

Jerónimo
Martins



Introductory Note to the 2019 Annual Report

The information on this 2019 Annual Report was approved by the Board of Directors on the 19th February 2020. Since that day, the rapid progression of COVID-19 and the confirmation of the first cases of infection in the beginning of March, in Portugal, Poland and Colombia, changed significantly the context on which each of our businesses operates. The sense of rigour and of prudence, as well as the respect for all Jerónimo Martins stakeholders led us to revisit, considering the preliminary effects already registered, the outlook on the Group's performance in 2020.

From the first instance, we followed closely the developments of the COVID-19 pandemic, anticipating prevention measures and taking into account the recommendations of the World Health Organization and the Health Authorities of the three countries where we operate.

The initial impact of the global health crisis was felt in the first half of March. The intensity of this impact depended on the evolution of the pandemic in each of these countries.

The existing contingency plans for each business area were immediately activated and adjusted to the scenarios that our internal risk teams ranked as being most likely in the current context. Detailed action plans have been put in place to anticipate or mitigate impacts on our operation.

Aware of the increased responsibility, under the current circumstances, for ensuring product availability in our food retail stores, we made the protection of our people and of the supply chain of essential products our key priority.

In all geographies, our teams showed flexibility and readiness to adopt, in a rapidly-changing environment, the measures necessary to guarantee that our stores could distribute a steady flow of essential goods and respond to social emergencies.

The Group's Executive Management Team, chaired by the Chairman of the Board of Directors and Group CEO and including the Corporate Centre Directors and the Companies' CEOs, acted as a Group Crisis Committee. This committee monitored continually the situation and formally met on a weekly basis to set priorities and to take the decisions that were appropriate to the dynamics of the pandemic and its consequences in the different geographies.

The information we have so far leads us to conclude that all our businesses will be impacted by the pandemic. But the degree and depth of these impacts will depend on the timespan of the pandemic and on the containment actions adopted by each country.

The Board of Directors of Jerónimo Martins commends the resilience and the response capacity showed by the Group's banners in an adverse context, marked by high uncertainty and rapid changes. At the same time, it recognizes that there is not enough information at present to identify and rigorously assess all factors with a potential impact on the Group's activity in the near future.

For this reason, and out of prudence, we withdraw the guidance communicated on February 20 at the time of Full Year 2019 results release. We also consider that the perspectives for 2020, as presented throughout the 2019 Annual Report, are no longer valid.

Finally, although this crisis finds our Group in a strong financial position after a year of very good results, in a context of global recession, prudence advises us to reinforce our conservative capital structure management and keep the flexibility to capture potential opportunities. Therefore, the Board of Directors decided to propose - to the Annual General Meeting to be held on June 25, 2020 - that the dividend distribution follows a payout of 30%, instead of the 50% previously announced, to be applied

to the 2019 net consolidated results (excluding the accounting effects resulting from the adoption of IFRS16).

As such, and in accordance with this decision, the 2019 Results Appropriation Proposal (mentioned in item 8 of the Management Report) is revised and will have the following wording:

“In the financial year 2019, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 389,865,562.94 euros and a profit in individual accounts of 754,394,693.64 euros.

The Board of Directors, with the favourable opinion of the Audit Committee, proposes to the Company's Shareholders the following application of the net profits for the year:

- Free Reserves 624,308,810.10 euros;
- Dividends 130,085,883.54 euros.

The proposed distribution of profits for the year represents a gross dividend payment of 0.207 euros per share, excluding own shares in the portfolio.”

The Board of Directors does not exclude the possibility of proposing the distribution, until the end of the year and based on the free reserves of the Company, of the remaining value to the 50% payout initially foreseen if the economic impact of the pandemic allows it.

Our focus on profitable and sustainable growth remains unchanged and right now this basically means responding with determination to the challenges raised by the pandemic situation and its adverse impact on the overall economic activity and, particularly, on people. Hence, our banners will keep delivering, in a responsible and committed manner, on their promises to the consumers: guarantee the access to quality essential food products, at low prices, on proximity, and in a safe shopping environment.

Lisbon, 12 May 2020

The Board of Directors

Pedro Soares dos Santos

Andrzej Szlezak

António Viana-Baptista

Artur Stefan Kirsten

Clara Christina Streit

Elizabeth Ann Bastoni

Francisco Seixas da Costa

José Soares dos Santos

María Ángela Holguín

Sérgio Tavares Rebelo

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MESSAGE FROM THE CHAIRMAN



PEDRO SOARES DOS SANTOS
Chairman and Chief Executive Officer

2019 was a year of global uncertainty, deepened by the crisis of multilateralism and intensification of the trend in social polarisation.

Escalation over the past two years of the trade war between the world's two largest economies – US and China – has involved back-and-forth negotiations, but the constant uncertainty saw China post its slowest economic growth in nearly three decades. The global economy has also slowed down, with companies postponing investments. At the end of the year, the World Bank estimated that, if trade relations between the US and China deteriorate, supply chains could break, not only blocking the development of the most vulnerable countries, but also, in the worst-case scenario, pushing more than 30 million people into poverty worldwide.

The phase-one trade deal requires China to ease some of its tariffs and significantly increase purchases from the US, by buying more than 200 billion US dollars' worth of industrial and agricultural products, energy and services by 2021. The deal also seeks to ensure greater protection for American technology and national security, in particular through greater scrutiny of Chinese technology and investments. This is a natural cause for concern in Europe, which also experienced economic slowdown.

On the other hand, the agreement keeps in place the tariffs the American Administration levies on Chinese goods, in the amount of 360 billion US dollars, threatening China with additional tariffs in the event of non-compliance. This international context, marked by tension and the imposition of unilateral decisions, limits free trade arrangements and, as such, hurts mostly low-income households, which are particularly affected by global economic threats.

Europe, where Jerónimo Martins has its two main markets, also faced growing concern around the uncertainty of Brexit, which was always front-of-mind. Elections held at the end of the year helped ease concerns, although the real impact of Britain's withdrawal from the European Union remains unclear.

This withdrawal is expected to reinforce Poland's political and economic importance, homeland of our Biedronka, in the heart of the European Union. Although in 2019 the country posted a slowdown in the economy compared to 2018, the pace of growth stood above 4%, with the weakness of the German economy partially offset by increased private consumption and an expansionary fiscal policy.

In Portugal, whose economy is very open to the outside world, the slowdown is undeniable, and the country appears to be preparing for economic growth below 2% in the coming years. Not to mention the delay in structural reforms to reduce the burden of the State on the economy, ensure swift justice and prepare the country for the digital revolution underway.

“

In a highly demanding and uncertain landscape, it is important to highlight the performance of all our banners, which managed to increase their market shares in 2019.

In South America, another important market for Jerónimo Martins, 2019 was a year of political and social unrest. Tensions, which sometimes led to violent confrontations in the streets, affected several countries, from Chile – which is known to the world as being the most stable Latin American country and a prosperous economic nation –, to Bolivia, Ecuador, Peru, Paraguay and, to some extent, Mexico, which is battling a serious drug trafficking problem.

In Venezuela, where opposition leader Juan Guaidó declared himself interim president, Nicolás Maduro remained in power, fuelling uncertainty about the political direction of a country whose economy continues to deteriorate, driving millions of citizens from their homeland. It is estimated that some two million Venezuelans had fled to Colombia by the end of 2019, welcomed by the Government and the Colombian people. In the challenging climate in Latin America, and despite facing its own difficulties, Colombia today is one of the few countries in the region where the Rule of Law prevails.

In this highly demanding landscape of global uncertainty, I believe it is important to highlight the performance of all our banners, which managed to increase their market shares in 2019, demonstrating that following a precise strategy in the various markets where we operate is effective with consumers.

The Group's total sales increased 7.5% to 18.6 billion euros, reflecting our ability to, once again, add more than a billion euros, 1.3 billion to be precise, to sales in the previous year.

In a year that marked the 30th anniversary of our listing on the Lisbon Stock Exchange and celebration of the significant value we have generated over these past three decades, we broke the billion-euro EBITDA barrier for the first time, which I believe is a major achievement. Indeed, consolidated EBITDA amounted to 1,045 million euros, up 8.9% year-on-year and above sales growth.

Net profit attributable to Jerónimo Martins increased 7.9% compared to 2018, which allowed us to deliver a pre-tax ROIC of more than 28%.

These results are even more significant given that they were achieved in a year in which we increased the wages and benefits of our employees in the three countries.

In 2019, we invested 678 million euros, maintaining our position as an important investor in all of the countries where we operate. Of those, 32% were used for expansion, with the remainder channelled towards refurbishment projects and maintaining operations of our store networks and Distribution Centres.

In Poland, Biedronka implemented an investment plan of 388 million euros, adding 102 stores to its chain, thereby exceeding the target of 3,000 stores and ending 2019 with 3,002 locations, over 50% of which were opened or refurbished in the past five years.

In a country where the consumer landscape remained positive, with food inflation standing at 4.9%, Biedronka grew its total sales by 7.9% to 12.6 billion euros. This growth was driven by strong price leadership, intense and attractive promotions and a 5.8% increase in like-for-like (LFL) sales, which, together with focused management of the margin mix, allowed the Company to keep its EBITDA margin steady at 7.3%. With a contribution of 918 million euros to consolidated EBITDA, Biedronka remains the Group's main profitability driver in a year which saw remarkable performance across the board, despite having an additional 13 fewer trading days, on top of the 21 days enforced in 2018.

For Hebe, 2019 will go down in history as the year in which it reached EBITDA breakeven point. Even with the impact of 13 fewer trading days, the Company increased sales significantly by 24.9% to 259 million euros, also as a result of having opened 46 new stores in 2019 and its e-commerce operation, rolled out in July, which contributed positively to boosting the banner's popularity and competitiveness in the Polish market.

Pingo Doce and Recheio both increased their market share, with excellent performance in an economy with a low inflation rate, which is always a challenge for a business with very reduced margins, requiring continuous focus on its ability to be competitive and to offer innovative solutions to consumers.

For Pingo Doce, which posted 2.5% growth in LFL sales, it was a historic year in terms of EBITDA, which reached 200 million euros, 6.4% more than in the previous year and with the respective margin standing at 5.1%. Total sales increased 2.9% to 3.9 billion euros, reflecting the contribution of the nine stores opened in the year (four in the Pingo Doce & Go convenience format), which absorbed a portion of the 143 million euros invested by the Company in 2019.

Recheio exceeded the billion-euro barrier in total sales for the first time in 2019 (+2.7% compared to 2018), with a LFL growth of 3.2%. Part of the 25 million euros invested in the year was allocated to comprehensive refurbishment of the Aveiro store. The Company posted an EBITDA of 55 million euros, 4.6% more than in 2018, increasing the respective margin to 5.5%.

In Colombia, in a highly competitive market, Ara confirmed reversal of the downward trend in EBITDA losses, which totalled 62 million euros in the year, corresponding to a reduction, in euros, of 15% compared to 2018. This reduction in losses was achieved in spite of the investment of 98 million euros in 85 new stores and two Distribution Centres, and a reinforced focus on pricing to accelerate LFL growth, which, in 2019, stood at 17.6%. Total sales grew 37.9% in local currency, to which implementation of the new organisational model contributed very positively, giving the regions greater autonomy, flexibility and competitiveness.

The Group also continued to invest in Agribusiness, which increased production in the three business areas: dairy, aquaculture and Angus beef. With regard to the latter, I would like to highlight the animal welfare certifications obtained by our farms and the fact that we have implemented the highest standards for animal feed and management of animal health in all stages of their life cycles.

“

We are present in more than 60 international sustainability indices, which recognize companies with the best practices in this area.

The results in the countries where we operate were achieved in an extremely competitive environment, in which we pushed ourselves to be better every day, focusing especially on sustainability issues insofar as we are well aware that the significant social and environmental challenges we face are a race against time.

Already in 2020, at the World Economic Forum in Davos, the global risk matrix was literally dominated by environmental risks, the top 5 risks in terms of likelihood and three in the terms of impact (natural disasters, biodiversity loss and climate action failure). Disclosure of the latest edition of the Global Risks Report coincided with publication of scientific data that indicates that the past decade was the hottest ever recorded on Earth.

This must drive us to act decisively and committedly. And it is what our Companies have been doing, as demonstrated by Jerónimo Martins being included in more than 60 international sustainability indexes, which recognise the companies with the best sustainability practices.

As I write this, we have just been told that we have entered the Top 50 of the 2020 Global Powers of Retailing ranking for the first time, a study conducted by international consulting firm Deloitte which lists the 250 largest retailers in the world. We rank 33rd among the food retailers and, if we consider only Europe, we come in 16th.

