating to its corporate objectives, included in the scope of its current role, as holding company;
- b. to represent the Company, in court or otherwise, to propose and answer to any lawsuits or engage in any arbitrations, for which purpose it may designate proxies, as well as compromise in, confess or withdraw from any such lawsuits or arbitrations;
- c. to decide on loans or other financial operations to be contracted from the financial market at home or abroad, as well as on the issuance of debt securities within the powers of the Board of Directors and to accept the supervision of the lending entities, all these up to the amount of 50,000,000 (fifty million) euros and in full compliance with that prescribed in the Articles of Association of the Company;

- d. to decide on the provision of technical and financial support, including through the granting of loans by the Company to companies whose stakes or shares the former holds in total or in part;
- e. to decide on the sale/transfer or lease (as lessor) any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any divestments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such divestment is set out in the Medium or Long Term Plans, as defined below, approved by the Board of Directors;
- f. to decide on the acquisition or lease (as lessee) of any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any investments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such investment is set out in the Medium and Long Term Plans, as defined below, approved by the Board of Directors;
- g. to appoint the individuals to be proposed to the General Shareholders' Meeting from the companies referred to in sub-paragraph d) above, to fill the roles of the respective corporate bodies, indicating those who will fulfil executive functions;
- h. to approve policies and rules transverse to the Companies of the Group, such as procedure manuals, regulations and service instructions, *maxime*, those concerning (i) Human Resources, (ii) Operational Control, (iii) Food Safety and Quality Control, and (iv) Reporting and Investments;
- i. to approve the expansion plans with respect to the activities of each of the business areas, as well as

Group Companies forming part of the Group but not included in the business areas;

- j. to approve the organic structure for the Group's companies;
- k. to decide on the instructions to be given by the Company to the management of its subsidiary Companies with respect to those matters referred to herein, pursuant to and in compliance with the applicable laws.

For the purpose of the delegation of powers, it is considered as being foreseen in the Medium and Long-Term Plans (which are considered to be the activity and investment plans and financial projections on a three-year term), the acquisitions, sales, investments or divestments, the amount of which does not exceed by more than 10% each heading contained in those Plans.

In 2016, the Managing Committee remained in office as the consultative body which, as referred in point 29, has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses within the corporate purpose of the Company.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors retains authority over strategic matters of management of the Group, in particular those regarding the definition of general policies of the Company and the corporate structure of the Group and those that, due to their importance and special nature, may significantly impact on the business activity of the Group.

### 3. How we are organised

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Apart from the powers on strategic matters of management of the Group, the Board of Directors has effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management, having implemented mechanisms that ensure such supervision.

To this end, at each Board of Directors meeting the Chief Executive Officer reports on the Company activity since the last meeting and provides any further clarification that the Non-Executive Directors may require. All information requested by the Non-Executive Directors in 2016 was provided in full and in a timely manner by the Chief Executive Officer.

Additionally, considering that the Chief Executive Officer is, simultaneously, Chairman of the Board of Directors, it was approved by decision of the said Board, a Mechanism for Coordinating the Activities of Non-Executive Directors, complying with recommendation II.1.10 of CMVM's Recommendations 2013.

Such Mechanism foresees that the members of the Board of Directors who are not part of an Executive Committee or are not Executive Directors are

responsible, pursuant to the terms of Article 407, paragraph 8 of the Commercial Companies Code, for monitoring the activity of the Executive Committee or the Executive Directors, as the case may be, as well as for the damages caused by their acts or omissions when, having knowledge of such acts or the intent to commit them, they do not seek the intervention of the Board of Directors to take the necessary measures.

The monitoring and supervising activity is also carried out by Non-Executive Directors through their participation in Specialized Committees and working groups set up by the Company, as well as in the corporate bodies of subsidiary companies.

Still on the terms of such Mechanism, the Executive Directors or the Chairman of the Executive Committee, as applicable, as well as Directors charged with a special duty, pursuant to the terms of Article 407, paragraphs 1 and 2 of the Commercial Companies Code, shall:

- a) whenever necessary disclose to Non-Executive Directors all the relevant information regarding the performance of the delegated powers or the special duty conferred upon them;
- b) answer, within a reasonable deadline, to any information request presented by any Non-Executive Director, within their respective functions, and such information shall also be made available to the remainder members of the Board of Directors.

It is foreseen in the said Mechanism that Non-Executive Directors may also meet in *ad hoc* meetings, convened at the request of any two of them by the Company's Secretary (who shall inform the Chairman of the Board of Directors about the summons), pursuant to the terms foreseen in the Board of Directors Regulations.

In order to allow for an independent and informed participation of Non-Executive Directors in the meetings of the Board of Directors or in the meetings of the Specialised Committees and working groups set up by the Company as well as in the corporate bodies of subsidiary companies they integrate, the Mechanism foresees that the Company's Secretary shall make available to them the definitive agenda of the meeting and respective preliminary documentation, pursuant to the terms and within the deadlines foreseen in the Board of Directors Regulation.

The Company's Secretary shall also ensure, according to the Mechanism implemented, the delivery to the Directors, who so request, of a copy of the minutes of the meetings of the Managing Committee as well as a copy of any other minutes of the meetings of Corporate Bodies or Specialised Committees within the Board of Directors. Moreover, the Company's Secretary shall, within its duties, provide Directors with all information regarding the resolutions of the Board of Directors or Executive Committee or the decisions of the Executive Directors.



## Organisational Structure and Division of Responsibilities

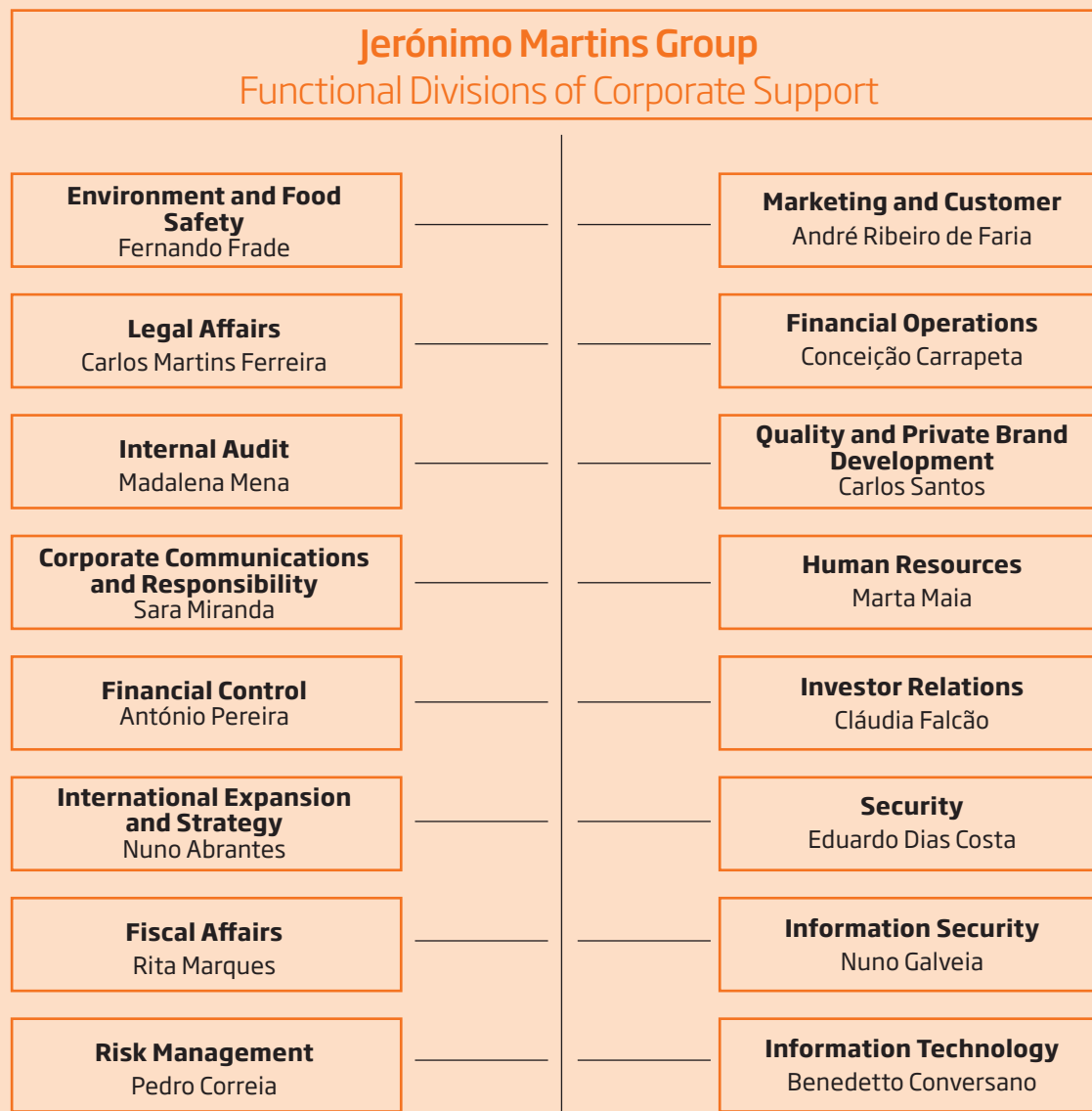
Jerónimo Martins, SGPS, S.A. is the Holding Company of the Group and, as such is responsible for the main guidelines for the various business areas, as well as for ensuring consistency between the established objectives and available resources. The Holding Company's services include a set of Functional Divisions which provide support for Corporate Centre and services to the Operating Areas of the Group's companies, in the different geographical areas in which they operate.

In operational terms, Jerónimo Martins is organised into three business segments: i. Food Distribution, ii. Specialised Retail and iii. Agro Business, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – is organised into Geographical Areas and Operating Areas (under different brands). The Agro Business segment serves, essentially, as a support to Food Distribution, at the present time only in Portugal, guaranteeing the supply and differentiation in relevant categories.

### Holding Company Functional Divisions

The Holding Company is responsible for: i. defining and implementing the development strategy of the Group's portfolio; ii. strategic planning and control of the various businesses and consistency with the global objectives; iii. defining and controlling financial policies; and iv. defining Human Resources Policy, with direct responsibility for implementing the Management Development Policy.

The Holding Company's functional divisions are organised as follows:



**Environment and Food Safety** – Responsible for defining the strategy, policies and procedures to be implemented within the areas under its responsibility across all the countries where the Jerónimo Martins Group is present.

Concerning the environment, Jerónimo Martins has defined the principle of establishing strategies, processes, projects, goals and targets, as part of the value chain, in order to minimise the direct and indirect impacts caused by its operations, especially those linked to the consumption of energy and water, to ensure the proper use of materials, to implement correct waste management and to protect biodiversity. The main actions and results implemented in 2016 can be found in the Chapter IV of this document.

A crucial activity at Jerónimo Martins is Food Safety. Management continues to reinforce the customer information component, thus contributing to maintain the freshness and quality of our products until the moment of consumption.

There was a strong bet on the on-the-job training and on accompanying the introduction of legislation concerning the information provided and food safety for the consumer.

**Legal Affairs** – Ensures ongoing legal assistance to the Company, preparing contracts, opinions and studies, assisting the Board of Directors in decision making, implementing risk planning policies and giving support to other Functional Divisions. It also ensures the

necessary coordination between the legal departments of subsidiaries in the different jurisdictions in which they operate.

In 2016, this Division continued to focus on monitoring the evolution of the corporate rules and recommendations in the Group's various reorganization operations and on supporting the Board of Directors and other Functional Divisions in the project of internationalisation of the Group, among other matters.

It also had an important role regarding the prevention of legal disputes, through legal counselling and internal training.

**Internal Audit** – Assesses the quality and effectiveness of the internal control and risk management systems (both operational and non-operational) that are set by the Board of Directors, ensuring their compliance with the Group's and each business unit's procedures, as well as ensuring compliance with the legislation and regulations applicable to the respective operations.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are referred in point 50.

**Corporate Communications and Responsibility** – It is responsible for the strategic management of the Jerónimo Martins brand, by enhancing relations with the various non-financial stakeholders and promoting and

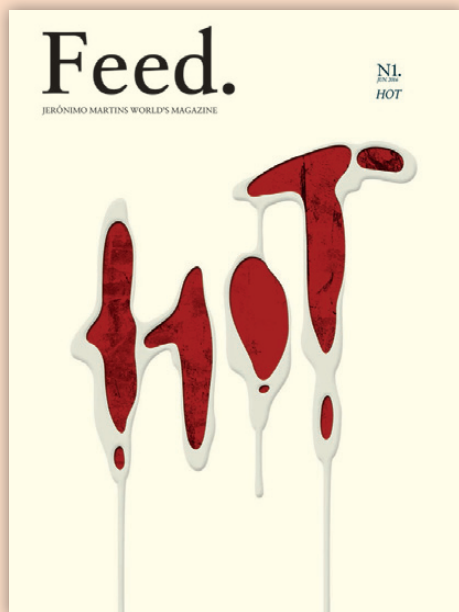
strengthening the integration of environmental, social and ethical issues in the value chain, preserving and developing the Group's reputation capital. It acts as an agent of inter-departmental integration, promoting the alignment of messages and practices with the values and goals of the Group.

In 2016, it was responsible for the leadership of the conception, development and implementation project for a new corporate Intranet with the OUR JM brand. It conceived, defined, developed and implemented the strategy and the contents for the launch of the Jerónimo Martins corporate channel on YouTube, which can be accessed on [www.youtube.com/channel/UCvNmrfc3d5IBPVQs-6lj2Rw](http://www.youtube.com/channel/UCvNmrfc3d5IBPVQs-6lj2Rw).

As the manager of the LinkedIn corporate page, this Department kept on managing this channel. It can be accessed on [www.linkedin.com/company/jeronimo-martins](http://www.linkedin.com/company/jeronimo-martins).

It also organised the 5<sup>th</sup> Sustainability Conference, addressed to both its top management and strategic partners, which was also attended by Government and Non-Government Organisations, as well as other agents in the Food Distribution industry.

Finally, it launched the Group's multi-stakeholder external corporate magazine – "Feed" – with the objective of sharing new perspectives on the big issues that influence the societies where Jerónimo Martins develops its businesses. "Feed" is published every six months, with limited circulation, having an online version, which can be accessed on <http://feed.jeronimomartins.com>.



**Financial Control** - Responsible for providing financial information to support decision-making by the Company's Corporate Bodies. It encompasses the areas of Consolidation and Accounting, Financial Planning and Control.

The Consolidation and Accounting area prepares consolidated financial information in order to comply with statutory and legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Group.

It also supervises the financial reporting of the different Group Companies to ensure that it conforms to the standards, supporting the Companies in the accounting assessment of non-recurrent transactions, as well as restructuring and expansion operations.

The area of Planning and Control coordinates and supports the process for creating the Jerónimo Martins Strategic Plans, which are used as a basis for strategic decision-making by the Corporate Governance Bodies.

It has a control function, monitoring the performance of the different business units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

It also makes a financial assessment of all investment projects that are relevant for the Group, providing support to the Managing Committee for its approval and subsequent follow-up.

In 2016, it focused its activity on several ownership structure restructuring projects, M&A operations and Divestments. It also supported and monitored the performance of the business units, with special focus on the new businesses, and supported the development of the medium and long-term strategic plans of the Group.

**International Expansion and Strategy** - Responsible for prospecting and analysing opportunities to develop the Group's business portfolio and for leading and participating in projects of a strategic nature.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and

evaluate opportunities for the Group to expand and increase its value, focusing its activity on markets and businesses that can support the development of new and relevant business units for the Jerónimo Martins portfolio.

With regard to strategic projects, it holds the responsibility to lead or support both corporate group-wide projects and strategic projects that are specific to individual Group Companies.

During 2016, it led and supported several strategic projects across the Group's geographies and continued to develop prospects for expansion in new markets and businesses.

**Fiscal Affairs** - Provides all of the Group's Companies with assistance in tax matters, ensuring compliance with legislation in force and in the optimisation of the business units' management activities from a tax perspective. It also manages the Group's tax disputes and its relations with external consultants and lawyers, as well as with Tax Authorities.

In 2016, it gave the necessary technical support in all ownership restructuring operations, M&A and Divestments. It monitored the implementation in the Group of the European legislation related with the Base Erosion and Profit Shifting (BEPS). Through the associations that represent the sector it ensured the defense of the Group's interests, whether collaborating on the clarification and implementation of new legislation, or in the public debate of legislative projects.

**Risk Management** - Responsible for implementing the Group's risk management policies and procedures, as well as for providing the necessary support to the Governance Bodies of the Company in identifying any risks that might compromise the strategy defined by the Group, as well as its business objectives.

The activities carried out in the area of Risk Management are described in points 52 to 55 of this chapter.

**Marketing & Consumer Office** - Office responsible for Marketing's strategic vision according to a consumer centric perspective with special focus on the Digital area.

It is this area's priority to understand thoroughly the clients so that the same are provided with an always improving experience in each of the Group's brands. For this are used tools and methodologies in Data and Consumer Insights that enable the establishment of a relevant interaction and a better experience in all contact points.

In 2016, this Office produced a strategic vision for Digital in the Group, prioritising key activities. Additionally it supported the Companies in several Marketing, Communication and Digital activities.

**Financial Operations** - This Division includes Financial Risk Management, as well as Treasury Management.

The activity of the first area is discussed in detail in points 52 to 55.

Treasury Management is responsible for managing relations with the financial institutions that already have or intend to have in the future a business relationship with Jerónimo Martins in terms of financing, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions may be obtained at all times. It also executes treasury planning with the aim of negotiating and implementing, for all the Group's Companies, the most suitable financial sources according to its cash flow generation profile, or to get the highest return with the lowest risk from the excess cash of the Group.

A large part of the treasury activities of Jerónimo Martins is centralized in the Holding Company, which is a structure that provides services to all other Companies of the Group. In compliance with the above-described activities, during 2016, new debt was issued to finance the investments in Colombia.

**Quality and Private Brand Development** - Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules in the various countries where Jerónimo Martins operates, ensuring the use of the best and most up-to-date practices in this area.

In 2016, the main activities carried out focused on:

- i.** carrying out the defined product and supplier control activities;
- ii.** continuous improvement of Private Brand products by reformulating existing products;
- iii.** increasing anti-fraud controls;
- iv.** maintaining the certifications in Quality and Food Safety;
- v.** rolling-out of the QMS (Quality Management System) for all geographies;
- vi.** conclusion of the Corporate Guidelines for Private Brand - Non-Food Products.

**Human Resources** - Founded on the culture and values of Jerónimo Martins, this Corporate area is responsible for defining and implementing the strategy and global policies of Human Resources with regard to the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits - promoting its compliance, safeguarding the uniqueness of the different geographical areas in which the Group operates and the individual nature of the different Companies.

The activities that this Functional Division carried out in 2016 can be found in detail in Chapter IV, Section 8 - Being a Benchmark Employer - of this document.

**Investor Relations** - Responsible for the communication with investors - whether current shareholders or not, institutional and private, national and foreign - as well as with the analysts who formulate opinions and

recommendations regarding Jerónimo Martins' share price. It is also the responsibility of this Division to co-ordinate all matters related to the Portuguese financial markets regulator (CMVM).

The activities carried out by this Functional Division can be found in detail in points 56 and 58.

**Security** - This area defines and controls procedures in terms of protecting the security of the Group's people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees of the Group.

**Information Security** - Responsible for planning, implementing and maintaining an information security and cybersecurity management system to ensure the confidentiality, integrity and availability of information in all Group Companies and for supporting systems recovery in the event of any disruption to the operations. This Division reports to the Chairman of the Board of Directors.

Information Security Officers (ISO) in each country, who report to this Division, ensure local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2016, Information Security assessed and mitigated information risks in applications, websites and loyalty

programmes. An information security awareness programme was launched and the Group Passwords Policy was reviewed to improve security on technology systems.

**Information Technology** - The mission of the IT function is to support growth of the business in a sustainable way, by leading change through relevant IT innovation in every Company of the Group.

The Division is responsible for defining and implementing the Global Information Technology Strategy for the Group, for promoting technology-based innovation and for aligning IT systems, policies and processes.

The key priorities for 2016 have been along the direction of:

- 1)** growing efficient: supporting the organic and geographical expansion of the Group, via the implementation of system that leverage our scale, reducing unit cost;
- 2)** digital: creating new capabilities to dematerialize paper, selling online in our cash and carry business, and new communication platform for the Group;
- 3)** consumer relevant: focusing on the improvement of our assortment and a simpler customer experience.

In addition, major progress was made towards the implementation of stronger internal processes, like Enterprise Architecture, Portfolio Management and Project Management.

## **Operational Areas**

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating geographical areas and operational areas, thus guaranteeing the required proximity to the different markets.

The Food Distribution business is divided into geographical areas - Portugal, Poland and Colombia - and within those countries then further divided into operational areas. In Portugal there are two operational areas: Pingo Doce (Supermarkets and Hypermarkets) and Recheio (Cash & Carry), which encompasses the Food Service division through Caterplus. In Poland there is the operational unit Biedronka (food stores) and in Colombia the unit Ara (food stores).

Within the Group's portfolio there is also a business segment devoted to Specialised Retail, existing in Portugal the operational areas Jeronimo (cafeterias) and Hussen (chocolates and confectionery shops) and in Poland the operational area Hebe (drugstores) which includes Apteka Na Zdrowie (pharmacies).

In the last two years, the Group implemented the first investments in the Agro Business area, starting its activity in the areas of dairy products, beef and aquaculture, with a special focus in the protection and differentiation of the supply chain from the operations of Food Distribution.



## B. Functioning

### 22. Availability and Place Where Rules on the Functioning of the Board of Directors may be Viewed

The Regulation of the Board of Directors is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

### 23. Number of Meetings Held and the Attendance

The Board of Directors, whose duties are described in Article Thirteen of the Company's Articles of Association, meets at least four times a year, and any of its members may be represented at the Board Meetings by another member, by means of a letter addressed to the Chairman.

During 2016, the Board of Directors met seven times. The respective minutes were prepared for all meetings.

The Directors who have not personally attended Board Meetings have, in general, appointed another Board Member to represent them, as statutorily provided, with the attendance of each Director to the referred meetings during the exercise of respective duties as follows:

Pedro Soares dos Santos	100%
Alan Johnson <sup>1</sup>	100%
Andrzej Szlezak	100%
António Viana-Baptista	100%
Francisco Seixas da Costa	100%
Hans Eggerstedt	100%
Nicolaas Pronk <sup>1, 2</sup>	0%
Sérgio Rebelo	100%
Henrique Soares dos Santos <sup>3</sup>	86%
Clara Streit	100%
Artur Stefan Kirsten <sup>3</sup>	86%

<sup>1</sup> Only the meetings of the Board of Directors held until 14th April, 2016, date when the appointment to the Board of Directors ceased, were taken into account.

<sup>2</sup> In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

<sup>3</sup> Absence to meeting of the Board of Directors was due to statement of conflict of interests presented, under Art. 410.º (6) of the Commercial Companies Code.

### 24. Performance Appraisal of Executive Directors

The assessment of performance of Executive Directors is made by the Remuneration Committee, elected by the General Shareholders' Meeting (see points 66 *et seq.*).

The Remuneration Committee is in charge of, in the scope of the Remuneration Policy, assessing the individual and collective performance of Executive Directors, evaluate their influence and impact in Jerónimo Martins' businesses and assessing their alignment with the medium and long-term interests of the Company.

As referred below (see point 27), currently there are no committees composed exclusively by Directors. Notwithstanding such fact, the performance of Executive Directors who are part of mixed committees (i.e. also composed of Non-directors) is evaluated by the Remuneration Committee, in the terms referred above.

### 25. Predefined Criteria for Assessing Executive Directors' Performance

The predefined criteria for assessing Executive Directors' performance arise from that established in the Remuneration Policy described in point 69.

### 26. Positions That the Members of the Board of Directors Hold in Other Companies and Respective Availability

Throughout the said year, the members of the Board of Directors held positions in other companies, namely:

**Pedro Soares dos Santos**

- Director of Jerónimo Martins Serviços, S.A.\*
- Director of Jeronimo Martins Polska, S.A.\*
- Director of Jeronimo Martins Drogerie i Farmacja Sp. zo.o.\*
- Director of Jeronimo Martins Colombia, SAS\*
- Director of Recheio, SGPS, S.A.\*
- Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.\*
- Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.\*
- Director of Jerónimo Martins – Agro-Alimentar, S.A.\*
- Director of Arica Holding B.V.
- President of the Supervisory Board of Warta – Retail & Services Investments B.V.\*
- President of the Supervisory Board of New World Investments B.V.\*

**Andrzej Szlezak**

- Chairman of the Supervisory Board of Agora, S.A.
- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.\*

**António Viana-Baptista**

- Director of Semapa, SGPS, S.A.
- Director of Arica Holding B.V.

**Artur Stefan Kirsten**

- Member of the Executive Committee and Chief Financial Officer of Vonovia SE
- President of the Supervisory Board of Vonovia Finance B.V.
- Member of the Supervisory Board of AVW Versicherungsmakler GmbH
- Director of Sociedade Francisco Manuel dos Santos, B.V.

**Clara Christina Streit**

- Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)

- Member of the Supervisory Board of Delta Lloyd N.V.
- Member of the Supervisory Board of Vonovia SE
- Director (Non-Executive) of Unicredit SpA

**Francisco Seixas da Costa**

- Member of the Consultive Board of Faculdade de Economia da Universidade de Coimbra
- Member of the Consultive Board of Faculdade de Ciências Sociais e Humanas da Universidade Nova de Lisboa
- Chairman of the Consultive Board of Fundação Calouste Gulbenkian
- Member of the Strategic Committee of Mota-Engil, S.A.
- Director (Non-Executive) of EDP Renováveis, S.A.
- Member of the Nominations and Remunerations Committee of EDP Renováveis, S.A.
- Director (Non-Executive) of Mota-Engil Engenharia e Construções África, S.A.
- Member of the Audit Committee of Mota-Engil Engenharia e Construções África, S.A.

**Hans Eggerstedt**

- Director of Arica Holding B.V.
- Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)

**Henrique Soares dos Santos**

- Director of Nesfia – Sociedade Imobiliária, S.A.
- Director of Jerónimo Martins – Serviços, S.A.\*
- Director of Arica Holding B.V.
- Director of Sindcom – Investimentos, Participações e Gestão, S.A.
- Director of Waterventures – Consultoria, Projectos e Investimentos, S.A.

**Sérgio Tavares Rebelo**

- Member of the Advisory Council to the Global Markets Institute at Goldman Sachs
- Director (Non-Executive) of Integrated DNA Technologies, Inc.

- Member of the Supervisory Board of Warta – Retail & Services Investments B.V.\*
- Member of the Supervisory Board of New World Investments B.V.\*

**Alan Johnson (until 14<sup>th</sup> April 2016)**

- Does not hold any position in other companies

**Nicolaas Pronk (until 14<sup>th</sup> April 2016)**

- Director of Antillian Holding Company N.V.
- Director of Aquamondo Insurance N.V.
- Director of Asteck S.A.
- Director of Cellotek Finance Luxembourg S.à.r.l.
- Director of Cellotek Holding (Luxembourg) S.A.
- Director of Epcote S.A.
- Director of Heavy Transport Group, Inc.
- Director of Heavy Transport Holding Denmark ApS
- Director of Heerema Engineering & Project Services, Inc.
- Director of Heerema Engineering and Project Services (Luxembourg) S.à.r.l.
- Director of Heerema Engineering Holding (Luxembourg) S.A.
- Director of Heerema Fabrication Finance (Luxembourg) S.A.
- Director of Heerema Fabrication Holding S.E.
- Director of Heerema Group Services S.A.
- Director of Heerema Holding Services (Antilles) N.V.
- Director of Heerema International Group Services Holding S.A.
- Director of Heerema International Group Services S.A.
- Director of Heerema Marine Contractors Finance (Luxembourg) S.A.
- Director of Heerema Marine Contractors Holding, S.E.
- Director of Heerema Transport Finance (Luxembourg) S.à.r.l.
- Director of Heerema Transport Finance II (Luxembourg) S.A.

