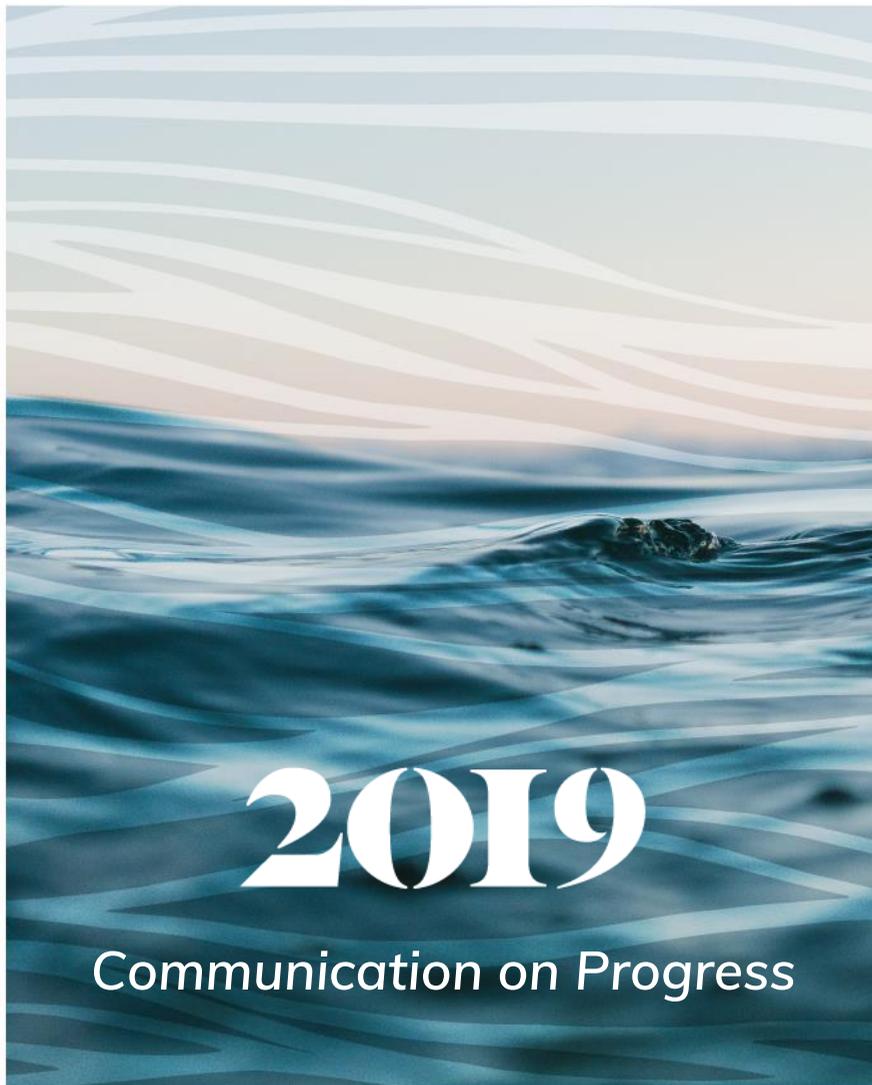


**Jerónimo  
Martins**



**2019**

*Communication on Progress*

# MESSAGE FROM THE CHAIRMAN

We continue our commitment to conducting responsible businesses, which contribute to the development of societies with more respect for people and the planet



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*In this context of uncertainty, we must prepare ourselves for a greater frequency of these events, with governments, companies, civil society organizations and individuals having the responsibility and duty to guarantee a sustainable path for the generations that will follow us.*

As I write this letter about the renewal of Jerónimo Martins' commitment to the Global Compact Principles, the world is adapting to the impacts of a pandemic crisis, with a dimension that should motivate everyone to reflect deeply about the way we live and explore the planet.

With around 200 epidemic outbreaks per year globally since 2011, which include influenza, Ebola, zika or the coronaviruses that cause SARS or MERS, the moment we are living is already considered the “era of epidemic risks” by the World Economic Forum. More than a year ago, the [Global Risks Report 2019](#) pointed out

epidemics as an increasingly common phenomenon, originating in the demographic increase and intensified by transport networks, deforestation and climate change, with societies still in a fragile state to prevent and to respond to the social, economic and environmental consequences, which are already tangible.

In this context of uncertainty, we must prepare ourselves for a greater frequency of these events, with governments, companies, civil society organizations and individuals having the responsibility and duty to guarantee a sustainable path for the generations that will follow us.

As the leader of the Jerónimo Martins Group, my concern was, is and will always be to support the people, businesses and communities that help consolidate the present and build the future of our Companies – we adjusted our priorities by mitigating the impacts of this pandemic, we reinforced the availability of food products in our stores, and invested in protecting our people and the supply chain of essential goods.