We have also received from the Carbon Disclosure Project an assessment that lists us as the only food retailer in the world to achieve a Leadership (A-) score in management of the four commodities associated with deforestation risk (palm oil, soy, wood and paper, and beef). This demonstrates that we take our commitment to reach “Zero Net Deforestation” by 2020, a goal set by the Consumer Goods Forum (CGF), seriously. With regard to climate change, less than one-third of the global retailers achieved the same level we did: A-.

I, therefore, believe that we have every reason to be satisfied with what we achieved in 2019 on all fronts, and that we will face 2020 with the confidence needed to continue to do more and better.

I am sure that my father, who passed away last year, would be very proud of what we have accomplished together for this Group, the growth and leadership of which he devoted his life to.

To the employees of the Jerónimo Martins Group, I thank you for the competence, dedication and loyalty that helped us achieve another year of success, and the inner strength you showed in what was also an emotionally difficult year.

On a personal note, I would like to thank the shareholders for placing their trust in management, in particular the majority shareholder, the family that I represent and whose support, which we will always endeavour to earn, has been truly fundamental.

Finally, I would like to express my appreciation for my colleagues on the Board of Directors, Specialised Committees and the Managing Committee of the Group. Their knowledge, experience and commitment have allowed me to make better decisions and add significant value to the collective work that is the secret behind the successful results disclosed in following pages of this report.

PEDRO SOARES DOS SANTOS

Chairman and Chief Executive Officer

Note: To ensure direct comparison, references to the results of the Group and its subsidiaries do not incorporate the effect of the adoption of IFRS16.

Jerónimo Martins



OBRIGADO.
Thank you.
Dziękuję.
GRACIAS.

“A lesson of life, of conduct. That’s the only thing I want to leave behind. The rest is a legacy to be taken care of, something other people contributed to. Mine is what I believe in, what I love, what I stand for.”

ALEXANDRE SOARES DOS SANTOS

1934 - 2019

**Jerónimo
Martins**



I

THE JERÓNIMO MARTINS GROUP

The Jerónimo Martins Group

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This Annual Report of the Jerónimo Martins Group covers the period from January 1st to December 31st 2019 and includes the areas of Distribution and Agribusiness in Portugal and the area of Distribution in Poland and Colombia, describing the results of the entities directly and indirectly held by Jerónimo Martins, SGPS, S.A..

1. Profile and Structure

1.1. Identity and Responsibilities

Asset Portfolio

Jerónimo Martins is a Group that holds assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2019, it achieved sales of 18.6 billion euros (68% in Poland) and an EBITDA of 1,045 million euros (1,437 million euros with IFRS16 impact) of which 88% in Poland. The Group has a total of 115,428 employees and ended the year with a market capitalisation of 9.2 billion euros on Euronext Lisbon.



In Poland, **Biedronka**, a chain of food stores with a positioning that combines the quality of its assortment, a pleasant store environment and proximity locations with the most competitive prices in the market. Is the Food Retail sales leader, operating 3,002 stores spread across the entire country. At the end of 2019, the Company reached 12.6 billion euros of sales, reinforcing its market share.



Also in Poland, under the **Hebe** banner, a chain in the Health & Beauty sector, the Company has 273 locations (28 pharmacies and 245 drugstores - 21 of which include a pharmacy). This business concept is based on a strong beauty assortment at competitive prices reinforced at the stores with consultations. Hebe engaged a transformational journey towards omnichannel with the launch of the e-commerce operation in 2019 which perfectly complement its network of stores.



In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of c.5 billion euros in 2019. It operates with the banners **Pingo Doce** (441 supermarkets, including 16 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.

In 36 of its stores, Pingo Doce has a restaurant area and it operates two central kitchens that supply not only these restaurants but also its instore Take Away operation. Complementary to the Food Retail business, the banner has invested in the drugstore area with its **Bem-Estar** concept and petrol stations, as well as clothing (for adults and children) and shoes and accessories, through **Code** and **Spot**, respectively. These last two are developed within the scope of partnerships with specialised operators.



In Colombia, **Ara** currently operates in three geographical areas of the country: the Coffee Growing Region, the Caribbean Coast and 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 616 stores, having renewed its strategic model to best adapt to the characteristics of each region in which it is present.

Jerónimo Martins Agro-Alimentar

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



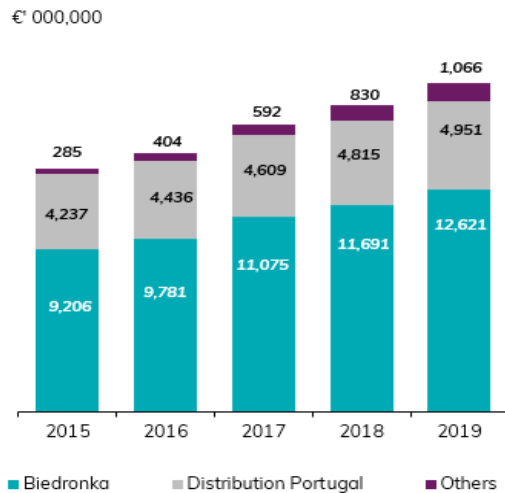
Jerónimo Martins Restauração e Serviços is responsible for the operation of kiosks and coffee shops in the Restaurants sector and, at the end of 2019, was operating the Jeronymo chain with 22 points of sale.

HUSSEL

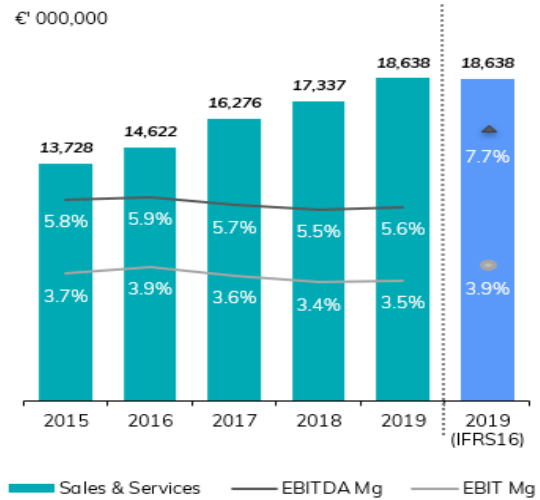
Hussel, a Specialised Retail chain selling chocolates and confectionery, had 23 stores at the end of 2019.