\* Companies that are part of the Group

The positions held by the members of the Board in other companies did not affect their availability to take part in the Company's affairs, as demonstrated in the attendance report mentioned in point 23.

### C. Committees within the Board of Directors and Board Delegate

#### 27. Details of the Committees created within the Board of Directors

Currently, there are no committees in the Company composed exclusively by Directors, without prejudice to the Audit Committee to which is made reference to in points 30 to 33, being the Regulation of the Audit Committee available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

However, some committees were created in the Company, composed by Directors and by other individuals who are not Directors, analysed in point 29.

#### 28. Details of the Chief Executive Officer

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board, in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Pedro Soares dos Santos.

### 29. Description of the Powers of Each of the Committees Established and a Summary of Activities Undertaken

#### Managing Committee

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the Chair, Javier van Engelen (the Group's Chief Financial Officer), Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing Committee is responsible for advising the CEO, within the respective delegation of powers, in carrying out the following functions:

- control over the implementation by the Companies in the Group of the strategic guidelines and policies defined by the Board of Directors;
- financial and accounting control of the Group and of the Companies that are a part thereof;
- senior coordination of the operational activities of the different Companies in the Group, whether integrated or not in business areas;
- launching of new businesses and monitoring them until they are implemented and integrated in the respective business areas;
- implementation of the management policy of Human Resources defined for the top-level management of the entire Group.

In 2016, the Managing Committee held meetings for the exercise of its competences times, having been drawn up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company's Secretary.

#### Committee on Corporate Governance and Corporate Responsibility (CCGCR)

CCGCR is made up of a minimum of three and a maximum of nine Members, who are not required to be Directors, appointed by the Board of Directors. One of the members will be the Chairman.

The Board of Directors decided to appoint the current Chairman of the Board of Directors, Pedro Soares dos Santos, as Chairman of CCGCR, with the other Members of the Committee being Andrzej Szlezak, Francisco Sá Carneiro, Francisco Seixas da Costa, Henrique Soares dos Santos, José Joaquim Gomes Canotilho, José Soares dos Santos, Ludo van der Heyden and Sara Miranda.

In carrying out its mission, the CCGCR collaborates with the Board of Directors, assessing and submitting to it proposals for strategic orientation in the area of Corporate Responsibility, as well as monitoring and supervising on a permanent basis matters concerning: i. corporate governance, social responsibility, the environment and ethics; ii. the business sustainability of the Group; iii. internal codes of ethics and of conduct; and iv. systems of assessment and resolution of conflicts of interest, especially regarding relations

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between the Company and its shareholders or other stakeholders.

Especially on what concerns company governance, CCGCR has the duty to keep up, review and assess the appropriateness of the Company's model of governance and its consistency with the recommendations, patterns, and national and international best practices on company governance, addressing the Board of Directors the recommendations and proposing any changes, deemed adequate.

### **Ethics Committee**

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, based on a proposal from the Committee on Corporate Governance and Corporate Responsibility. Currently, it is composed by Susana Correia de Campos, Agata Wojcik-Ryszawa, Patrícia Farinha and Adriana Olarte. The mission of the Ethics Committee is to provide independent supervision of the disclosure of and compliance with the Group's Code of Conduct in all the Companies of the Group.

The duties of the Ethics Committee include:

i. establishing the channels of communication with the addressees of the Jerónimo Martins Group Code of Conduct and gathering such information as may be addressed to it in this connection; ii. ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code

of Conduct and with the appraisal of the recommendations stemming from such control; iii. appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCGCR within the scope of compliance with Code of Conduct and with analysing, in abstract, those that may be raised by any employee, customer or business partner (stakeholders); iv. proposing to the CCGCR the adoption of such measures as it may deem fit in this connection, including a review of internal procedures and alterations to the Jerónimo Martins Group Code of Conduct; and v. drawing up an annual report on its activities to be presented to the Committee on Corporate Governance and Corporate Responsibility.

The Ethics Committee reports functionally to the CCGCR, which has responsibilities in the fields of corporate governance, social responsibility, environment and ethics, including those related to the internal codes of ethics and of conduct, having held meetings for the exercise of its competences in 2016, of which were drawn up the respective minutes.

### **Internal Control Committee**

The Internal Control Committee (ICC), appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control system and the process of preparing financial statements, as well as for evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view

to ensuring compliance with the laws and regulations to which they are subject. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly, as a general rule, for the exercise of its competences, having been drawn up minutes of such meetings. It is composed of a Chairman (Alan Johnson) and four members (David Duarte, Francisco Martins, Madalena Mena and Henrique Soares dos Santos). None of the members is an Executive Director of the Company.

In 2016, the ICC continued its activities of supervision and evaluation of risks and critical processes, analysing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

## Subsection III Supervision (Audit Committee)

### A. Composition

#### 30. Details of the Supervisory Board

The supervisory board of the Company is the Audit Committee, consequence of the anglo-saxon governance model adopted.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is responsible in for the following:

- monitoring the preparation and disclosure of financial information;
- monitoring the effectiveness of internal control systems, internal auditing and risk management. For this purpose, they may work with the ICC, which shall report to them regularly on their work, pointing out situations that should be analysed by the Audit Committee;
- evaluating the external audit on a regular basis;
- approving activity plans in the area of risk management and following up on their execution, proceeding with the assessment of the recommendations resulting from the audit actions and the revisions of the procedures undertaken;
- looking after the existence of an adequate internal risk management system for the companies of which

Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;

- approving internal audit activity programmes, which respective Department functionally reports to it, as well as of the external audit;
- selecting, as proposed by the Managing Committee, the service provider for the external audit;
- monitoring the legal accounts audit services;
- assessing and monitoring the independence of the Statutory Auditor, especially when it performs additional services for the Company;
- issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings - or entities with them related under the terms of Article 20, no. 1 of the Portuguese Securities Code -, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee, for the adequate performance of its duties, requests and appraises all the management information deemed necessary. In addition, it has unrestricted access to the documentation produced by the auditors of the Company, having the possibility to request any information from them it deems necessary and being the first recipient of the final reports prepared by the external auditors.

During the previous year, the Audit Committee paid particular attention to the financial risk management and to the analysis of the reports and corrective measures proposed by Internal Audit.

#### 31. Composition of the Audit Committee

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, elected by the General Shareholder's Meeting to terms of three years.

With regard to changes in the composition of the Audit Committee throughout 2016, it is to note that, in the General Shareholders' Meeting held on 14<sup>th</sup> April 2016, it was decided to appoint the members of this body for the term of office 2016-2018.

Therefore, due to the applicable legal provisions, the members appointed for the term of office 2013-2015 were in office until 14<sup>th</sup> April 2016.

The composition of the Audit Committee, during 2016, was the following:

##### Sérgio Tavares Rebelo

- Chairman of the Audit Committee
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

##### Clara Streit

- First appointment on 14<sup>th</sup> April 2016
- Expiry of the term of office on 31<sup>st</sup> December 2018

##### Hans Eggerstedt

- First appointment on 30<sup>th</sup> March 2007
- Expiry of the term of office on 31<sup>st</sup> December 2018



#### **António Viana-Baptista**

- First appointment on 9<sup>th</sup> April 2010
- Expiry of the term of office on 31<sup>st</sup> December 2015
- In office until 14<sup>th</sup> April 2016

### **32. Details of the Independent Members of the Audit Committee**

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). Sérgio Tavares Rebelo and Clara Streit comply with the independence criteria foreseen in Article 414, number 5 of the Commercial Companies Code. See point 18 concerning Hans Eggerstedt.

### **33. Professional Qualifications of the Members of the Audit Committee**

The professional qualifications of the members of the Audit Committee are those described on point 19 ("Professional Qualifications of the Members of the Board of Directors").

Additionally, reference should be made to the fact that the vast experience of the members of the Committee in corporate body positions, as well as to their special technical merit in this particular matter, have created particular added value for the Company.

The Chairman of the Audit Committee, Sérgio Tavares Rebelo, is recognised internationally as one of the best

economists of today, having distinguished as a professor of International Finance at Kellogg School of Management. He acted as a consultant of several financial institutions, including, *inter alia*, the World Bank, the International Monetary Fund and the Bank of Portugal, as well as having occupied several positions in non-profit organizations. His outstanding academic background and his knowledge on risk management issues, e.g., financial, apart from his assertiveness and discernment in raising issues about the businesses and the countries where they operate, ensure him a special competence for the assignment as Chairman of the supervision body of the Company.

#### **B. Functioning**

### **34. Availability and Place Where the Rules on the Functioning of the Audit Committee may be Viewed**

The Regulation of the Audit Committee is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

### **35. Number of Meetings Held and the Attendance of Each Member of the Audit Committee**

The Audit Committee meets, at least, once every three months and is responsible for supervising Company management, carrying out the duties attributed by law and by Article Twenty of the Articles of Association.

During 2016, the Audit Committee met seven times and all meetings were duly minuted.

The attendance of each Director at the meetings during the exercise of the respective duties, measured in terms of personal attendance, was as follows:

Hans Eggerstedt	100%
António Viana-Baptista <sup>1</sup>	100%
Sérgio Rebelo	100%
Clara Streit <sup>2</sup>	100%

<sup>1</sup> Only the meetings held until 14<sup>th</sup> April 2016 were taken into account.

<sup>2</sup> Only the meetings held from 14<sup>th</sup> April 2016 were taken into account.

### **36. Positions that the Members of the Audit Committee Hold in Other Companies and Respective Availability**

The members of the Audit Committee have always been available for the Company's affairs during 2016, having participated in the same when it was necessary or when they considered to be necessary.

The positions held by the members of the Audit Committee in other companies are described in point 26 ("Positions that the Members of the Board of Directors Hold in Other Companies").

## C. Powers and Duties

### 37. Description of the Procedures and Criteria Applicable to the Audit Committee for the Purposes of Hiring Additional Services from the External Auditor

In the terms of Law no. 148/2015, of 9<sup>th</sup> September, the provision of services other than audit services, is subject to the verification of its adequacy (under the point of view of threats to independence and safeguard measures that eventually may be necessary) and prior approval of the Audit Committee, duly substantiated.

### 38. Other Duties of the Audit Committee

The duties of the Audit Committee are described in point 30.

## Subsection IV Statutory Auditor

### 39. Details of the Statutory Auditor and the Partner that Represents the Same

The Company's Statutory Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered

Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333 or by António Joaquim Brochado Correia, ROC no. 1076.

### 40. Number of Years that the Statutory Auditor Consecutively Carries out Duties with the Company

The Company's Statutory Auditor carries out duties with the Company for 28 years.

The Statutory Auditor was nominated for the first time during 2005, although, for calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins is taken into account.

### 41. Description of Other Services that the Statutory Auditor Provides to the Company

The Statutory Auditor also carries out the role of the Company's External Auditor, as mentioned in point 42. In point 46 is made reference to other services carried out by the Statutory Auditor for the Company

## Subsection V External Auditor

### 42. Details of the External Auditor and the Partner That Represents the Same in Carrying out These Duties

The External Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333, or by António Joaquim Brochado Correia, ROC no. 1076.

During 2016, the External Auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

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The External Auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the remuneration policy in force and other accounting and financial information that is essential for that purpose.

#### **43. Number of Years that the External Auditor and Respective Partner that Represents the Same in Carrying out These Duties Consecutively Carries out Duties with the Company**

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. has been carrying out the role of External Auditor to the Company for 28 years, taking into account, in calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins.

The partner that represents the External Auditor has been carrying out that role for the Company since 14<sup>th</sup> April 2016.

#### **44. Rotation Policy and Schedule of the External Auditor and the Respective Partner that Represents Said Auditor in Carrying out Such Duties**

With regard to the rotation of the External Auditor, until the entry into force of the new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of 7<sup>th</sup> September, the Company did not set any external auditor rotation policy based on a pre-defined number of years, taking into account the fact that disadvantages have been identified for the auditing role when approaching the end of the pre-defined period of performance of duties.

Alternatively, bearing in mind that the Audit Committee is the body responsible for determining the conditions for maintaining, rotating or replacing the External Auditor, this body performed an annual assessment of the External Auditor, checked the independence necessary for it to remain in office and carried out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

The entry into force of the new Legal Regime of Portuguese Statutory Auditors, on 1<sup>st</sup> January 2016 foresees a new regime which is applicable to the rotation of statutory auditors of public-interest entities, having the Securities Exchange Commission (CMVM) expressed the understanding that, under said Law nr. 140/2015, the Company's current Statutory Auditor had reached the maximum duration period of engagement with the Company.

Considering that Portuguese law does not foresee a transition period long enough to allow companies to adopt the necessary changes without eventual disruptions, particularly in what concerns the elimination of prohibited services so that to guarantee a larger number of Statutory Auditors to participate in a tender, the Company asked CMVM for authorization to reappoint the current Statutory Auditor for the maximum period of one financial year, in order to complete, during 2016, the selection process for a new Statutory Auditor to be proposed by the Audit Committee to be voted by the shareholders in a General Meeting .

Under the terms of article 17, paragraph 6 of Regulation (EU) No. 537/2014, CMVM decided to grant an extension to reappoint the current Statutory Auditor referred in point 42, for a further engagement for 2016, without prejudice of it staying in office until the designation of a new Statutory Auditor and of fulfilling its duties to certify the accounts for 2016.

Following the decision of CMVM, the Audit Committee, having previously assessed the respective performance and independence, found that the conditions that allowed the Statutory Auditor and External Auditor to be reinstated for the 2016 financial year were met. Nonetheless, it was carried out by the Audit Committee, during 2016, a selection process for the election of a new Statutory Auditor at the 2017 Annual General Meeting.

#### **45. Details of the Board Responsible for Assessing the External Auditor and the Regular Intervals to Carry out the Assessment**

The Audit Committee is the responsible body for evaluating the performance of the External Auditor, which is performed annually. The Committee discussed and considered the costs and advantages of maintaining the External Auditor, as well as the independence shown in that role, having decided to give a favourable opinion for its maintenance for the year 2016.

#### **46. Non-Audit Services Carried out by the External Auditor for the Company and/or Companies in a Control Relationship and Indication of the Internal Procedures for Approving the Recruitment of Such Services and Reasons for Said Recruitment**

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network, totalling 91,450 euros,

reference is made to those concerning access to a tax database, audit reliability services under applicable laws in the countries where the Group operates, support services in the field of human resources and certification of the carbon footprint calculation.

All these services were necessary for the regular activity of the Companies of the Group and, after due analysis of the situation, the External Auditor and/or the entities belonging to its network were considered as those which could best perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

As a result of the procedure mentioned in point 37, all services to which is made reference above were subject to prior approval of the Audit Committee, duly substantiated.

#### 47. Details of the Annual Remuneration Paid by the Company and/or Legal Entities in a Control or Group Relationship to the Auditor and Other Natural or Legal Persons Pertaining to the Same Network and Percentage Breakdown Relating to the Following Services

In 2016, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 847,037 euros.

In percentage terms, the amount referred to is divided as follows:

	Amount	%
<b>By the Company</b>		
Amount for statutory auditing services (€)	95,390	11.3%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	33,350	3.9%
<b>By entities comprising the Group</b>		
Amount for statutory auditing services (€)	660,197	78.0%
Amount for audit reliability services (€)	21,300	2.5%
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	36,800	4.3%



## Section C Internal Organisation

### Subsection I Articles of Association

#### 48. Rules Governing Amendment to the Articles of Association (Art. 245-A/1/h) PSC)

The Articles of Association do not define any rules applicable to the amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

### Subsection II Reporting of Irregularities

#### 49. Reporting Means and Policy on the Reporting of Irregularities in the Company

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee, at every level, has access to communication channels to contact officers who are recognised within the Company with information on possible irregularities occurring

within the Group. They may also make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Conduct.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee has informed all the Group employees of the available means to, if necessary, communicate with this body. This is possible by means of letter via freepost or internal or external e-mail with a dedicated address. Interested parties may also request, from the respective General Manager or Functional Director, any clarification of the rules in force and their application, or they may provide them with information regarding any situation that may question them.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

### Subsection III Internal Control and Risk Management

#### 50. Individuals, Boards or Committees Responsible for the Internal Audit and/or Implementation of the Internal Control Systems

The Internal Audit Department assesses the quality and effectiveness of the Internal Control and Risk Management systems that are set by the Board of Directors.

The Internal Control objectives involve the assurance of the operational efficiency, the financial and operational reporting consistency and the fulfilment of applicable laws and regulations. To assure it, the Internal Audit activity plan takes in consideration the evaluation of the operational risks and the critical processes applicable to each Company.

The results of the internal audits are made available, on a monthly basis to the Internal Control Committee and to the Group's Managing Committee. Each quarter, these reports are presented to the Audit Committee. With the same regularity, a report is prepared regarding the status of the recommendations agreed with the audited areas managers.

During 2016, there were audits performed over stock management, cash collection, management of accounts payable and receivable, supplementary income, quality and food safety, investments, and information systems, among others.

### **51. Details of Hierarchical and/or Functional Dependency in Relation to Other Boards or Committees of the Company**

The head of the Internal Audit Department reports hierarchically to the Chairman of the Board and CEO and, functionally, to the Audit Committee. The head of Internal Audit is also a member of the Internal Control Committee, which in turn reports to the Audit Committee.

See organisational structure in point 21.

### **52. Other Functional Areas Responsible for Risk Control**

#### **a) Enterprise Risk Management System**

The Group, and in particular its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives, and is committed to ensure that Risk Management is an effective and fundamental component of the corporate strategy, culture and value-creation process.

The approach to Risk Management is detailed in the Group's Risk Management Policy, which sets out the Group's Enterprise Risk Management System and outlines the roles and responsibilities of the persons responsible for its execution.

#### **a.1) Risk Management Objectives**

The aim of the Group's Enterprise Risk Management System is not to eliminate risk completely from the Group's activities, but rather to ensure that every effort is made to manage risk appropriately, maximising potential opportunities and minimising the adverse effects of risk.

The Group's Enterprise Risk Management System has the objectives to structure and consistently organise the way the Group identifies risks, assuring that they are assessed broadly, considering dependencies and correlations among various risks areas. It establishes procedures for reporting that allow for an adequate monitoring of the risk mitigation and control measures.

Due to the size and geographical dispersion of Jerónimo Martins' activities, successful Risk Management depends on the participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification and reporting of risks associated within their area of responsibility. Therefore, all activities must be carried out with an understanding of what the risk is, with an awareness

of the potential impact of unexpected events on the Company and its reputation.

The Group is committed to ensuring all employees are provided with adequate guidance and training on the principles of Risk Management, on the criteria and processes set by the Risk Management Policy and on their responsibilities to manage risks effectively.

#### **a.2) Organisation of Risk Management**

The Risk Management Governance Model is defined in order to ensure the effectiveness of Risk Management Framework and is aligned with the Three Lines of Defence Model, which distinguishes among three groups (or lines) involved in effective Risk Management, namely:

- First Line of Defence (Business Operations: Risk Owners) – responsible for the daily Risk Management activities aligned with the business strategy, and also aligned with existing internal procedures and Risk Management Policy;
- Second Line of Defence (Oversight Functions: Group and Business Unit Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for future suggestions or policies development that improve or increase the efficiency of Risk Management processes. This second line also includes functions such as Financial Control, Security, Quality & Food Safety, amongst other corporate areas;

### 3. How we are organised

- Third Line of Defence (Independent Assurance: Internal Audit and External Audit) – responsible for providing assurance on the effectiveness of governance, Risk Management and internal controls, including the manner in which the first and second lines of defence perform their Risk Management and control objectives.

The Risk Management organisational structure considers the following main roles and responsibilities:

- the Board of Directors is responsible for establishing the Risk Management Policy and strategy and for setting goals in terms of risk-taking. It is also the Board's responsibility to provide for the creation of control systems necessary to ensure that the risks effectively incurred are consistent with the goals set;
- the Audit Committee approves the activity plans with regard to Risk Management, monitors their execution and assesses the effectiveness of the internal control, internal auditing and risk management system;
- the CEO, assisted by the Managing Committee, ensures the implementation of the Risk Management Policy and strategy as established by the Board of Directors, as well as promotes a risk awareness culture in the organisation ensuring that Risk Management is embedded in all processes and activities;
- the Risk Committee assists and advises the Managing Committee, as the CEO's assisting body, in assessing

and establishing the mitigating measures for the different types of risk, and ensuring the existence of an effective Risk Management framework;

- the Group Risk Management Division (GRM) is responsible for the implementation of the Risk Management framework, coordination of all Risk Management activities and for supporting the Managing Committee and the Risk Committee in the identification of risk exposures that might compromise the Group's strategic and business goals. GRM is also responsible for the coordination and alignment of the practices adopted by the Companies in the Business Continuity Plans (BCP);
- the Business Unit Risk Managers are responsible for the implementation of Risk Management initiatives at the Company level and to support the respective Risk Owners activities;
- the Risk Owners are all employees in charge of the execution and/or control over a given process or activity, within a business unit or a corporate structure, which are responsible for managing the risks involved in those activities;
- the Internal Audit Department focuses its work on the significant risks, as identified by management, and audits the Risk Management processes across the Organisation, providing assurance regarding the effectiveness and efficiency on the Management of Risk and active support in the Risk Management process.

## 53. Details of the Major Risks to which the Company is Exposed in Pursuing its Business Activity

### Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends: the evolution of consumers' preferences, the life cycles of the businesses, the dynamics of the markets (financial, employment, natural and energy resources), the activities of competitors, technological innovation, availability of resources and legal and regulatory changes.

The management team uses this information to understand market needs and attempts to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future conditions.

### Operating Risks

Derives from the execution of normal business functions, across the value chain, and focus on risks arising from the processes through which the Group units operate.

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The operational risks cover risks related to category management and sourcing, stock management, cash management, logistics and supply chain and the efficiency in the use of resources and assets as well as their safety and security.

Fraud and corruption risks are also considered in the risk assessment for the most relevant operational activities. The adequacy and range of the controls and mitigation measures are also reviewed and reconsidered whenever necessary.

### **Food Quality and Safety**

The Group seeks to provide healthier products and food solutions, and it seeks to ensure and enforce product safety measures in strict compliance with food safety standards.

The Quality and Food Safety Departments of the Companies are responsible for the following areas: i. prevention, through selection, assessment, and follow-up audits on suppliers; ii. monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii. training, by carrying out periodic simulations and awareness initiatives.

The Companies are monitored continuously by quality control technicians, to ensure the implementation of procedures and to assess the efficiency of training and the suitability of the facilities and equipment.

### **Environmental Risks**

The efficient management of resources, coupled with environmental preservation, is essential for the sustained growth of the Jerónimo Martins Group's businesses. Considering the nature and size of its Companies, the Group has been conducting studies on the impacts of such activities on ecosystems and the resources they provide: i. Biodiversity Management; ii. Sustainable Agriculture; iii. Fish Species Risk Assessment; and iv. Deforestation commodity mapping in Private Label and Perishable products.

The risks of climate change are also addressed by the Group and can be of the following nature:

- Regulatory, which can be a result of increased costs of compliance with environmental legislation;
- Physical, which may result in shortage of natural resources, such as agricultural products, or disruption of supply chain activities associated with climatic events;
- Reputational, associated with expectations of the Group's stakeholders to reduce carbon emissions.

The probability of occurrence of these situations and their level of impact are analysed by the Group as part of its risk assessment procedures. Considering the risks posed by climate change, in particular, the Group discloses its review in the annual response to CDP (Carbon Disclosure Project), for the programs Climate and Forest, which are available at <https://www.cdp.net>.

### **Physical Security and People Risks**

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities.

Physical security and people risk management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessment in all establishments and performing emergency simulations.

### **Information Systems Risks**

The risks associated to Information Technologies are analysed considering their different components: planning and organisation, development, operations management, information security and continuity. The risk management of Information Security in the Group is the responsibility of an exclusively dedicated Department and consists of implementing and maintaining an Information Security Management System that ensures confidentiality, integrity and availability of critical business information and recovery of the systems in the event of interruption to the operations.

### **Regulation Risks**

Compliance with legislation is provided by the Legal Departments of the Group's Companies. With regard to the Holding Company, the Legal Department guarantees the co-ordination and implementation of strategies

aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside advisers.

In order to ensure the fulfilment of tax obligations, the Group Fiscal Affairs Department advises the Group's Companies, as well as oversees their tax proceedings.

## Financial Risks

### Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: price risk, which includes interest and exchange rate risks; transactional risk, which includes credit and liquidity risk; and the risk arising from the Group's investments portfolio, including various risks such as interest rate, credit, foreign exchange, inflation, political and fiscal.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance.

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer. It is responsible, with the cooperation of the financial areas of the Group's companies, for identifying and risk assessing and for executing the hedging financial risks, by following

the guidelines set out in the Financial Risk Management Policy that was approved in 2016 by the Board of Directors.

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

The information concerning financial risks to which the Group is exposed can be found in note 31 – Financial Risks of Chapter III of the Annual Report and Accounts, available on the Company's website.

## 54. Description of the Procedure for Identification, Assessment, Monitoring, Control and Risk Management

The Group's Risk Management framework assumes a continuous process of risk assessment, which is an integral part of the normal decision-making and management processes.

The Risk Management process is aligned with the ISO 31000 international standard recommendations, and seeks mainly to distinguish what is irrelevant from what is material, requiring an active management which involves the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of its occurrence within the context of the control environment.

The Group prepares and maintains an overall risk profile that lists all relevant operational and strategic risks, as

well as the corresponding implemented mitigation and control mechanisms. The list is updated regularly with information from the on-going risk assessment processes.

A global review is made under the coordination of the Group's Risk Management Corporate Division, as part of the strategic and operational planning processes, so that the information related to the most relevant risks is duly updated and considered during the planning process. This process triggers the development of the alternatives under analysis as well as the identification of new activities that strengthen the defense of the directed objectives.

## 55. Core Details on the Internal Control and Risk Management Systems Implemented in the Company Regarding the Procedure for Financial Reporting (Art. 245-A/1/m) PSC)

The Board of Directors is highly committed to assuring the reliability of financial reporting and the preparation of the Group's financial statements. This is done by ensuring that the Group has in place adequate policies that provide reasonable assurance that transactions are recorded and reported in accordance with Generally Accepted Accounting Principles (GAAP), and that expenditures are realized only when properly authorized.

The financial reporting risk is mitigated by enforcing segregation of duties and by setting preventive and detective controls, which involves limiting access



to IT systems, and a comprehensive performance monitoring system.

Additional controls are provided by the Audit Committee oversight and Internal Control Committee reliability assessments over the preparation and disclosure of financial information and by the Group's Planning and Control Department monitoring activities over the performance of each business units and in review of the deviations to the approved plans.

## Subsection IV Investor Assistance

### 56. Department Responsible for Investor Assistance

#### Composition

The Investor Relations Office of Jerónimo Martins is comprised as follows:

**Office Manager:** Cláudia Falcão

**Team:** Ana Maria Marcão, Hugo Fernandes and Raquel Freitas

#### Main Roles

The Investor Relations Office of Jerónimo Martins is responsible for communication with all investors – institutional and private, national and foreign – as well as the analysts who formulate opinions and recommendations regarding the Company. The Investor Relations Office is also responsible for matters related to the Comissão do Mercado

de Valores Mobiliários (Portuguese Securities and Exchange Commission).

#### Communication Policy of Jerónimo Martins for the Capital Markets

Jerónimo Martins' policy for communicating to the capital markets aims to ensure a regular flow of relevant information, which respects the principles of symmetry and simultaneity and creates a faithful image of the Company's business performance and strategy for investors, shareholders, analysts and the general public.

Jerónimo Martins' communication policy regarding the financial market is designed to ensure that material information – history, current performance and outlook for the future – is available to all its stakeholders, in order to provide clear and complete information about the Group.

