

**Jerónimo
Martins**



**COMMUNICATION
ON PROGRESS**

MESSAGE FROM THE CHAIRMAN

As a business almost reaching 230 years-old, we deeply understand the value of sustainability: it is rooted in our day-to-day living and in the way we look ahead. Only by balancing economic profitability, ecosystems preservation, social cohesion and sound governance can we ever long for sustainable prosperity for all.

A YEAR TO REMEMBER

2020 has been a year nobody will ever forget. It has put us all – individuals, families, civic society, enterprises, governments – to the test on several dimensions as it challenged the sustainability of life itself.

When I first wrote the 2019 Communication on Progress, we were amidst the beginning of the Sars-Cov-2 pandemic and things looked uncertain from all perspectives. In a context of lockdown and general confinement, with successive restrictions to mobility and activity being applied all over the world for the majority of 2020 and partially also this year, only essential goods stores – like our Pingo Doce, Recheio, Biedronka and Ara banners – remained opened which brought us even greater responsibility to keep the food supply chain working for our more than 4 million daily customers in Portugal, Poland and Colombia.

Despite all the uncertainty and constraints, we kept deeply committed to the Principles of the Global Compact and to making progress towards the Sustainable Development Goals as we continue building our growth story.

Sales peaked at 19.2 billion euros in the year and we invested 470 million euros in our businesses. We ended up counting more than 4,200 food stores in our network and a total of 118,210 employees in Portugal, Poland and Colombia (a 2.4% net job increase versus the previous year).

ON THE FRONT LINE: ANSWERING THE CALL

Our number one priority in 2020 has been, as always, to take care of our people: our workers and their families, our customers and suppliers.

Our initial concern was for those most vulnerable to the virus and so employees who were part of risk groups based on criteria such as age or specific underlying health conditions were preventively sent home while receiving full pay (approximately 1,150 people in the initial stage of the pandemic). As a way of securing jobs, we also considered part-time employment contracts and temporarily reallocated, within the Group, employees from shut-down businesses to active Companies.

Around 16 million euros were invested in protective equipment, among others, to ensure employees' safety in the pandemic context. During the year, we voluntarily performed more than 35,000 tests for Covid-19 and continuously monitored the inflammatory markers of our employees, corresponding to an investment of more than 700,000 euros.

Mental health – another key issue for us – was fostered through free online or in-person psychology consultations (expanded to reach employees' children/adolescents) and helplines. Around 1,600 employees and their families benefited from these.



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Chairman and Chief Executive Officer

Our employees that are parents were also put to a strong pressure considering general closure of schools, making way to new forms of teaching at distance through digital means. Not all had the necessary equipment or the means to acquire it so, as part of our internal social responsibility programmes in Portugal and Poland, we contributed to purchasing computers and tablets (854 computers and 671 tablets) and implemented educational initiatives to support the learning process of children and adolescents.

In recognition of our employees' dedicated work to keep our stores serving customers with essential goods during the pandemic, we handed 30 million euros in bonuses. On top of that, 65,566 Polish employees were offered a total of 2.8 million euros in pre-paid cards for their expenses. In Colombia, Ara facilitated access to the “Fiado” programme, which provides short-term credit to employees and doubled the number of beneficiaries (from 2,000 employees in February to 4,000 in June).

Besides the challenges in our own operations arising from the pandemic, the heavy burden put on supply chains, especially to small farmers and producers, was a risk increasingly visible as lockdowns became more frequent during the year.

Some measures we took to sustain primary production and the food industry included acquiring local suppliers' produce that was in danger of being wasted as consumer demand decreased, and the anticipation of payments to bolster their cash flows.

As part of our commitment to communities' cohesion, our Companies invested in medic response to fight the pandemic – more than 2 million euros were channelled to several programmes from the European Commissions' Coronavirus Global Response initiative to improving hospital intensive care infrastructures and, among others, to the free delivery of thousands of snack boxes to healthcare professionals that were under severe stress on the front line.

KEEPING UP SUSTAINABILITY

Our commitment to products' quality, diversity, affordability, and availability was never in question.