1.2. Operating and Financial Indicators

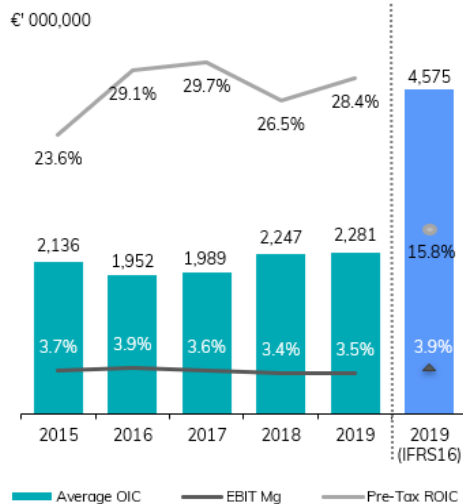
Sales & Services



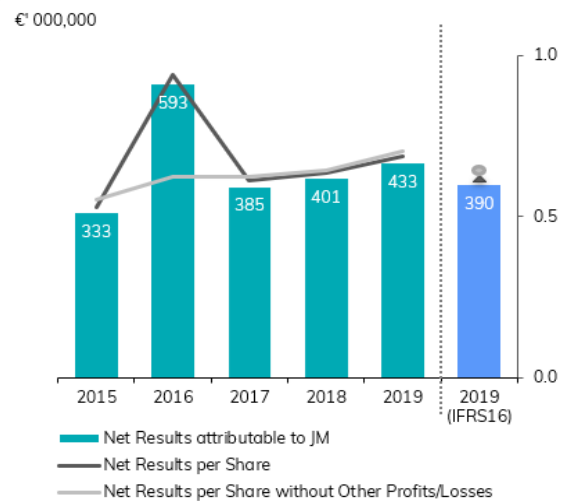
Sales, EBITDA Margin & EBIT Margin



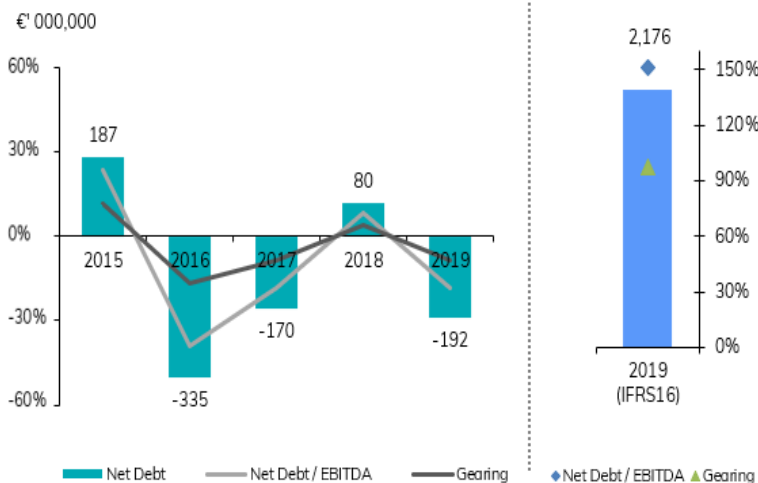
Pre-Tax ROIC



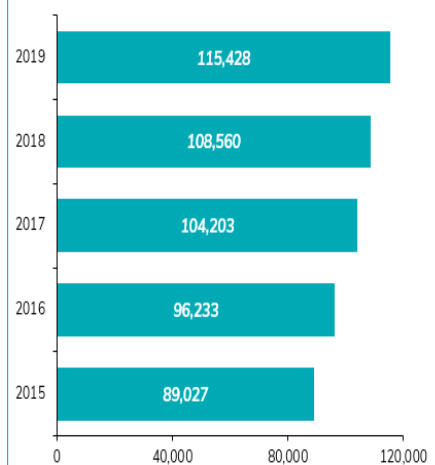
Net Results and Net Results per Share



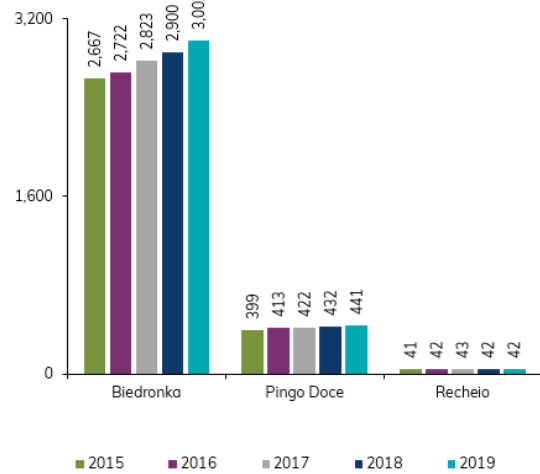
Net Debt



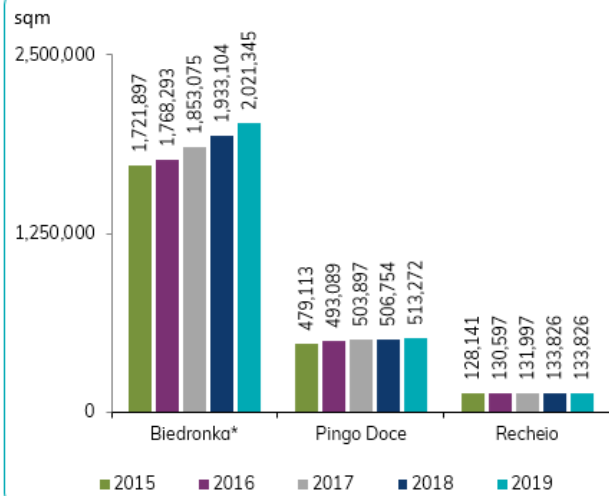
Employees



Number of Stores

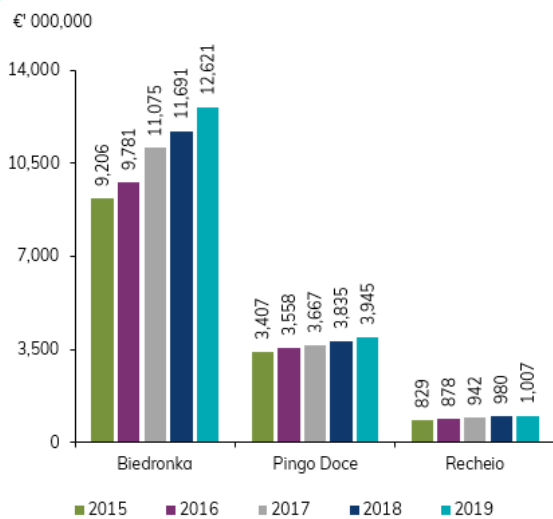


Sales Area

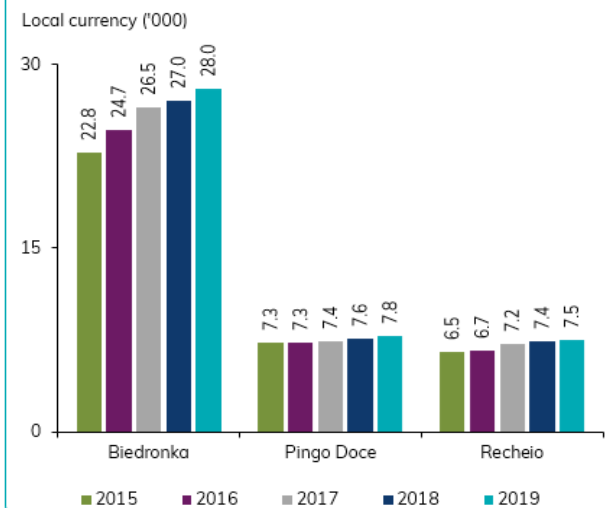


* Restated figure from 1,856,992 published in 2017 FY

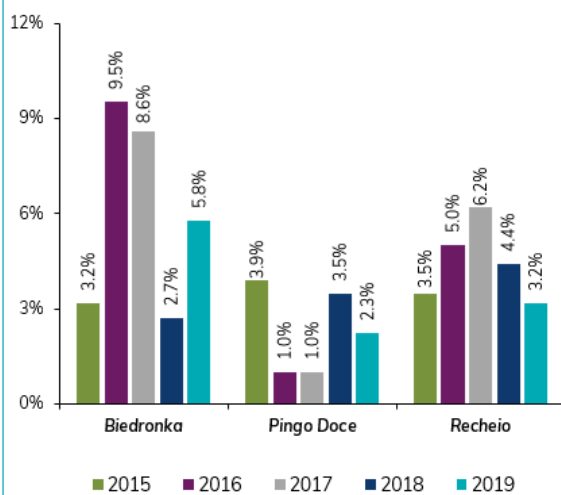
Sales



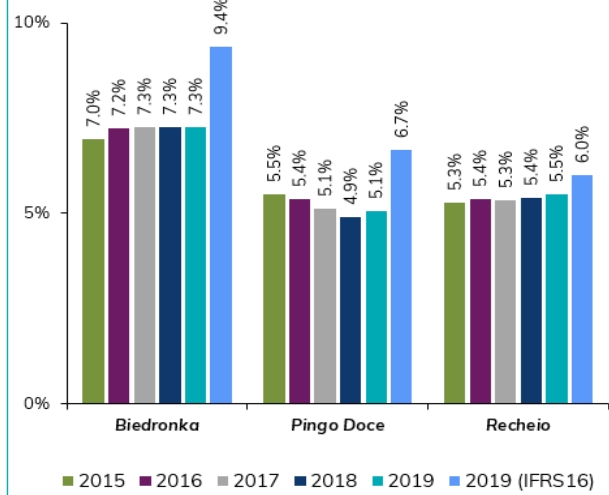
Sales / sqm



LFL Sales Growth



EBITDA Margin



1.3. Statutory Bodies and Structure

1.3.1. Statutory Bodies

Election date: 11 April 2019

Composition of the Board of Directors elected for the 2019-2021 term



Pedro Soares dos Santos
Chairman of the Board of Directors and Chief Executive Officer
Born on 7 March 1960
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 07 July 1954
Member of the Board of Directors since April 2013



António Viana-Baptista
Born on 19 December 1957
Member of the Board of Directors since April 2010



A. Stefan Kirsten
Born on 22 February 1961
Member of the Board of Directors from April 2010 to February 2011
Member of the Board of Directors since April 2015



Clara Christina Streit
Born on 18 December 1968
Member of the Board of Directors since April 2015
Member of the Audit Committee since April 2016



Elizabeth Ann Bastoni
Born on 24 July 1965
Member of the Board of Directors since April 2019
Member of the Audit Committee since April 2019



Francisco Seixas da Costa
Born on 28 January 1948
Member of the Board of Directors since April 2013



José Soares dos Santos, indicated by **Sociedade Francisco Manuel dos Santos B.V.** to hold the office in his own name, pursuant to paragraph 4 of article 390 of the Commercial Companies Code
Born on 06 April 1962
Member of the Board of Directors from 1995 to 2001 and from 2004 to 2015
Member of the Board of Directors since April 2019



María Ángela Holguín

Born on 13 November 1963

Member of the Board of Directors since April 2019



Sérgio Tavares Rebelo

Born on 29 October 1959

Member of the Board of Directors since April 2013

Chairman of the Audit Committee since April 2016

Statutory Auditor and External Auditor

Ernst & Young Audit & Associados, SROC, S.A.

Av. República 90, 6.º, 1600 - 206 Lisboa, Portugal

Represented by:

João Carlos Miguel Alves (R.O.C. no. 896).

Substitute:

Rui Abel Serra Martins (R.O.C. no. 1.119).

Company Secretary

João Nuno Magalhães

Substitute:

Carlos Miguel Martins Ferreira

Chairman of the Board of the Shareholders' Meeting

Abel Bernardino Teixeira Mesquita

Secretary of the Board of the Shareholders' Meeting

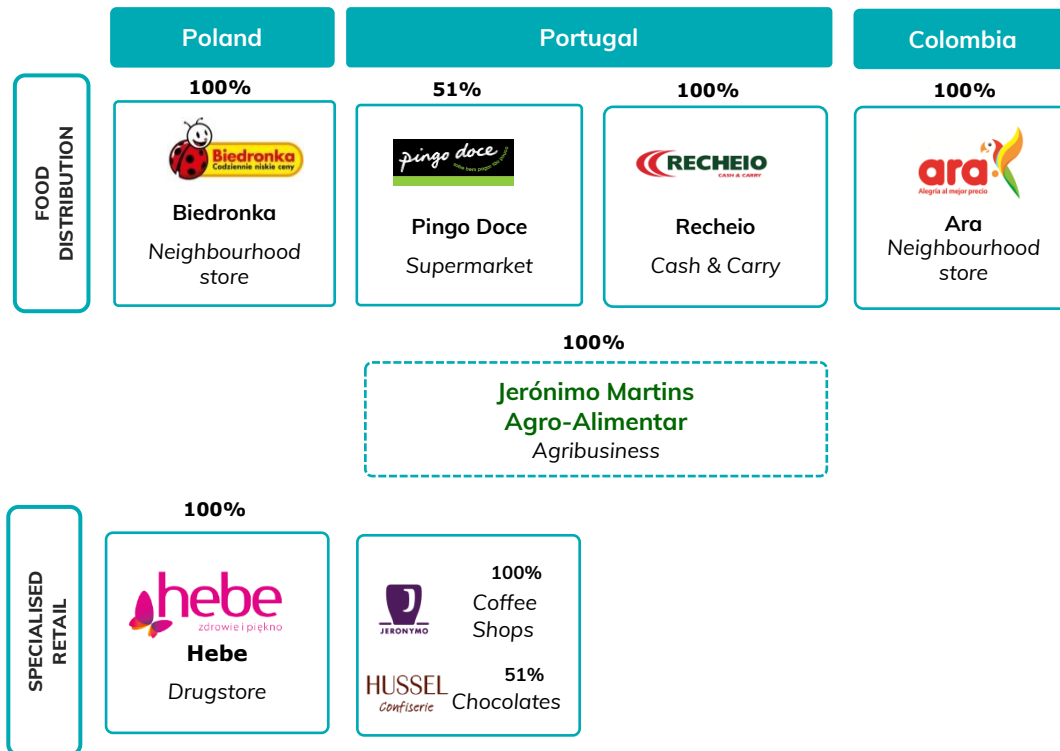
Nuno de Deus Pinheiro

1.3.2. Business Structure

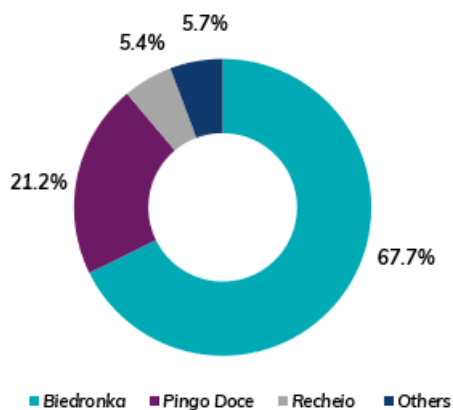
JERÓNIMO MARTINS

2019 Sales
18,638 million euros

2019 EBITDA (excluding IFRS16)
1,045 million euros



Sales by Business Area 2019



EBITDA (excluding IFRS16) by Business Area 2019

Million euros	EBITDA	% Total
Biedronka	918	87.8%
Pingo Doce	200	19.1%
Recheio	55	5.3%
Others	-128	-12.2%
JM	1,045	100%

2. Strategic Positioning

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 terms, while simultaneously contributing towards the sustainable development of the regions in which it operates.

As key pillars for its mission and within the framework of responsible business management, Jerónimo Martins adopts continuous and sustainable value creation and growth.

Jerónimo Martins' Corporate Responsibility focuses on preserving the environment and natural resources in order to improve the quality of life of the communities where the Group does business, by providing healthy products and food solutions, incorporating environmental and social concerns in its purchases and sales, defending Human Rights and working conditions, and helping towards a more cohesive social structure.

2.2. Strategic Vision

The Group's strategic vision is based on promoting profitable and sustainable growth, through three key guiding principles:

1. **Leadership:** strong banners and brands that enable to achieve and consolidate leadership positions in the markets where it operates;
2. **Responsibility:** continuous assessment of the impact of the business on the environment and society, an active and significant contribution towards improving the quality of life in the communities and towards sustainability as a whole;
3. **Independence:** careful management of the balance sheet and supply sources to ensure the continuity of the operations and autonomy in strategic decision-making, bearing in mind the various stakeholders.

Within this context, when doing business, the Group's Companies have two core focuses:

- **Consumer**, whose characteristics, needs and preferences require a progressive adjustment and reinforcement of the value proposition, as well as a continuous and significant contribution towards the well-being of the communities surrounding the stores;
- **Employee**, providing him or her with skills, instruments and working conditions to be able to simultaneously be the agent for promoting profitable growth through satisfied consumers and also a decisive point of contact in the Company for the surrounding communities.

2.3. Operational Profile

Our operating positioning reflects a clear value food retail approach, strategically geared towards mass-market and developed specifically for the surrounding market and community.

The Group offers proximity and convenient food solutions that are appropriate 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: the variety and quality of fresh food products, benchmark Private Brands and a pleasing store environment.

The success of our formats is leveraged on market leadership, which within a mass-market approach, is linked to size, and is essential for creating economies of scale that enable us to increase the efficiency of 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 with the consumers who prefer our stores.

3. Awards and Recognition

Corporate

- Jerónimo Martins ranks 50th in the “Global Powers of Retailing 2020”, its best position ever in the annual survey by Deloitte;
- The Group was included in the Global Child Forum report, scoring 8.7 out of 10 in the “Corporate Sector and Children’s Rights” benchmark and standing 4th in the European ranking. This initiative evaluated 700 companies globally, examining how they have embedded children’s rights into company practice;
- The Group won the category of “Equity Champion - Blue Chip”, which recognizes the highest market capitalisation growth of the year, at the Euronext Lisbon Awards;
- Inclusion, for the first time, in the Ethibel Pioneer Investment Register, as well as being included, once again, in the Ethibel Excellence Investment Register. This evaluation has led to the Group being in the Ethibel Sustainability Index Excellence Europe since 2016;
- Presence, since 2016, in the FTSE4Good Europe and the FTSE4Good Developed indexes and, since 2018, in the FTSE4Good Developed Minimum Variance. The FTSE4Good index series was created by FTSE Russel, identifying companies with strong environmental, social and governance practices;
- Overall score of "A-" on CDP Climate Change and on CDP Forests 2019, and "B" on CDP Water Security, placing the Group among the world leaders in sustainability in the food retail sector.