Thus, we continue our commitment to conducting responsible businesses, which contribute to the development of societies with more respect for people and the planet.

### 2019: A Year of Challenges Overcome

For our Companies, 2019 was a successful year, reflecting the commitment of all employees and business partners who, once again, maintained their efforts to balance financial, social and environmental sustainability in a very competitive context like the food distribution sector.

The Group invested 678 million euros in projects to expand, remodel and maintain its store chains and Distribution Centres (DC). Market shares were strengthened, and we reached a record sales: 18.6 billion euros, an increase of 7.5%

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compared to 2018, which is added to the fact that, for the first time, we exceeded 1 billion euros consolidated EBITDA, 8.9% more than in 2018.

We closed the year with more than 4,400 stores and 9.2 billion euros of market capitalization at Euronext Lisbon.

In line with the long-term vision with which we conduct our business and with the shared value creation philosophy that guides us, in 2019 we updated our materiality matrix, seeking to know the perceptions of 10 groups of stakeholders, involving Portugal, Poland and Colombia. With more than 3,400 responses obtained, we confirmed the validity of the priorities of the 5 strategic pillars of our action: Promoting Health through Food, Respecting the Environment, Sourcing Responsibly, Supporting Surrounding Communities, and Being a Benchmark Employer.

In terms of the responsibility for the composition of the products that we deliver to millions of customers every day, it was possible to prevent the entry of over 1,400 tons of sugar, 300 of saturated fat, 90 of fat and 14 of salt into the market. We launched several gluten-free, lactose-free and organic products and the Go Vege range for vegan consumers.

Focused on quality and food safety, which is also the main priority identified by our stakeholders, we carried out about 10,000 audits to stores and DC, complemented by more than 2,000 audits to our suppliers, about 110,000 analyses of work surfaces and handlers, among others, and more than 63,000 product reviews.

In the environmental dimension, we reduced our carbon emissions by 15.4% (scopes 1 and 2) compared to 2018, and the investment in renewable energy resulted in the production of approximately 5.2 million kWh, an increase of 18%. Since 2014, we have already invested more than 145 million euros in more efficient energy and water control systems, avoiding the emission of more than 230,000 tons of CO<sub>2</sub> equivalent. In addition, the Group continued to invest in the purchase of electricity from renewable energy sources to power all its operations in Portugal.

## PACKAGING MATERIALS SPARED SINCE 2011

# 24,000 tonnes

We also took advantage of the use of rainwater in our operations in Portugal and Colombia, by collecting around 9,000 m<sup>3</sup> for the refrigeration, irrigation and washing systems for trucks, an increase of 4.5 times compared to 2018.

The Group also analysed its single-use plastics' footprint, having registered a reduction, compared to 2018, of 2.7% of consumption per million euros of sales. With the packaging ecodesign program, since 2011 more than 385 references were changed, avoiding the use of around 24,000 tons of materials.

In that which is our objective of promoting a more responsible business regarding the ecosystems on which we depend, we re-evaluated the conservation status of the approximately 220 species of fish that we sell, having concluded that species classified as "Critically Endangered" were not commercialized during the year. In the case of species classified as "Endangered", only commercial promotions were carried out for those from aquaculture, and the promotions of species classified as "Vulnerable" were reduced by 15% compared to 2018. Of these species, more than 75% came from aquaculture or from sustainably managed stocks.

We maintained our commitment to purchase at least 80% of our food products from local suppliers, thus stimulating the economies of the countries where we do business.

The past year saw an increase of 4% in the number of certified products regarding production processes with respect to environmental and social criteria, recording more than 550 references that meet sustainable production standards. Also noteworthy is the fact that 100% of the palm oil used in Private Brand and Perishable products in

Portugal and Poland has RSPO certification, which guarantees its sustainable production – globally, 92% of the total palm oil used in our products in the three geographies hold this certification.

In terms of animal welfare, all of our own Aberdeen Angus meat production units, as well as the Jerónimo Martins Agro-Alimentar dairy farm, obtained external and independent certification by Certis for Responsible Reduction of Drug Use, having obtained the classification of "100% - Excellent", ensuring that the use of antibiotics is made only for therapeutic purposes. These production units are also animal welfare approved certification by Aenor, an external and independent entity, in accordance with the European "Welfare Quality" protocol.

We also highlight the realization of the first exclusively social audits of our supply chain, seeking to know, through 120 criteria, human capital management practices, namely regarding the absence of forced labour, child labour or practices that jeopardize Human Rights, in line with the Group's Code of Conduct for Suppliers.