The financial communication strategy outlined for each year is based on the principles of transparency, rigour and consistency. This ensures that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

#### Information Provided

Annually, and based on the above-mentioned principles, the Office draws up a Communication Plan for the Financial Market, which is included in the global communication strategy of Jerónimo Martins.

With the objective of transmitting an updated and clear vision of the strategies of the different business areas

of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2016, activities were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, but also with the Jerónimo Martins management team. The following are highlighted:

- meetings with financial analysts and investors;
- responses to e-mail questions addressed to the Investor Relations Office;
- telephone calls;
- release of announcements to the market through the CMVM (Portuguese Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon websites, and mass mailings sent to all the Company's investors and financial analysts listed in the database created and updated by the Office;
- presentations to the financial community: presentation of results, roadshows, conferences and Annual General Shareholders' Meeting;
- organisation of visits to the operations in Poland and Colombia (Colombia Field Trip), with the management of the respective Companies;
- development and update the investor relations webpage on the Company's institutional website.

In order to make information easily accessible to all interested parties, the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website, at [www.jeronimomartins.pt/?lang=en](http://www.jeronimomartins.pt/?lang=en).

The site not only provides mandatory information, but also general information about the Group and the Companies that form it, in addition to other information considered relevant, namely:

- announcements to the market about privileged information;
- annual accounts, including the Annual Report on the activities of the Audit Committee, six-month and quarterly reports of the Group;
- economic and financial indicators and statistical data, updated every six or twelve months, in accordance with the Company or business area;
- Jerónimo Martins' most recent presentation to the financial community, and historical collection;
- information about share performance on the stockmarket;
- the annual calendar of Company events, released at the beginning of every year, including, among others, General Shareholders' Meetings, the disclosure of annual, half-yearly and quarterly results;
- information regarding the General Shareholders' Meetings;
- information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;

- Company Articles of Association;
- current Internal Regulations;
- minutes of the General Shareholders' Meetings, or respective extracts;
- historical agendas and decisions taken at the General Shareholders' Meetings held over the seven previous years.

The website also has all this information, with no exception, in English and was a pioneer in its accessibility for people with visual disabilities, using a tool specially designed for this purpose.

#### Contacts

The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão – and via the e-mail address: [investor.relations@jeronimo-martins.pt](mailto:investor.relations@jeronimo-martins.pt).

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1649-033, Lisboa  
Telephone: +351 21 752 61 05

#### 57. Market Liaison Officer

The Jerónimo Martins' Market Relations Representative is the Investor Relations Office Manager, Cláudia Falcão.

#### 58. Extent and Deadline for Replying to the Requests for Information Received Throughout the Year or Pending from Preceding Years

Within the scope of issues addressed to the Investor Relations Office, during the course of 2016, 403 meeting contacts were recorded with investors and financial analysts and 330 requests for information sent via e-mail, or through telephone contact, to which was given an immediate reply to, or were responded to within an appropriate time for the type of request.

#### Subsection V Website

#### 59. Address(es)

The Company's institutional website is available in Portuguese and English and can be accessed using the following addresses:  
[www.jeronimomartins.pt/?lang=en](http://www.jeronimomartins.pt/?lang=en) or  
[www.jeronimomartins.com/?lang=en](http://www.jeronimomartins.com/?lang=en)

#### 60. Place Where Information on the Firm, Public Company Status, Headquarters and Other Details Referred to in Art. 171 of the Commercial Companies Code is Available

Information concerning Article 171 of the Commercial Companies Code is available on the Jerónimo Martins institutional website through the following link:  
[www.jeronimomartins.pt/o-grupo/contactos-corporativos.aspx?lang=en](http://www.jeronimomartins.pt/o-grupo/contactos-corporativos.aspx?lang=en).

## 61. Place Where the Articles of Association and Regulations on the Functioning of the Boards and/or Committees are Available

The Articles of Association and regulations on the functioning of the boards and/or committees are available on the Jerónimo Martins institutional website through the following link: [www.jeronimomartins.pt/investidor/governo-da-sociedade/estatutos-regulamentos.aspx?lang=en](http://www.jeronimomartins.pt/investidor/governo-da-sociedade/estatutos-regulamentos.aspx?lang=en)

## 62. Place Where Information is Available on the Names of the Statutory Bodies' Members, the Market Liaison Officer, the Investor Relations Office, Respective Functions and Contact Details

The information in question is available on the Jerónimo Martins institutional website and may be accessed through the following links:

### • Names of the Corporate Boards' Members:

Board of Directors

[www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/conselho-de-administracao.aspx?lang=en](http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/conselho-de-administracao.aspx?lang=en)

Audit Committee

[www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/comissao-de-auditoria.aspx?lang=en](http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/comissao-de-auditoria.aspx?lang=en)

General Shareholders' Meeting

[www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/assembleia-geral.aspx?lang=en](http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/assembleia-geral.aspx?lang=en)

Statutory Auditor

[www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/revisor-oficial-de-contas.aspx?lang=en](http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/revisor-oficial-de-contas.aspx?lang=en)

### • Name of the Market Liaison Officer:

[www.jeronimomartins.pt/investidor/contactos\\_investidor.aspx?lang=en](http://www.jeronimomartins.pt/investidor/contactos_investidor.aspx?lang=en)

### • Information concerning the Investor Assistance Office, respective functions and contact details:

[www.jeronimomartins.pt/investidor/gabinete-relacoes-com-investidor.aspx?lang=en](http://www.jeronimomartins.pt/investidor/gabinete-relacoes-com-investidor.aspx?lang=en)

## 63. Place Where the Documents Relating to Financial Accounts Reporting are Available and the Half-Yearly Calendar on Company Events Published at the Beginning of Every Six Months, Including, *Inter Alia*, General Shareholders' Meetings, Disclosure of Annual, Half-Yearly and, Where Applicable, Quarterly Financial Statements

The place where the documents in question are available is the Jerónimo Martins institutional website through the following links:

### • Financial accounts reporting:

[www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en](http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en)

### • Half-yearly calendar on Company events:

[www.jeronimomartins.pt/investidor/calendario-financeiro.aspx?lang=en](http://www.jeronimomartins.pt/investidor/calendario-financeiro.aspx?lang=en)

## 64. Place Where the Notice Convening the General Shareholders' Meeting and all the Preparatory and Subsequent Information Related Thereto is Disclosed

The place where the notice convening the General Shareholders' Meeting and all the preparatory and subsequent information related thereto is disclosed is the Jerónimo Martins institutional website through the following link: [www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en](http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en)

## 65. Place Where the Historical Archive on the Resolutions Passed at the Company's General Shareholders' Meetings, Share Capital and Voting Results Relating to the Preceding Three Years are Available

The place where the historical archive on the resolutions passed at the Company's General Shareholders' Meetings, share capital and voting results relating to the preceding years, including the last three, is available is the Jerónimo Martins institutional website through the following link: [www.jeronimomartins.pt/investidor/assembleia-geral/arquivo-assembleias-gerais.aspx?lang=en](http://www.jeronimomartins.pt/investidor/assembleia-geral/arquivo-assembleias-gerais.aspx?lang=en)

## Section D Remuneration

### Subsection I Power to Establish

#### 66. Details of the Powers for Establishing the Remuneration of Statutory Bodies and Directors of the Company

Within the terms of Article Twenty Nine of the Company's Articles of Association, the remuneration of the Statutory Bodies is set by the Shareholder's Meeting, or by a Committee nominated by the latter. Within the scope of the latter possibility, the shareholders of Jerónimo Martins decided to nominate the Remuneration Committee to set the remuneration of the Members of the Statutory Bodies.

The Remuneration Committee is elected for a three year term, being the present term comprised between years 2016-2018.

The remuneration of the Company's management is decided by the respective Board.

### Subsection II Remuneration Committee

#### 67. Composition of the Remuneration Committee, Including Details Persons Recruited to Provide Services to Said Committee and Statement on the Independence of Each Member

At the General Shareholders' Meeting held on 14<sup>th</sup> April 2016 Elizabeth Bastoni (co-opted Chairman), Erik Geilenkirchen and Jorge Ponce de Leão were elected to this Committee, for the term in force.

None of the Members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the Members of the Board of Directors that may affect their impartiality in the performance of their duties.

During 2016, no individual or legal person was hired to support the Remuneration Committee in the performance of its duties.

#### 68. Knowledge and Experience in Remuneration Policy Issues by Members of the Remuneration Committee

The Members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively.

Elizabeth Bastoni holds an MA, concentration in accounting, having worked for nine years as senior manager in a tax consultancy firm with specialisation in expatriate taxation. Elizabeth also worked in Thales as VP - Professional Development, Compensation and Benefits, and as Head of HR. She was Head of Global Compensation and Benefits of The Coca-Cola Company, EVP and Chief HR and Communications Officer of Carlson, Chief HR Officer of BMGI, Member of the Board of Directors and Chair of the Compensations Committees of Carlson Wagonlit Travel and of The Rezidor Hotel Group, as well as Member of the Board of Directors of the Human Resources Association WorldatWork. Currently she is a Non-Executive Director and member of the Compensation and Nomination Committee of Société BIC.

Erik Geilenkirchen is a mechanical engineer, but since 1989 that his professional activity has been focused in HR, having worked in Hay Group for nine years, and, afterwards, in Ahold Group as VP Human Resources (Asia/Pacific), SVP (Asia/Pacific) at Group Philips with focus in HR and Chief Human Resources Officer at Cofra Holding.

Jorge Ponce de Leão has a Law degree, having worked in the Labor Law area since the beginning of the 70's as external legal advisor, as well as in-house in some Portuguese companies. Jorge worked as Head of Legal and Tax Services (Jerónimo Martins Group – industrial area), and was appointed Member of the Board of Directors of the Company during the 1990's. Jorge Ponce de Leão also held management duties in the HR area of Radiotevisão Portuguesa, was CEO of SAIP SGPS and is currently Chairman of the Board of Directors of ANA – Aeroportos de Portugal.

## Subsection III Remuneration Structure

### 69. Description of the Remuneration Policy of the Board of Directors and the Supervisory Board

The Remuneration Committee was of the opinion that there was no justification for major changes to the basic principles that have been the core of the Corporate Bodies Remuneration Policy, which should continue having in attention the current legal and recommendatory framework, as well as the organisational model adopted by the Board of Directors.

With respect to the organisation of the Board of Directors, the Remuneration Committee has especially taken into account the following characteristics:

- the existence of a Chief Executive Officer with delegated duties regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;
- the participation of Non-Executive Directors in Specialised Committees, who are therefore called to devote increased time to Company's affairs.

Considering the said organisational model the Remuneration Committee understands that there are no grounds justifying any major changes in the principles that have been adopted as to the Corporate Bodies Remuneration Policy.

The remuneration of Directors with executive duties continues to comprise a fixed and a variable component, that together guarantee a more competitive remuneration in the market and which also serves as a motivating element for high individual and collective performance, allowing ambitious targets for accelerated growth and the appropriate shareholders remuneration to be set and achieved.

Annually, by proposal of the Chairman of the Board of Directors, the variable component is fixed by the Remuneration Committee, taking into account the expected contribution of Directors with executive duties to results, shareholder value creation (EVA), evolution of share prices, the work carried out during the preceding financial year, the degree of achievement of the projects integrated on the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining Managers.

### 3. How we are organised

The Remuneration Policy continues seeking to reward the Directors with executive duties for the sustained performance of the Company in the long-term, and the safeguarding of the interests of the company and shareholders within this period of time. For this reason, the variable component takes into account the contribution of the Directors with executive duties to the conduct of business through: 1) the achievement of EVA objectives set out in the Medium and Long-Term Plan approved by the Board of Directors; 2) the development of the share price; 3) the implementation of a series of projects across the Group's Companies, which, having been identified by the Board of Directors as essential to ensure future competitiveness, have a time scale that may exceed one calendar year, being the Directors with executive duties responsible for each compliance stage, in the scope of their duties.

The variable remuneration is, as already noted, dependent on predetermined criteria to be fixed at the start of each year by the Remuneration Committee, following a proposal from the Chairman of the Board of Directors, which take into consideration the Company's real growth, the wealth created for shareholders and long-term sustainability.

Bearing in mind the contribution of the several countries and business areas where the Group operates to total turnover and consolidated results, the Remuneration Committee considers adequate that the payment of the fixed and variable components of remuneration to Directors with executive duties be split amongst the Company and its subsidiary companies where such Directors are also members of the management body, according with a ratio to be determined by this Committee.

As regards the deferral of part of the variable component of the remuneration, the Remuneration Committee conducted a study on the subject in 2011 without reaching a conclusion about the advantages or inconveniences of its adoption, considering that the manner in which the remuneration of the Directors with executive duties is structured is adequate and ensures full alignment of their interests with those of the Company in the long-term. For the same reason, the Remuneration Committee deems unnecessary to determine the maximum potential amount, in aggregate and/or individual terms of remuneration to be paid to Members of Corporate Bodies. Furthermore, the Committee considers that the Remuneration Policy of the Company is aligned with the remuneration practices of its counterparts within the PSI 20, bearing in mind the characteristics of the Company.

The Company did not enter into any contracts with its Directors which mitigate the risk inherent to the remuneration variability set by the Company, nor is the same aware that any such contracts have been entered into between its Directors and third parties.

The absence of a deferral period for the variable component makes it unnecessary to have mechanisms to prevent the execution of contracts by Executive Directors that subvert the rationale of variable remuneration.

The remuneration of the members of the Audit Committee as well as the remuneration of Directors with non-executive duties continues to comprise a fixed component only.

With respect to Directors with non-executive duties who are part of Specialised Committees (whether or not exclusively composed of Directors), the Remuneration Committee considered it appropriate to continue the attribution of meeting fees, bearing in mind that the duties performed within those Committees demand additional availability from the respective member Directors.



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Similarly, with respect to Directors with non-executive duties who take part of supervisory bodies of the Company's subsidiaries, bearing in mind that such duties arise from the exercise of their functions as Directors, the Remuneration Committee considered appropriate to attribute to them meeting fees.

As established by the Remuneration Committee in 2010, life and health insurance *fringe benefits* continued for Directors with executive duties.

The Statutory Auditor is remunerated in accordance with the auditing services agreement signed with the Jerónimo Martins Group, which covers almost all its subsidiaries. This remuneration shall be in line with market practices.

The Retirement Pension Plan for Executive Directors was approved at the 2005 Annual General Meeting, which is described in point 76.

This Remuneration Policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

### **70. Information on how Remuneration is Structured so as to Enable the Aligning of the Interests of the Members of the Board of Directors with The Company's Long-Term Interests as well as how it is Based on the Performance Assessment and how it Discourages Excessive Risk Taking**

As results from the Remuneration Policy described in point 69, remuneration is structured in a way that allows alignment between the interests of the Board Members with the long term interests of the Company.

The existence of fixed and variable components of remuneration, the fact that the variable remuneration is fixed depending on the verification of several objective factors, e.g., the real growth of the Company, the wealth created for shareholders, the implementation of projects across the Group's Companies which ensure the future competitiveness of businesses and long-term sustainability, cause that management's evaluation is made taking into attention the interests of the Company and its shareholders not only in the short term, but also in the middle and long-term.

As referred in point 69, the Company did not enter into any contracts with its Directors which intend to mitigate the risk inherent to the variability of remuneration set by the Company.

### **71. Existence of Variable Remuneration Component and Information on Any Impact of the Performance Appraisal on This Component**

The remuneration of Directors with executive duties is comprised of a variable component depending, also, of a performance review. See point 69.

### **72. Deferred Payment of the Remuneration's Variable Component and Specification of Relevant Deferral Period**

There is no deferred payment of the remuneration's variable component. See point 69.

### 73. Criteria Whereon the Allocation of Variable Remuneration on Shares is Based, and Also on Maintaining Company Shares that the Executive Directors Have Had Access to, on the Possible Share Contracts, Hedging or Risk Transfer Contracts, the Corresponding Limit and its Relation to the Total Annual Remuneration Value

The Company does not have any type of plan for attribution of shares to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code.

### 74. Criteria Whereon the Allocation of Variable Remuneration on Options is Based and details of the Deferral Period

The Company does not have any plan for the attribution of share purchase options to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code.

### 75. Key Factors and Grounds for Any Annual Bonus Scheme and Any Additional Non-Financial Benefits

See points 69 to 71. Directors with executive duties receive also life and health insurance *fringe benefits*.

### 76. Key Characteristics of the Supplementary Pensions or Early Retirement Schemes for Directors and Date When Said Schemes Were approved at the General Shareholders' Meeting, on an Individual Basis

At the 2005 Annual General Shareholders' Meeting, a Retirement Pension Plan for Executive Directors was approved.

It is a Defined Contribution Pension Plan, in which the value of the contribution is fixed in advance – the percentage of the monthly deduction for the Fund is currently 17.5% – the value of the benefits varying depending on the earnings obtained. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan Participants, as defined in the respective regulation, include the Executive Directors of the Company. In the specific case of Executive Directors in office at the time of the 2005 General Shareholders' Meeting, those who opted for the current Pension Plan would forego eligibility for the Alternative Pension Plan, by way of expressly and irrevocably waiving it.

The retirement date coincides with the day itself or the first day of the month following the month in which the Participant reaches normal retirement age, as established into the General Social Security Scheme. A Participant will be considered to be in a state of total and permanent invalidity if recognised as such by the Portuguese Social Security.

The pensionable salary is the gross monthly salary paid by the Company and any of its direct or indirect subsidiary companies, multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration from said Company and subsidiary companies.

Additionally, concerning Directors who were in office at the date of the said 2005 General Shareholders' Meeting, the complementary pension or retirement system regime applies, and under the terms of the respective Regulation, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: i. are over 60 years old; ii. have performed executive functions; and iii. have performed the role of a Director for more than 10 years. This supplement was established in the 1996 Annual General Shareholders' Meeting and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

## Subsection IV Remuneration Disclosure

### 77. Details on the Amount Relating to the Annual Remuneration Paid as a Whole and Individually to Members of the Company's Board of Directors

The gross remuneration of the Members of the Board in 2016 totaled 1,404,212.33 euros, corresponding 1,033,212.33 euros to fixed remuneration, 157,500.00 euros to variable remuneration and 213,500.00 euros contributions to retirement pension plan.

In the chart below reference is made to the gross remuneration paid individually to the Members of the Board of Directors:

Director	Remuneration Paid		
	Fixed Component	Variable Component	Retirement Pension Plan
Pedro Soares dos Santos	220,500.00	157,500.00	189,000.00
Alan Johnson	172,712.33	-	24,500.00
Andrzej Szlezak	80,000.00	-	-
António Pedro de Carvalho Viana-Baptista	80,000.00	-	-
Artur Stefan Kirsten	70,000.00	-	-
Clara Christina Streit	80,000.00	-	-
Francisco Seixas da Costa	80,000.00	-	-
Hans Eggerstedt	80,000.00	-	-
Henrique Soares dos Santos	70,000.00	-	-
Nicolaas Pronk	-	-	-
Sérgio Tavares Rebelo	100,000.00	-	-

## 78. Amounts paid, for any Reason Whatsoever, by Other Companies in a Control or Group Relationship, or are Subject to a Common Control

Additionally to the amounts referred to in point 77, amounts were paid by other companies in a control or group relationship or subject to a common control to Directors during 2016 totalling 778,500.00 euros, being the gross individual amounts paid detailed in the chart below:

Director	Amounts Paid (euros)	
	Fixed Component	Variable Component
Pedro Soares dos Santos <sup>1</sup>	409,500.00	292,500.00
Andrzej Szlezak <sup>2</sup>	25,500.00	-
Francisco Seixas da Costa <sup>2</sup>	5,500.00	-
Hans Eggerstedt <sup>2</sup>	5,500.00	-
Sérgio Tavares Rebelo <sup>2</sup>	40,000.00	-

<sup>1</sup> For exercise of management duties.

<sup>2</sup> For exercise of functions in supervisory board.

## 79. Remuneration Paid in the Form of Profit-Sharing and/or Bonus Payments and the Reasons for Said Bonuses or Profit Sharing Being Awarded

The Company did not pay to Directors any remuneration in the form of profit-sharing or bonuses (other than the variable remuneration referred in points 77 and 78, set according to the Remuneration Policy described in point 69).

## 80. Compensation Paid or Owed to Former Executive Directors Concerning Contract Termination During the Financial Year

No payment was made, nor there is any payment obligation whatsoever, in the event of termination of functions during the term of the Board of Directors.

## 81. Details of the Annual Remuneration Paid, as a Whole and Individually, to the Members of the Company's Supervisory Board

The gross remuneration paid to the Members of the Audit Committee, in such quality, as a whole was 48,000.00 euros, being the gross individual amounts paid detailed in the chart below:

Audit Committee	Remuneration Paid (euros)	
	Fixed Component	Variable Component
Sérgio Tavares Rebelo (President)	16,000.00	-
Hans Eggerstedt	16,000.00	-
Clara Christina Streit	12,000.00	-
António Pedro de Carvalho Viana-Baptista	4,000.00	-

## 82. Details of the Remuneration in Said Year of the Chairman of the Presiding Board to the General Shareholders' Meeting

The remuneration paid by the Company to the Chairman of the Board of the General Shareholder's Meeting in the year of reference was 5,000.00 euros.

## **Subsection V**

### **Agreements with Remuneration Implications**

#### **83. Envisaged Contractual Restraints for Compensation Payable for the Unfair Dismissal of Directors and the Relevance Thereof to the Remuneration's Variable Component**

There are no contractual restraints for the compensation payable in the event of dismissal of Directors without due cause. This matter is regulated by the applicable law.

#### **84. Existence and Description of Agreements Between the Company and Members of the Board of Directors and Managers That Envisage Compensation in the Event of Resignation or Unfair Dismissal or Termination of Employment Following a Takeover Bid**

There are no agreements between the Company and Members of the Managing Bodies, officers or employees that foresee indemnity payments in the event of resignation, dismissal without due cause, or termination of the labour relationship as a consequence of change in the Company's control.

## **Subsection VI**

### **Share Allocation and/or Stock Option Plan**

#### **85. Details of the Plan and the Number of Persons Included Therein**

The Company does not have any plan in force to attribute shares or options to acquire shares.

#### **86. Characteristics of the Plan**

The Company does not have any plan in force to attribute shares or options to acquire shares.

#### **87. Stock Option Plans for the Company Employees and Staff**

The Company does not have any plan in force to attribute options to acquire shares.

#### **88. Control Mechanisms for a Possible Employee-Shareholder System**

There is no employee-shareholder system in the Company.

## **Section E**

### **Related Party Transactions**

## **Subsection I**

### **Control Mechanisms and Procedures**

#### **89. Mechanisms Implemented by the Company for the Purpose of Controlling Transactions With Related Parties**

#### **Business between the Company and the Members of the Board**

Any dealings that may exist between the Company and its Board Members are subject to the provisions of Article 397 of the Commercial Companies Code, and may only be entered into if so authorised by a resolution of the Board of Directors, for which the interested Director cannot vote, and that authorisation must be preceded by a favourable opinion from the Audit Committee.

Taking into account the election of Andrzej Szlezak (partner in the firm of lawyers Sołtysiński Kawecki & Szlezak (SK&S)), one of the Jerónimo Martins Group's External Legal Counsels) for the position of Director of Jerónimo Martins for the term 2013-2015, the Board of Directors authorized, since 2013, within the terms of paragraph 2 of Article 397 of the Commercial Companies Code and following the favourable opinion of the Audit

Committee, the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned firm for the provision of legal services.

During 2016, the Audit Committee issued a prior favorable opinion, in the terms of Article 297, no. 2, of the Commercial Companies Code to the sale of the Company's subsidiary Monterroio – Industry & Investments B.V. to Sociedade Francisco Manuel dos Santos B.V. (with which the Company has a Director in common), as well as to the buy-back by the Group, through the company Tagus – Retail & Services Investments B.V., of Jerónimo Martins – Restauração e Serviços, S.A. and of 51% of the share capital of Hussel Ibéria – Chocolates e Confeitaria, S.A., as referred in further detail in point 10.

### **Business between the Company and Other Related Parties**

The Board of Directors adopted the procedure and criteria approved by the Audit Committee in the scope of business with other related parties. See point 91.

### **90. Details of Transactions that Were Subject to Control in the Referred Year**

In 2016, the transactions mentioned in point 10, related to the sale of the subsidiary Monterroio – Industry & Investments B.V. to the Sociedade Francisco Manuel dos Santos B.V., were subject to control, as well as the buy-back by the Group of the totality of the share capital of Jerónimo Martins – Restauração e Serviços, S.A. and the 51% shareholding in Hussel Ibéria – Chocolates e Confeitaria, S.A., through the company Tagus – Retail & Services Investments B.V.

### **91. Description of the Procedures and Criteria Applicable to the Supervisory Body When Same Provides Preliminary Assessment of the Business to be Carried out Between the Company and Holders of Qualifying Holdings**

In this regard, it should be noted that in terms of procedure the Audit Committee, according to its regulations, is responsible for issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of Article 20, no. 1 of the Portuguese Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee approved the procedure and criteria applicable to these situations.

Thus deals between the Company or Companies within Jerónimo Martins Group and shareholders with a qualifying holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

- a)** having an amount equal to or higher than three million euros or 20% of the sales of the respective shareholder;
- b)** despite having an amount lower than the one resulting from the criteria mentioned in the previous paragraph, the addition of that amount to the

amount of the previous deals concluded with the same shareholder with a qualifying holding, during the same fiscal year, equals or exceeds 5 million euros;

- c)** regardless of the amount, they may cause a material impact on the Company's name concerning its independence in the relationships with shareholders with qualifying holdings.

In this sense, the transactions referred in point 90 were subject to prior opinion of the Audit Committee, which in addition to all information provided by the Company's executive bodies, was based on valuations carried out by an independent external entity.

## **Subsection II Data on Business Deals**

### **92. Details of the Place Where the Financial Statements Including Information on Business Dealings with Related Parties Are Available, in Accordance With IAS 24**

The information concerning business dealings with related parties may be found on the Group's Annual Report available on [www.jeronimomartins.pt](http://www.jeronimomartins.pt).



# Part 2.

## Corporate Governance Assessment

### 1. Details of the Corporate Governance Code Implemented

The Company adopted the Code of Corporate Governance of the CMVM (which is published on the CMVM's website at [www.cmvm.pt/en/recomendacao/recomendacoes/Pages/default.aspx](http://www.cmvm.pt/en/recomendacao/recomendacoes/Pages/default.aspx)), having considered that the same ensures an adequate level of protection of its shareholders' interests, and company governance transparency.

The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on its website. All of its Corporate Bodies are governed by regulations, which are documented and available on the Company's website at [www.jeronimomartins.pt/?lang=en](http://www.jeronimomartins.pt/?lang=en).

### 2. Analysis of Compliance with the Corporate Governance Code Implemented

#### 2.1. Statement of Compliance

The Company complies in its essence with the Recommendations of the CMVM in the Corporate Governance Code of 2013. It is accepted, however, that there are some recommendations that were not adopted in their entirety as it is better explained below.

The following shows the breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, partially adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting or partially adopting these recommendations may be found.