Jerónimo Martins Polska / Biedronka

- 4th place in the Biggest Companies in Central and Eastern Europe ranking - “TOP 500 CEE” - attributed by the Coface Group;
- Jerónimo Martins Polska is included in the list of the 30 social business projects that have brought more value to Polish society in the last 30 years, presented by the Ministry of Development and Investment. The Company was honoured in the “Nationwide Projects” category, with the “Partnership for Health” initiative;
- Winner of the “CRS White Leaf 2019” for the projects developed to effectively manage the Company’s environmental impact, attributed by “Polityka” magazine, together with Deloitte and the Responsible Business Forum;
- Winner of the “Responsible Employer” award, a distinction from the “Rzeczpospolita” newspaper, recognising the social initiatives, talent development programmes and extensive CSR activities;
- The Kuyavian-Pomeranian Social Economy Forum attributed the “Socially Engaged Brand” distinction to Jerónimo Martins Polska, in recognition of the impact of its initiatives on the community and environment of the cities belonging to the region;
- “Benefactor of the Year” awarded by the Academy for the Development of Philanthropy, for its social welfare work in the systematic fight against malnutrition, in particular the programme to help senior citizens through prepaid cards for their daily purchases, and the fight against food waste in collaboration with Caritas;
- Recipient of the “Jacek Kuroń Distinction” from the Federation of Polish Food Banks in the category “Polish Donor - Food”;
- Winner of the “Effie Award” in the “Most Effective Companies” category, attributed within the scope of the 20th anniversary of Effie Poland;

- Award for the summer recruitment campaign in the “Power of Attraction” competition, organised by “Puls Biznesu” newspaper;
- Strongest Retail Brand in the Polish media for the 7th time, according to the Top Brand ranking;
- Considered “Retailer of the Year” in the “Discounts” category by European Conferences United, based on research by AC Nielsen;
- “Retail Business Award” and “Market of the Year Award” for the best grocery store chain in Poland, attributed by “Wydawnictwo Gospodarcze” publishing house and the Business Center Club.

Hebe

- Recipient of a “Customer Service Star” by the Polish Service Quality Programme (Polski Program Jakości Obsługi);
- Considered the “Drugstore of the Year” by “Wiadomości Kosmetyczne” magazine, with the following recognitions: most attractive store organisation; most innovative store concept; best supplier relations; fastest trendsetter; the best large format drugstore;
- Hebe’s Private Brand cosmetics were awarded by the Consumer Quality Leader Programme (Konsumencki Lider Jakości);
- Winner of the Hermès award in the FMCG brands category, attributed by “Poradnik Handlowy” retail magazine.

Pingo Doce

- Pingo Doce & Go Nova, located at the Nova SBE campus in Carcavelos, won the OutSystems Innovation Award for “Best Emerging Technology”;
- The Private Brand olive oil “Azeite DOP Trás-os-Montes Pingo Doce” won the gold medal in the New York International Olive Oil Competition (NYIOOC), the world’s largest olive oil quality contest;
- Ten Private Brand wines received 19 medals in three world contests:
 - Decanter World Wines – nine medals;
 - International Wine Challenge – eight medals;
 - Concours Mondial de Bruxelles – two medals, with a special note for the Gold Medal awarded to the Palmela Reserva Tinto Pingo Doce 75cl red wine.

Recheio

- Awarded, for the 5th year in a row, with the “Choice of the Professionals” seal in the “Wholesale Distribution” category by Consumer Choice – Centro de Avaliação da Satisfação do Consumidor.

Ara

- Ranks 64th in the Colombia’s biggest companies list compiled by “Semana” magazine.

**Jerónimo
Martins**



MANAGEMENT REPORT

Management Report – Creating Value and Growth

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1. Key Facts of the Year

Corporate

- Celebration of the 30th anniversary of Jerónimo Martins' listing on the Lisbon Stock Exchange

Biedronka

- Opening of 128 stores, 19 of which to replace closed stores, ending the year with 3,002 locations
- Opening of 33 new locations under the smaller concept store project
- Opening of the first eco-friendly store, in Warsaw, with different services and an innovative design
- Refurbishing of 252 stores
- Start of the installation project for self-checkouts, allowing the use of this equipment in 300 stores

Hebe

- Opening of 46 stores, ending the year with a total of 273 locations: 245 drugstores (21 of which include a pharmacy) and 28 pharmacies
- Reinforcement of the second position in market share for drugstores in Poland
- Launch of e-commerce operation

Pingo Doce

- Opening of nine stores, four of which in the Pingo Doce & Go convenience format, ending the year with 441 locations
- Opening of Pingo Doce & Go Nova at the Nova SBE University campus in Carcavelos. It is the first store in Portugal where customers can make their purchases using only their smartphones. New products, packaging, meal and technology solutions are tested at the store every day, some of which have already been introduced in conventional Pingo Doce stores
- Opening of Aveiro central kitchen with 7,200 m². This kitchen is the Group's second "big kitchen" in Portugal (after Odivelas) and is equipped with cutting-edge equipment
- Full refurbishing of 30 stores and 14 liftings
- Testing of a new store concept in four locations (Alcântara, Venda Nova, Braga and Leiria) aimed at offering a unique shopping experience in ready-to-eat and meal solutions

Recheio

- Refurbishing of the Aveiro store, with a new image and improved shopping experience
- Addition of 17 (net additions) stores to the Amanhecer concept, ending the year with a total of 346 stores in the network
- Rolling out of a credit card in partnership with bank BPI

Ara

- Opening of 85 stores, ending the year with 616 locations operating in three regions of Colombia
- Consolidation of the strategy for regional autonomy
- Jerónimo Martins Colombia took out a loan with the IFC (International Finance Corporation), member of the World Bank Group, in the amount of around 330 billion Colombian pesos, approximately 93 million US dollars. This loan has a maturity of seven years and will be used to support the expansion of the Company

Jerónimo Martins Agro-Alimentar (JMA)

- Kick-off fresh milk and butter production at the Portalegre dairy factory
- Animal Welfare Certification of all livestock production facilities and conclusion of expansion works to increase production capacity at the Cartaxo facility
- Consolidation of the differentiated offer of Portuguese sea bream and sea bass in Pingo Doce stores
- Cooperation agreement signed with the University of Évora to conduct research and support education in the Agribusiness, Aquaculture and Dairy sectors

Jeronymo and Hussel

- Opening of three Jeronymo stores (Gare do Oriente, Miguel Bombarda and Passeio Alegre)
- Refurbishing of two Hussel stores (Almada and Chiado) with the new store concept
- Offer of artisanal ice cream extended to 20 Hussel stores

2. Environment in 2019

2.1. Poland

Macroeconomic Environment

In 2019, the Polish economy registered a solid growth of 4.1%, following the 5.1% recorded in 2018. Domestic consumption continued to be the main economic growth driver, anchored by a historically low unemployment rate and by the increase in household disposable income, thanks to an increase in salaries and the government's economic stimulus initiatives.

The unemployment rate dropped to 5.4% (6.1% in 2018). It should be noted that the working population continued to decline, due not only to ageing of the population but also to policy measures, such as the Family 500+ programme and a lower retirement age, resulting in labour shortage and, consequently, increased difficulties in recruitment.

In 2019, the zloty registered an average annual exchange rate¹ of 4.2968 against the euro, a depreciation of 0.8% compared to the 4.2614 in 2018. Inversely, the year-end exchange rate position appreciated by 1.0%, closing with a rate of 4.2568 (4.3014 in 2018).

The Consumer Price Index (CPI) was at 2.3% in 2019, slightly higher than the 1.6% recorded in 2018. Food inflation contributed significantly to the increase of the CPI, rising from 2.6% in 2018 to 4.9% in 2019. The general increase of food prices was mainly driven by the influence of sugar, with inflation rising sharply to 16.9% after strong deflation (-29.0%) in 2018, the 19.8% inflation on vegetables (4.7% in 2018) and the impact of pork, the price variation of which rose from -1.8% in 2018 to 9.6% in 2019.

The Polish economy is expected to continue growing robustly in 2020, albeit with a slowdown similar to that recorded this year, partly explained by lower economic growth in the Euro zone, which could relieve pressure on the job market.

Private consumption should remain a steady support to economic growth, anchored by an increase in disposable income (low unemployment and salary increases). Public and private investment is expected to fall, and exports should remain the same as in 2019, even with continued modest economic growth in Germany (its main trade partner).

With regard to inflation, the upward trend is expected to continue and should settle at around 3%, which could be partly explained by the increase in labour costs, heavily impacted by the expected 15.6% increase in the minimum wage.

Modern Food Retail

The salary progression and economic stimulus have driven an increase in private consumption in recent years. Additionally, regulatory changes have also had a significant impact on the retail sector. Such is the case of the Sunday trading ban, in force since 2018, which meant stores had to close three Sundays a month in 2019, increasing to practically every Sunday in 2020. Another example is retail sales tax. The law was enacted in 2016 but is suspended until 30 June 2020.

According to PMR Research's estimates, in 2019 the Food Retail market grew by around 4% to 290 billion zlotys (279 billion zlotys in 2018), with government measures to boost consumption having a positive impact on growth, such as extending the Family 500+ programme to first-born children, allocating a 13th month bonus to pensioners and a tax reduction for young people. It should be noted

¹ Average annual exchange rate determined by weighting the turnover of the Group's Companies operating in this currency.

that in 2019, Modern Retail had 13 fewer trading days as a result of the phased implementation of the Sunday trading ban, when comparing with 2018.

Also, according to PMR Research, the organic food market was worth 1.1 billion zlotys in 2019, which means that certified organic foods accounted for less than 1% of the total Polish food market. However, the growth rate in this segment is three times higher than that of the total market. There are currently no operators of relevant size in the organic food market, as this type of offer is still being developed. Concerning Food Retail stores, almost all networks promoted and offered more shelf space with healthy foods, including under Private Brand.

Among the Food Retail formats and by channel, Hypermarkets continue to face the biggest challenges, posting a drop in sales compared to 2018. The difficulties of this format are the result of changes in consumption habits, with proximity stores being preferred by consumers, significant development and openings in this segment.

Traditional Retail, just as in many other European countries, continues its downward trend in number of stores. This trend has mainly affected rural areas, with stores closing as a result of people moving to the cities and also the increased number of Discount stores and Supermarkets, which offer an increasingly comprehensive offer at very competitive prices in these regions.

For 2020, the growth dynamic is expected to remain the same as in 2019, albeit with some slowdown compared to previous years (when implementing the Family 500+ programme), with robust growth of around 3% expected over the coming years.

Health and Beauty Retail

According to PMR Research's projections, the Polish Health & Beauty market grew by 3.2% in 2019 (3.7% in 2018), reaching 24.5 billion zlotys, with drugstores and Discount stores having 44.7% and 13.6% of market share, respectively.

The Sunday trading ban had a negative impact on market growth, with 13 fewer days of sales compared to 2018. As a result, the environment remained extremely competitive, heavily influenced by promotions – one third of customers say they purchase cosmetics at discounted prices. Loyalty programmes also helped attract customers driven by the variety of promotions and benefits offered.

Recent studies show increased use of online stores to purchase Health & Beauty products, with the entry of new operators, as was the case with Hebe, impacting the dynamics of the sector and the buying habits of consumers. This forced several operators to adjust their strategy and develop a new multi-channel retail approach, by investing in alternative channels, including e-commerce, improving the performance of physical stores and offering an integrated customer experience across all channels.

In the cosmetic categories, natural and organic products are becoming increasingly popular, with a reinforced offer in the hair, face, body and make-up categories. According to PMR Research, Health & Beauty stores continued to be the destination of choice for both the respective brands and for customers looking to buy their products.

For 2020, the Polish Health & Beauty market is expected to grow around 3%, with increasingly demanding consumers when it comes to offer, shopping experience and convenience. The integration between the online channel and physical stores is also expected to be reinforced.

2.2. Portugal

Macroeconomic Environment

In 2019, and for the second year in a row, the Portuguese economy grew moderately and more slowly. GDP increased by 2.2%, compared to the 2.6% growth recorded in 2018.

The slowdown in economic activity reflects the lower contribution from exports, which should have grown less than in previous years, posting a 2.8% growth compared to 3.8% in 2018. On the other hand, domestic demand remained the same, with a slight slowdown in private consumption, offset by increased investment.

Private consumption should have grown at a more moderate pace than in the previous year, reaching 2.3%, in line with GDP growth. The slowdown in the growth of private consumption occurred in a context of the consumer confidence index decrease, which, nevertheless, remained above the historical average.

With regard to the job market, the unemployment rate continued to drop, falling 0.4p.p. to 6.6%, continuing the downward trend observed since 2013.

Inflation was lower than that recorded in the previous year, standing at 0.3% (1.0% in 2018), influenced by the negative contribution of developments in energy prices and the more moderate development in tourism prices, following the sharp increases observed in the previous two years. Food inflation stood at 0.3% (0.7% in 2018).

The Portuguese economy is expected to grow 1.7% in 2020, lower than in 2019, which means the current context of growth will continue at a moderate and declining pace.

