

**Jerónimo
Martins**



A NATURE-GROUNDED BUSINESS

2021

Communication on Progress

MESSAGE FROM THE CHAIRMAN

As a business dedicated to providing mainly food products to consumers, we remained focused on supporting employees, maintaining a regular logistical supply and continuously improving customers' buying experience.

“

As a result of the healthy cash flow generated, our Companies invested over 690 million euros in 2021.



2021 was a year in which we anticipated a return to a possible normality, something achieved with the lifting, in many countries around the world, the restrictions imposed by authorities in an attempt to contain the spread of the SARS-Cov-2 virus.

Despite the slow normalization, as a business dedicated to providing mainly food products to consumers, our Companies in Portugal, Poland and Colombia remained focused on supporting their employees, maintaining a regular logistical supply – by cooperating with hundreds of suppliers

–, and continuously improving customers' buying experience.

Even in complex socioeconomic and political contexts such as those we came across in the countries where we operate, where there are increasing levels of inflation since mid 2021, further pressuring families' purchasing power, our Companies carried out an investment plan which reached 690 million euros, as a result of the healthy cash flow generated (723 million euros, 40% more than in 2020).

The amount invested in 2021 adds to the accumulated over nine years, totaling around 6.5 billion since 2011.

In the year, for example, 303 stores were added to the chains of our four food retail Companies – for a total by the end of 2021 of 4,576 units and more than 3.1 million square meters of sales area – as well as the expansion of the aquaculture activity to Morocco (sea bass and sea bream) and, in Portugal, the planting of an organic orange grove and the entry into sheep farming.

2021 was also another year of strong financial performance: we recorded, for the first time, more than 20.8 billion euros in sales, 8.3% more than in 2020, with net results attributable to Jerónimo Martins amounting to 463 million euros (+48.3%) and EBITDA to more than 1.5 billion euros (+11.4%).

Likewise worthy of note is the Group's net debt, which has fallen by more than 850 million euros over the last three years (-39%).

Also contributing to the year's results is our approach to social and environmental responsibility, which is solidified with the integration – since 2006 – of the 10 Principles of the Global Compact in our management of the five pillars of Corporate Responsibility: Promoting Health through Food, Respecting the Environment, Sourcing Responsibly, Supporting

Surrounding Communities and Being a Benchmark Employer.

Promoting Health through Food

Democratising access to food is our vision for a business that aims to be inclusive in terms of purchasing power and the diversity of the food solutions made available.

Our Companies are driven by the ambition to combine nutritional quality and physical (proximity) and economic accessibility (competitiveness). Our private brands have been focused for decades on offering products with more responsible and innovative nutritional profiles, and on encouraging healthier dietary patterns, such as the Mediterranean diet.

In 2021, we launched innovative products such as Pingo Doce milk enriched with Omega-3, fiber and minerals for people aged over 50, the probiotic natural yoghurt (with live yoghurt cultures), Ayran Turkish-style yoghurt (made with milk from cows fed with feed free from genetically modified organisms), and, for the first time on the market in Portugal in the private label segment, products dedicated to active lifestyles – the Go Active range.

Continuing our programme of continuous improvement of the nutritional composition of our products, always in close collaboration with our suppliers, we have avoided the incorporation of

“

We largely surpassed, for the first time, the 20 billion euros sales milestone, 8.3% more than in 2020.

more than 1,200 tons of sugar, more than 149 tons of fat, 3 tons of saturated fat and more than 20 tons of salt.

A word also for the transparency in communicating with our consumers about the ingredients of our products: we decided to implement the Nutri-Score labelling in Portugal and Poland so that, in a more intuitive and therefore more inclusive way, consumers can make more informed decisions.

Continuing to take food safety of what we sell as our first priority, I point out the opening in 2021 of our own molecular biology laboratory, in which we test products from the three countries where we operate to verify the authenticity of the declared ingredients and prevent food fraud.

Respecting the Environment

At the environmental level, and particularly regarding the decisive fight against climate change, I would highlight the work done in collaboration with 160 suppliers to identify – using the international methodology of the Task Force on Climate Related Disclosure (TCFD) and with a view to joining the Science Based Targets initiative (SBTi) – the risks and opportunities resulting from global warming for our operations and products up to 2030. By the end of 2023, we will submit a climate science compliant emissions reduction target to the Initiative for approval.

In this context, some performance indicators are highlighted:

- the 48% reduction of scope 1 and 2 carbon emissions (own operations), per thousand euros of sales, meeting the objective of reduction of at least 40% compared to 2017;
- the increase in the production of renewable energy, which now represents 36% of the total energy consumed by the Group;
- the 3.5% reduction in energy consumption per thousand euros of sales;
- the 1.3% reduction in waste generated to 26.7 tonnes per million euros of sales;

We are the only global food retailer to, and for the third consecutive year, achieve a leadership level ('A-') in three commodities associated with deforestation risk.

- the 2.6% reduction in the consumption of single-use plastics and 5.7% reduction in the total consumption of packaging, per million euros of sales.

Finally, in 2021, our firm commitment to limiting our food waste footprint was translated into initiatives that included (i) the donation of 21.4 thousand tonnes (+14.8%) of food to charitable institutions, which reach hundreds of people in extreme need, (ii) the markdown project, which prevented the waste of 8 thousand tonnes of food (+70% compared to previous year), and (iii) the integration of 12,591 tonnes of ugly vegetables in soups and salads and by the sale of non-calibre items.

Sourcing Responsibly

We maintained our preference for cooperating with local producers so that we can ensure the greatest freshness of the products we sell while reducing their carbon footprint and promoting the socio-economic development of the countries where we operate. We therefore continued to source at least 80% of our food products from local suppliers in each geography where we have business.