### 3. How we are organised

Recommendation	Status Regarding the Adoption	Referral to the CGR Text
<b>I. VOTING AND CORPORATE CONTROL</b>		
I.1.	Adopted	Part I, Section B, Sub-section I, point 12
I.2.	Adopted	Part I, Section B, Sub-section I, point 12
I.3.	Adopted	Part I, Section B, Sub-section I, point 12
I.4.	Adopted	Part I, Section B, Sub-section I, point 13
I.5.	Adopted	Part I, Section A, Sub-section I, points 4 and 5 and Section B, Sub-section I, point 12
<b>II. SUPERVISION, MANAGEMENT AND OVERSIGHT</b>		
<b>II.1. Supervision and Management</b>		
II.1.1.	Adopted	Part I, Section B, Sub-section II, points 21 and 28
II.1.2.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.3.	Not applicable	
II.1.4.	Adopted	Part I, Section B, Sub-section II, points 24, 25, 29 and Section D, Sub-section III, point 69
II.1.5.	Adopted	Part I, Section C, Sub-section III, points 50, 52 and 54
II.1.6.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.7.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.8.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.9.	Not applicable	
II.1.10.	Adopted	Part I, Section B, Sub-section II, point 21

Recommendation	Status Regarding the Adoption	Referral to the CGR Text
<b>II.2. Supervision</b>		
II.2.1.	Adopted	Part I, Section B, Sub-section II, point 19 and Subsection III, points 32, 33
II.2.2.	Adopted	Part I, Section B, Sub-section III, point 30
II.2.3.	Adopted	Part I, Section B, Sub-section III, point 30, and Sub-section V, point 45
II.2.4.	Adopted	Part I, Section B, Sub-section III, point 30 and Section C, Sub-section III, point 52
II.2.5.	Adopted	Part I, Section B, Sub-section II, point 29 and Section C, Sub-section III, point 50
<b>II.3. Remuneration Setting</b>		
II.3.1.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.2.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.3.	Partially Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1, sub. a)
II.3.4.	Not applicable	Part I, Section D, Sub-section III, points 73 and 74
II.3.5.	Adopted	Part I, Section D, Sub-section III, points 69 and 76
<b>III. REMUNERATION</b>		
III.1.	Adopted	Part I, Section D, Sub-section III, point 69
III.2.	Adopted	Part I, Section B, Sub-section II, points 17 and 18, Section D, Sub-section III, point 69 and Sub-section IV, points 77, 78 and 79
III.3.	Not adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1. sub.s a) and b)
III.4.	Not adopted	Part I, Section D, Sub-section III, point 72 and Part II, point 2.1. sub. c)
III.5.	Adopted	Part I, Section D, Sub-section III, point 69
III.6.	Not applicable	Part I, Section D, Sub-section III, points 69, 73 and 74
III.7.	Not applicable	Part I, Section D, Sub-section III, points 69 and 74
III.8.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, point 84

(continues)

### 3. How we are organised

(continuation)

Recommendation	Status Regarding the Adoption	Referral to the CGR Text
<b>IV. AUDITING</b>		
IV.1.	Adopted	Part I, Section B, Sub-section V, point 42
IV.2.	Partially adopted	Part I, Section B, Sub-section III, point 30, Sub-section III, point 37, Sub-section V, point 46, and Part II, point 2.1, sub. d)
IV.3.	Adopted	Part I, Section B, Sub-section V, point 44
<b>V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS</b>		
V.1.	Adopted	Part I, Section A, Sub-section II, point 10, Section E, Sub-section I, points 89 and 91
V.2.	Adopted	Part I, Section E, Sub-section I, point 91
<b>VI. INFORMATION</b>		
VI.1.	Adopted	Part I, Section C, Sub-section IV, point 56 and Sub-section V, point 59
VI.2.	Adopted	Part I, Section C, Sub-section IV, points 56 and 58

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In light of the text of the recommendations, the following recommendations, also referenced in the table above, were not fully complied with. The corresponding explanations are detailed below.

**a)** With respect to subparagraph **b** of **recommendation II.3.3.**, it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a Committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, as it recognised that the manner in which the remuneration of Executive Directors is structured is adequate and allows the alignment between the interests of Executive Directors and those of the Company in the long term, being in line with the remuneration practices of similar companies, taking into account the characteristics of the Company.

**b)** Regarding **recommendation III.3.**: see explanation in the preceding subparagraph.

**c)** In relation to **recommendation III.4.**, it should be noted that the Company's Remuneration Policy does not provide for the deferred payment of all or part of the variable component of remuneration, and the Remuneration Committee believes that it has found, thusfar, the mechanisms that allow the alignment of the interests of the Executive Directors with the long-term interests of the Company and the shareholders, enabling the sustained growth of the Company's business and the corresponding value creation for the shareholders.

**d)** As regards **recommendation IV.2.**, it is important to explain that in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the External Auditor. These rules determine: i. the possibility of contracting those services, if the auditor's independence is assured; and ii. the obligation to obtain prior approval of the said Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount

of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% does not compromise the auditor's independence. Furthermore, the Committee considers this solution as the most appropriate to the Group's geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

### 3. Other Information

There is no other data or additional information, which is relevant for understanding the corporate governance model and practices adopted.



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1. Our Approach	124
2. Stakeholders Engagement	126
3. Highlights	128
4. Promoting Good Health through Food	130
5. Respecting the Environment	138
6. Sourcing Responsibly	148
7. Supporting Surrounding Communities	154
8. Being a Benchmark Employer	159
9. Commitments for 2015-2017	167
10. The Global Compact Principles	171

## Our Approach

With a history of over two centuries, the Jerónimo Martins Group works to create value in a sustained manner, respecting the quality of life of the present and future generations and seeking to mitigate, as far as possible, the impact of its activities on the ecosystems.

# 1.

The Corporate Responsibility strategy is common across all the Group's Companies and comprises five pillars:



### Promoting Good Health through Food

Promoting good health through food is embodied in two action strategies:

- i. fostering the quality and diversity of the food products Companies sell;
- ii. ensuring food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.



### Respecting the Environment

Aware of the impacts generated by its businesses, the Group aims to promote the efficient management of resources, linked to preserving the environment. Its actions are focused on three priority areas: climate change, biodiversity and waste management.



### Sourcing Responsibly

The Group's Companies are aware of the origins and production processes of the products they develop and acquire, seeking to incorporate ethical, social and environmental concerns in the decisions regarding their supply chains. The Group is committed to developing long-lasting commercial relationships, practising fair prices and actively supporting local production in the countries where it operates.



### Supporting Surrounding Communities

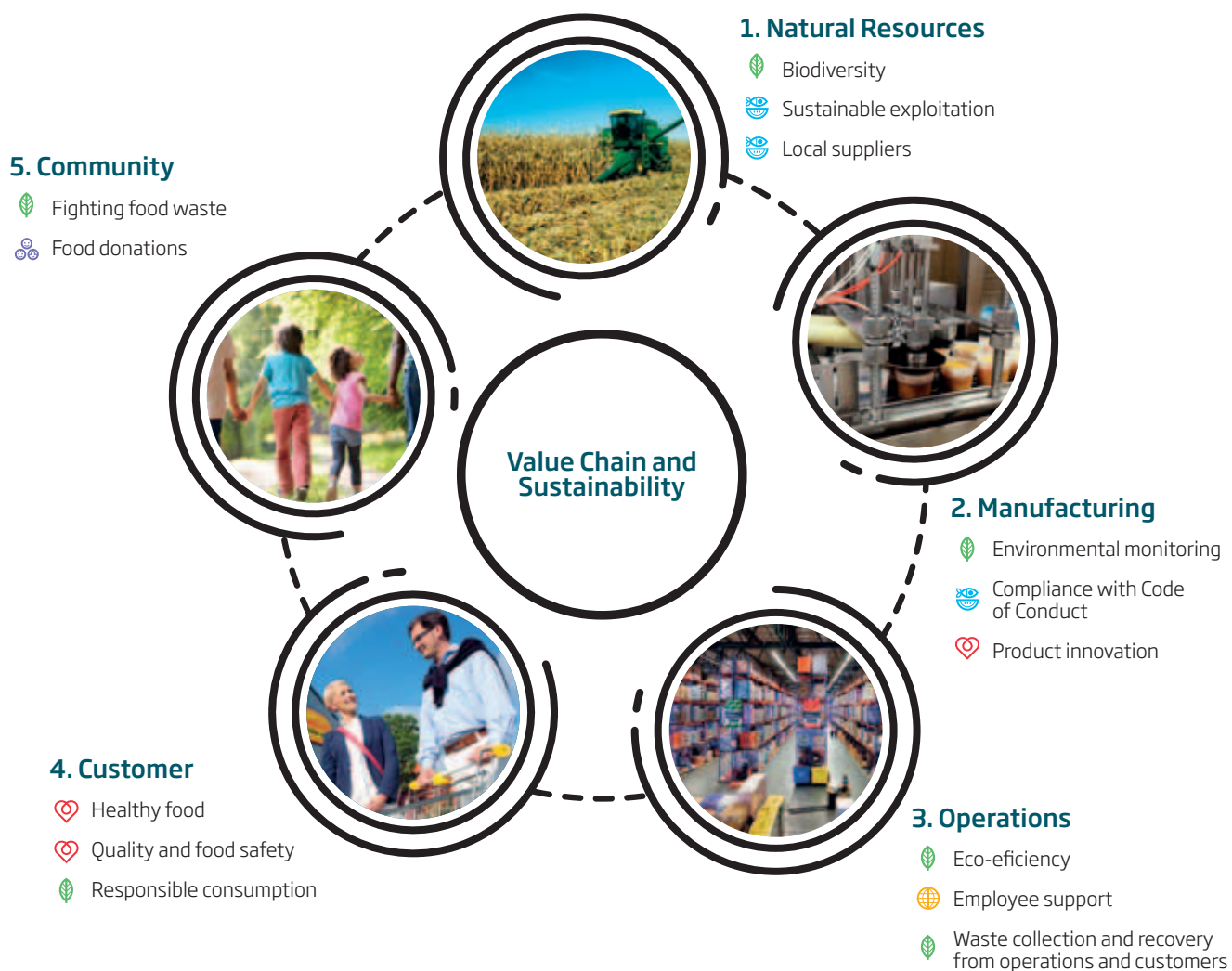
The Group is strongly committed to the communities in the countries where it operates, fostering social cohesion and endeavouring to contribute towards breaking cycles of poverty and malnutrition, by supporting projects and causes concerning the more fragile groups in society: children and young people, and underprivileged elderly people.



### Being a Benchmark Employer

By creating employment, the Group aims to stimulate social and economic development in the markets where it does business. To do so, it promotes balanced wage policies and a stimulating and positive work environment, in a firm commitment to its employees, who are also the target of social responsibility policies that are extended to their families.

## Business Model and Relation with Sustainable Development



### Jerónimo Martins Group included in the FTSE Russell Indices

The Group's approach and its performance within the scope of the Corporate Responsibility pillars has been followed by a wide set of stakeholders, including Environment, Social and Governance (ESG) analysts.

In 2016, the Jerónimo Martins Group was included – for the first time – in the FTSE Russell indices: FTSE4Good Global Index and FTSE4Good Europe Index. The FTSE4Good series was created with the objective of helping investors to incorporate ESG criteria in their investment decisions. The indices are designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

This inclusion is the result of recognition of the Group's commitments, actions and performance in the sustainability area and in the long-term development of its businesses.



FTSE4Good

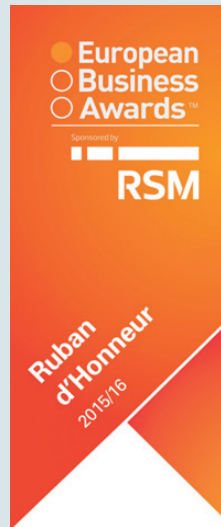


### Fighting food waste

This topic has been on the Group's agenda of concerns for several years, through the way it conducts its businesses for the efficient management of raw materials, throughout their value chains. There is a clear objective: to prevent waste production, using an approach incorporated in the five pillars of its Corporate Responsibility strategy:

- Promoting Good Health through Food, by supplying ready-made soups and salads, incorporating products that are not standardised for sale;
- Respecting the Environment, endeavouring to reduce the waste generated;
- Sourcing Responsibly, by purchasing non-graded food products, which previously had little or no economic value. This practice guaranteed the use of over 13,300 tonnes of products during the year;
- Supporting Surrounding Communities, by donating more than 10 thousand tonnes of food to social institutions reaching hundreds of people in need, thereby contributing towards the fight against hunger and malnutrition;
- Being a Benchmark Employer, by training employees to identify, select and separate safe food to be donated.

In 2016, the Group was recognised for its actions by the European Business Awards, having won the National Champion and Ruban d'Honneur awards in "The Award for Environmental & Corporate Sustainability" category. Within this context, the Ethical Corporation also awarded an honourable mention in the "Most Effective Domestic Community Investment" category.



### Stakeholder Engagement

For the Jerónimo Martins Group, stakeholder engagement plays an important part in defining and managing material environmental, social and economic aspects, as well as in formulating the communication strategy.

# 2.

With a view to continuous improvement, the Group furthers its engagement with stakeholders that depend on or influence its activity, by using various communication channels, with the objective of being more in line with their needs and expectations.

Stakeholders	Interfaces	Communication Channels
Shareholders and Investors	Investor Relations Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences, roadshows, Investor's Day and shareholders' meetings.
Analysts	Investor Relations Department, Communications and Corporate Responsibility Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences and Investor's Day.
Official Bodies, Supervising Entities and Local Councils	Investor Relations Department, Tax Departments, Legal Departments, Communications and Corporate Responsibility Department.	Corporate website, e-mail and post, half-yearly corporate magazine and meetings.
Suppliers, Business Partners and Service Providers	Commercial, Marketing, Quality and Private Brand Development, Food Safety, Environment, Regional Operations, Technical, Expansion, IT Departments and Ethics Committee.	JM Direct Portal, follow-up visits, quality and food safety audits, business meetings, direct contacts and half-yearly corporate magazine.
Employees	Human Resources Departments, Training School, Ethics Committee and Employee Assistance Services.	Employee Assistance Services (telephone line, post and electronic mail), internal magazines, intranet, operational and management meetings, interpersonal relationships, annual performance appraisal, training sessions and internal climate surveys.
Customers and Consumers	Customer Services, Customer Ombudsman and Ethics Committee.	Toll-free phone lines, e-mail, corporate website and post.
Local Communities	Communications and Corporate Responsibility Department, Stores and Distribution Centres (DCs).	Follow-up visits, meetings, protocols and partnerships/patronage.
Journalists	Communications and Corporate Responsibility Department.	Corporate website, press releases, press conferences, meetings, Annual Report and half-yearly corporate magazine.
NGOs and Associations	Communications and Corporate Responsibility Department.	Follow-up visits, meetings, partnerships/patronage and half-yearly corporate magazine.

In 2016, three years after carrying out the last exercise of listening to its stakeholders, the Group decided to re-evaluate the material topics to be considered, both at a management level and a reporting level, within the scope of its Corporate Responsibility strategy.

This exercise was carried out directly - through interviews and questionnaires - with all the Group's stakeholders, except Official Bodies, Supervisory Entities and Local Councils, for whom the listening process was based on an analysis of legal documents and strategic programmes in force.

Out of a total of more than 4,790 responses, including those from the Group's top management, it was possible to confirm the validity of the material aspects that incorporate the strategic plans, among which the following are highlighted, in descending order:

1. Quality and food safety;
2. Selection of suppliers based on sustainability criteria;
3. Offer of products of a sustainable origin;
4. Working conditions;
5. Preference for local suppliers;
6. Engagement with and support to employees, their families and surrounding communities;
7. Offer of healthy products;
8. Waste management and recycling;
9. Energy efficiency and reduction in water consumption;
10. Supplier relations management.

The Group's reporting of the actions in each of these material topics can be found throughout this chapter, in the area dedicated to each of the action pillars that embody the commitment to sustainable development.

In order to also ensure compliance with the Principles of Corporate Responsibility, and to disclose and reinforce them, the Group also has the Committee on Corporate Governance and Corporate Responsibility, which works closely with the Board of Directors, and the Ethics Committee, which monitors the disclosure of and compliance with the Code of Conduct in all the Group's Companies.

The responsibilities of each of these Committees are described at [www.jeronimomartins.pt](http://www.jeronimomartins.pt), in the "Investor" area.

At the end of 2016, LinkedIn, the professional social network, had more than 87 thousand followers and has been an important vehicle for disclosing the Group's activity, including the actions carried out within the scope of the five pillars of Corporate Responsibility. Within this context, throughout 2016, 78 posts were released relating to Corporate Responsibility, resulting in over 2.4 million impressions<sup>1</sup>.

## Non-Governmental Organisations and Associations

At an institutional level and with regard to its Companies, the Jerónimo Martins Group is part of various national and international organisations and initiatives concerning Corporate Responsibility:

- BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável
- Carbon Disclosure Project (CDP)
- Forum Odpowiedzialnego Biznesu (Responsible Business Forum)
- Global Social Compliance Programme (GSCP)
- Grupo de Reflexão e Apoio à Cidadania Empresarial (GRACE)
- London Benchmarking Group (LBG)
- Retail Forum for Sustainability
- The Consumer Goods Forum (CGF)
- The Supply Chain Initiative (SCI)
- United Nations Global Compact
- We Mean Business

For further details about relations with stakeholders and about the organisations to which the Group belongs, please go to [www.jeronimomartins.pt](http://www.jeronimomartins.pt), in the "Responsibility" area.

## Highlights

# 3.

<sup>1</sup> This indicator refers to the number of times each post was displayed to LinkedIn users.



## Promoting Good Health through Food

- 109 Private Brand products, in Portugal and in Poland, underwent nutritional reformulation, preventing 152 tonnes of fat, 142 tonnes of sugar and 31 tonnes of salt from entering the market;
- In Portugal, 10 new products from the Pura Vida range were launched, bringing the total references up to 91. This range is aimed at people with specific dietary requirements and/or preferences, such as products without any added sugar, gluten-free or lactose-free products;
- In Poland, investment was maintained in offering new solutions for consumers with special dietary requirements, having increased the assortment of gluten-free and lactose-free products. In total, 34 references were put on the market;
- In Poland, Biedronka was the first distribution chain to launch the Wolno Gotowane (Slow Cooked) range, with the objective of offering consumers healthy convenient products, which are made using vacuum steaming techniques;
- In Portugal, the Meal Solutions area launched five new vegetarian dishes, which became part of the regular weekly offer of meals in the Pingo Doce restaurants.

## Respecting the Environment

- The Jerónimo Martins Group obtained an overall rating of "A-" in the CDP Climate Change 2016, positioning the Group at "Leadership" level, closer to reaching the maximum rating (A);
- Energy consumption per one thousand euros registered a reduction of 1.6% compared to 2015;
- Biedronka's 15 Distribution Centres obtained environmental certification according to the ISO 14001:2012 standard;

- The Group was able to increase the waste recovery rate from operations by 1.2 percentage points compared to 2015, contributing to the triennium goals;
- The quantity of waste collected from clients and redirected to recovery increased by 10% in comparison to 2015.

## Sourcing Responsibly

- The commitment was maintained to acquire, at least, 80% of food products from local suppliers in all the countries where the Group operates;
- The Group achieved the objective of continuing to introduce sustainability certificates (e.g. UTZ, Marine Stewardship Council and Rainforest Alliance, among others) in its Private Brand products and Perishables, having introduced over 30 products with such characteristics in 2016;
- The Jerónimo Martins Group obtained an overall rating of "A-" for palm oil in the CDP Forests 2016, positioning it at "Leadership" level, just a step away from reaching the maximum rating (A). The commodities soy, paper and wood, and beef obtained a classification of "B", the equivalent of the "Management" level.

## Supporting Surrounding Communities

- The value of support offered by the Group amounted to around 18 million euros, an increase of 3% compared to 2015;
- Support was maintained to *Academia do Johnson* (Johnson's Academy) whose mission is to combat social exclusion and the school dropout of about 140 children and young people from vulnerable communities in Lisbon;
- 63 Biedronka stores and seven Distribution Centres donated, to the local dioceses of Caritas Polska and other charities, around 87 tonnes of surplus food that although suitable for consumption, could not be put up for sale;

- The number of schools involved in the *Śniadanie Daje Moc* (Breakfast Gives You Strength) programme increased by 5.8% to 7,826 compared to the previous academic year, which is the equivalent of more than 65% of the primary schools in Poland. The programme encompassed 195,650 children, an increase of over 13 thousand children;
- In Colombia, Ara continued to support the *Madres Comunitarias* (Community Mothers) programme, by regularly supplying food to 262 community nurseries. The number of children supported increased by 8% to 3,668 compared to 2015.

## Being a Benchmark Employer

- The Group created 7,206 jobs, representing a net growth of 8.1% compared to 2015;
- The Group attributed around 82 million euros in bonuses to its employees and promoted 8,714 employees from the stores, Distribution Centres and head offices;
- With regard to safety in the workplace, the severity indices registered the best performance since 2010, achieving 20.98 points, a result which is due to the employees' performance and to the Group's investment in training sessions, simulations, awareness campaigns and audits;
- The Group invested over 16.6 million euros in social support initiatives for its employees. The "SOS Dentista Júnior" programme began, which is for employees' children. In Portugal 279 children between the ages of 7 and 17 began treatment under this programme. In Poland, the "To School with Biedronka" programme continued, whereby support was given to around 2,700 families without the financial means to cover the school expenses.

## Promoting Good Health through Food

The Groups' Companies work to offer nutritionally balanced, less processed products, geared towards satisfying specific dietary requirements.

# 4.

### 4.1. Introduction

As food specialists, the Group is committed to contributing to the health and quality of life of its millions of daily customers, through food and the promotion of responsible consumption.

This commitment is derived from the challenges imposed by the societies where it is present, aiming to be an active player in fighting and preventing food-related diseases such as obesity, diabetes, osteoporosis and cardiovascular diseases. The Groups' Companies work to offer nutritionally balanced, less processed products, geared towards satisfying specific dietary requirements, such as intolerances to certain ingredients like lactose or gluten.

Promoting good health through food is achieved through two common action strategies in the countries and sectors where we operate: i. fostering the quality and diversity of food; and ii. ensuring food safety.

### 4.2. Quality and Diversity

In order to guarantee the high standards of Quality and Food Safety of the products we sell, the guidelines in place in Portugal, Poland and Colombia encompass three fundamental policies:

- Quality and Food Safety Policy - guarantees a system for continuous improvement in the processes for

developing and monitoring Private Brand products and Perishables;

- Nutritional Policy - aligned with the World Health Organization's recommendations, it defines six pillars in the development of Private Brands: nutritional profile, ingredients, labelling, portion sizes, continuous improvement and communication;
- Policy on Genetically Modified Organisms - based on the principle that the Private Brand products do not contain ingredients or additives of transgenic origin and that, should that not be the case, the consumers will be informed on the respective label.

In addition, the Guidelines for Developing Private Brand Products reinforce the principles listed in the Nutritional Policy, defining the following:

- restrictions as to the use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of some ingredients in the products, such as salt, sugar or fat;
- nutritional reformulation strategies;
- packaging material allowed for contact with foodstuffs;
- principles of nutritional labelling, including information on health, nutrition and the promotion of healthy lifestyles;
- product monitoring plans, which includes sensorial tests, audits and laboratory controls.

### 4.2.1. Launches

In Poland, products were launched that have potential health benefits and also aimed at people with specific dietary requirements, including the following:

- Kraina Wedlin delicatessen products, made of chicken and turkey, with just a 3% of fat;
- Marinero tuna salads, an innovation in the Polish market due to servings with wild rice and ginger, red quinoa, lentils and potatoes or sesame;
- Bonitki biscuits, coming in milk and honey, and almond and chocolate varieties, containing at least five wholemeal cereals (wheat, barley, spelt, oats and rye), vitamins and minerals such as iron and magnesium;
- Light margarine, a source of polyunsaturated acids such as omega-3, which contribute towards good functioning of the circulatory system, from the Solla brand;



Rice biscuits and a drink mix of soluble coffee, chicory and barley, two examples among the 24 gluten-free references launched by Biedronka in 2016.

- Functional teas from the Herbarium range, containing vegetable extracts that may help to control weight, control blood pressure and support immune functions.

Following the partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet) to monitor the launch of gluten-free products, which includes the production process, ensuring the absence of cross contamination, and certification of the final product, 24 gluten-free references were launched.

Care has also been taken about the presence of lactose in the products, with a view to addressing the specific needs of some consumers. 10 lactose-free products were launched, notably Aktiplus lactose-free yoghurts, all with added vitamins C and D, folic acid and calcium, suitable for older consumers; and Bez Laktozy butter.

In the KCalculation range, launched in 2015 according to the recommendations of the Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition) to develop products with a reduced calorie level, nine references were introduced, including corn crackers and Vitanella rice, dried apple, beetroot, tomato or carrot snacks from the same brand; and also vegetable salads with Vital Fresh yoghurt. These products aim to provide suitable food portions for the physical requirements of the consumers and, thereby, make it easier for them to choose products with limited energy indices.

We have made a commitment to the Consumer Goods Forum to achieve "Zero Net Deforestation" by 2020. The focus is on removing the presence of certain ingredients linked to the risk of destroying tropical forests, such as palm oil, a saturated fat (and, as such, not very healthy) and whose production methods can have an impact on deforestation.

Within this context, we have been launching food products that contain no palm oil. 13 new references launched contain sunflower oil, standing out from similar products in the Polish market that contain palm oil in their composition. As such, we offer consumers healthier food choices.

In Poland, Biedronka was the first chain to launch the Wolno Gotowane (Slow Cooked) range with the goal of offering healthy, ready-to-cook products. Beef, poultry and pork meats are initially subject to a vacuum vaporization being then cooked during a few hours at temperatures reaching as high as 85 degrees, maintaining its meat structure and taste and avoiding the use of preservatives and additives. They are then cooled and packaged for sale. This production process also allows for a more extensive expiry date that, in some cases, can reach 80 days. In 2016, 11 references of this range entered the market.

### Products targeted at children

At Pingo Doce, the Bolsas 100% Fruta (100% Fruit Packs) were especially created for children, each pack being the equivalent of a portion of fruit. These products come in nine varieties and are sources of vitamin C and fibre, and contain no colouring or preservatives. Besides, they have no added sugar - just what is naturally present in the fruit.

In the Pura Vida range, the Bebida de Soja Kids (Soya Drink for Kids) was launched, which is a product that is a source of iron, calcium, iodine and vitamins B1, B2, B12, C, D2 and E.

Aiming at offering products to newborns, the Pingo Doce Farinha Láctea Pêra (Pingo Doce's Milky Pear Flour), targeted at four months-old babies, was launched not having gluten in its composition and containing transition milk. Its sugar content is 9 p.p. below the benchmark.

The Pingo Doce products Farinha de Trigo and Farinha Bolacha Maria (Pingo Doce's Wheat Flour and Maria Cookie Flour) were also launched targeting families and children as from the age of six months, respectively. These products are rich in calcium, iron and various vitamins that are essential for growth: A, B1, B3, B9, B13, C and D.

In Poland, 22 references reached the market, including notably the Vitalss food supplements containing at least 10 vitamins, the Miami cheeses, sources of calcium and protein, and also the Vital Fresh juices, made only from fruit, which are sources of vitamin C.

The special Dada milk was also launched. This is suitable for babies as from the age of six months and it contains transition milk, is gluten free, has no added sugar and is a source of vitamins A, B1, B12 and minerals such as calcium, iron, zinc, selenium and iodine.

In Portugal, the Pura Vida range is aimed at people with specific dietary requirements or preferences, such as products without any added sugar, gluten-free or lactose-free products. We placed 10 new products from this range on the market, bringing the total references up to 91.

In the 0% Lactose tag, five new references were launched: the Natas para Bater (Whipping Cream) and for Culinária (Cooking Cream), Bolacha Maria (Maria Biscuit), Bolacha de Água e Sal (Cracker) and the Natural and Stracciatella Greek-style yoghurts. For gluten-intolerant consumers, the Tortitas de Milho com Chocolate Preto (Corn Crackers with Dark Chocolate) were launched.

Another new reference launched in 2016 was the Sementes de Chia (Chia Seeds), containing a high level of fatty acids (omega-3) and a source of vitamins B1 (thiamine) and B3 (niacin) - important for the nervous system function - fibre and various minerals such as magnesium, zinc, iron, calcium and manganese.

Other Pura Vida launches include Croquetes de Legumes (Vegetable Croquettes), to be cooked in the oven, and Hamburguer de Soja (Soy Burger), which contains a high level of exclusively vegetable protein, both being especially indicated for vegans. The Baunilha (Vanilla) and Sem Adição de Açúcares (No Added Sugar) soy-based drinks also reached the market, being sources of calcium and vitamins B2, B12 and D2, which promote the body's natural defences, good functioning of the nervous system and bone development.