Modern Food Retail

In 2019, Food Retail sales posted a growth of 3.9% year-on-year (4.9% in 2018), one of the highest in the European Union.

The inflation rate remained low, with sustained and significant promotion levels and Portuguese consumers increasingly aware of promotions.

Store expansion and refurbishing continued at a similar pace to previous years, focusing on the proximity and ultra-proximity formats, especially in the urban areas of Lisbon and Oporto. Most noteworthy in 2019 was the entrance of a new player into the market, with the opening of 10 stores in the north of Portugal.

The home delivery market grew with companies such as Uber Eats, Glovo and Takeaway.com developing and expanding to new geographic areas. Ready-to-eat sales are growing considerably, leading to development of the offer of new products and services for the current Food Retail operators.

In 2020, the market is expected to continue showing high promotion levels, with the opening of new stores and a highly competitive environment. Trends should continue, focusing on the shopping experience, innovation and convenience, and the development of the health and well-being areas.

Wholesale Market

According to the latest update available from Nielson TSR Cash & Carry, the Wholesale Market posted a positive evolution in 2019, corresponding to 4.6% growth year-on-year. With none of the leading players opening new stores, this growth was driven by the performance of the main Cash & Carry market channels.

The HoReCa channel continued its upward trend (cumulative growth of 3.2% as at October 2019, according to the INE, in the hotel, restaurants and similar categories), sparked by a boost in international tourism (7.7% cumulative growth as at October 2019, according to Turismo de Portugal), and the performance of the Traditional Retail channel, which posted 7.3% cumulative growth as at November 2019, according to Nielsen.

This trend is expected to continue in 2020, albeit at a slower pace, with both the HoReCa and Traditional Retail channels benefiting from the positive environment.

2.3. Colombia

Macroeconomic Environment

In 2019, economic growth in Colombia was above the previous year, with GDP growth estimated at around 3.3% (2.5% in 2018). This evolution was within the context of recovery in domestic demand, namely in private consumption and investment.

Net exports impacted GDP growth, with imports, supported by domestic consumption, growing significantly and exports posting moderate growth, influenced by a slowdown in world economic growth, particularly in Latin American countries affected by social conflict.

Private consumption was driven by an increase in the national minimum wage, low and controlled inflation, moderate interest rates and by the level of consumer confidence which, on average, and in the first few months of the year, reached higher levels than those recorded in 2018.

Private investment recorded a positive trend, while public investment saw modest growth, reflecting budgetary constraints due to the limited scope of the tax reform, in particular following abolishment of the reform of VAT rates applied to basic goods.

Unemployment increased and the informal economy grew during 2019, which could be explained by the significant flow of Venezuelan migrants into Colombia, among other things. The unemployment rate increased to 10.5%, compared to 9.7% in 2018.

Inflation in 2019 stood at 3.5%, in line with the Colombian Central Bank's objective (3.0%; ± 1.0 p.p.), above the 3.2% in 2018. This increase is essentially explained by the greater increase in the price of food products and services. The stable inflation rate allowed the reference interest rate to remain constant during the year (4.25%).

In 2019, the Colombian peso registered an average annual exchange rate² of 3,680.6 against the euro, a depreciation of 5.5% compared to the 3,489.6 in 2018. Exchange rate depreciation led to a significant increase in the price of imports, particularly when compared to depreciation against the US dollar (9.9%), the main exchange currency used.

² Average annual exchange rate determined by weighting the turnover of the Group's Companies operating in this currency.

In 2019, amendments to the tax reform in force were discussed and passed. The Colombian economy is expected to improve in 2020, driven by an increase in consumer confidence, through moderate inflation, thus enabling a recovery in purchasing power.

Modern Food Retail

The Food Retail market in Colombia posted a growth of 4.9% (0.5% in volume)³. Despite increased unemployment, household consumption exceeded by 0.3% the growth forecast at the beginning of the year, helped by an increase in the average basket per visit, although with a reduction in shopping frequency.

The Discount format registered once again the highest growth, whilst the rest of organised retail and independent retailers posted a decline during the year. This growth was driven by the number of openings in 2019, which saw over 800 new locations added to the Discount format.

The weight of sales by Discount stores in Modern Food Retail increased⁴ to 9.7% (around +2.0p.p. compared to 2018), as a result of a more price-conscious consumer in a climate of increased unemployment and still low consumer confidence, partially caused by uncertainty amid political polarisation which, in recent months, has led to protests in several sectors of society.

With the expansion of proximity stores, Traditional Retail market share fell 1p.p. compared to 2018. However, it continues to be a good solution in the convenience categories, such as dairy products, snacks/sweets and alcoholic beverages.

In a context of economic growth in Colombia, consumer confidence is expected to improve, with a positive impact on retail market and, according to Nielsen, should be translated into a growth of 4.8% (1.6% in volume) in 2020.

Retailers are also expected to continue focusing their strategy on improving their offer and on boosting consumer confidence in a more competitive environment, with increasingly demanding and informed consumers focusing on the real value of the product and shopping experience, which is often multi-channel.

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); Planet Retail; TNS; Nielsen and PMR Research.

³ Source: Nielsen Scantrack and Traditional store audits, based on 85 Nielsen categories (Food/Beverage + Home/Personal Care + Pet supplies).

⁴ Source: Nielsen Total Market. Data from Q3 and projections for Q4 2019.

3. Group Performance

The performance analysis in this section is presented excluding the impact of IFRS16 unless otherwise stated.

Performance throughout 2019 demonstrated the Group banners' remarkable capacity for consistent growth above their respective market average.

Focusing on customers and prioritising sales, as well as improving the efficiency of business models were the common denominators that drove each of the Companies' performance.

3.1. Strategic priorities in 2019

Focus on the consumer and on sales growth continued to be a top performance priority for the Group in 2019, without compromising the cost discipline and efficiency that ensure the competitiveness and profitability of the business models.

These strategic choices led to a performance marked by sales growth and an increase in EBITDA.

At the same time, the Group sponsored projects and reinforced its corporate areas in order to anticipate and protect the business from emerging risks, in particular those related to sustainability, security, human resources and innovation.

In general, the strategies drawn up and the objectives defined were implemented and achieved by the Management Teams, while being duly monitored by the Board of Directors, which performed its supervisory activity.

3.1.1. Grow ahead of the markets, in Poland and Portugal, without compromising the profitability of business models

In order to consistently maintain growth above their markets, the banners – Biedronka, Pingo Doce and Recheio – continued to reinforce operations and to work on offering the best commercial propositions, thereby increasingly deserving consumer recognition and preference.

The consumption environment remained positive in Poland, following the positive economic landscape and, more specifically, an increase in household disposable income.

Biedronka began 2019 with a strong commercial proposition, which was reinforced significantly in the previous year as a result of the adjustment to the introduction of the Sunday trading ban.

This dynamic allowed the banner to implement several campaigns during the year, which boosted attractiveness, the perception of variety and quality, and also the offer of low prices associated with quality products.

Reinforcement of the value proposition also included investment in the regular assortment, which saw the launch of 139 products and improvements to the formulation or presentation of the several references.

Finally, careful attention was given to the shopping experience by refurbishing 252 stores in 2019, which included installing more efficient equipment and improving the display of the assortment and in-store traffic flow, thereby creating a more pleasant and convenient shopping environment.

Looking to innovation as a source for future solutions, after completing the test phase, Biedronka initiated the roll out of a programme to implement self-checkouts in a significant number of its stores in order to improve customer service in stores with greater traffic and a more urban profile.

In this context, the banner also opened an eco-friendly store in November, offering convenience and a fresh produce-oriented assortment, with innovative operating solutions that could be incorporated into the standard operating model.

In Portugal, the consumption environment remained favourable, in line with the previous year.

Both Pingo Doce and Recheio, which have strong and differentiated business models compared to their competitors, were able to capitalise on the operating environment amid competitive food retail context and increased installed capacity.

Pingo Doce leveraged the promotional strategy it implemented during the previous year in the fish and meat categories, extending it to the yoghurt, frozen foods and beer categories.

With regard to the assortment, the banner focused on maintaining the pace of innovation, by reinforcing its market differentiation. To this end, 183 Private Brand products were launched and a new central kitchen was opened in the city of Aveiro to increase the banner's operating capacity for ready-to-eat meals, which is a highly differentiating factor given the variety and quality of the offer.

Pingo Doce opened an innovative store on the new Nova SBE University Campus, in the Lisbon region, where purchases are made via a mobile app and which offers innovative technological solutions. At this store, and in what regards to assortment, new products, packaging and food solutions are constantly tested.

Besides an intense commercial policy, Recheio has been reinforcing its Perishables operation, which is unique in the sector, and, therefore, refurbished a store in Aveiro, placing greater emphasis on, and improving service in, these categories.

3.1.2. Increasing Ara's gross margin and sales density while carving the way to profitability

The consumption environment was more favourable in Colombia than in the previous year and activity remained intense in the Food Retail sector.

Ara continued to successfully implement its strategy, with increased sales density and a higher gross margin as key drivers of profitability.

In 2019, amid high sales elasticity as a result of the Company's decision to reduce prices, sales density – as a key factor for sustainable profitability – became the top strategic priority, contributing to a significant acceleration in LFL growth.

Performance was driven by the successful reinforcement of decentralisation in operations, giving the regions considerable autonomy and enabling a faster and more suitable response to the reality of each local market.

Ara thus developed and increased each store's capacity to deliver on their sales potential and begin improving the gross margin in a year that confirmed the reversal of the trend in EBITDA losses.

3.1.3. Execution of the Investment Programme

The investment programme remained a fundamental strategic vector for achieving the aspiration for both organic and LFL growth, and for promoting the protection or improvement of the efficiency of operations.

In 2019, the Group's investment programme stood at 678 million euros, of which 32% was allocated to expansion and the remainder to refurbishment projects and the maintenance of store and warehouse operations.

(million euros)	2019			2018		
Business Area	Expansion ¹	Others ²	Total	Expansion ¹	Others ²	Total
Biedronka	79	308	388	91	281	372
Stores	79	266	345	87	255	342
Logistics & Head Office	0	42	42	4	26	30
Pingo Doce	27	115	143	13	78	90
Stores	27	105	131	12	72	85
Logistics & Head Office	1	11	11	0	5	6
Recheio	1	24	25	6	21	27
Ara	93	5	98	117	1	118
Stores	46	3	49	70	1	70
Logistics & Head Office	47	3	49	47	0	47
Total Food Distribution	201	452	653	227	380	607
Hebe	10	2	12	8	3	12
Services & Others	7	5	13	35	4	39
Total JM	218	460	678	270	388	658
% of EBITDA	20.9%	44.0%	64.9%	28.2%	40.4%	68.6%

¹ New Stores and Distribution Centres.

² Revampings, Maintenance and Others.

Biedronka implemented an investment programme of 388 million euros, which included the opening of 128 new stores (33 of which in a smaller format), 252 refurbishments and the normal maintenance of operations.

The banner ended the year with a network of 3,002 locations, c.50% of which opened or were refurbished in the past five years.

Hebe opened 46 new stores having, at the end of 2019, 273 locations.

Pingo Doce invested 143 million euros in the opening of nine new stores, of which four in the Pingo Doce & Go convenience format, and continued to implement its refurbishing programme, which included a total of 44 stores, of which 30 underwent comprehensive refurbishing.

Recheio invested a total of 25 million euros, allocated partially to refurbishing the Aveiro store.

With regard to Agribusiness, in Portugal, investments were made in expanding the capacity of one of the livestock units and in improvement works at the farm that supplies the dairy factory.

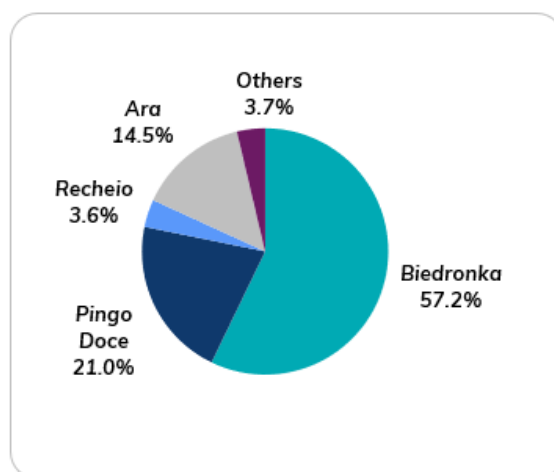
In Colombia, Ara invested 98 million euros, opening 85 stores and almost completing the construction of two Distribution Centres that will integrate the Company's logistics operation at the beginning of 2020.