Bearing in mind the role our Companies can have to inspire healthy eating patterns, we added new lactose-free references in Portugal and Poland (increase of 30%) and 78 animal-free protein products for vegetarians and/or vegans.

The recipe revisions to our Private Brands and Perishables offer made it possible to prevent nearly 2,500 tonnes of sugar, 184 tonnes of saturated fat, 28 tonnes of fat and 58 tonnes of salt from entering the market, hence contributing to prevent diet-related serious diseases as obesity and diabetes.

We also kept fighting climate change through the pandemic as we cannot afford to decelerate sustainability efforts. As a result our carbon footprint, per 1,000 euros of sales, has decreased by 37.9% compared to 2017. On top of this, progress was made in logistics by maximizing distribution routes (sparing over 17 million km) therefore avoiding the emission of around 16,000 tonnes of CO₂e.

148 packaging redesign projects were completed in the year, contributing to annual savings of more than 3,700 tonnes of packaging materials such as plastic or cardboard – in a decade, this programme prevented the use of about 27,500 tonnes of materials. By cooperating with suppliers, our banners Pingo Doce and Recheio were able to eliminate microplastics from their entire Private Brand ranges in personal hygiene, cosmetics and detergents categories.

And collaboration is in fact key for companies in the agri-food business to achieve better financial, environmental and social outcomes.

2020 was the year when Jerónimo Martins joined, together with 18 other companies, the Forest Positive Coalition of Action to help tackle greenhouse gas emissions, the loss of tropical forests and their biodiversity and to foster economies that sustain the livelihoods of thousands of small farmers.

It was also the year when we strengthened our products' sustainability certifications, reaching as much as a 17% increase in the number of Private Brand and Perishables certified references.

Having over 4 thousand stores scattered through many villages and cities, we contribute to reduce social inequalities and to fight hunger and malnutrition in the surrounding communities and support educational and social organisations that impact the most vulnerable groups in society: children, young people and the elderly. A direct support of 47.6 million euros (10% more than in 2019) was allocated to those priorities, reaching more than 1 million people, with food donations amounting to over 18,600 tonnes (a 19% increase on the previous year).

Paying attention to social crisis in countries where we operate, Jerónimo Martins Colombia partnered with Caritas Polska and Caritas Colombia to provide aid to vulnerable populations in the border with Venezuela, a country facing a serious crisis that led to an exodus to Colombia. Our network Ara provided more than 9,400 baskets containing essential goods to 1,185 Venezuelan migrant families and also Colombian families in extreme economic vulnerability. In addition, Ara reached the populations affected by hurricane "Iota" and the floods in November, offering food to around 5 thousand people and building 375 temporary shelters for evicted families.

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In what concerns the continuous investment in our human capital, in 2020 jobs were created (2.4% net increase versus 2019), the turnover rate decreased significantly (registering a 7 p.p. decrease), trainings amounted to 3.8 million training hours notwithstanding the physical limitations imposed (an investment of around 14 million euros), and social programmes for our employees and their families wellbeing were continued (reaching around 20 million euros to health, education and family well-being initiatives).

In 2020 Jerónimo Martins joined the Global Compact's «Target Gender Equality» programme, having carried out a gap analysis and reaching the level of "Achiever". With a rating of 65%, we were above the global and European average by 35 p.p. and 31 p.p., respectively.

TIME FOR RECOGNITION

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One of these new indices is the Bloomberg Gender Equality Index, in which we were the only retail company based in Portugal that was included (the sector is represented by only 25 companies worldwide, out of the 380 companies across 11 industries included in the index).

We also achieved a score of “A-” in the CDP Climate Change 2020 and, for the second year in a row, obtained a global score of “A-” in the CDP Forests 2020 being the only food retailer in the world to obtain the leadership level for palm oil, soy, pulp and paper and beef management.

We expect the next years to be even more demanding as legislation will continue to grow in volume and complexity, and consumers and investors are increasingly considering environmental, social or governance factors in their decisions.

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