Other Pingo Doce low-processed products or those that are beneficial for the health were also launched, such as:

- Tinned Atum dos Açores (Azores Tuna) in olive oil;
- Calamares Receita Tradicional (Traditional Recipe Squid), which is gluten-free and, as it is pre-fried in sunflower oil, can be prepared in the oven;
- Gelatina Light (Light Gelatine) in sachets, in the Melancia (Watermelon), Morango (Strawberry), Frutos Vermelhos (Red Berries) and Mirtilo (Blueberry) references, which have no added sugar in their composition and are a source of vitamin C and only have 10 calories per portion;
- Gelatina Light (Light Gelatine) in individual cups, in the Limão (Lemon) and Morango (Strawberry) references, also with no added sugar and only 10 calories per portion;
- Iogurte Líquido Magro (Skimmed Liquid Yoghurt), in the Maças Verdes (Green Apples) and Frutos Vermelhos (Red Berries) references, which are natural sources of calcium and have no added sugar or fat.

### 4.2.2. Reformulations

The reformulations strategy is focused on decreasing, replacing or removing ingredients from the product compositions such as salt, sugar and fat, in order to make a positive contribution towards improving public health. With a view to maximising the desired results, the execution of the strategy gives priority to reformulating fast-moving consumer goods and/or those preferred by children.

In Poland, 78 food products were reformulated, additives of synthetic origin, flavour intensifiers and preservatives, salt, sugar and fat having been removed. In total, 147 tonnes of fat, 106 tonnes of sugar and around 27 tonnes of salt were removed.

The level of fat and also saturated fat decreased in 18 references from Biedronka's exclusive brands, where the Kraina Wedlin pork sausages are highlighted, which had a decrease in fat content of around 4%, as well as the four references of Mr. Potato frozen chips, which had a reduction in fat content of between 80 and 83%, which is the equivalent of around 26 tonnes of fat not entering the Polish market.

Also considering the commitment undertaken by the Group to the Consumer Goods Forum, we progressively reformulated food products containing palm oil in their composition, replacing it with other vegetable oils, such as rapeseed or sunflower, which have a healthier nutritional profile, or removing it. In 2016, 13 references of the Group's Private Brand assortments in Poland were reformulated, which represents a total of more than 1.8 thousand tonnes of this fat being removed.

To find out more about the Group's positioning and its actions regarding the origin of palm oil in Private Brand products, please refer to subchapter 6. "Sourcing Responsibly".

Among the seven references reformulated to reduce salt, of particular note is the Żłoty Łan rye and wheat bread, whose salt content was decreased by 23%, and the Culineo vegetable stock cubes, which had a 17% reduction in salt. By intervening in these two references it was possible to prevent around three tonnes of salt from being placed on the market.

With regard to sugar, of note is the reformulation of the Donatello family pizzas with ham reference,

whose level was reduced by 67%, the equivalent of around 45 tonnes.

The composition of various product references was reformulated as to superfluous ingredients, such as preservatives, colouring, thickening agents and other additives. Monosodium glutamate, a flavour intensifier, was removed from 14 references.

In Portugal, 29 products were nutritionally reformulated, having prevented around 29 tonnes of sugar, more than three tonnes of fat and three tonnes of salt from entering the market. Among these, products for children and young people were also reformulated, including the Choco Rice cereals, whose sugar level was reduced by 32% or around 15 tonnes.

In the scope of the Meal Solutions area, in 2016, we sought to eliminate fried products by healthier options, as well as to reduce the amount of oils in its composition. The level of salt was also a matter of concern, having been launched salt-free soups.

It was possible to prevent over one tonne of fat, 685 kg of salt and over four tonnes of sugar from entering the market.

In Colombia, two Aveia (Oats) prepared drinks' references were reformulated, in which the sugar level was reduced by more than 4 p.p., meaning around three tonnes were removed from the market, and the oats content increased more than 4 p.p., the equivalent of more than 30 tonnes.



Example of some of the 78 reformulated food products in Poland. In the Culineo vegetable stock cubes, there was a reduction of 17% in salt; the Donatello familiar pizzas with ham reference had a 67% reduction in sugar; the Żłoty Łan rye and wheat bread was subject to a 23% reduction of salt proportion and Mr. Potato frozen chips benefited with a reduction in fat content of between 80% and 83%.

## Total Reformulations

In 2016, the Group prevented the following from entering the market:

- 152 tonnes of fat;
- 142 tonnes of sugar;
- 31 tonnes of salt.



### 4.2.3. Promoting Healthier Choices

The Packaging Manuals are for disclosing the characteristics and benefits of the Private Brand products, in compliance with the technical and legal requirements. One of the examples is the commitment to clearly and concisely inform consumers on the nutritional composition of the products, providing full nutritional tables with the values per 100 grams and per portion.

Within the scope of adapting to national and community regulations on nutrition profiles and communication of allergens, Pingo Doce labelled its pre-packed Bakery and Pastry products and those packed on request by the customers, with the necessary information. The Meal Solutions meals were also labelled with that information, being available upon client request, while communication items in the service areas were also developed, in order to disclose information legally required on allergens.

In addition, for 10 years, Pingo Doce has been following the principles of the Mediterranean Diet as a reference for developing Private Brand products and for the meals from the Meal Solutions business unit, as a differentiating aspect of its communication with the public. One of the examples is the bi-monthly magazine “Sabe Bem” (Tastes Good), targeted at customers. With an average print-run of 150 thousand copies,

it has remained one of the preferred means of communication about this diet, suggesting over 50 recipes.

Pingo Doce’s website also played a part in encouraging people to adopt this diet, as well as informing about a list of lactose-free and gluten-free products, helping consumers in their choice. The list is updated every month by Pingo Doce’s nutrition team, in accordance with the analytical control carried out on the Private Brand products.

Biedronka maintained the partnership with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), an institution which carries out studies on consumers’ food requirements and promotes actions on the importance of food for the health.

In cooperation with this institute, the Group developed the “Wiesz Co Jez” (Know What You Eat) campaign, through which it provides a special telephone service to advise consumers to make healthier nutritional choices. For two weeks, 160 customers contacted a nutritionist who advised them on diets, specific dietary requirements, lesser used ingredients in Poland, such as quinoa, chia seeds or bulgur wheat, as well as on Biedronka’s products.

Within the scope of this cooperation, Biedronka was one of the sponsors of the first Polish Nutritional Conference, on the topic “Food and Nutrition in Preventing and Treating Diseases”, which around 400 people attended.

Geared towards the employees of Biedronka’s central structure and the eight Distribution Centres, an educational campaign was developed to inform about and promote healthy eating habits.

### 4.2.4. Partnerships and Support

The Group continuously fosters active dialogue with institutions that might contribute towards furthering knowledge on food, nutrition and health, as well as to publicise products targeted at people with specific dietary requirements.

In Portugal, within the scope of the partnership with the Portuguese Directorate-General for Health for sharing healthy recipes, Pingo Doce contributed with six recipes specifically developed by its nutrition team for the Programa Nacional para a Promoção da Alimentação Saudável (National Programme for Promoting Healthy Food), in a total of 23 proposals, which can be seen at [www.alimentacaosaudavel.dgs.pt](http://www.alimentacaosaudavel.dgs.pt).

The Group maintains partnerships with institutions aiming to contribute towards healthier eating, such as:

- Partnerstwo dla Zdrowia (Partnership for Health), for the Milk Start and Snidanje Daje Moc (Breakfast Gives You Power) projects in Poland<sup>2</sup>;
- Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), to hold the Conference on Celiac Disease and a Gluten-free Diet;

<sup>2</sup> For more information about this programme, please refer to subchapter 7, “Supporting Surrounding Communities”.



- Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), within the scope of the governmental programme *Madres Comunitarias* (Community Mothers), in Colombia<sup>2</sup>.

### 4.3. Quality and Food Safety

We continually invest in the certification and monitoring of our processes, facilities and equipment in order to ensure safe and high quality products. To do so, we rely on our Quality and Food Safety technicians, as well as on external auditors to implement the adequate procedures and to assess the respective performance indicators.

Taking into account the risk analysis performed in the three countries where the Group is present, the control processes were updated, with a view to adjusting them to the changes introduced in the product assortment.

#### 4.3.1. Certifications

During 2016, the following certifications were renewed/maintained:

- ISO 22000:2005 certification, regarding Biedronka's warehousing and distribution process in all the 15 Distribution Centres, and product development process in Biedronka's headquarters;
- ISO 9001:2008 certification for the Development of Private Brands, in Portugal, and Post-Launch Product/Supplier Follow-Up;

- HACCP certification in accordance with the *Codex Alimentarius* of Pingo Doce's central kitchens in Gaia, Aveiro and Odivelas;
- HACCP certification in accordance with the *Codex Alimentarius* of the Recheio Cash & Carry stores (including the store in Madeira);
- HACCP certification in accordance with the *Codex Alimentarius* of a franchised store of Recheio Cash & Carry in the Azores;
- HACCP certification in accordance with the *Codex Alimentarius* of the Caterplus Food Service platforms (except the Lisbon platform);
- HACCP Certification, concerning Food Safety, based on the *Codex Alimentarius* of the Azambuja, Modivas, Guardediras and Algoz Distribution Centres.

In 2016, all the Polish Distribution Centres renewed their certification for handling organic products, according to EC Regulation 834/2007.

#### 4.3.2. Audits

To guarantee the high levels of Quality and Food Safety of the products sold by the Group, the processes, facilities and equipment are subject to control audits.

#### Distribution Poland

The stores in Poland underwent internal audits and the Distribution Centres were audited both internally and externally to check that the facilities, equipment and procedures are appropriate.

Stores and Distribution Centres	Biedronka			Distribution Centres		
	2016	2015	Δ2016/2015	2016	2015	Δ2016/2015
Internal Audits	4,411	4,814	-8%	30	30	-
Follow-up Audits	25	83	-70%	-	-	-
External Audits	-	-	-	30	32	- 6%
HACCP Performance*	81%	80%	+1 p.p.	96%**	95%**	+1 p.p.

\* At Biedronka, HACCP implementation is evaluated based on specific requirements, which, in turn, are based on the *Codex Alimentarius*.

\*\* In the Distribution Centres, the compliance rate refers to the ISO 22000 - Food Safety Management System certification, which is based on the HACCP principles of the *Codex Alimentarius*.

<sup>2</sup> For more information about this programme, please refer to subchapter 7. "Supporting Surrounding Communities".

#### 4. How we make a difference

The number of follow-up audits has decreased in relation to 2015 due to the score of some stores that didn't justify corrective actions and additional audits.

Keeping the line of action of 2015, during 2016 analyses were carried out on work surfaces, equipment and handlers with the aim of controlling microbiological risks.

In 2015, this type of control was carried out for the first time in order to follow the introduction of the meat slicing and packaging service in 25 stores. However, by the end of 2016 only four stores remained in the project, resulting in the reduction of analyses. Also during 2016, the control of the microbiological risks in machines for squeezing oranges for juice, as well as the juice itself, was initiated in 19 stores.

Globally, the number of microbiological analyses carried out in stores was reduced by 72%, totalling 172.

#### Distribution Portugal

Audits performed on Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2016	2015	Δ2016/2015	2016	2015	Δ2016/2015	2016	2015	Δ2016/2015
Internal Audits	1,004	1,176	-15%	106	106	-	25	16	+56%
Follow-up Audits	785	842	-7%	107	102	+5%	19	15	+27%
External Audits	16	19	-16%	32	36	-11%	3	3	-
HACCP Performance*	86%	86%	-	82%	81%	+1 p.p.	91%	85%	+6 p.p.

\* At Pingo Doce, as well as at Recheio, the implementation of HACCP is evaluated on specific requirements, based on the *Codex Alimentarius* and appropriate for the realities in which the Companies operate.

The decrease in the number of internal audits at Pingo Doce was due to a new evaluation criterion based on the 2015 performance: stores with an average performance above 85% saw the audits reduced.

Resorting to accredited external laboratories, Pingo Doce, Recheio and the respective Distribution Centres also performed 120,126 Quality and Food Safety analyses on work surfaces, handlers of Perishables and on products handled in stores, the water and the air. This value represents an increase of 6% compared to the previous year, reflecting the Group's commitment to the highest possible standards of Quality and Food Safety.

### Distribution Colombia

In Colombia, internal audits were carried out in the Ara stores and in the DCs.

Stores and Distribution Centres	Ara			Distribution Centres		
	2016	2015	Δ2016/2015	2016	2015	Δ2016/2015
Internal Audits	182	100	+82%	2	2	-
Good Hygiene and Quality Practices*	72%	85%	-13 p.p.	95%	76%	+19 p.p.

\* The compliance rate refers to the score obtained on Good Practices, in which the criteria aim to guarantee the quality and safety of the products according to the law, evaluating the operation itself and the control system and procedures. The criteria include, among others, hygiene and quality control aspects of the facilities for handling the product, such as temperature, packaging and organic waste management procedures.

A total of 625 analyses on work surfaces, handlers of perishables, products handled in the stores and on water were also performed. This figure represents a decrease of 33% compared to 2015, something that is explained by the fact that, in that year, an additional analysis diagnosis was carried out on all store surfaces, a process therefore unnecessary in 2016.

#### 4.3.3. Analyses

As far as Food Safety is concerned, apart from the audits mentioned in the previous point, the Group carries out laboratory analyses on the Perishables and Private Brand products that are sold by its banners.

### Distribution Poland

Number of Analyses/ Samples collected	2016	2015	Δ2016/ 2015
Private Brand - Food	12,218	7,724	+58%
Private Brand - Non-Food*	1,332	1,295	+3%
Fruit and Vegetables	759	755	+1%
Meat and Fish	1,621	1,233	+31%
Bakery	39	43	-9%

\* A further additional 716 Private Brand non-food product inspections were carried out.

The increase in the analyses of Private Brand food products was due to the inclusion of more nutritional parameters and labelling, and increased controls on contamination (including gluten or lactose, among others) and adulteration (for identification of genetically modified organisms, for example), in addition to regular chemical and microbiological tests.

In the case of Meat and Fish analyses, the increase in the indicators is due to the increase in the number of products and suppliers.

#### Distribution Portugal

Number of Analyses/ Samples collected	2016	2015	Δ2016/ 2015
Private Brand - Food	12,566*	11,968*	+5%
Private Brand - Non-Food	3,971	3,051	+30%
Fruit and Vegetables	2,529	2,228	+14%
Meat	1,391	1,326	+5%
Fish	1,050	1,281	-18%
Bakery	642	599	+7%
Meal Solutions	1,456	591	+146%

\* Including routine analyses on the presence of gluten, genetically modified organisms, lactose and on the denomination of species.

The increase in the number of analyses performed on Meal Solutions products is due, among other things, to the need to validate products following changes in processes such as the cooling of soups and revision of expiry dates as a result of altering such procedure.

#### Distribution Colombia

In Colombia, 563 laboratory analyses were performed on products sold, which represents an increase of 44% compared to 2015, in line with the growth in the number of stores, suppliers and products sold in 2016.

Number of Analyses/ Samples collected	2016	2015	Δ2016/ 2015
Private Brand - Food	332	256*	+30%
Private Brand - Non-Food	144	94*	+53%
Fruit and Vegetables	26	34	-24%
Meat	44	8	+450%
Fish	7	0	-
Bakery	10	0	-

\* Corrected value compared to 2015 reporting.

#### 4.3.4. Training

In Poland, training in Food Hygiene and Safety was given to 15,507 employees in 28,705 hours of training.

In Portugal, 8,677 employees received training, in a total of over 38,511 hours.

In Colombia, training was given to 4,617 trainees, in a total of 25,846 hours.

## Respecting the Environment

The Group has defined its Environmental Policy where it has established three priority management areas: preservation of biodiversity, fight against climate change and responsible waste management.

# 5.

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## 5.1. Introduction

The efficient management of resources, coupled with environmental preservation, involves the minimization of environmental impacts throughout the supply chains and the promotion of sustainable production and consumption practices. Since the Group considers it critical for the sustained growth of its activities, it has defined its Environmental Policy (available for consultation in the “Responsibility” area at [www.jeronimomartins.pt](http://www.jeronimomartins.pt)), where it has established three priority management areas: i) the preservation of biodiversity; ii) the fight against climate change; and iii) responsible waste management.

### 5.1.1. Environmental Audits

In 2016, 326 internal audits were conducted on stores, warehouses and Distribution Centres (DCs) in Portugal and Poland to ensure their compliance with legal requirements and with the Group’s internal Environmental Management procedures. Based on the positive results of 2015, and for the cases where the level of compliance was greater than 90%, it was decided to reduce the number of follow-up audits to be carried out, thereby justifying the decrease of 12%. In Portugal, 301 internal environmental audits were carried out, while in Poland this figure stayed at 25 audits. Corrective actions were defined whenever the score obtained in the audits was less than 100%.

### 5.1.2. Environmental Certification

The Environmental Management Systems implemented are based on the ISO 14001:2012 international standard. In Portugal, the number of DCs with this certification remained at four (Azambuja, Vila do Conde, Guardedeiras and Algoz) out of a total of nine. In Poland, the 15 DCs have the same certification. Also in 2016, all the Polish DCs renewed their certification for handling organic products, according to the EC Regulation 834/2007.

## 5.2. Biodiversity

With considerable expertise in Perishables, the annual sales volume of Meat, Fruit and Vegetables and Fish, among others, results in impacts on ecosystems which the Group assumes as its responsibility to become aware of, mitigate and reflect upon when defining policies, strategies and operational processes.

In recent years, we have assessed the risks linked to different ecosystem services based on the Ecosystem Services Review methodology, proposed by the World

Research Institute, and defined 11 priority action areas which have led to management projects and practices for our Companies and which include:

- information management;
- training;
- partnerships with suppliers; and
- research and development.

Among the research projects that we have developed and supported, we highlight the characterization of potential risks associated with the fish species most sold by our Companies in both Portugal and Poland. This analysis, which was carried out by a specialized independent entity along with our Environment and Sustainability teams, identified aspects such as the level of stock exploitation, impacts on ecosystems, traceability and working conditions, coming to the conclusion that none of the species sold showed high risk.

In 2016, the level of vulnerability of all fish species sold in Portugal and Poland was assessed<sup>3</sup>. This analysis was based on the Red List of the International Union for the Conservation of Nature (IUCN Red List

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<sup>3</sup> To find out more about the actions carried out by the Group in this area, see subchapter 6. in this chapter “Sourcing Responsibly”.

of Threatened Species). Of all the species purchased in 2015, less than 8%, in number, showed some level of risk:

- 14 species, 18% of the total sourced (kg), are classified at the level “Vulnerable”, the lowest level for threatened species;
- five species, less than 0.8% of the total sourced (kg), are classified as “Endangered”, an intermediate level of risk, and for one of these it was possible to ensure its total production in an aquaculture system;
- one species, less than 0.0004% of the total sourced (kg), is classified as “Critically Endangered”, the maximum level of risk. Its sale was discontinued in June 2016 since it was not possible to ensure its production in an aquaculture system throughout its complete life cycle.

In agriculture, and after carrying out a study on the practices of Portuguese supplies to the Group, a manual was developed, along with our Fruit and Vegetables producers, to promote the use of production methods which enhance, among other aspects, the protection of biodiversity.

## 5.3. Climate Change

The IPCC<sup>4</sup> has warned that climate change impacts will be felt through an increase in global average temperature, in a rise in the average sea level and an increase of the frequency and intensity of extreme weather events. In addition to the effects on the reduction of agricultural productivity, impacts are also expected at the level of Operations as a result of droughts, floods and snowstorms. The Paris Agreement, now in force and ratified by two of the three countries where the Group operates, commits signatory countries to reducing greenhouse gases (GHG) so as to ensure that the increase in average global temperature does not exceed 2°C.

For this reason, the Group is focused on implementing measures to reduce energy consumption and to minimize GHG emissions from, for example, logistics processes and from refrigeration gases, as well as in promoting measures related to deforestation commodities<sup>5</sup>.

### 5.3.1. Carbon Footprint

In 2016<sup>6</sup>, the carbon footprint was 1,267,496 equivalent tonnes of carbon dioxide (CO<sub>2</sub>e), an increase of 17.2% compared to 2015<sup>7</sup>, which is mainly justified by the significant rise in the electricity market-based emission factors. For the same reason, the specific value increased from 0.079 to 0.087 equivalent tonnes of carbon for every thousand euros of sales, regardless of the reduction of 1.6% in the specific electricity consumption value.

Carbon Footprint - Indicators	2016	2015	Δ
Overall value (scope 1 & 2) <sup>7</sup> - t CO <sub>2</sub> e <sup>8</sup>	1,267,496	1,081,833*	+17.2%
Specific value (scope 1 & 2) - t CO <sub>2</sub> e/’000 €	0.087	0.079*	+10.1%

\* Corrected figures as a result of the external Carbon Footprint certification audit.

<sup>4</sup> The IPCC stands for the Intergovernmental Panel on Climate Change.

<sup>5</sup> To learn about our initiatives related to deforestation commodities refer to subchapter 6. “Sourcing Responsibly” in this chapter.

<sup>6</sup> The Carbon Footprint values for the year 2016 were verified by an external and independent body. The document concerning the process of certification is available in the “Responsibility” area at [www.jeronimomartins.pt](http://www.jeronimomartins.pt).

<sup>7</sup> The overall and specific values for 2015 were recalculated compared to those reported in the 2015 Annual Report due to the correction of emissions resulting from electricity consumption in Colombia.

<sup>8</sup> Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table “Carbon Footprint - Indicators”.



Carbon Footprint - Indicators	2016 (t CO <sub>2</sub> e)	2015 (t CO <sub>2</sub> e)	Δ2016/2015
<b>Overall Carbon Footprint (scope 1 and 2) <sup>g</sup></b>			
• Distribution Portugal	339,515	261,921	+29.6%
• Agro Business	2,697	-	-
• Distribution Poland	912,312	815,770	+11.8%
• Distribution Colombia	12,952	4,142*	+212.7%
<b>Carbon Footprint (scope 1 - direct impacts)</b>			
• Leakage of refrigeration gases	157,794	158,097	-0.2%
• CO <sub>2</sub> usage	18,007	16,646	-
• Fuel consumption	59,053	48,708	+21.2%
• Light vehicle fleet	15,074	14,490	+4.0%
<b>Carbon Footprint (scope 2 - indirect impacts)</b>			
• Electricity consumption (location-based)	779,842	710,053*	+9.8%
• Electricity consumption (market-based)	995,050	825,043*	+20.6%
• Heating (location-based)	22,518	18,849	+19.5%
<b>Carbon Footprint (scope 3 - other indirect impacts)</b>			
• Transport of goods to stores (Distribution)	155,867	141,304	+10.3%
• Disposal of waste in landfills	19,980	18,852	+6.0%
• Organic waste composting	432	833	-48.1%
• Energy consumption in franchising stores	16,697	10,750	+55.3%
• Air travel by employees	1,970	1,631	+20.8%

\* Corrected figures as a result of the external Carbon Footprint certification audit.

**Notes:** Calculation of the carbon footprint of the different activities is made using the three levels of the World Business Council for Sustainable Development (WBCSD) Greenhouse Gases Protocol method: direct, indirect and third party. The values presented take into account emission factors defined by the IPCC - Intergovernmental Panel on Climate Change (for refrigeration gases), by the Portuguese Directorate-General for Energy and Geology, by the Unidad de Planeación Minero Energética (Unit of Mining and Energy Planning), by the Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (Polish Centre for Emission Balance and Management, for fuels and heating), by the International Energy Agency and by the suppliers (electricity) and by the Greenhouse Gases Protocol (fuels used in light vehicle fleet and transport of goods to stores, air travel and waste).

### Jerónimo Martins Group scores "A-" in CDP Climate Change 2016

Jerónimo Martins obtained an overall "A-" score, positioning the Group at the "Leadership" level, and close to achieving the highest score (A).

CDP's Climate Change programme assesses the performance of the Group in terms of its climate strategy, including its transparency in the reporting of information and risk management.

CDP is a non-profit international organisation which develops programs for companies and cities to measure, disclose, manage and share important environmental information.



<sup>g</sup> Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table "Carbon Footprint - Indicators".

### 5.3.2. Water and Energy Consumptions

The rationalisation of water and energy consumptions is one of the important action areas in the fight against climate change, encouraging initiatives to reduce its use which contribute towards the sustainability of resources and also to obtaining financial savings.

The “Water and Energy Consumption Management Teams”, a project started in Portugal in 2011, achieved a reduction of these consumptions of 373,393 m<sup>3</sup> and 32,347,700 kWh in these six years. This project, which is promoted through monthly challenges and internal benchmarking, has obtained an accumulated saving of over 4.1 million euros.

The increase in the consumption of water and energy in Colombia are due to growth of operations in this country, which has resulted in a growth of around 56% in the number of stores compared to 2015. Also in Poland, the rise of the number of infrastructures, as well as investments in the area of Perishables led to a growth in the consumption of water. In Portugal, the increase recorded in energy and water consumptions was mainly due to the opening of new Pingo Doce stores.

The investment in renewable energies, which has resulted in increasing the number of buildings with tubular solar light transporting system, and geothermal heat pumps, has enabled annual savings of over 1.8 million kWh, equivalent to approximately 63 thousand euros.

#### Energy Consumption

Total Consumption	2016	2015	Δ2016/2015
Energy consumption			
• Absolute value - GJ	6,285,895	5,996,104*	+4.8%
• Specific value - GJ/’000 €	0.430	0.437*	-1.6%
Energy consumption per business unit			
• Distribution Portugal - GJ	1,857,793	1,859,034	-0.1%
• Distribution Poland - GJ	4,215,896	4,053,998	+4.0%
• Distribution Colombia - GJ	180,691	67,046	+169.5%
• Agro Business - GJ	31,515	16,026	+96.6%

\* Values have been recalculated to include Agro Business energy consumption.

#### Water Consumption

Total Consumption	2016	2015	Δ2016/2015
Water consumption			
• Absolute value - m <sup>3</sup>	2,513,756	2,292,812*	+9.6%
• Specific value - m <sup>3</sup> /’000€	0.172	0.167*	+3.0%
Water consumption per business unit			
• Distribution Portugal - m <sup>3</sup>	1,630,890	1,583,033	+3.0%
• Distribution Poland - m <sup>3</sup>	735,383	622,378	+18.2%
• Distribution Colombia - m <sup>3</sup>	66,454	39,230	+69.4%
• Agro Business - m <sup>3</sup>	81,029	48,171	+68.2%

\* Values have been recalculated to include Agro Business water consumption.

#### Renewable Energies

Technology	No. Buildings	Energy Saving/ year	Saving CO <sub>2</sub> /year
Lamp posts powered by photovoltaic panels	1	72,000 kWh	26 t*
Tubular solar light transporting system	21	120,291 kWh	43 t*
Solar collectors to produce hot water used for heating water and/or in the air conditioning system	16	284,505 kWh	102 t*
Geothermal heat pumps	12	1,365,778 kWh	465 t

\* These values reflect the update in the electricity emission factor.

### 5.3.3. Reduction of Environmental Impacts from Logistics Processes

Under the Group's commitment to reduce the environmental impacts from Logistics processes, the following actions are highlighted:

#### Emissions in Distribution:

- in Portugal, at the end of 2016, 68% of the goods transport vehicles complied with the Euro 5 requirements (192 vehicles) and Euro 6 requirements (36 vehicles). In Poland, 97% of the vehicles for the transport of goods complied with the Euro 5 requirements (687 vehicles) and Euro 6 requirements (264 vehicles);
- in Poland, testing continued on the hybrid truck Fuso Canter Eco Hybrids, part of Biedronka's exclusive fleet (the first results show a reduction in fuel consumption between 10% to 15%);
- the backhauling operation in Poland entailed a total of 306,916 pallets collected, 2% more than in 2015, which resulted in a saving of 982,067 km and a reduction of 814 tonnes of CO<sub>2</sub> emissions. In Portugal, this operation involved a volume of 187,665 pallets, 14% less than in 2015, leading to a saving of 6,572,703 km, avoiding the emission of 5,710 tonnes of CO<sub>2</sub> into the atmosphere.