	New Stores		Revampings ¹		Closed Stores	
	2019	2018	2019	2018	2019	2018
Biedronka	128	122	252	230	26	45
Pingo Doce	9	10	30	29	0	0
Recheio	0	1	1	1	0	2
Ara	85	143	0	0	1	0
Hebe	46	51	6	4	3	3
Other Businesses ²	11	4	2	0	6	4

¹ Only includes the revampings that implied the closing of the selling area, with exception for Recheio.

² Including the stores Code, Spot, Bem Estar, Pingo Doce Restaurants, Petrol Stations, Jeronymo and Hussel.

Investment by Business Area



3.2. Consolidated Activity in 2019

3.2.1. Consolidated Sales

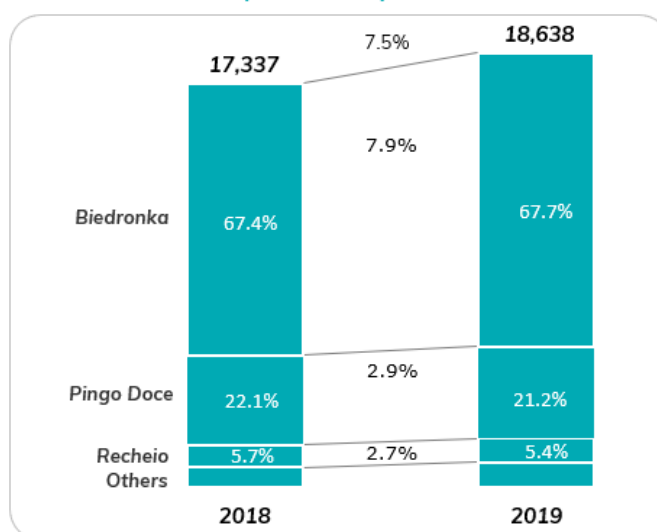
(million euros)	2019		2018		Δ %		LFL
	% total		% total		excl. F/X	Euro	
Sales & Services							
Biedronka	12,621	67.7%	11,691	67.4%	8.8%	7.9%	5.8%
Pingo Doce*	3,945	21.2%	3,835	22.1%		2.9%	2.3%
Recheio	1,007	5.4%	980	5.7%		2.7%	3.2%
Ara	784	4.2%	599	3.5%	37.9%	30.8%	17.6%
Hebe	259	1.4%	207	1.2%	25.9%	24.9%	7.4%
Others & Cons. Adjustments	23	0.1%	24	0.1%		-0.6%	n.a
Total JM	18,638	100%	17,337	100%	8.4%	7.5%	5.3%

* includes stores sales and fuel

In 2019, the successful implementation of our strategies in the three markets in which we operate increased the Group's sales by 1.3 billion euros and boosted our competitive positions.

The Group's sales reached 18.6 billion euros in 2019, 7.5% higher than in the previous year (+8.4% at constant exchange rates), with an LFL of 5.3%.

Consolidated Sales (million euros)



In Poland, consumption remained at healthy levels, leading to a trade up in the food basket. Food inflation in the country was higher than initially expected, standing at 4.9%.

The Food Retail sector continued to adapt to the progressive implementation of the Sunday trading ban, which resulted in 13 fewer trading days on top of the 21 days lost in 2018.

In this regard, Biedronka leveraged the strong commercial dynamic of the previous year, posting remarkable sales growth and increasing its market share.

During the year, sales increased by 7.9% to 12.6 billion euros. Sales growth was 8.8% in local currency. LFL grew 5.8%, reflecting the continuous improvement to the offer and shopping experience, and the strong price positioning, driven by a combination of EDLP (Every Day Low Price) and attractive promotional mechanics. Basket inflation, which stood at c.2.5% during the year, also contributed to this performance.

Hebe reinforced its value proposition by rolling out its online operation in July and despite having 13 fewer trading days compared to 2018, posted a strong performance and increased sales by 25.9%, in local currency. In euros, sales increased by 24.9% to 259 million euros. By leveraging the market's growth potential, Hebe maintained consistent performance throughout the year which, together with the strengthening of its omnichannel approach, boosted its competitive position.

In Portugal, the consumption environment was favourable throughout the year and food inflation remained low, standing at 0.3%.

Pingo Doce maintained its good commercial dynamics and posted positive performance in the year, with the innovative offer and improvements made to the shopping experience also contributing to results.

The banner increased total sales by 2.9% to 3.9 billion euros, including LFL growth (excl. fuel) of 2.5%.

Recheio had a good year with sales breaking the billion euro milestone, up 2.7% compared to the previous year. On an LFL basis, growth was 3.2%, reflecting the strength of the banner's value proposition for its professional customers.

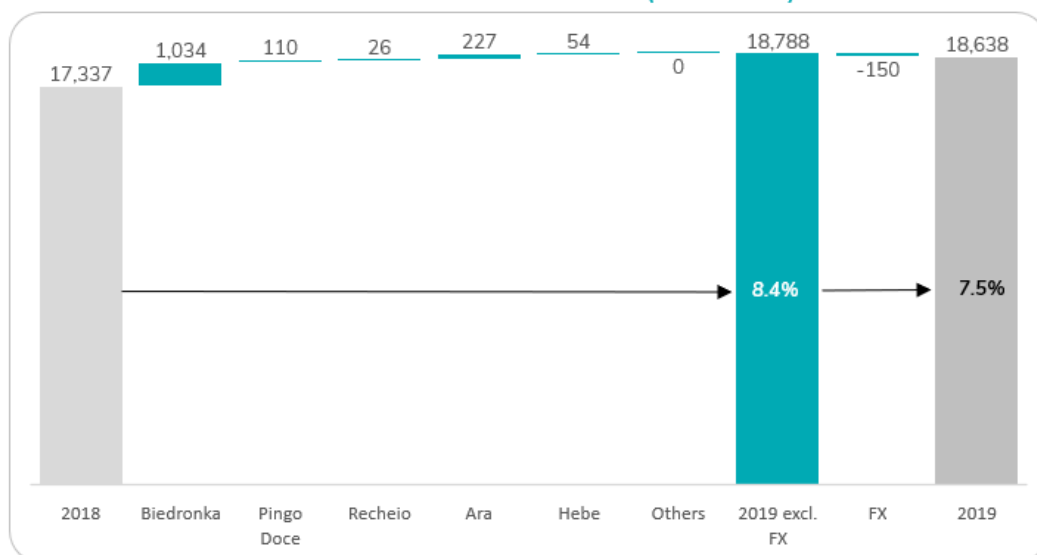
In Colombia, where consumption indicators were more favourable than in the previous year, amid an extremely competitive market, Ara increased sales density, while continuously improving its offer.

In local currency, sales increased 37.9%, including a remarkable LFL of 17.6%. In euros, sales increased by 30.8% to 784 million euros.

This performance was the result of the reinforced autonomy of the regions and the effectiveness of the pricing investment strategy.

All in all, 2019 was a very good year, allowing us to strengthen our value propositions in our three markets and benefit fully from a favourable consumption environment, particularly in Poland and in Colombia.

Contribution to Consolidated Sales Growth (million euros)



3.2.2. Consolidated Operating Results

(million euros)	2019 (IFRS16)		2019		2018		Δ%
		%		%		%	
Net Sales & Services	18,638		18,638		17,337		7.5%
Gross Margin	4,076	21.9%	4,076	21.9%	3,760	21.7%	8.4%
Operating Costs	-2,639	-14.2%	-3,031	-16.3%	-2,800	-16.2%	8.2%
EBITDA	1,437	7.7%	1,045	5.6%	960	5.5%	8.9%
Depreciation	-715	-3.8%	-397	-2.1%	-364	-2.1%	9.2%
EBIT	722	3.9%	648	3.5%	596	3.4%	8.6%

In line with the positive sales performance, consolidated EBITDA stood at 1,045 million euros, a growth of 8.9% compared to the previous year (+9.3% at constant exchange rates). The respective margin was 5.6% (5.5% in 2018).

EBITDA breakdown

(milhões de euros)	2019 (IFRS16)		2019		2018		Δ %
		% total		% total		% total	
Biedronka	1,185	82.5%	918	87.8%	850	88.6%	7.9%
Pingo Doce	264	18.3%	200	19.1%	188	19.6%	6.4%
Recheio	60	4.2%	55	5.3%	53	5.5%	4.6%
Outros & Ajustes de Consolidação	-72	-5.0%	-128	-12.2%	-131	-13.6%	-2.4%
EBITDA Consolidado	1,437	100%	1,045	100%	960	100%	8.9%

Biedronka posted an EBITDA of 918 million euros, a growth of 7.9% (+8.8% at a constant exchange rate).

Throughout the year, the Company carried out disciplined management of the margin mix, investing in sales growth through relevant promotions and maintaining its price leadership which, together with a healthy LFL, allowed the banner to keep its EBITDA margin at 7.3%.

Pingo Doce posted an EBITDA of 200 million euros, 6.4% more than in the previous year. The respective margin was 5.1%, increasing from the 4.9% in 2018. This performance was the result of good LFL growth and a favourable margin mix.

Recheio achieved an EBITDA of 55 million euros, 4.6% higher than 2018, with the respective margin at 5.5% against 5.4% in 2018. This positive sales performance led to yet another year of profitable growth.

For Hebe, 2019 was the year in which the Company reached breakeven point at EBITDA level, as a result of positive sales performance and the work carried out on the margin mix.

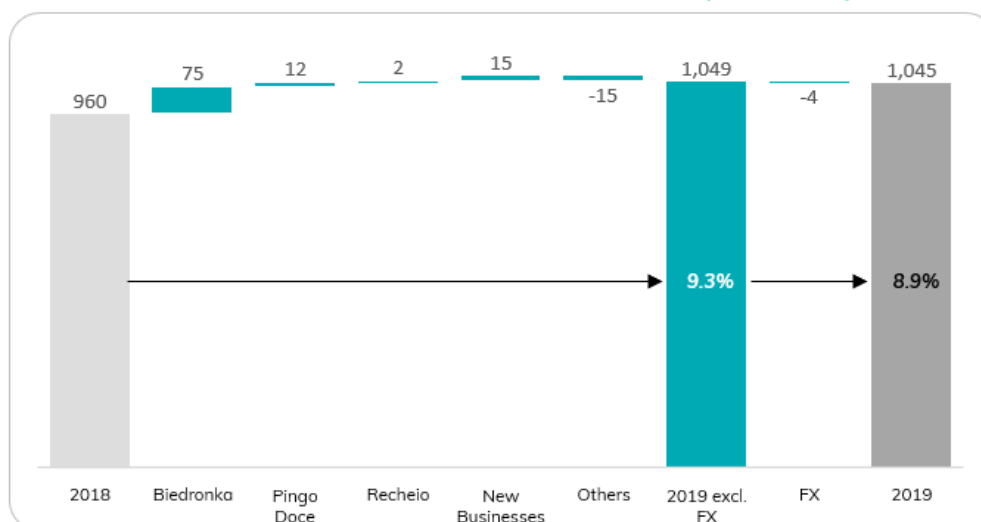
For Ara, 2019 represents the year that confirms the reversal of the trend in EBITDA losses, which reached 62 million euros (73 million euros in 2018). This evolution was achieved despite the Company's decision to reinforce the investment in pricing planned for the year and which led to significant acceleration of LFL growth and, therefore, increased sales density.

It should also be noted that the Group continued to invest in protecting its supply chain in Portugal, by investing in Agribusiness, in differentiating categories. The improvement on the installed capacity will help scale up operations, with a positive impact on future efficiency.

With regard to the corporate structure, in line with the size of the Group and in an effort to manage medium and long-term risk, some teams were reinforced and several projects were developed to guarantee best practices in human resources, safety and security, innovation, corporate responsibility, among others.

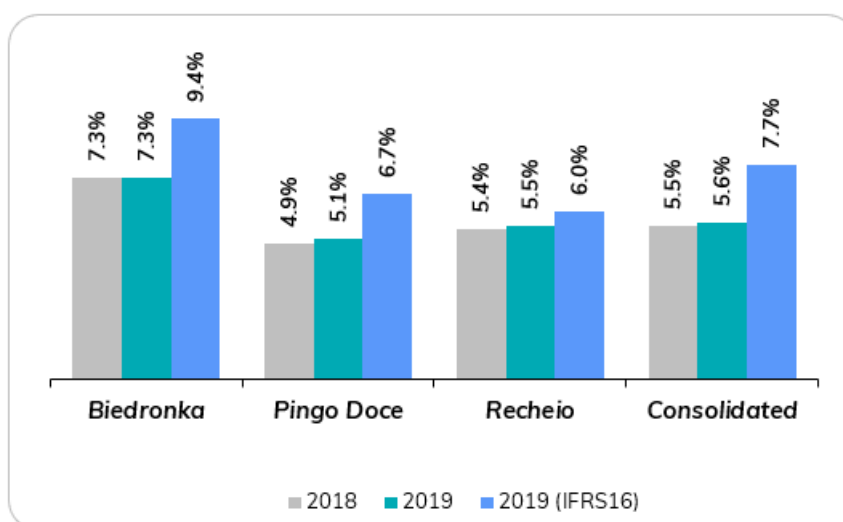
2019 was yet another year of profitable growth driven by good sales performance, comprehensive management of the sales mix and constant focus on the efficiency of the cost structure, where innovation and technology play an increasingly important role.