In terms of support to the communities surrounding our operations, the contributions of our Companies in food products and financial donations amounted to more than 43 million euros last year. After assessing the social impacts of almost 80% of that amount, we estimate that we have contributed to improving the quality of life for more than 1.5 million people.

## 92% of palm oil used in our products hold the RSPO certification

2019 was also the year in which we launched distinctive projects to raise awareness for changing people's behaviours. In the dimension of nutritional education, "Menos Sal Portugal", a partnership between Pingo Doce and CUF (José de Mello Saúde), is a national program to raise awareness of excessive salt consumption, supported by an unprecedented scientific study on the direct health consequences of this ingredient. In the social dimension, the "Bairro Feliz" program monetarily supports relevant causes identified by local populations.

In Poland, the 5<sup>th</sup> edition of the Zielona Kraina program (Green Land), dedicated to early childhood education on healthy eating habits in collaboration with Green Factory (a long-standing partner that supplies 4<sup>th</sup> range products), involved 400 actions in 7 Polish cities. Since 2015, 496 schools and more than 30,000 teachers and students from 30 cities have been engaged.

In addition, we developed initiatives in the labour market together with the communities: 92 employees from Portugal offered more than 55,000 hours of tutoring in a real work context to people from difficult contexts. Our commercial teams maintained partnership projects in primary production, by selling products developed by social organizations. The Group also promoted more than 2,800 hours of volunteering with civil society institutions.

Food surpluses that, although in good conditions of food security, cannot be sold are donated by the Group Companies to charities, thus reaching people in situations of extreme vulnerability. In total, we donated more than 15,600 tons, an increase of 36% compared to 2018.

Also important for communities is the progress of their economies through the creation of jobs. Reflecting our expansion, we created 6,868 jobs, a net increase of 6.3% compared to 2018. About 62% of all contracts are fixed-term, with the majority of management positions being held by women (67%).

I would also like to highlight the «Incluir» (Include) program, which provides opportunities for people struggling

to access the labour market, particularly people with disabilities, migrants and refugees and people at social risk. In 2019, in Portugal, our Companies provided 110 on the job trainings and 88 hires, many of which in partnership with 40 institutions and organizations specialized in social inclusion.

In our Companies, more than 13,600 employees were promoted, representing an increase of 14% compared to 2018, and 137 million euros were attributed in productivity bonuses, 24% more than in the previous year.

### FOOD DONATIONS

15,600 tonnes

### INVESTMENT IN SOCIAL PROGRAMMES

20 M€

Globally, investment in raising employee awareness and providing safe work environments has resulted in a new positive record in terms of the severity and frequency of accidents: the lowest figures since 2010.

As part of our responsibility to our employees and their families, we have allocated 20 million euros to social programs to improve their health, promote access to education and their family well-being.

In terms of governance, I highlight the systematization of an Anti-Corruption Policy.

Our performance in all these dimensions resulted in the Group's integration into indices that identify the companies that best manage Environmental, Social and Governance (ESG) risks. In the year in which we celebrated 30 years of entering the Lisbon Stock Exchange, we were considered a "Leader" company by the Global Child Forum and included, for the first time, in the Ethibel Pioneer Investment Register index.

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*On the 20<sup>th</sup> anniversary of this initiative, we are proud to belong to this large group of more than 14,600 public and private organizations from more than 170 countries*

We continued to be present in the FTSE Russel indexes: FTSE4Good Developed Index, FTSE4Good Europe Index and FTSE 4Good Developed Minimum Variance, as did our presence in the STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, Ethibel Excellence Investment Registers, Ethibel Sustainability indexes Index Excellence Europe, Euronext Vigeo Eurozone 120 and Euronext Vigeo Europe 120, among other indexes.

We also improved our assessment in the CDP Forests program, obtaining the A- (Leadership) rating in relation to the management of the four evaluated commodities (palm oil, soy, beef and paper and wood), as well as in the CDP Climate Change, in which we kept the same rating. We also responded, for the first time, to the CDP Water Security program, obtaining the B level (Management).

I understand that this is the external and independent recognition that we have maintained a path of sustained growth, combining profitability and sustainability.

It was more than a decade ago that, thanks to my father Alexandre Soares dos Santos who left us in August 2019 and who led the Jerónimo Martins Group for more than 45 years, we joined Mr. Kofi Annan' initiative called Global Compact.

On the 20<sup>th</sup> anniversary of this initiative, we are proud to belong to this large group of more than 14,600 public and private organizations from more than 170 countries, united by the vision of developing more responsible principles in management and in line with the Sustainable Development Goals.

My longest wishes to the Global Compact and congratulations for these 20 years.



**Pedro Soares dos Santos**  
Chairman and Chief Executive Officer  
Jerónimo Martins