#### Reusable Packaging

In Portugal, the use of reusable plastic boxes in the Perishables and Dairy areas stood at 17%

of the total boxes handled, 3.2 p.p. more than in 2015. In Poland, a project to use reusable plastic boxes to package small electronic equipment was continued (around five thousand units) and, in Colombia, reusable transportation boxes continued to be used: more than 45 thousand units for bottled water.

### 5.3.4. Management of Refrigeration Gases

The Group has been reinforcing the control of leaks, using more efficient technology and co-operating with service providers in the refrigerated and air-conditioned areas, with the aim of minimizing the impact of these gases on climate change. Investments in natural refrigeration gases have been made both in Portugal and in Poland:

- in Poland, the 15 Biedronka DCs have cooling systems installed with thermal roll-containers with CO<sub>2</sub> snow. In Portugal, the same system is in operation in the Algoz DCs;
- cooling technologies are installed which run exclusively on CO<sub>2</sub> (10 stores in Portugal, two stores and two DCs in Poland);
- five DCs (four in Portugal and one in Poland) have refrigerated warehouses (positive and/or negative cold) with systems running on ammonia combined with glycol;
- in Portugal, 123 stores have refrigeration systems using R-134a combined with glycol and two stores have a cascade refrigeration system (R-134a gas or monpropylene glycol combined with CO<sub>2</sub>);

- there are 183 stores in Portugal and 399 stores in Poland which have freezers that use only propane;
- in Poland, the centralized refrigerator system for 700 stores uses the R407F refrigerant gas, replacing R404A, resulting in a reduction of over 50% in GWP<sup>9</sup> and, therefore, mitigating the contribution towards global warming;
- in Poland, three trucks use CO<sub>2</sub> as a refrigerant gas and R404A gas has been replaced by R452A gas in 264 trucks (having a GWP<sup>9</sup> almost 50% lower).

The use of natural refrigeration gases – such as ammonia, carbon dioxide or hydrocarbons – represents technological challenges that are accentuated in regions with a higher average temperature, as is the case of Portugal and Colombia. However, they have the advantage of not depleting the ozone layer and also having a reduced GWP.

The Jerónimo Martins Group is testing solutions in its stores and DCs in order to comply with existing legislation, as well as with its voluntary commitments to GHG reduction. The Group has established that, whenever possible, new stores or major remodelling should use equipment with fluids with low GWP potential, in the case of heating, ventilation and air conditioning installations, and 100% natural refrigeration gases in the case of industrial refrigeration installations.

<sup>9</sup> GWP is the acronym for Global Warming Potential.

#### 4. How we make a difference

##### Recheio Sines store uses 100% natural refrigeration gas

In June 2016, Recheio Cash & Carry opened a new store in Sines. Recheio resorted to the use of CO<sub>2</sub>, a natural refrigeration gas, for its air conditioning and refrigeration equipment, with the aim of reducing energy consumption and GHG emissions. This gas has a GWP of 1, a value substantially lower than the 1,300 to 3,800 values of the synthetic refrigeration gases normally used.

This project has managed to lower GHG emissions, integrate refrigeration and air conditioning systems and increase energy efficiency, achieving reductions of about 30% in energy consumption.



##### 5.3.5. Rationalisation of Paper Consumption

In 2016, the Group continued to develop projects aimed at reducing paper consumption and promoting the use of paper from sustainably managed forests.

Measures, such as electronic invoice management, enabled a saving of more than 7.7 million sheets of paper. In Poland, the dematerialization of temperature records and the distribution of tablets to area and Perishables' operations managers, enabled a saving of 265,300 sheets. In total, these measures enabled the saving of the equivalent of 956 trees.

In Poland, the paper used in the central offices is produced by companies which have environmental certification or which, at least, have an environmental management system and, in Colombia, it is manufactured from cane sugar. In Portugal, the paper is Forest Stewardship Council (FSC) certified and comes from suppliers with ISO 14001 certification.

In Portugal, the paper used for printing the banners' magazines is Programme for the Endorsement of Forest Certification (PEFC) certified or FSC and/or the companies producing it have ISO 14001 certification. The paper used for brochures for the Pingo Doce banner is "European Ecolabel" or FSC or PEFC certified. In the Recheio banner, the brochures and catalogues are FSC certified. In Poland, the paper used for brochures is FSC or PEFC certified.

##### 5.4. Waste Management

The reduction of waste generated and its redirection to recovery contribute to the reduction of natural resource usage and to a Circular Economy model. To this end, it is important to ensure the necessary infrastructure and awareness rising of employees, customers and surrounding communities.

##### Waste Recovery Rate

	2016	2015	Δ2016/2015
Distribution - Global*	83.1%	81.9%	+1.2 p.p.
Distribution - Portugal	59.9%	59.2%	+0.7 p.p.
Distribution - Poland	89.2%	88.5%	+0.7 p.p.
Distribution - Colombia	78.2%	85.2%	-7.0 p.p.
Agro Business	91.7%	-	-

\* Includes all of the Group's Distribution companies.

The waste recovery rate of the Group (Distribution) was at 83.1%, a value that represents an increase of 1.2 percentage points when compared to 2015.

### 5.4.1. Characterisation of Waste

In 2016, the Group produced 419,979 tonnes of waste, which represents an increase of 8% compared to 2015. This evolution was due to the growth of the store network and the inclusion of the Group's agro business activities.

Waste	Distribution Portugal (t)		Distribution Poland (t)		Distribution Colombia (t)		Agro Business (t)	
	2016	2015	2016	2015	2016	2015	2016	2015
Cardboard and Paper	34,418	32,732	211,565	187,183	4,950	2,089	5	-
Plastic	2,302	2,262	8,375	8,583	274	126	3	-
Wood	218	248	1,917	1,804	27	26	-	-
Organic	4,307	3,888	70,787	64,344	0	-	-	-
Unsorted	38,981	41,552	33,627	34,406	1,089	214	1	-
Cooking Oil and Fats	181	221	-	-	1	-	-	-
Waste from Effluent Treatment	4,212	4,382	-	-	376	176	-	-
Hazardous Waste	10	16	109	13	1	-	5	-
Other Waste	654	1,492	1,537	1,891	1	-	46	-

### 5.4.2. Customer Waste Recovery

The following were the most important projects in 2016:

- the network of Pingo Doce recycling bins covered 372 stores, which was 90% of the store network;
- coffee capsules and lids/corks/bottle tops recovered, resulted in more than 3,500 thousand euros being raised for charities;
- 97% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries.

In total, and in Portugal and Poland, there was an increase in the number and type of recycling bins available for customers. For more detailed information, go to the "Responsibility" area at [www.jeronimomartins.pt](http://www.jeronimomartins.pt).

#### 4. How we make a difference

##### Energy from cooking oil and fats

In 2009, the Group started the “Oil collection” project which offers Pingo Doce customers the possibility of placing their used cooking oil at collection points located in the stores. This equipment is available in over 330 stores, covering about 80% of the network chain.

Previously, the Group already collected the cooking oil used in the preparation of Take Away products and redirected it to recovery. In total, between 2010 and 2015, more than 1,760 tonnes were sent for recovery and transformation, mainly into biofuel.

This year a pilot project was started in operations in Portugal, Poland and Colombia which consisted of collecting the fat from the cooking of roast chicken in stores and its redirection to recovery: a part for transformation into biofuel and the rest for organic recovery and subsequent use as fertilizer.



##### Waste Dropped Off by Customers in Recycling Bins at Stores

Waste (t)	2016	2015	Δ
<b>Portugal</b>			
Batteries	12.49	22.47	-44.4%
WEEE <sup>10</sup> (including fluorescent light bulbs)	82.04	96.37	-14.1%
Used Cooking Oil	109.26	110.54	-1.2%
Printer Ink Cartridges	3.17	5.25	-39.6%
Capsules	108.99	72.57	+50.2%
Lids, Corks and Bottle Tops	10.24	8.89	+15.2%
<b>Poland</b>			
Batteries	145.82	117.24	+24.4%
WEEE <sup>10</sup> (including fluorescent light bulbs)	224.56	199.61	+12.5%
<b>Colombia</b>			
Used batteries	0	0.08	-100%

<sup>10</sup> WEEE - Waste Electrical and Electronic Equipment

In Portugal and in Poland, the increase of 10% in the quantities of customer waste collected is, mainly, due to the investment made in installing recycling bins in Biedronka and Pingo Doce stores. The decrease in the quantity of batteries collected in Portugal was mainly due to changes in the collection processes of this type of waste, whose redirection to recovery will be concluded in 2017. The collection bins for used batteries in Colombia was temporarily suspended due to a new legal framework. Its relaunch is planned, for all stores, in 2017.

##### 5.4.3. Ecodesign of Packaging

In collaboration with its suppliers, the Group has been working to improve the eco-efficiency of its packaging according to ecodesign strategies aimed at:

- reducing the environmental impact of the packaging of items sold by the banners, especially the Private Brands; and
- optimising the costs of production, transport and management of packaging waste.

Products encompassed	Portugal	Poland	Unit
Number of references	222	8	SKU*
Savings in packaging materials	2,481	31	t materials / year
Transport avoided	475	-	t CO <sub>2</sub> e / year
Packaging with FSC certification	8	-	SKU*

\* SKU - Stock Keeping Unit.

In Poland, all the boxes from Polish suppliers for packaging fruit and vegetables are made of recycled cardboard with FSC certification.

##### 5.5. Eco-efficient Infrastructures

The Jerónimo Martins Group's Companies include environmental criteria in their projects for building and for remodelling infrastructures, boosting positive impacts and minimising adverse ones.



Biedronka, Pingo Doce, Recheio and Ara have been implementing efficient control systems for chilling plants, more efficient technologies in terms of lighting (LED, skylights and photovoltaic cells), refrigerated displays and freezers fitted with doors and covers and, in addition, automatic management systems for energy consumption, trying to reach a more rational use of the energy required. Biedronka has 13 eco-stores, which include measures for reducing water and energy consumption and for managing waste.

## 5.6. Raising Employee and Consumer Awareness

The Group recognises the importance of individual and collective behaviour towards the better management of natural resources, emissions and waste. As such, it has carried out various awareness initiatives with different stakeholders.

### Employees

- In 2016, the Group organised the 5<sup>th</sup> Sustainability Conference, aimed at senior management and strategic suppliers. This meeting brought together approximately 200 participants from the three countries in which the Group has operations and focused on sustainable fishing, fishing practices, aquaculture, market trends and challenges ahead for the business;
- publication of articles on environmental themes in the in-house magazine "A Nossa Gente" (Our People), which is distributed to all employees in Portugal, such as the dissemination of tips to improve waste management and disclosure of the stores and DCs with

the best performance in reducing water and energy consumption in the same period. This bi-monthly magazine had a print run of 25,000 copies;

- in the in-house magazine "Razem w JM", which is distributed to all employees in Poland, articles on environmental protection in Jerónimo Martins Polska were also disseminated. This magazine had a print run of 160,000 copies in 2016;
- raising awareness of the Group's managers in Portugal, Poland and Colombia on various topics related to environmental strategy, through the Corporate Responsibility digital newsletter – "Seeds". This bi-monthly newsletter has a readership of over one thousand employees;
- raising awareness of all office employees in Poland of World Earth Day (22.04.2016) through an internal communication and employees at the headquarters and DCs through the planting of 1,500 new trees in the forest close to Baniocha in collaboration with the Sierzchow Forestry. A contest also took place involving 190 employees, with the aim of promoting the construction of something useful from waste (promoting recycling). Two first prizes were awarded – the "Playhouse for children" project and "Gardening materials organizer" – and another 10 prizes were distinguished;
- training sessions on best environmental management practices for employees carried out in Portugal, Poland and Colombia, corresponding to a volume of over 4,400 training hours;
- periodic disclosure and reinforcement of best environmental practices for employees, particularly in the Pingo Doce and Recheio stores, through the documents "Informação de Negócio" (Business

Information) and "Alerta Recheio" (Recheio Alert), and, in the Biedronka DCs, through 11 presentations in communal staff areas, involving 4,200 employees;

- in the DCs and offices in Poland, signs were placed in strategic locations calling for savings in energy, water and waste management. Portugal experienced the roll-out of the "Let's Go Green" project in 2015 in the Group's headquarters, in two new locations in Portugal with the aim of fostering the adoption of more responsible practices in the use of energy, water and paper.

### Customers and Consumers

- In May 2016, Hebe, in Poland, stopped giving away free plastic bags at the check-outs in order to reduce plastic consumption joining Biedronka, in Poland, and Pingo Doce and Recheio, in Portugal;
- in-store campaigns carried out in Biedronka stores promoting best environmental practices:
  - outdoor games aimed at children for 10 picnics organised by Caritas on Children's Day;
  - films about separation of packaging waste screened during the "Cinema with Biedronka" event held in 35 cities, with more than 10 thousand spectators;
  - 8<sup>th</sup> edition of the "Ecologic by nature" eco-event, which allowed the collection of about 17 thousand kg of glass waste and 49,400 thousand kg of used batteries;
  - 3D posters placed in 100 stores to show the life-cycle of packing waste when redirected to recovery by consumers.
- support for the campaign "Make a gift to yourself and the environment" organised by UNEP/GRID in Warsaw, on the theme of energy efficiency;

- regular publication of articles against food waste and promoting environmental and social best practices in the “Sabe Bem” (Tastes Good, bi-monthly circulation of 100-150 thousand copies), “Notícias Recheio” (Recheio News, bi-monthly circulation of 50 thousand copies) and “Kropka TV” (weekly circulation of around 210 thousand copies) magazines, aimed at Pingo Doce, Recheio and Biedronka customers, respectively;
- in Portugal, of note we highlight the awareness campaigns on used cooking oils in Pingo Doce and Recheio and the reuse of checkout bags at Pingo Doce.

## 5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity:

Institution	Project	Amount	Support started in	Further information at
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	100,000 €	2003	<a href="http://www.oceanario.pt">www.oceanario.pt</a>
World Wildlife Fund (WWF)	“Green Heart of Cork”	10,000 €	2013	<a href="http://www.wwf.pt">www.wwf.pt</a>
Nature Protection League	ECOs-Locais	10,000 €	2011	<a href="http://www.lpn.pt">www.lpn.pt</a>
Quercus	“SOS Pollinators” Campaign	5,000 €	2014	<a href="http://www.quercus.pt">www.quercus.pt</a>
European Recycling Platform (ERP) - Portugal	“Geração Depositário” Project	5,000 €	2013	<a href="http://www.geracaodepositario.abae.pt">www.geracaodepositario.abae.pt</a>
Lisbon Zoo	Sponsorship of the Ring-tailed lemur	4,800 €	2015	<a href="http://www.zoo.pt">www.zoo.pt</a>

In January 2016, the Group awarded, as part of the Green Project Awards Portugal, the “Jerónimo Martins-Green Project Awards Prize for Research and Development”, with a value of 20 thousand euros, the project “Detergentes Verdes” (Green Detergents). This project studies the use of vegetable waste in the development of cleaning products which have less impact on water and biodiversity.

## Sourcing Responsibly

In Poland, 92% of the products sold were sourced from local suppliers. In Portugal, this ratio stood at 84% and in Colombia over 95%.

# 6.

## 6.1. Introduction

Partnerships are crucial for promoting the social and economic development of the regions where the Group is present, as well as strengthening the value of propositions of its brands and banners. Within these partnerships – with suppliers and service providers –, the Group seeks to integrate environmental, social and ethical criteria aiming at the gradual and sustained improvement of the impacts of its activity on present and future generations.

The Sustainable Sourcing Policy of the Group and the Suppliers Code of Conduct, both available at [www.jeronimomartins.pt](http://www.jeronimomartins.pt), in the “Responsibility” area, define the strategic areas of operation in this matter.

## 6.2. Commitment: Local Suppliers

The Group, under equal commercial terms, preferably chooses local suppliers in order to enhance the socio-economic sustainability of the countries where it operates and to minimize the carbon footprint of the products sold.

Importing essentially occurs in the following cases:

- i. products are scarce, due to production seasonality, common in the Fruit and Vegetables area;

- ii. when there is no local product or the quantity produced is insufficient to guarantee the supply to the chain stores;
- iii. when the quality-price ratio of domestic products does not allow the Group to keep its best price quality commitment to its consumers.

In Poland, 92% of the products sold were sourced from local suppliers. In Portugal, this ratio stood at 84% and in Colombia over 95%.

### 6.2.1. Perishables and Private Brand

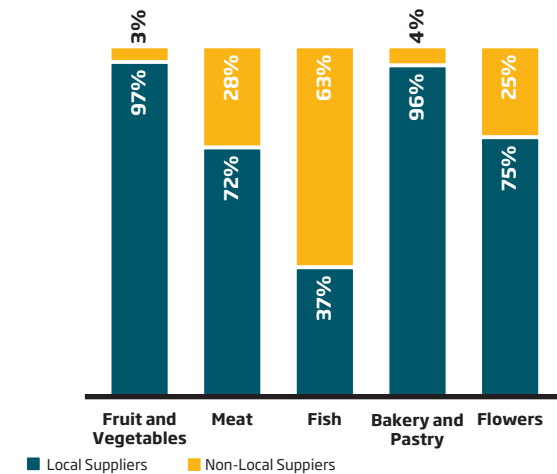
Regarding Private Brand, most of the products were purchased from local suppliers: more than 95% in Colombia, 93% in Poland, and between 59% (Pingo Doce) and 65% (Recheio) in Portugal.

The Perishables area shows the same trend, with 69% of products in Portugal being sourced from local suppliers, while this figure reaches 88% in Poland. In Colombia, this ratio was above 95%.

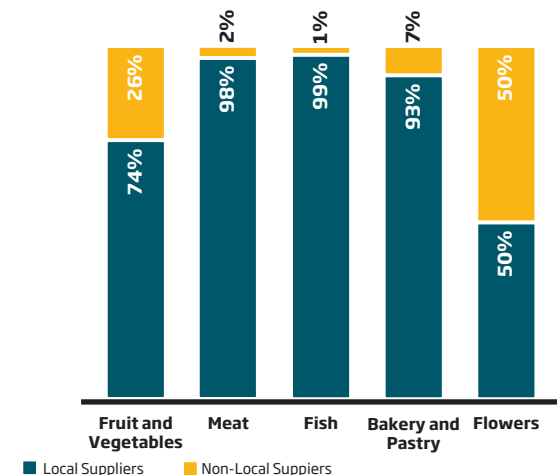
The Group's Companies carry out awareness campaigns with consumers promoting preference for locally sourced products.

In Portugal, national Perishables are identified by “O Melhor de Portugal Está Aqui” (The Best of Portugal is Here) stickers. The nationally produced Private Brand products are identified by “Produzido em Portugal” (Made in Portugal) and “Fruta 100% Portuguesa” (100% Portuguese Fruit).

### Portugal



### Poland



In Poland, domestic products are identified by the “Polski Produkt” (Polish Product) sticker or by the “#jedzcpolskie” (Eat what is Polish) sticker. In the latter case, Biedronka’s website [www.jedzcpolskie.biedronka.pl](http://www.jedzcpolskie.biedronka.pl) continued to promote fruit and vegetables and share information on local suppliers with whom it works as well as suggesting recipes.

In Colombia, domestic products are marked with the “Hecho en Colombia” (Made in Colombia) sticker and Private Brand products are marked with the “Una Marca de Ara” (An Ara Brand) sticker.

### 6.2.2. Supplier Engagement

The Group seeks to develop long-lasting relationships of cooperation with its producers, which often result in technical follow-ups in terms of quality, support in optimising processes, guarantee of product disposal and stimulation of local economies. In this context, the following initiatives are worth highlighting:

#### Portugal

- In 2016, Pingo Doce and Recheio continued to sell, in cooperation with their suppliers, varieties underdeveloped in Portugal, giving customers access to a varied assortment of vegetables and, at the same time, stimulating the development of new skills among producers. Products included in this project were round, scratched and yellow *courgette*, scratched eggplant, sweet cucumber and *bimi*, a variety of broccoli;

- our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey was maintained, promoting the use of cereal-based feed, advising on more efficient management and distribution methods. The lamb sold by Pingo Doce is from animals grazing on natural pastures, in accordance with the assumptions of High Natural Value agriculture and animal husbandry. This concept assumes that low intensity production systems with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented;
- the partnership with a cooperative of fishermen in the area of Sesimbra was maintained, ensuring quality and price competitiveness, as well as ensuring traditional fishing practices that enable the sustained regeneration of species;
- in 2016, Pingo Doce continued the extraordinary measure of supporting Portuguese producers of Fresh Produce with whom it works and who are members of the Confederação dos Agricultores de Portugal - CAP (Portuguese Farmers’ Confederation). This measure consists of Pingo Doce anticipating payment terms to an average of 10 days (instead of the 30 days established by law), without financial costs to the producer. Since its implementation in 2012, approximately 500 producers in the categories of Fruit, Vegetables, Meat, Fish, Cold Meat and Wine have already benefited from this initiative.

#### Poland

- Biedronka continued to invest in the Fruit and Vegetables category to respond to the demand for

Polish native varieties. This strategy implies knowledge of Polish culture and traditions, which also results from the long-standing relationships with various business partners, which take place through regular visits to production locations, and in the sharing of technical knowledge. In 2016, Biedronka strengthened its use of traditional varieties developed in 2015 and increased the volumes sold. Examples are *Irga* and *Bryza* potatoes, the production of which almost quadrupled, and *Antonówka* apples and *Klapsa* pears, the sales of which – in quantity – doubled compared to 2015;

- Poland is one of the largest producers of strawberries in Europe. However, due to their limited consumption lifetime, these were mainly sold in traditional markets. Biedronka established a network of suppliers located in regions close to the DCs, to ensure sufficient quality and quantities of strawberries for sale in its stores. This network reduces the time between harvesting and making the product available in its stores. In the first year of the project – 2014 – 74 tonnes were sold between July and September. In 2016, and as a result of consolidating this initiative, it was possible to sell 650 tonnes in the same period. In 2017, Biedronka is aiming to reach 1,000 tonnes;
- Biedronka was pioneer in selling the *Malinowe* tomato (raspberry tomato) in its stores and it was the only banner in Poland to have this variety available throughout 2015. In 2016, sales of this variety doubled, reaching 13,750 tonnes;

- equally innovative in the Meat category, Biedronka doubled the sale of free-range chicken, respecting the natural growth of the animals, and ensuring their sale in all stores. This project started in 2015 with Polish suppliers and, to date, is unique in Poland.

### Colombia

- Since the start of its Operations, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2016, Ara cooperated with 85 local suppliers which provided more than 500 Private Brand products;
- the 4<sup>th</sup> edition of the Ara Private Brand Congress took place in the city of Barranquilla, under the theme “We are Building New Paths Together”, which was attended by approximately 140 local suppliers.

## 6.3. Commitment: Human and Workers’ Rights

In accordance with the Sustainable Sourcing Policy, the Group only works with suppliers who commit to practices and activities that comply with the law and any applicable national and international agreements on Human and Workers’ Rights.

The Group is committed to terminating business relations with suppliers whenever it learns that they and/or their suppliers violate Human, Children’s and/or

Workers’ Rights and/or if they do not incorporate ethical and environmental concerns when conducting their business, and/or when they are not willing to draw up and implement a remedy plan.

Additionally, and as part of its participation in The Consumer Goods Forum, the Group committed to contribute to eradicate forced labour – as defined by the International Labour Organization – throughout its supply chain and continue to ensure its absence in its own operations.

## 6.4. Commitment: Promotion of More Sustainable Production Practices

Along with the social and ethical aspects already mentioned, environmental aspects are also considered in the relations the Group has with its suppliers, preferring production methods with less consumption of natural resources and fewer impacts on ecosystems.

The Retail sector is being challenged by various stakeholders to fight the social and environmental impacts linked to deforestation commodities (palm oil, soya, beef, wood and paper) to reduce GHG emissions linked to forest destruction, conserving biodiversity in these ecosystems and eliminating Human Rights violations of Children and/or Workers which have been reported.

In order to assess the impacts of these commodities, in 2016, the Jerónimo Martins Group continued to map the presence of these ingredients in the Private Brand and Perishables sold in Portugal, Poland and Colombia. Additionally, the Group’s suppliers, who had products where these ingredients were identified, were asked about their respective origin and the existence of certification. Since 2014, the results of this work have been publicly reported in the Group’s annual response to the CDP Forests. Our goal is to progressively ensure the sustainable origin of these raw materials, in line with the commitment to “Zero Net Deforestation by 2020” made under the participation of Jerónimo Martins in The Consumer Goods Forum<sup>11</sup>.

Jerónimo Martins Polska continued to be a member of GreenPalm, an organisation which ensures, along with the certifying body Roundtable on Sustainable Palm Oil (RSPO), that the equivalent volume of palm oil used by the producer in the development of a reference is acquired from sustainably managed sources. In 2016, all the soaps in the “Linda” range were relaunched in Poland, with the GreenPalm logo. In total, approximately 800 tonnes of palm oil obtained this certification.

<sup>11</sup> For further details on our actions in this area, please see [www.cdp.net](http://www.cdp.net)

In the context of the Group's sustainable fishing strategy, and as a result of the studies which have been carried out in this area<sup>12</sup>, action lines were defined to reduce pressure on threatened species<sup>13</sup>. These include: i) banning the purchase and sale of species classified as "Critically Endangered" for which there are no extraordinary licences; ii) looking for alternatives from aquaculture for species classified as "Endangered", and not carrying out promotional activities involving fish from wild populations that have not come from sustainably managed stocks and/or that do not have a sustainability certificate; and iii) limit promotional actions for species classified as "Vulnerable" whenever they do not come from aquaculture and/or have not come from sustainably managed stocks and/or that do not have a sustainability certificate.

The Group has also developed partnerships with its Fruit and Vegetables suppliers seeking to reduce the environmental impacts associated with their sale. This is the case of the production of mangoes in Senegal. This partnership has production characteristics similar to those of the mangoes produced in Brazil, but has allowed the distance travelled to be reduced by more than 5,000 km and substitute air by sea transport, leading to a significant reduction in CO<sub>2</sub> emissions. This partnership also ensures a product of higher quality, since the reduction in distance makes it

#### Jerónimo Martins Group achieves an "A-" and "B" scores in the CDP Forests 2016

Jerónimo Martins obtained an overall "A-" score for palm oil, positioning the Group at the "Leadership" level. The soya, paper and wood and beef commodities obtained a classification of "B", corresponding to the level of "Management".

The CDP "Forests" programme assesses the performance of the Group in terms of its strategy for deforestation commodities, including its transparency in the reporting of information and risk management.

possible to harvest the mango when it is more mature. Biedronka has joined the "Charter for Sustainable Cleaning" initiative, promoted by AISE – International Association for Soaps, Detergents and Maintenance Products, which promotes performance improvement of products in the Hygiene and Cleaning category according to a set of criteria: such as toxicity, eco-efficiency and consumption of raw materials, among others.

#### 6.4.1. Certified Products

In an effort to continuously improve the sustainability of fishing products, in 2016, Biedronka launched a campaign for Private Brand products with Marine

Stewardship Council (MSC) certification, which involved eight products: seven fresh and one frozen.

In Portugal, more than 90% of codfish (*Gadus morhua*) comes from Norway and around 50% of the frozen fish sold by Pingo Doce was caught in South African waters. In both cases, fishing was carried out by vessels which meet the standards of MSC certification. Pingo Doce maintained its assortment of six canned tuna products with the Dolphin Safe label.

In 2016, the range of Pingo Doce organic products accounted for a total of 52 SKUs from the Fruit and Vegetables category. These products are developed according to organic production rules, certified by an independent external entity (Ecocert) and show the logo of the European Union, which ensures compliance with the Community Regulation for Organic Farming.

In 2016, Pingo Doce added a new product reference with EU-Ecolabel certification, which joined the six existing references. In the same period, Pingo Doce increased the number of references with Sustainable Forestry Initiative (SFI) certification to 30 and maintained the seven references with the Programme for the Endorsement of Forest Certification (PEFC). Recheio ended the year with eight SFI and five PEFC references. In both cases, certifications are mainly associated with articles from the Personal Care category.