CDP 2021 scores



In Portugal, small and medium-sized producers of perishables grouped in the Confederation of Farmers of Portugal were able to continue to benefit from a cash flow support measure that is unique in retail in Portugal: anticipating payments to an average of ten days instead of the 30 days foreseen by the law, at no cost to the producer. Since 2012, more than 370 suppliers have benefited from this initiative.

In Colombia, the partnership with BBVA was maintained, which allowed around 77% of fruit and vegetable suppliers to receive early payment of their invoices at more favorable rates and without affecting their debt rating.

Still on responsible sourcing, a final note on our fight against deforestation. Global demand for agricultural commodities is one of the biggest causes of pressure on forests and other ecosystems. Therefore, in addition to mapping the origins of the palm oil, soy, paper and wood, and beef that we sell (in the form of perishables and/or incorporated into our private brand products), we seek whenever possible to certify these ingredients as to the environmental and social practices associated with their production.

At the same time, we invest in forest recovery or in conservation projects. I have a special appreciation for the reforestation project we are financing in Serra do Açor, in Portugal, cooperating with public entities and community associations, which has already ensured the plantation of 58,090 trees in its first year.

This initiative aims to reforest and create management conditions in an area of 2,500 hectares over 40 years.

Also in Brazil, in partnership with Nestlé and IPAM – Amazon Environmental Research Institute, we have started a project aimed at developing, with small producers and indigenous populations in the state of Mato Grosso (Brazil), a governance model for low-carbon agricultural production and conservation of natural ecosystems.

Supporting Surrounding Communities

Activating our corporate citizenship in the areas of influence of our stores and distribution centers, we allocated the equivalent of more than 51.3 million euros in direct support to around 1,800 charities, which represents an increase compared to 2020.

I also point out some local support projects that can make a difference not only in emergency situations but also in a more structural response to social needs.

In Colombia, for example, we renewed for one more year the partnership between Jerónimo Martins Colombia, Caritas Polska and Caritas Colombia, with the objective of providing humanitarian aid to vulnerable populations in Villa del Rosario and Cúcuta, two towns in the Northern region of Santander that border Venezuela.

More than 6,500 baskets of essential food products were delivered to 5,400 Venezuelan migrants and Colombian citizens in situations of extreme economic vulnerability.

In Portugal, the Bairro Feliz (Happy Neighborhood) programme – which financially supports causes proposed by entities and groups of residents in the neighborhoods where Pingo Doce stores are located – was reactivated in May 2021. With more than 415 thousand euros invested, 434 causes of very different natures were selected for support, ranging from the renovation of a children day-care to the purchase of gym equipment for the elderly or a defibrillator for a fire brigade.

In Poland, Biedronka became one of the official sponsors of the 30th final of the Wielka Orkiestra Świątecznej Pomocy – WOŚP (Great Christmas Solidarity Orchestra) – the largest solidarity event in the country. More than 1.6 million euros were raised among Biedronka customers through the sale of official merchandising and the collection of donations, which will be used to acquire equipment to diagnose and treat eye diseases in children, namely biplane angiography equipment used in the treatment of retinoblastoma, the most common malignant eye tumor in pediatric age.

Being a Benchmark Employer

In 2021, and always, the people who work with us daily deserve a special mention. They are the ones who guarantee the continuity of our business with their sense of commitment and delivery, and they are the ones who make a decisive contribution to our environmental and social commitments.

The creation, during the year, of more than 5,200 jobs increased the Jerónimo Martins team to more than 123,400 employees. I am proud to highlight the productivity of the people who every day help to achieve the business objectives, a contribution that we recognise with the distribution of 217 million euros in bonuses.

We allocated the equivalent of more than 51.3 million euros in direct support to around 1,800 charities.

Last year, almost 70% of our employees had a permanent contract, 85% were full-time employees and 68% of management positions were held by women. We are ever closer to achieving full pay equality between men and women, which is recognised internationally with our inclusion, for the second year running, in the shortlist of companies in the Bloomberg Gender-Equality Index, a global index of gender equality.

To mitigate the instability brought upon us by the uncertain times we are living, we increased support for employees and their families, directing more than 51 million euros to various programmes in the areas of health, education and family wellbeing.

Regarding our efforts to ensure a business environment with integrity and ethics, we have maintained the centrality of preventing corruption. We began in 2021 the communication of the Anti-Corruption Policy to employees joining the Group, complementing the Code of Conduct training with a mandatory training programme through e-learning, which is more in-depth in the case of functions considered critical.

For all these reasons and many others, I consider the year 2021 a year of challenges overcome. And I am proud to lead a Group that has been able to integrate sustainability into its day-to-day operations, with ambition and transparency, while maintaining profitable growth.

It is this performance and this transparency that have led Jerónimo Martins to be included, according to Thomson Reuters data, in 65 stock market indices, the most important of which are the PSI20 (Euronext Lisbon's reference index), Euronext100 and EuroStoxx.

It was also present in more than 100 international sustainability indices, including the Eurozone ESG Large 80, Euronext Vigeo Eiris Eurozone 120 and Europe 120, and the FTSE4Good Europe, FTSE4Good Developed and FTSE4Good Developed Minimum Variance indices.

We believe that there is no true creation of value if it is not shared by all related parties and if the company's activity does not result in benefit to the Common Good.

This notion of responsibility and generational justice has guided our vision for growth.

In the Corporate Responsibility chapter of the Jerónimo Martins Annual Report you will find a part of this story which demonstrates that it is possible to generate value while respecting our social, environmental and ethical commitments. This history, whose 230th anniversary will be celebrated in 2022, leads me to hope that we will be able, as humanity, to build a more sustainable present and future for all.



Pedro Soares dos Santos

Chairman and CEO
Jerónimo Martins