Contribution to Consolidated EBITDA* Growth (million euros)



* Without IFRS16

EBITDA Margin



3.2.3. Net Consolidated Results

(million euros)	2019 (IFRS16)		2019		2018		Δ%
		%		%		%	
EBIT	722	3.9%	648	3.5%	596	3.4%	8.6%
Net Financial Results	-159	-0.9%	-29	-0.2%	-25	-0.1%	17.4%
Profit in Associated Companies	0	0.0%	0	0.0%	0	0.0%	n.a.
Other Profits/Losses	-14	-0.1%	-15	-0.1%	-9	-0.1%	n.a.
EBT	549	2.9%	604	3.2%	562	3.2%	7.4%
Taxes	-128	-0.7%	-137	-0.7%	-132	-0.8%	3.6%
Net Profit	421	2.3%	467	2.5%	430	2.5%	8.6%
Non Controlling Interest	-31	-0.2%	-34	-0.2%	-29	-0.2%	18.6%
Net Profit attr. to JM	390	2.1%	433	2.3%	401	2.3%	7.9%
EPS (€)	0.62		0.69		0.64		7.9%
EPS without Other Profits/Losses (€)	0.63		0.70		0.65		8.9%

Net results attributable to Jerónimo Martins were 433 million euros, up 7.9% against the previous year.

Other profits/losses amounted to -15 million euros, reflecting restructuring costs, the review of the actuarial calculations of employee benefit obligations, write-offs and impairments.

Net financial costs were 29 million euros. Among these, net interests stood at 23 million euros, above the 20 million euros in 2018, reflecting higher debt in Colombian pesos as a result of the Group's decision, in its financing operations, to favour debt in local currency for natural hedging of the investment.

The effective tax rate was lower than in the previous year as a result of the recovery of tax corresponding to the double taxation paid in 2017, following an internal reorganisation, which the Group appealed, and a favourable decision was received in 2019.

3.2.4. Cash Flow

(million euros)	2019 (IFRS16)	2019	2018
EBITDA	1,437	1,045	960
Capitalised Operating Leases Payment	-259	-	-
Interest Payment	-163	-30	-24
Other Financial Items	0	0	0
Income Tax	-155	-155	-148
Funds From Operations	861	861	788
Capex Payment	-577	-577	-717
Δ Working Capital	220	220	70
Others	-10	-9	-5
Cash Flow	494	494	135

Cash flow generated in the year reached 494 million euros, up 359 million euros compared to that generated in 2018. This remarkable performance was due to a growth of 9.2% in funds generated from operations, a more favourable seasonal performance of working capital and higher payables related to capex as a result of the significant investment made in the last months of the year.

3.2.5. Consolidated Balance Sheet

(million euros)	2019 (IFRS16)	2019	2018
Net Goodwill	641	641	637
Net Fixed Assets	4,140	4,140	3,842
Net Rights of Use (RoU)	2,318	-	-
Total Working Capital	-2,789	-2,784	-2,454
Others	94	86	70
Invested Capital	4,404	2,083	2,096
Total Borrowings	732	732	624
Financial Leases	17	17	15
Capitalised Operating Leases	2,368	-	-
Accrued Interest	3	3	2
Marketable Securities and Bank Deposits	-945	-945	-562
Net Debt	2,176	-192	80
Non Controlling Interests	254	257	238
Share Capital	629	629	629
Retained Earnings	1,346	1,389	1,149
Shareholders Funds	2,229	2,275	2,016

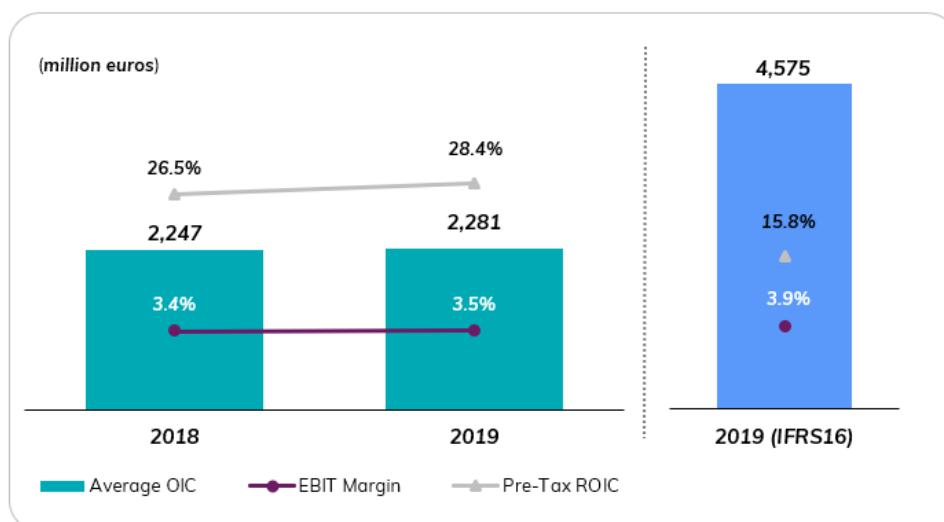
The Group's balance sheet remained unquestionably robust, ending the year with a positive net cash position of 192 million euros.

It should also be noted that, in May and in line with the Group's dividend policy, dividends in the amount of 204.2 million euros were paid.

3.2.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis and not taking the capitalisation of operating leases into account, stood at 28.4% (26.5% in 2018).

This remarkable performance was due to increased capital turnover in the vast majority of the businesses as a result of LFL growth and to the improved EBIT margins in the year.



3.2.7. Total Borrowings Breakdown

(million euros)	2019	2018
Long Term Borrowings	309	278
as % of Total Borrowings	42.2%	44.5%
Average Maturity (years)	3.3	2.8
Short Term Borrowings	424	347
as % of Total Borrowings	57.8%	55.5%
Total Borrowings	732	624
Average Maturity (years)	1.7	1.5
% Total Borrowings in Euros	6.8%	8.0%
% Total Borrowings in Zlotys	46.1%	46.1%
% Total Borrowings in Colombian Pesos	47.1%	45.8%

Total borrowings in Colombian pesos grew, in line with the Group's financing strategy which favours using borrowings in local currency for natural hedging of the investment in Colombia.

In this regard, it is important to note that, in 2019, a loan was taken out in Colombian pesos with the IFC, a member of the World Bank Group, in an amount corresponding to 93 million US dollars, at a fixed rate over seven years, to reinforce the Colombian Company's financing structure.

3.2.8. Jerónimo Martins in the Capital Markets

Share 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, according to Thomson Reuters data, listed on 71 indexes, the most relevant being the PSI20 (the Euronext Lisbon reference index), Euronext100 and EuroStoxx, among others, and are traded on 45 different platforms, mostly in the main European markets.

2019 marked the 30th anniversary of Jerónimo Martins' listing on the Lisbon Stock Exchange. The date (November 14) was celebrated with a commemorative ceremony at the Stock Exchange during which share price evolution data was disclosed. It was also the focus of an institutional campaign highlighting that: "In 30 years, our market capitalisation multiplied more than 30 times. During this time, we went from one to three countries, opened more than 4,200 stores and sales increased by around 18 billion euros. Since 1989, more than 100 thousand people have joined our teams. And together we found that when calculating time, we treasure it."

Capital Structure

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

PSI20 Performance

The Portuguese benchmark index - PSI20 - comprising 18 shares, remained with the same composition throughout the year.

2019 was generally strong in terms of capital market appreciation, and the PSI20 index was no exception. Indeed, the index appreciated 10.2%, closing at 5,214.14 points, albeit below its European counterparts. Among the 18 companies that comprise the index, performance was mixed, with seven shares in negative territory in the year.

Performance of the index went hand-in-hand with the evolution of the European economy, which saw the year marked by risks and uncertainties in the capital market, most notably: the risk posed by the commercial US-China trade war, Brexit, the difficulty in approving Italy's budget, instability in France and, more recently, the Spanish political crisis.

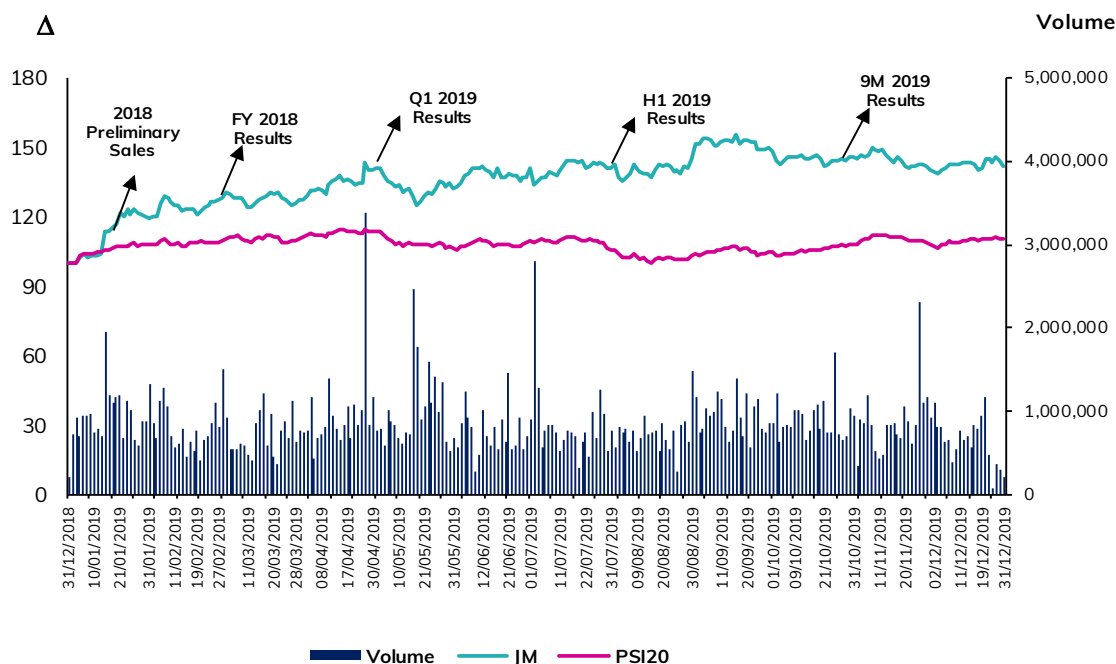
Jerónimo Martins Share Price Performance

In 2019, the Jerónimo Martins share appreciated 41.8%, posting the best performance in the PSI20 and the highest annual appreciation since 2015, after depreciating 36.2% in 2018.

Jerónimo Martins, with the third highest market capitalisation, is among the most representative shares on the index, climbing one position year-on-year. The Company closed the year with a market capitalisation of 9.2 billion euros and a relative weight within the PSI20 of 13.6%. It is also one of the three Portuguese companies listed on the Euronext100 index, slightly increasing its weight to 0.29% (compared to the 0.28% recorded the previous year).

Jerónimo Martins' shares were among the most traded on Euronext Lisbon, with around 216 million shares, meaning a daily average transaction of 847 thousand shares (8.0% below 2018), at an average price of 14.09 euros (up 4.7% compared to that recorded in 2018). In terms of turnover, these shares represented the equivalent of 13.9% (3.0 billion euros) of the total number of shares traded on the PSI20 index in 2019.

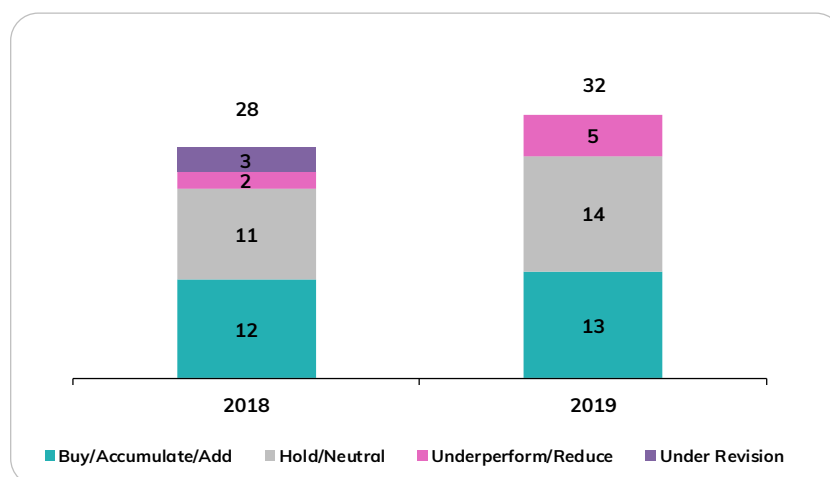
In price terms, Jerónimo Martins shares had a low of 10.30 euros twice, on January 2 and 3, reaching a high of 16.12 euros on September 17, ending 2019 at a price of 14.67 euros.