<sup>12</sup> To find out more about the actions carried out by the Group in this area, see subchapter 5. "Respecting the Environment" in this chapter.

<sup>13</sup> Based on the classification of the International Union for Conservation of Nature and Natural Resources (IUCN) and the Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES).



### Cocoa, tea and sustainable coffee in Private Brand products

In 2016, four tea product references were launched with “Rainforest Alliance” certification, ensuring that the black tea contained in the product comes from sustainable agriculture and that it meets the environmental and social criteria defined by that entity. The percentage of certified tea varies between 40% (two references) and 80% (two references) of the total tea composition.

In the same period, Pingo Doce launched the first coffee product reference with 100% Fairtrade certification. The certification ensures compliance with social, environmental and economic criteria, supporting small suppliers through payment of a guaranteed minimum value for production.

The Jerónimo Martins Group also maintained its investment in UTZ certification for cocoa products, and in 2016 reached a total of 18 products: 15 in Biedronka and three in Pingo Doce. An UTZ product seeks to demonstrate, through a certification programme, that the raw material was obtained using a sustainable agricultural model.

These certifications promote good agricultural practices while guaranteeing farmers an improvement in their working conditions and quality of life, as well as protecting the natural resources on which they depend.



## 6.5. Supplier Audits

### 6.5.1. Quality and Food Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-up in terms of management and control processes, implemented quality system, product formulation and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in territories where the Group operates.

The assessment of suppliers also covers environmental requirements, which have a 5% weight in the assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances.

Each supplier is reassessed at predefined intervals based on the score they obtained.

#### Audits to Perishables and Private Brand Suppliers\*

	2016	2015	Δ 2016/2015
<b>Portugal</b>			
Perishables	847	802	+6%
Private Brand – Food and Non-Food	244	239	+2%
<b>Poland</b>			
Perishables	1,454	1,550	-6%
Private Brand – Food and Non-Food***	451	425**	+6%
<b>Colombia</b>			
Perishables	56	48	+17%
Private Brand – Food and Non-Food	165	121	+36%

\* The audits include the following topics: selection, control and follow-up.

\*\* Corrected figure compared to 2015.

\*\*\* In 2016, a further 3,074 inspections on Non-Food Private Brand products were also carried out and in 2015 a further 2,691.

In Colombia the significant increase in the number of audits is associated with the increment in the number Ara's Perishables and Private Brand suppliers.

### Certification

As regards to certifications, the Group favours and requires, in the case of foreign suppliers not covered by our internal audit system a relationship with suppliers who have a Food Safety certification recognised by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/*Codex Alimentarius* or also ISO.

All potential new Biedronka Private Brand products suppliers must be audited in accordance with the Group's internal criteria, common to the three countries in which operations are carried out. In the case of suppliers who are not located in these countries, they must be certified according to the food standards of the BRC, the International Featured Standards (IFS) or the Food Safety System Certification (FSSC) 22000.

### 6.5.2. Environment

The Group carried out 33 environmental audits on service providers in Portugal, four in Poland and one in Colombia. These seek to ensure compliance with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-compliances. The level of environmental performance (for all service providers in Portugal audited since 2009) was as follows: 13% achieved an "Excellent" performance, 8% "High", 78% "Basic" and 1% "Below basic".

With the same objectives, in Portugal the Group started a pilot auditing project exclusively dedicated to environmental issues and carried out on sales providers by an external entity, which involved 15 Perishables suppliers.

All the suppliers audited and classified with a "Below basic" level have received a corrective action plan which must be addressed within a maximum of six months. The aim of the Group is to annually carry out at least 35 environmental audits on its service providers and - from 2017 - at least 50 on its Perishables suppliers. We reserve the right to suspend collaboration with business partners who do not comply with the defined corrective action plan.

### 6.6. Supplier Training

In Portugal and Poland, over 220 actions, involving more than 220 participants, took place, both of which were focused on issues of Quality and Food Safety, deepening the cooperation work with business partners, especially with regard to discussing areas of improvement and development of innovative products.

In the area of Environment, in 2016, the review of the technical standard on "Environmental Management for Products and Service Providers" was assured, in order to adapt to evolving legislation. In addition, workshops on this standard took place in Portugal, attended by 18 participants from service providers, and two workshops on the Sustainable Agriculture Manual, involving 33 participants, representative of Fruit and Vegetables suppliers.

## Supporting Surrounding Communities

Direct support in money and in kind attributed to the surrounding communities by all the Group's Companies amounted to around 18 million euros, which represents an increase of 3% compared to 2015.



## 7.1. Introduction

With a number of stores greater than 3,000, in more than a thousand cities, towns and villages in three countries, we recognize the importance of actively contributing towards overcoming socio-economic challenges faced by communities, such as fighting malnutrition and hunger, and helping to break the cycles of both poverty and social exclusion.

This is the guidance from the Policy for Supporting Surrounding Communities, available at [www.jeronimomartins.pt](http://www.jeronimomartins.pt), which focuses on the most vulnerable groups in society: the elderly and disadvantaged children and young people.

## 7.2. Managing the Policy

The actions supported and promoted by the Group are monitored and assessed according to the impact they produce, with a view to efficient allocation of resources to social projects covering the largest possible number of people and/or generating the greatest and best results.

The criteria underlying the methodology of social impact assessment, the London Benchmarking Group (LBG), a corporate network of which the Group has been a member since 2012, enables the assessment of whether social changes are achieved. The results of the consultation carried out annually are available at the corporate website of the Group.

Follow-up visits to the institutions which have concluded a cooperation agreement with the Group are also carried out. The Group has a relationship guided by the sharing of knowledge with institutions which focus on providing senior citizen homes for the elderly or temporary foster homes for children and young people at risk. With a spirit of transparency and partnership, the Group checks the quality of the infrastructures and the service provided.

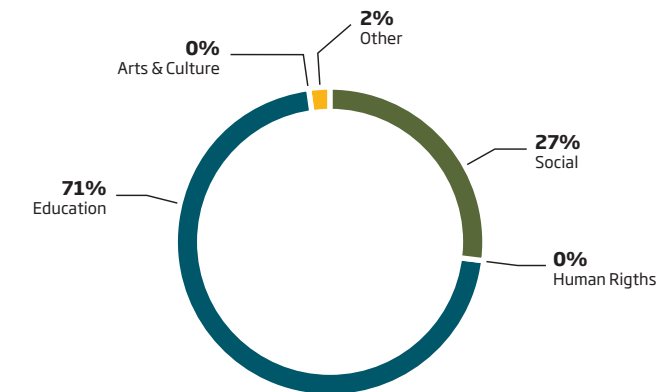
## 7.3. Direct Support

In 2016, the Group remained committed to supporting charitable organizations which carry out work to fight social exclusion in the countries where it is present. This commitment is carried out through the direct supply of food products, monetary support to organisations carrying out pedagogic work with children and young people at risk, in an attempt to curb school dropout and social exclusion, and/or encourage entrepreneurship, also through developing campaigns driving the company's contribution to social causes.

Direct support in money and in kind attributed to the surrounding communities by all the Group's Companies amounted to around 18 million euros, which represents an increase of 3% compared to 2015.

At the corporate level, support was divided as follows:

### Institutional Support



The Group supported more than 40 institutions, donating around 1.5 million euros, mainly in the social area, with the main beneficiaries continuing to be children, young people and elderly people.

Started in 2015, support for the Academia do Johnson (Johnson's Academy) was consolidated. The mission of the Academia do Johnson (Johnson's Academy) is to combat social exclusion and dropout of about 140 children and young people from vulnerable communities in the Lisbon region. This Academy offers educational, professional and cultural tools provided by trained personnel, who use the practice of sport and helping study as a means of developing behavioural, social and technical skills, which help prevent risk situations in their lives and that enhance their integration into schools and into society.

#### 4. How we make a difference

The support from the Group, around 60 thousand euros annually, contributes to the maintenance of the sports field so that various teams practice sport, along with the preparation of daily lunches for children and young people, adjusted to the demands of their physical activity, and the purchase of school materials for use in the Academy's activities, among other applications.

In addition, other cultural or educational initiatives were sponsored. For example, the 11<sup>th</sup> Social Responsibility Week was sponsored, promoted by the Portuguese Association for Corporate Ethics and by the Portuguese Network for Global Compact. Under the theme, "Cooperation for Sustainable Development", it was possible to address and discuss all the Sustainable Development Goals (SDG) approved by the United Nations by 2030.

Pingo Doce provided foodstuffs and money to more than 440 institutions that fulfil a social mission in the communities surrounding the chain stores. In total, it donated more than 15.4 million euros, an increase of more than 5% compared to the previous year. Over 95% of this amount corresponded to donations of surplus food, with the weight equivalent to 9.8 thousand tonnes, to 380 institutions throughout the country serving hundreds of people in disadvantaged situations.

Recheio offered donations in foodstuffs and money to 124 institutions, worth more than 300 thousand

euros. 86% of this amount were offers of surplus food, equivalent to 170 tonnes.

The Companies Jerónimo Martins Distribuição de Produtos de Consumo, Jerónimo Martins Restauração e Serviços (JMRS) and Hussel supported the Banco Alimentar Contra a Fome (Portuguese Food Bank), among other institutions. Donations amounted to more than 151 thousand euros<sup>14</sup>, equivalent to the supply of more than 51 tonnes of foodstuffs.

In Poland, support initiatives were continued to institutions that help fight hunger and malnutrition, and which sought to raise the awareness of society to social causes such as the importance of healthy eating, the welfare of institutionalised children and the centrality of the family. The amount of support was over 385 thousand euros (more than 1.7 million zlotys).

Just as in previous years, Biedronka supported the Let's Stay Together campaign, as part of International Children's Day, developed along with Caritas Polska, to foster the strengthening of ties between children and their families. The campaign took place in 21 cities in various regions in Poland and more than 200 thousand children and parents were registered, having had the opportunity to enjoy various entertainment activities and foodstuffs offered by Biedronka, representing an investment of over 170 thousand euros.

#### Fighting Food Waste in Poland

In 2016, Biedronka started donating food surpluses which, although fit for consumption, could not be put on sale, through its Distribution Centres and stores.

In this first year, 63 stores and seven Distribution Centres made donations to local Caritas Polska dioceses and other charities, which reach people with food situation shortages.

Around 87 tonnes of foodstuffs were donated, equivalent to over 52 thousand euros.



<sup>14</sup> The reported amount corresponds to the period between January and September 30, 2016, date from which these businesses no longer belong to the Jerónimo Martins Group.

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Biedronka also supported the organisation of charitable events carried out by Caritas Polska, such as World Day of the Sick and Saint Nicholas' Day, supporting communications campaigns and donating food products.

Other charitable initiatives from Biedronka included continued support for the association Hope for the Euro, a partnership established in 2011 that aims, through sport, to promote the social development of institutionalized children from families with economic difficulties and/or which are dysfunctional. This organisation promoted football tournaments involving children and young people from Poland and from more than 36 countries. Besides financial support, Biedronka offered foodstuffs to 670 children participating in the championships, as well as special prizes, with a total investment of around 70 thousand euros.

In Colombia, Ara continued its partnership with the "Instituto Colombiano de Bienestar Familiar" (Colombian Institute of Family Well-Being), offering foodstuffs to community nannies who take care of children under five years of age from families and neighbourhoods with very few financial resources. The programme *Madres Comunitarias* (Community Mothers) aims to address the nutritional deficiencies children have related to proteins, vitamins and minerals and, through ICBF,

check the routing of the foodstuffs, as well as the mental and physical well-being. It also aims to evaluate the nutritional indicators of children who benefit from this. Along with the "Departamento para la Prosperidad Social" (Department for Social Prosperity), Ara carried out three workshops targeted at 80 nannies from the Costa do Caribe, the second region where it set up its chain of stores, focusing on food handling methods and the need for children to have a balanced and controlled diet.

In 2016, the partnership between Ara and ICBF involved 3,668 children, 268 more than in the previous year, involving a total of 262 nurseries. 8,683 food baskets were offered, representing a value of more than 82 thousand euros and 130 tonnes of donated foodstuffs, 55% more than in 2015.

Also in this country, support was continued to Abaco – Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks), the mission of which is to establish strategic alliances with public and private partners to fight against hunger and food waste by channeling surpluses to people in need. In 2016, within the framework of this programme, more than 30 tonnes of foodstuffs were donated, equivalent to more than 81 thousand euros, while avoiding the emission of 700 tonnes of CO<sub>2</sub> equivalent that would result from the landfill of food surplus.

## 7.4. Internal Volunteering and Other Campaigns

The Group's employees continue to participate in the programmes of Junior Achievement Portugal, an association whose objective is to foster entrepreneurship among children and young people, by teaching on topics such as relations with family and the community, economics, the European Union and on how to set up a business.

During the Christmas season, an internal welfare campaign was organised, with the aim of offering presents requested by 124 children, coming from dysfunctional families, who live throughout the year in foster homes supported by the Jerónimo Martins Group. In addition, during the Christmas Party, which brought together more than 900 managers and the senior management of the Group, a fundraising campaign was promoted for the Association for Cerebral Palsy of Odemira, a region where social needs are high. Following our matching donation logic, the Group equalled the amount collected by individual donations among the managers present.

The amount raised was used for logistical support needs and for purchasing pedagogic instruments to support the work of technicians who work with 105 children and young people in special education, aged up to 18, who attend schools in the district.

## 7.5. Indirect Support

The Group, similarly to previous years, made its networks of stores available for this purpose, with the banners also supporting the communication costs for the actions.

In the campaigns of the Banco Alimentar Contra a Fome (Portuguese Food Bank) and other institutions, such as the CASA – Centro de Apoio ao Sem-Abrigo (Support Centre for the Homeless), over 1,300 tonnes of foodstuffs were collected by volunteers in Pingo Doce stores.

The cards sold to consumers, convertible into foodstuffs aimed at supporting these and other institutions, totalled more than 184 thousand euros.

In Poland, in cooperation with the Federation of Polish FoodBanks and Caritas Polska, Biedronka customers offered foodstuffs in various campaigns throughout the year, enabling the collection of more than 1,870 tonnes of foodstuffs, which were then channelled to people in need.

In Colombia, Ara has been carrying out a campaign to raise the awareness of consumers to help the most needed through rounding up the value of their purchases. The value donated is delivered monthly to the “Fundación Aldeas Infantiles SOS Colombia” (SOS Colombia Child Villages Foundation) for their programme “Fortalecimiento Familiar” (Family Support), in the municipalities of Ríosucio and Bolívar. In 2016, following the expansion of Ara, this support was extended to the municipality of Bogotá.

The donations made by customers surpassed 51 thousand euros, a 55% growth, guaranteeing

an important support to the work carried out by “Aldeas SOS”, which support 1,654 children and young people from 2,138 families.

## 7.6. Other Support

Biedronka, in partnership with its vegetable supplier Green Factory, started the program “Zielona Kraina” (Green Earth, available at [www.zielona-kraina.com](http://www.zielona-kraina.com)), involving the participation of the “Instytut Żywności i Żywienia” (Polish Institute for Food and Nutrition), with the aim of fostering healthier food habits among younger generations.

Involving nutritionists and cooks, and working with school programmes and food standards recommended by specialists, 200 free workshops in 70 schools in four Polish cities were carried out, involving more than 4,000 children from the fourth year of schooling and 200 teachers. The content included talks, joint preparation of meals with fresh fruit and vegetables and educational games. In Warsaw, workshops were held in 29 primary schools, involving more than 3,000 children and around 150 teachers.

Poland also marked the 10<sup>th</sup> year of the “Partnerstwo dla Zdrowia” (Partnership for Health), which involves a collaboration between Biedronka, Danone, Lubella and the Instytut Matki i Dziecka (Institute of Mother and Child), to fight children malnutrition through, firstly, facilitating access to products with suitable nutritional content and, secondly, raising awareness of healthy eating.

This collaboration has, since 2006, resulted in the sale of a range of social products “Mleczny Start” (Milk Start,

available at [www.mlecznystart.pl](http://www.mlecznystart.pl)), that was created with the purpose of offering families with fewer financial resources food solutions at reduced prices which provide up to 25% of the necessary daily recommended needs for vitamins and minerals for growing children. Each baby food or sandwich mix has calcium and vitamin D for bone formation, zinc and vitamin E for the immune system, magnesium and vitamin B6 which help concentration, as well as iron and vitamin C.

Without any associated profit, in 2016, a monthly average of 1.8 million units were sold, to make the total for the decade more than 200 million units.

Raising the awareness of society for this partnership is also seen as a supplementary factor in fighting malnutrition.

The programme “Śniadanie Daje Moc” (Breakfast Gives Strength, available at [www.sniadaniedajemoc.pl](http://www.sniadaniedajemoc.pl)) seeks to raise the awareness of children up to three years of age in partner primary schools, their parents and teachers, through pedagogic materials and in a playful manner, of the importance of the first meal of the day for a balanced nutrition and healthy growth.

The number of schools involved has increased 5.8% compared to the previous year and now stands at 7,826, which corresponds to more than 65% of the primary schools in the country. The programme covers 195,650 children, an increase of more than 13 thousand children, and its visibility has also increased by around 82%, with the presence of more than 2,500 published items in the written press, television, radio, Internet and social media.



### 7.6.1. Pingo Doce and Biedronka Children's Literature Awards

Aware that the promotion and dissemination of children's literature functions as a springboard for knowledge, critical spirit and creativity among younger generations, a decade ago Pingo Doce started to produce children and young people's books at prices affordable to all family budgets.

This strategy to promote reading has resulted in more than 350 exclusive titles launched in these 10 years, and more than 1,800 copies sold have been registered in the last three years.

As part of this, in 2014, Pingo Doce launched its Children's Literature Award ([www.premiodeliteraturainfantil.pt](http://www.premiodeliteraturainfantil.pt)), aiming to establish itself as a promoter of new talents in the areas of writing and illustration. In 2016, the third edition of this Prize had more than 2,500 entrants from all over the country. In addition to the monetary value offered, 50 thousand euros shared equally between the text and illustration categories, the winners would also have the opportunity to publish and sell their first work in Pingo Doce stores.

After the success of the first edition of the Children's Literature Prize in Poland ([piorko2016.biedronka.pl](http://piorko2016.biedronka.pl)), which led to sales greater than 35 thousand copies for the winning work, a new edition was held in 2016. More than 5 thousand works were submitted for consideration, with the winning work published and sold exclusively in Biedronka stores.

## Being a Benchmark Employer

The Group created 7,206 jobs, representing a net increase of 8.1% compared to 2015.

# 8.

## 8.1. Introduction

In a context of expansion of its activities in the geographies where the Group operates, in 2016 the focus was on creating employment opportunities through investment in programmes for attracting and retaining talent.

The Group created 7,206 jobs, representing a net increase of 8.1% compared to 2015. More than 1,000 internships and on-the-job training initiatives were also provided in the Group's different Companies.

In 2016, the Jerónimo Martins team was characterised by the following indicators:

- 96,233 people: 62,413 in Poland, 30,732 in Portugal and 3,088 in Colombia;
- 77% women;
- 66% of the management positions are held by women;
- 14% are under 25 years of age; 40% are aged between 25 and 34; 31% between 35 and 44; 12% between 45 and 54; 3% are aged 55 or over;
- 87% are hired on a full-time basis;
- 67% are permanent staff.

In 2016, the Group continued to develop its Human Resources policies and processes that are in different stages of maturity in its different countries, in order to increase the commitment of its employees.

## 8.2. Principles and Values

The Group's Code of Conduct reflects the principles and ethical values that guide behaviour and decisions across the entire organisation, including concerning the employees' conduct when carrying out their duties and in the relations with other stakeholders.

After having strengthened the disclosure of the Code of Conduct in the Companies in 2015, through an explanatory brochure and reinforced information circulated using the Group's internal and external communication channels, in order to ensure that fulfilment of those principles is continuously promoted, the document has a prominent position on the Intranet portal, which now covers all the countries in which the Group operates.

The Ethics Committee is the body responsible for impartially and independently monitoring the disclosure of and compliance with the Jerónimo Martins Group's Code of Conduct. Further information on the Code of Conduct and the Ethics Committee can be found at [www.jeronimomartins.pt](http://www.jeronimomartins.pt).

### 8.2.1. Respect for Human and Worker's Rights

The Group operates in strict compliance with the national labour legislation of the countries in which it operates, namely, with the prior notice period established by law, with regard to changes of an operational nature.

Also concerning Human and Worker's Rights, the Group complies with international legislation and applies the guidelines of the United Nations Organisation and the International Labour Organisation.

Its activity is based on the principles of respect and decent treatment of each individual, both during the recruitment and selection processes and regarding professional development and performance appraisals, forbidding any direct or indirect discriminatory practice and fostering a culture of fairness and meritocracy.

The Group does not hire under-age employees and the risks arising from child labour and forced labour are duly safeguarded. In the same way, in the countries where the Group operates the rights of indigenous people are in no way put at risk by the activity of our Companies.

### 8.2.2. Freedom of Association and Collective Bargaining

The Group respects freedom of association and collective bargaining, as well as union activity within the terms established in the applicable legislation in each country, as set out in its Code of Conduct.

The collective bargaining agreement negotiated between the parties, only existing in Portugal for the time being, covers more than 90% of the employees in that country.

## 8.3. Communication with Employees

Aware of the challenges inherent to internationalisation, especially the need for its people to be aligned with the organisational culture, which includes the values and principles and the business context of the Group, in 2016 the Group continued to invest in developing a multi-format communication strategy, making it possible to reach all employees, regardless of the place where they work.

Besides the internal magazines "A Nossa Gente" (Our People), in Portugal, and "Razem w JM" (Together with JM), re-launched in Poland, or the "Carta Aberta" (Open Letter) which aims to disclose institutional messages featuring the Group's managers, of particular note is the Group's new Intranet - "Our JM" - available in all the countries and to all the employees who have a computer as a work tool. Along with the corporate content common to all countries, this internal network enables local content to be published, which is of specific interest to the employees of each country.

In Colombia, we would highlight "Ara TV", a channel available in the workplaces which ensures that training and informative content is broadcast to the employees.

In Portugal and Poland, employees have Assistance Services for clarifying any work-related issues and for receiving requests for social support, ensuring that such contacts are handled in accordance with the guarantees of confidentiality, independence and impartiality.

These services aim to establish a close and trusting relationship with the employees and contribute towards the continuous improvement in their quality of life and their satisfaction at work.

In Colombia, a “Comité de Convivencia Laboral” (Committee for Labour Coexistence) is in place, in accordance with the applicable legislation, aimed at receiving and resolving employees’ complaints, including cases of alleged or possible discrimination.

#### Employee Assistance Service

	No. of Contacts/ Procedures Initiated	% of Procedures Concluded
Portugal	16,606	99.4%
Poland	5,054	96.4%

After carrying out the “Organisational Climate Questionnaire” amongst employees in all the Companies in Portugal, 2016 was the year for sharing the results obtained using an intensive plan of personal meetings with all the teams, aiming to celebrate the strengths and actively work on the identified points for improvement.

The same questionnaire will be implemented in Poland and in Colombia in 2017, thereby establishing a global programme that aims not only to listen to the employees, valuing their opinion and fostering a participative culture, but also to incorporate the results of the questionnaire in the Organisation’s improvement and evolution process, through extensive discussion and by implementing action plans.

## 8.4. Attracting and Retaining Talent

Within the scope of the programmes for attracting new employees, internal and external recruitment and mobility best practices were identified, with the objective of making the respective alignment and ensuring that there is a continuous improvement to the effectiveness of these processes, as well as widened the variety of academic profiles which include not only the areas of Economics, Management, Engineering and Science, but also Arts and Humanities.

Likewise, the Group believes internal mobility to be an enabler of people’s development and a driver of knowledge transfer between business areas.

### 8.4.1. Recruitment and Internal Mobility

The professional network LinkedIn continues to be a valuable tool as a means of attracting talent and for Employment Branding, with a substantial increase in the number of candidates recruited from this network and in the number of followers of the Group’s page, which at the end of the year, already amounted to more than 87 thousand.

The Group continued with its talent attraction initiatives with universities, which due to both their teaching prestige and their geographical scope, ensure that these initiatives have national coverage and disclosure. Examples of these are job fairs, workshops, sponsorship of personal leadership and development events, open days, among others. Also of particular note is the Jerónimo Martins Campus Ambassador, a programme

in partnership with students from various faculties and universities, both in Portugal and Poland, where these students undertake to represent the Group on their campus and carry out various Employer Branding initiatives receiving in exchange, access to personal and professional development tools.

### 8.4.2. Talent Programmes

The “Management Trainee Programme” is the main strategic programme for attracting young talent to the Group, offering new Master’s graduates a career in the Food Distribution business and the opportunity to acquire competencies and knowledge, through a unique combination of on-the-job experience and a dedicated training programme. Counting almost 30 years of existence, in 2016, this programme took place for the third consecutive time and simultaneously in the three countries, involving a total of 65 trainees.

Also, the “Summer Internship Programme”, designed to offer students a unique learning experience enabling them to have a privileged perspective of the Group and which has made it possible to identify recruitment opportunities and candidates for the Management Trainee Programme, welcomed a total of 70 interns in Portugal and Poland, during the months of July and August.

### 8.4.3. Internal Mobility

As a reflection of the investment in internal mobility as a mean of boosting their development, during 2016 39,731 employees changed their position, workplace or joined a new Company within the Group.

During the year, the international mobility strategy was also consolidated, by increasing the number of expatriated employees to a total of 50. This mobility seeks to address specific business needs, by applying critical competencies, combined with creating individual development opportunities for all those who aspire to an international challenge.

There were also 8,714 promotions in the stores, the Distribution Centres and the Head Offices.

## 8.5. Development and Compensation

Endeavouring to overcome the challenges inherent to the Group managers' progression, we sought to gain further knowledge of their areas of competence and of their development needs, with a view to defining individual medium-term plans and succession plans for the business's critical positions.

The response to these challenges is a key part of all the Human Resources Management policies and so the performance management in 2016 was also adjusted in order to contribute more directly towards the business results.

With regard to remuneration, the Group has sought to follow fair and market-based remuneration policies in the different geographies where it operates.

Variable remuneration plays an important role in the Group's remuneration policy, being the instrument that

guarantees the alignment of the policy with a culture of performance and meritocracy. In 2016, the total amount of awards attributed to the Group's employees amounted to 82 million euros. The Jerónimo Martins Group also provides a competitive benefits package considering the best market practices in the geographies.

## 8.6. Training

In 2016, the Group continued to strongly invest in developing its employees through training and knowledge-sharing programmes, focusing on already consolidated tailor-made programmes as one of its priorities.

At a global level, of particular note is the 4<sup>th</sup> edition of the Strategic Management Programme which was held with participants from the three countries. This is a programme developed by Universidade Católica de Lisboa and Kellogg School of Management, in Chicago, which aims to reinforce the organisational culture, promote knowledge-sharing and contribute towards a team spirit and innovation.

Cooperation with national and international benchmark training entities was maintained. In Portugal, with Católica Lisbon School of Business & Economics and the Nova School of Business and Economics; in Poland, with Warsaw University and Kozminsky Academy; and, at an international level, with Stanford University, London Business School, Kellogg School of Management, Babson College and Instituto Internacional San Telmo.

In Portugal, various programmes for developing management and leadership skills were continued, including of particular note:

- General Management Programme in Retail (GMPR), in partnership with Universidade Católica de Lisboa, focused on developing employees' common management competencies, as well as promoting innovation in responding to the specific business challenges;
- General Store Management Programme (GSMP) for future Pingo Doce deputy store managers and future heads of Perishables at Recheio;
- Advanced Store Management Programme (ASMP) for Pingo Doce store managers and deputy managers;
- Executive Management Programme (EMP), for current Recheio store managers;
- Sales Academy, for Recheio and Caterplus sales representatives;
- General Section Management Programme (GSEMP), for future Pingo Doce heads of section;
- Advanced Section Management Programme (ASEMP), for current Pingo Doce heads of section. With the objective of qualifying operators for the Perishables areas, the different Pingo Doce regions implemented various editions of courses for operators in the Butcher's, Bakery, Delicatessen and Take Away, Fishery, Fruit and Vegetables areas. There were 1,064 trainees on those courses, with a total of 252,257.5 hours of training;
- With a view to furthering technical competencies, a training partnership was also established with an external entity in the areas of Bakery and Meal Solutions, in the courses for Bread-Making Operators, Food Masters and Kitchen Masters.

Within the scope of the knowledge-sharing programmes, with a view to stimulating self-learning and informal learning, of note are the “JM Talks”, a cycle of conferences encouraging discussion on world market trends which have an impact on the retail sector, thereby reinforcing the Organisation’s culture.

Among other formats, we would highlight the “Leadership Talks”, which cover the topic of universal leadership principles. Also noteworthy are the workshops that were held for the operations and Information Technology teams, focused on innovation, on the topic of “Customer Centricity” and on the methodology of Design Thinking.

The first edition of the “Jerónimo Martins Academic Thesis Programme” was launched, which combines knowledge from the academic world with experience from the business world, and aims to accompany university students while they develop their Master’s or Doctoral theses in areas that respond to the business challenges identified by the Group.

The partnership that was established between the Group and Universidade de Aveiro celebrated its fifth anniversary, with new activities being introduced such as publicising the “Loja 2020” (Store 2020) ideas contest, open classes, the mentoring programme, professional internships, study visits and also the award of the “Jerónimo Martins Prize” to the two best students.

In Poland, the Biedronka Management Academy continued with the training programmes, comprising

1,897 employees on topics related to Leadership, and 137 employees in Talent Development in the Organisation programmes.

Also in this country, training focused on the strategic areas of Perishables, namely in the Fruit, Vegetables, Flowers and Butcher’s categories, with the support of a wide team of trainers, reaching 37,442 employees. Following on from the changes that took place in Biedronka’s operations, training sessions were developed in the Change Management area, which involved 506 employees. Of note, still in Poland, is the implementation of an e-learning platform, a valuable support for the training strategy and for transmitting knowledge, which has all the advantages linked to digital format, such as the provision of content at the workplace.

At Hebe, the introduction of e-learning since September has allowed the dynamization of 2,220 hours of training in several areas of customer service, cosmetics, among others.

For the new admissions, the training in customer service and “cosmetology” stands out in order to guarantee the best advice of the clients.

The Hebe Academy also developed a training program for managers and deputy store managers, composed of two distinct modules: “How to Manage” and “How to Teach”, which included 64 employees.

In Colombia, training in Store Operations totalled 472,283 hours of training. The Bakery area was considered a

priority and so, a competency centre was created and training was reinforced about this dimension.

In addition to being a communication channel, Ara TV was an effective training tool along with the introduction of other teaching tools, including the revision of manuals.

The 1<sup>st</sup> edition of the Innovation Programme was launched, resulting in more than 360 innovative ideas from employees from the stores, Distribution Centres and head-offices.

Overall, in 2016, the effort of investing in training resulted in an increase of 35% in the total number of training sessions held, while the training volume rose 52% compared to the previous year.

Training Indicators	2016	2015	Δ2016/2015
Total No. Sessions	67,063	49,752	35%
Training Volume*	3,954,810	2,605,285	52%

\* Training volume = No. training hours x No. employees in training.

### 8.6.1. Programmes for Joining the Job Market

The Group continued with its programmes for joining the job market of groups of more vulnerable people in Portugal, through partnerships with organisations and teaching institutions, which promote social inclusion.

The objective is to make it possible, for certain groups of citizens who are especially vulnerable in terms of access to the job market, to attend on-the-job training.

The following programmes are highlighted in 2016:

- Serviço Jesuíta aos Refugiados (JRS - Refugee Support Service) – at the end of the “Capacitação 4 Job” (Training for Job) programme financed by European Economic Area Grants, a fund managed in Portugal by Fundação Calouste Gulbenkian, which integrated 36 young migrants;
- Casa Pia de Lisboa – during the 5<sup>th</sup> year of cooperation, 17 young people had access to on-the-job training, as a complement to their training paths;
- Associação Portuguesa de Síndrome de Asperger (APSA – Portuguese Association of Asperger Syndrome) – by integrating two young people in practical on-the-job training to acquire personal, relational, technical and professional skills, in the Odivelas Central Kitchen, which resulted in one of the young people being hired;
- Girl Move – two young Mozambican women graduates were taken in, who had the opportunity of an internship at the Group, which was part of a programme for promoting female leadership;
- BIPP – Banco de Informação de Pais para Pais (Parents to Parents Information Bank) – developed the “Projecto Semear”, by integrating 12 young people with intellectual development difficulties

### Support for the Inclusion of Young Migrants

In order to support the inclusion in the Portuguese society of migrants from countries affected by extreme poverty, hunger or political conflicts, Jerónimo Martins integrated, for training in the store and in the Central Kitchen of Odivelas, young people between the ages of 18 and 30.

In collaboration with “JRS - Serviço Jesuíta aos Refugiados” (Refugee Support Service), during 18 months it was possible to offer 36 people the opportunity to obtain a training course in a real work context and to develop technical and relational skills of socialization.

22 young people were hired by the Group.

in on-the-job practical training in Pingo Doce and Recheio stores, as a complement to their formative processes;

- Rumo, Cooperativa de Solidariedade Social – nine young people with slight disabilities had access to practical on-the-job training in Pingo Doce stores, to complement their formative paths.

In Colombia, Ara’s partnership with “SENA – Servicio Nacional de Aprendizaje” (National Learning Service) – enabled 94 students to attend on-the-job training.

## 8.7. Safety in the Workplace

With the motto “Safety starts with each of us”, in Portugal, the Prevention and Safety in the Workplace 2016 Campaign was launched, based on topics such as load handling, the use of protective equipment and the organisation of work spaces. Within the campaign’s dynamics, of particular note, among others, were the prevention and training programmes specifically for all heads of Perishables and area supervisors.

An integral part of the campaign was the Safety in the Workplace Award, which aimed to acknowledge the employees from stores with the best performance in adopting preventive workplace accident measures.

World Safety in the Workplace Day was commemorated on “Safety Day” (the Group’s 3<sup>rd</sup> HSW Meeting), where there were guest speakers from the Authority on Working Conditions and the Directorate-General for Health. The meeting stood out for its focus on the need to confer authority on the Safety Deputy, the employee responsible in the workplace for ensuring that actions are implemented aiming to improve working conditions.

In accordance with a legal precept, in Portugal all employees were consulted regarding Health and Safety in the Workplace conditions, with the objective of helping to contribute towards a safer working environment for everyone.



In Poland, there was a reduction in the number of workplace accidents which was due to the various prevention campaigns concerning the most common accidents, as well as the training sessions for Operations and the development of new versions of the internal safety in the workplace manuals, among other initiatives.

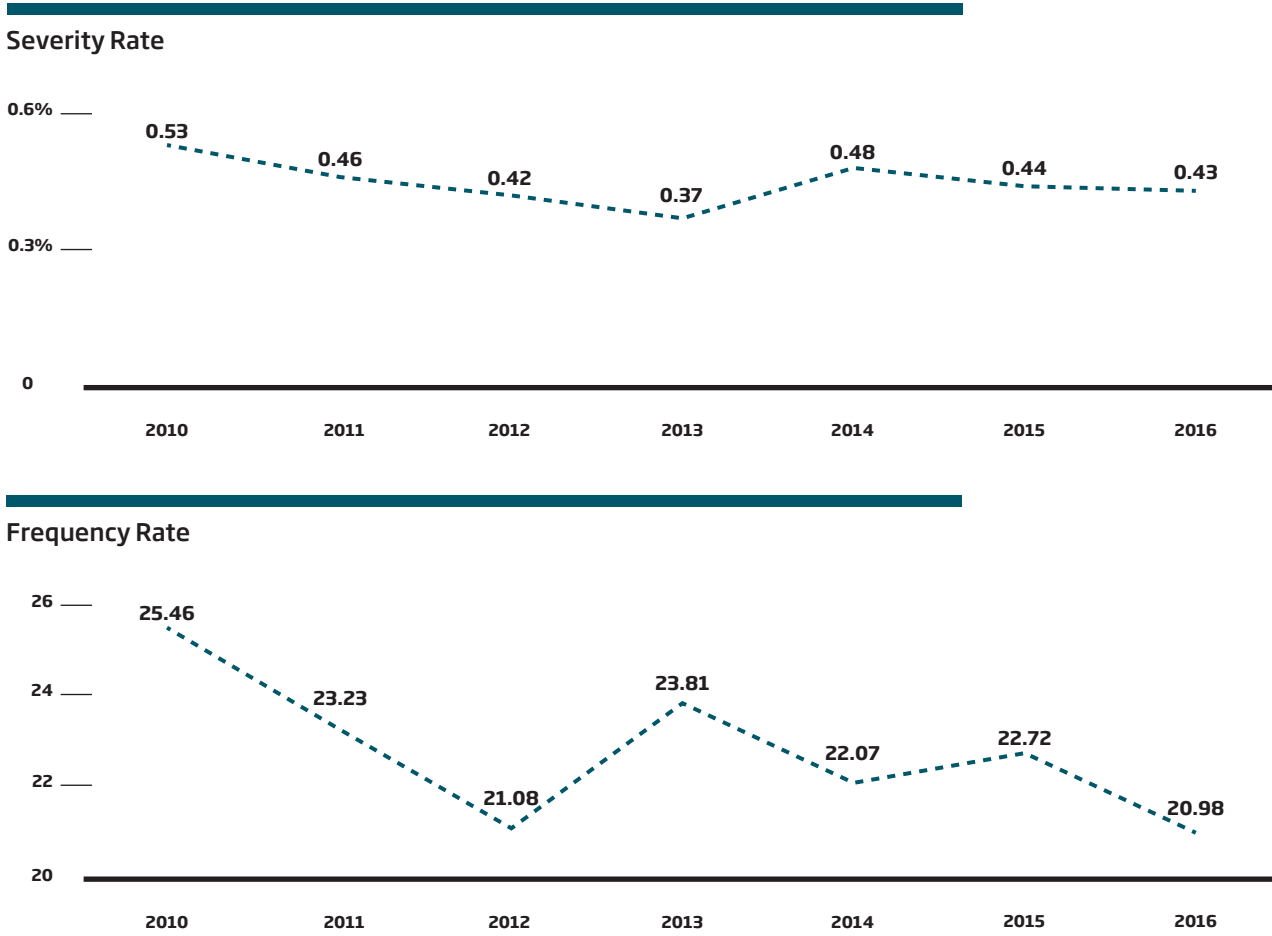
In 2016, Biedronka obtained the certification of the OHSAS 18001 standard regarding its system of management of health and safety at work, process conducted by Det Norske Veritas. The application of this standard benefits, among others, the continuous improvement of the health and safety management system at work in order to prevent, minimize or eliminate risks to the physical health of employees.

Also of note is the Company's participation in various educational initiatives related to safety in the workplace, such as Biedronka's first aid competition and participation in the Ministry of Health's public surveys.

Health and Safety in the Workplace is also a priority in Colombia and so the following prevention campaigns were launched: "I'm Committed" (Yo Me Comprometo), aimed at employees in the stores and Distribution Centres, with the objective of obtaining their cooperation in defining Safety in the Workplace best practices and in adopting appropriate safety behaviour.

Also with regard to the operational and administrative areas, the "I choose to look after myself for me and my family" (Yo elijo cuidarme por mí y por mi familia) campaign was launched, which was used to promote the adoption of healthy lifestyle habits when carrying out daily work tasks and to reinforce the prevention of workplace accidents.

Aggregate Safety in the Workplace Indicators



Scope	Training Hours	Simulations	Audits
<b>Portugal</b>			
Distribution	19,119	246	648
Restaurants and Services	40	_*	68
<b>Poland</b>	29,897	2,148	953
<b>Colombia</b>	2,500	204	240

\* Not obligated by law.

In addition, in 2016, 24,994 health check-ups were carried out in Portugal, 66,330 in Poland and 1,626 in Colombia.

## 8.8. Internal Social Responsibility

The Group's Internal Social Responsibility area continued with the strategy for implementing programmes and initiatives that aim to improve the quality of life of the employees and their families in three fundamental areas: Health, Education and Family Well-being. The investment in these programmes totalled over 16.6 million euros.

### 8.8.1. Health

In 2016, the 3<sup>rd</sup> edition of the "SOS Dentista" (SOS Dentist) programme was launched in Portugal, which aims to support employees with less income in carrying the burden of their dental treatment and, simultaneously, to promote oral health, thereby helping to improve their quality of life. There were 1,500 employees that joined the programme of which 678 concluded their treatments.

Despite the improvement seen over the last few years, Portugal is still classified as a country with moderate severity regarding child dental decay, which is why the "SOS Dentista Júnior" Programme (SOS Dentist Junior) was launched, which is for employees' children between the ages of 7 and 17. A total of 500 children joined the programme and 219 were screened.

The "Mais Vida" (More Life) programme, which provides family support to the cancer patient, was also extended to the entire country. Through this programme, employees, spouses and children benefit from the services of a second medical opinion at an international benchmark institution (Fundação Champalimaud), from psychological support for the entire family unit, from transport for consultations and/or treatment (through the Portuguese Red Cross) and also from home support.

The "Famílias Especiais" (Special Families) programme, which is for families with children and young people with neurological diseases provided complementary support to that offered by the National Health System, namely specific therapies (Hydrotherapy and Riding Therapy), therapies at home (Physiotherapy, Speech Therapy and Occupational Therapy) and rest for the carer at home.

It should also be highlighted that, within the scope of the partnership with Raríssimas - Associação Nacional de Deficiências Mentais e Raras (Portuguese Association of Mental and Rare Disabilities) which is targeted at employees' children bearers of rare diseases, support was extended geographically, leading to completely free consultations and treatment.

The employees continue to highly value the protocol with the Lusíadas Saúde Group, as it enables them to have access to specialist consultations and treatment at a benchmark medical institution in Portugal, at competitive prices.

The "Psicologia Infantil e Juvenil" (Child and Youth Psychology) programme aims to support children and young people with growth and development difficulties, through follow-up by a specialised professional. Within the scope of this programme, 158 children/young people received follow-up.

In Poland, the "Let's Take Care of our Health Together" programme enabled around 3,500 employees to perform more than 17,500 free health screenings, being introduced new diagnosis specialties, such as nutrition, dermatology, gynaecology and specific exams according to gender.

Through the "Apoio a Crianças com Necessidades Especiais" (Support to Children with Special Needs) programme, 200 employees received financial support to cover expenses with medicines, consultations, rehabilitation and therapy, medical equipment or surgery. In addition, three holiday camps were held, where 70 children with physical disabilities, autism or respiratory diseases participated.

In 2016, the Group invested over 1.3 million euros in promoting the health of its employees and their families.

### 8.8.2. Education

The education support programmes continued, with a special note for the “Bolsas de Estudo” (Scholarships), which are already in their 6<sup>th</sup> edition. This is support given to employees and their children who, despite not having the necessary financial means, wish to enrol or re-enrol in higher education. 90 scholarships were attributed for the 2016/2017 academic year. Since being launched, 332 scholars have already benefitted from this measure.

Within the scope of the “Regresso às Aulas” (Back to School) campaign, 4,358 school kits were offered to employees’ children in Portugal and in Poland who started the 1<sup>st</sup> year of schooling.

In 2016, around 2,500 children participated in the Summer Holiday Camps, both in Portugal and in Poland. Also in 2016, “Hello Biedronka” holiday camps and an “English Summer Camp” were organised for learning English and in which 120 children participated.

Also in Poland, the “To School with Biedronka” programme continued, whereby support was given to around 2,700 families without financial means, to cover the school expenses.

In 2016, over 1.3 million euros were invested in promoting education to the universe of our employees.

### 8.8.3. Family Well-Being

In Portugal, the Group’s Social Emergency Fund supported 783 employees, corresponding to an investment of 560 thousand euros, divided between support for food, health, education, legal advice and financial guidance. This Fund provides professional follow-up by five social workers from the Group, thereby ensuring, on one hand, a rapid and efficient response and, on the other, a more assertive response to the more critical cases. In 2016, the social workers provided follow-up to 404 cases of social support.

In Poland, the “You Can Count on Biedronka” programme supported more than 4,300 employees in situations of economic difficulty.


Also in Poland, a pre-paid card to provide financial support to employees was implemented, as well as a new external portal especially for all those who do not have access to a computer in their place of work, thereby enabling them to find all the information about the internal social responsibility programmes. World Children’s Day and Christmas were celebrated with 27 thousand gifts being distributed in Portugal and more than 90 thousand in Poland. More than 4,600 Baby Kits were also attributed in the two countries. In order to publicise the more than 180 existing protocols in Portugal, communication was strengthened through the Group’s intranet.



In 2016, around 14 million euros were invested in the Family Well-Being pillar.



## Commitments for 2015-2017

# 9.

4. How we make a difference

Action pillars	Commitments for 2015-2017	Progress
 <p><b>Promoting Good Health through Food</b></p>	Further improve the nutritional profile of both the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.	<p><b>In progress.</b> In 2016, the Group prevented 152 tonnes of fat, 142 tonnes of sugar and 31 tonnes of salt from entering the market, which encompasses the reformulations that were made within the scope of the Meal Solutions business unit.</p> <p>In the case of the latter, in 2016, we endeavoured to eliminate fried ingredients or replace them with other healthier alternatives, and also sought to reduce the amount of oil present. Another focus of concern was the level of salt, having launched salt-free soups.</p> <p>By reformulating some recipes, it was possible to avoid placing on the market over a tonne of fat, over 685 kilograms of salt and more than four tonnes of sugar in this business segment.</p> <p>For detailed information on the innovation and reformulation of Private Brand products, please refer to subchapter 4. "Promoting Good Health through Food".</p>
	Continue to develop programmes promoting the Mediterranean Diet and awareness for reading food labels amongst consumers.	<p><b>In progress.</b> In Portugal, Pingo Doce maintained its commitment to the magazine "Sabe Bem" (Tastes Good) with an average print run of 150 thousand copies, highlighting healthier ways of preparing products and the offer of the Pingo Doce brand.</p> <p>In Poland, within the scope of promoting information about nutrition, in conjunction with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), Biedronka developed the "Wiesz Co Jesz" (Know What You're Eating) campaign, whereby it provided a special telephone line to advise consumers on making healthier nutritional choices.</p> <p>For further information about campaigns carried out please refer to subchapter 4. "Promoting Good Health through Food".</p>
	Increase the number of references of the lactose-free and gluten-free ranges, in Private Brand products in Portugal and Poland.	<p><b>In progress.</b> This year, 24 gluten-free product references and 10 lactose-free references were launched in Poland. In Portugal, five references of the brand Pura Vida "0% Lactose" were launched.</p>
	In Portugal, ensure that products intended for children have a higher nutritional profile than the market benchmark.	<p><b>In progress.</b> Seeking to offer products to new-born babies, the Farinha Láctea Pêra Pingo Doce was launched for babies from the age of four months, which is gluten-free and contains transition milk. It has a 9 p.p lower sugar content than the benchmark. As for the Bolsas de Fruta, these products are made from fruit puree, standing out from the benchmark which uses concentrate. In turn, Bebidas de Soja Kids contain vitamins B1, E, D or iodine, differentiating from the benchmarks.</p>
	In Portugal, develop and implement nutritional information in the Meal Solutions area.	<p><b>Accomplished.</b> Within the scope of adapting to national and community regulations, the Meals Solutions' meals were labelled with information on their nutritional profiles, and are available for consultation at the customer's request, and communication materials were also developed in the service areas in order to publicise the legally required aspects concerning allergens.</p>
	In Portugal, in the Meal Solutions area, test meals for consumers with special dietary requirements or those who seek other dietary options.	<p><b>In progress.</b> During 2016, the offer of meals for vegetarians or consumers seeking healthier options increased from seven references to 12. Every week three of these kinds of dishes were available in the Pingo Doce Restaurants and Take Away.</p>
	In Portugal, continue to develop and implement nutritional information in the Bakery.	<p><b>Accomplished.</b> Within the scope of adapting to national and community regulations on nutrition profiles and communication of allergens, Pingo Doce labelled its pre-packed Bakery and Pastry products and those packed on request by the customers, with the necessary information.</p>

Action pillars	Commitments for 2015-2017	Progress
 <b>Respecting the Environment</b>	Reduce the Group's carbon footprint by 2% in the 2015-2017 three-year period (per €1,000 of sales), compared to 2014.	<b>In progress.</b> 2016: carbon footprint increased 10.1% 2015: carbon footprint decreased 5.8%
	Make an annual reduction in the consumption of water and electricity of 2% per year (comparing the same store network in Portugal and Poland).	<b>In progress.</b> 2016 - Water: -0.6%; Electricity: +0.8% 2015 - Water: +1.5%; Electricity: +1.0% .
	Reduce the amount of waste sent to landfill by 5 p.p. in the 2015-2017 three-year period, compared to 2014 (objective measured using the ratio amount of waste recovered / total amount of waste).	<b>In progress.</b> 2016: waste recovery rate increased 1.2 p.p. 2015: waste recovery rate decreased 0.6 p.p.
	Increase the number of locations with environmental certification (at least 20).	<b>In progress.</b> The number of DCs in Portugal with environmental certification remained at four. In Poland there are 15 DCs with environmental certification.
 <b>Sourcing Responsibly</b>	In all brands, ensure continuity of the sourcing of at least 80% of food products from local suppliers.	<b>In progress.</b> In 2016, the Food Distribution banners in Portugal, Poland and Colombia fulfilled this commitment by buying over 80% of food products from local suppliers.
	Continue to introduce sustainability certificates (UTZ certification, Fairtrade, MSC, EU-Ecolabel or others) for at least: • Private Brand (two products); • Perishables (four products).	<b>Accomplished.</b> In 2016, the following were launched: <ul style="list-style-type: none"> <li>• 13 Private Brand references with UTZ certified cocoa (12 at Biedronka and one at Pingo Doce);</li> <li>• eight references of Private Brand fish products with Marine Steward Council certification (Biedronka);</li> <li>• five references of perishables with European Union Organic Farming certification (Pingo Doce);</li> <li>• four references of Private Brand tea with the Rainforest Alliance certified seal (Biedronka);</li> <li>• one reference of coffee Fairtrade certification (Pingo Doce);</li> <li>• one reference with the EU-Ecolabel ecological certification (Pingo Doce).</li> </ul>
	Reduce by 5% the presence of palm oil in the total sales of Private Brand products.	<b>In progress.</b> The calculation of the presence of palm oil and the assessment of the countries of origin of the production of these commodities are made when preparing the Group's official response to the Carbon Disclosure Project (CDP) index, in the "Forests" segment. In 2015, the Group reduced the following (in weight): <ul style="list-style-type: none"> <li>• the presence of palm oil by 18% in the total sales of Private Brand products;</li> <li>• the Private Brand products containing soya (-35%), beef (-90%) and wood (-90%), from countries at risk of deforestation.</li> </ul>
	Reduce by 5% soya, beef, wood and paper products from countries at risk of deforestation.	

Action pillars	Commitments for 2015-2017	Progress
 <p><b>Supporting Surrounding Communities</b></p>	<p>Monitoring and disclosure of the social impacts resulting from the support offered, according to the LBG (London Benchmarking Group) model.</p>	<p><b>Accomplished.</b> The results relating to 2015 were disclosed by the Group at <a href="http://www.jeronimomartins.pt">www.jeronimomartins.pt</a>.</p>
	<p>In Portugal, start at least one project of community investment per year, aimed at children, young people or older people from vulnerable environments.</p>	<p><b>Not accomplished.</b> In 2016, support to the community project Academia do Johnson was maintained, which commenced the previous year. For further details on the activity of this institution, please refer to subchapter 7. "Supporting Surrounding Communities".</p>
	<p>In Poland, strengthen the involvement in social projects, focused on children, young people and older people from vulnerable environments.</p>	<p><b>Accomplished.</b> Various social projects were continued, including "Hope for the Euro", that aims to contribute towards the development of institutionalised children from families with economic difficulties. Biedronka continued to participate in two projects on the Partnership for Health platform: "Milk Start" and "Breakfast Gives You Strength".</p>
	<p>In Poland, further develop the programme to combat child malnutrition, under the project "Partnerstwo dla Zdrowia" (Partnership for Health):</p> <ul style="list-style-type: none"> <li>• increase the number of schools by at least 5% in each academic year.</li> </ul>	<p><b>Accomplished.</b> On this multi-stakeholder platform, the number of schools involved in 2016 increased by 5.8% compared to the previous academic year, reaching 7,826, which is the equivalent of more than 65% of the country's primary schools. The programme encompassed 195,650 children, an increase of over 13 thousand children.</p>
	<p>In Colombia, continue to support the programme <i>Madres Comunitarias</i> (Community Mothers), supporting two community nurseries, for each Ara store opened.</p>	<p><b>Not accomplished.</b> Support through the regular provision of foodstuffs to 262 community nurseries was maintained, the same number as in 2015, despite the expansion of the Ara stores, due to the programme having been redefined at a government level. The number of children supported increased from 3,400 in 2015 to 3,668, an increase of 8%. The volume of foodstuffs offered also increased by 55% compared to 2015.</p>
 <p><b>Being a Benchmark Employer</b></p>	<p>In Colombia, extend the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages) and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation of foodstuffs.</p>	<p><b>Accomplished.</b> The Aldeas Infantiles SOS Colombia (SOS Children's Villages) project was extended to Ara's third operating region, in Bogotá. As indirect support, through the voluntary rounding up of the value of customers' purchases for this cause, which was in excess of 51 thousand euros, it was possible to ensure that important support was given to 1,654 children and young people from 2,138 families from all the regions covered. Support to Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) was materialised through the donation of more than 30 tonnes of food surplus, the equivalent of over 81 thousand euros that reached an average of 790 people each month.</p>
	<p>Following the commitments made for the previous three-year period and with the continued tough and very challenging economic environment for the employees' families, particularly in Portugal and in Poland, the strategic focus will remain on:</p> <ol style="list-style-type: none"> <li>continuously improving the employees' working conditions;</li> <li>supporting the quality of life of our families in the different geographical areas in which we operate.</li> </ol>	<p><b>In progress.</b></p> <p>With regard to safety in the workplace, the severity indices recorded the best performance since 2010, achieving 20.98 points, a result which is due to the employees' performance and to the Group's investment in training sessions, simulations, awareness campaigns and audits.</p> <p>The "SOS Dentista Júnior" (SOS Dentist Junior) programme was launched, which is for employees' children between the ages of 7 and 17. 279 children began treatment under this programme. The "Mais Vida" (More Life) programme, which provides family support to the cancer patients, was extended throughout the country.</p>



## The Global Compact Principles

# 10.



### The United Nations' Global Compact Principles

- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 Make sure that businesses are not complicit in human rights abuses
- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5 Businesses should uphold the effective abolition of child labour.
- 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Businesses should undertake initiatives to promote greater environmental responsibility.
- 9 Businesses should encourage the development and diffusion of environmentally friendly technologies
- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

### Zoom in 2016

Chapter IV. "How we make a difference"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".

Chapter IV. "How we make a difference"; subchapter 6. "Sourcing Responsibly" and subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".

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Chapter IV. "How we make a difference"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".

Chapter III. "How we are organised"; Part I, section C, subsection III.

Chapter IV. "How we make a difference"; subchapter 5. "Respecting the Environment".

Chapter IV. "How we make a difference"; subchapter 5. "Respecting the Environment" and subchapter 6. "Sourcing Responsibly".

Chapter IV. "How we make a difference"; subchapter 5. "Respecting the Environment" and subchapter 6. "Sourcing Responsibly".

Chapter III. "How we are organised"; Part I, section C, subsection III.

Chapter IV. "How we make a difference"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".

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