Analysts

In 2019, eight investment houses began covering Jerónimo Martins and another four ended their share coverage due to changes in these institutions' research areas. Three investment houses resumed coverage of Jerónimo Martins after having the shares "Under Revision" in 2018.

At the end of the year, 32 analysts were covering Jerónimo Martins: 13 analysts issued a positive recommendation on the stock, 14 issued a neutral recommendation and five issued a negative recommendation. At the end of 2019, the average price target of the analysts was 15.49 euros, corresponding to an upside potential of 5.6% compared with the closing price on December 31 (14.67 euros).



Jerónimo Martins Financial Performance 2015-2019

(million euros)

	2019 (IFRS16)	2019	2018	2017	2016	2015
Balance Sheet						
Net Goodwill	641	641	637	647	630	640
Net Fixed Assets	4,140	4,140	3,842	3,639	3,180	3,060
Net Rights of Use (RoU)	2,318	-	-	-	-	-
Total Working Capital	-2,789	-2,784	-2,454	-2,496	-2,201	-2,001
Others	94	86	70	54	46	82
Invested Capital	4,404	2,083	2,096	1,843	1,656	1,780
Net Debt	2,176	-192	80	-170	-335	187
Total Borrowings	732	732	624	529	335	658
Financial Leases	17	17	15	8	4	0
Capitalised Operating Leases	2,368	-	-	-	-	-
Accrued Interest	3	3	2	4	0	0
Marketable Securities and Bank Deposits	-945	-945	-562	-712	-674	-471
Non Controlling Interests	254	257	238	225	253	252
Equity	1,975	2,018	1,778	1,788	1,738	1,342
Income Statement						
Net Sales & Services	18,638	18,638	17,337	16,276	14,622	13,728
EBITDA	1,437	1,045	960	922	862	800
EBITDA margin	7.7%	5.6%	5.5%	5.7%	5.9%	5.8%
Depreciation	-715	-397	-364	-331	-294	-294
EBIT	722	648	596	591	568	505
EBIT margin	3.9%	3.5%	3.4%	3.6%	3.9%	3.7%
Financial Results	-159	-29	-25	-12	-17	-26
Profit in Associated Companies	0	0	0	0	10	17
Other Profits/Losses	-14	-15	-9	-14	184	-20
EBT	549	604	562	565	744	475
Taxes	-128	-137	-132	-152	-130	-117
Net Income	421	467	430	413	614	358
Non Controlling Interests	-31	-34	-29	-27	-21	-25
Net Income attributable to JM	390	433	401	385	593	333
Market Ratios						
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%	28.7%	28.4%	29.7%	31.7%
EPS (€)		0.69	0.64	0.61	0.94	0.53
Dividend per share (€)		0.33	0.61	0.61	0.27	0.62 *
Stock Market Performance						
High (€)		16.12	17.65	18.07	16.35	13.81
Low (€)		10.30	10.11	14.88	10.92	7.70
Average (€)		14.09	13.46	16.46	14.24	11.84
Closing (End of year) (€)		14.67	10.34	16.20	14.74	12.00
Market Capitalisation (31 Dec) (€ 000,000)		9,229	6,507	10,191	9,276	7,548
Transactions (volume) (1,000 shares)		215,938	234,824	182,115	251,292	344,797
Annual Growth		41.8%	-36.2%	9.9%	22.9%	43.9%
Annual Growth - PSI20		10.2%	-12.2%	15.2%	-11.9%	10.7%

* 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.

4. Performance of the Business Areas

The performance analysis in this section is presented excluding the impact of IFRS16 unless otherwise stated.

4.1. Food Distribution



4.1.1. Biedronka

Message from the Managing Director

In 2019, the Polish market continued to foster a positive operating environment, driven by the country's positive economic performance and the implementation of several measures that helped the increase of household disposable income.

After a year in which Biedronka focused on investing and adjusting its operation to mitigate the negative impacts of the Sunday trading ban on sales and efficiency, the banner started 2019 with reinforced management capabilities to manage the sales mix and protect its cost structure.

Thus, the campaign schedule implemented during the year, and its price leadership based on EDLP (Every Day Low Price), allowed the Company to fully leverage market conditions, while boosting the banner's competitiveness in the sector.

Focused on an increasingly demanding consumer, we also invested in innovation as a means to increase competitiveness, both by improving the assortment and a concern for the quality of the store network, where, together with comprehensive refurbishing, we tested solutions to improve customer service and the efficiency of the operation.

In a year of outstanding performance, the business model was also successfully strengthened, enabling us to fulfil our commitment to our customers, our suppliers and our teams so that we can continue to deserve their trust and loyalty.

2019 Performance

In Poland, consumption continued to grow thanks to increased household disposable income, as a result of a rise in the country's national minimum wage and the allocation of new social incentives, particularly in the second half of the year.

In the Food Retail sector, the competitive environment remained fierce and highly promotional, still reflecting the incremental impact of the Sunday trading ban which saw a further 13 fewer trading days during the year, compared to 2018.

Biedronka continued to focus on LFL growth and on reinforcing its market position, while simultaneously maintaining the efficiency and efficacy of its business model.

In 2019, sales increased 7.9% to 12,621 million euros (+8.8% in local currency), with 5.8% LFL growth in the year, driven primarily by the growth of the average basket, which reflected the assertiveness of offer in a consumer trade up context.

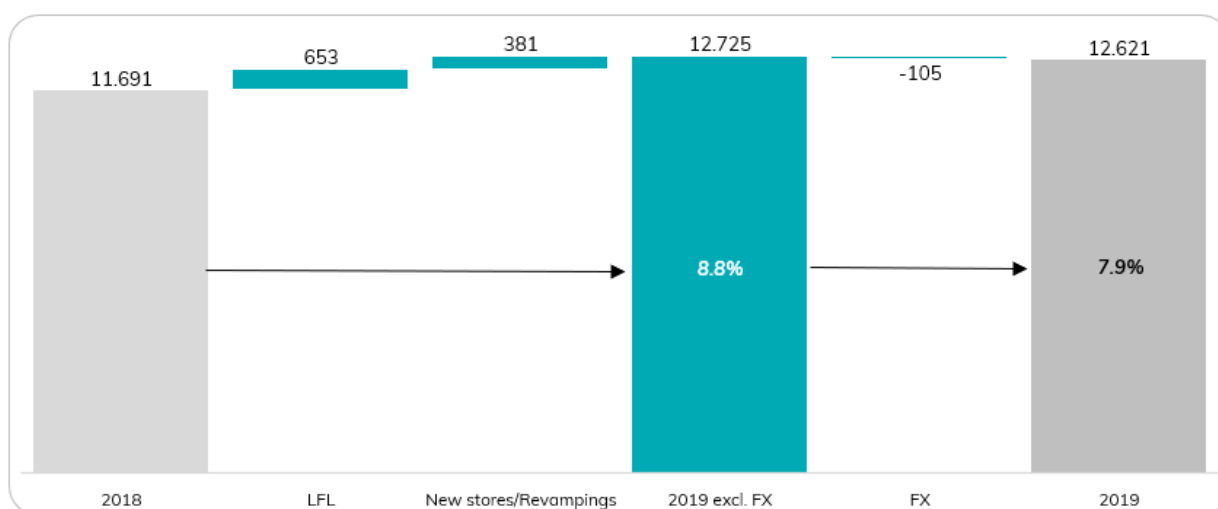
In this environment, importance continued to be placed on thematic campaigns to promote innovation and aspirational products, which trigger attraction, with several campaigns held during the year.

Biedronka continued to capitalise on customer loyalty initiatives and re-launched a 2nd edition of the “Sweeties Gang” which, once again, was very well received.

Priority continued to be given to reinforcing the quality of the assortment and of the brand image and, during 2019, the banner continued to invest in innovation and the development of its Private Brand, launching 139 new products for its regular assortment, in addition to the ones developed for in&out campaigns.

Two categories of the Group’s exclusive brands – Be Beauty and Go Bio - were reinforced with the introduction of new products, and the Go Vege brand (vegan and vegetarian products) was launched, which has now 13 products.

Biedronka - Net Sales (million euros)



Regarding implementation of the year’s investment plan, besides the opening of 128 new locations, 33 of which in a smaller format, it is essential to highlight the store refurbishing plan, which included 252 locations, reinforcing Biedronka’s market competitiveness, improving the shopping experience, protecting efficiency and strengthening LFL growth.

The stores with the higher convenience offer an assortment adapted to the locations and will allow the Company to enter surrounding areas with lower population density.

A project to include self-checkouts in selected stores was launched to improve the shopping experience and will continue to be implemented during the first half of 2020.

Maintaining its focus on innovation, Biedronka opened a store with “the freshest Biedronka in Poland” concept in Warsaw, in which it is intended to anticipate market trends and meet the needs of customers, focusing on eco design (with more efficient energy use) and organic products (when choosing the assortment), offering alternative and more sustainable solutions for equipment use and product selection.

The Company’s EBITDA stood at 918 million euros, up 7.9% compared to the previous year (+8.8% in local currency), with the respective margin remaining stable at 7.3%.

4.1.2. Pingo Doce



Message from the Managing Director

In a year marked by the expansion of Food Retail in Portugal, with virtually all players investing in opening new stores, Pingo Doce stood out for the sales growth of its existing stores.

Today, Pingo Doce has a unique value proposition for Portuguese consumers based on the pillars it has been reinforcing over its four decades of operation – Perishables, Private Brand, and low prices – complemented by ready-to-eat solutions. The latter, developed in recent years, made another important leap forward in 2019 with the completion of works on the new central kitchen in Aveiro, which ensures the production capacity and innovation required to build the future of the Company in these categories.

Customers continue loyal to the brand, positioning us as a proximity Supermarket and an integral part of the surrounding neighbourhoods. Our engagement with communities and close ties to our neighbours are part of our market approach and are a distinguishing factor of the Pingo Doce banner.

We begin 2020 confident that our path is clear and that we have the necessary conditions and a team prepared to continue growing robustly, responsibly and successfully.

2019 Performance

Throughout 2019, the Food Retail market in Portugal grew and remained extremely competitive and promotional, with a notable increase in installed capacity in the proximity Modern Retail, with several operators focusing their efforts on opening stores.

At Pingo Doce, sales within the same store network increased 2.5% (excluding fuel), which, together with the contribution from the new stores, resulted in a 2.9% growth in total sales to 3.9 billion euros, leading to a market share increase.

The banner opened nine stores during the year (four of which in the Pingo Doce & Go concept) and, in order to improve the store environment – reinforcing its offer of fresh food and Take Away – and the quality of the shopping experience, 30 stores were fully refurbished and an additional 14 liftings were carried out during the year.

In 2019, Pingo Doce began reinforcing its price positioning, expanding the “Promotion throughout the month” promotional mechanics, which first began in 2018 in the Meat and Fish categories, to the yoghurt, frozen foods and beer categories.

A strong commercial dynamic was maintained during the year, with 156 promotional campaigns and 48 theme-based initiatives aimed at strengthening the relationship with customers and retaining their loyalty with the best promotions on the market.

In order to reinforce its investment in the Meal Solutions area, works were completed on a modern central kitchen in Aveiro to serve all stores in the north of Portugal as a counterpart to the Odivelas kitchen, which will be dedicated to supplying stores in the centre and south of Portugal. This new kitchen brings the production capacity and innovation required to tap the future growth potential of the ready-to-eat categories.

Pingo Doce established a partnership and began its meal home delivery service in some areas in the city of Lisbon. This initiative is unique in the market as no delivery fee is charged and only electric scooters and bicycles are used by the banner's partner to make deliveries.

With regard to its Private Brand, Pingo Doce continued to reinforce its assortment by investing in innovation and continuous improvement in nutrition. Most noteworthy is the wine category, which saw its packaging and image completely revamped in 2019, showcasing the quality and excellence of Pingo Doce wines, which have already been awarded 100 national and international medals in recent years, 19 of which in competitions held in 2019.

Pingo Doce - Net Sales (million euros)



As a differentiating element of its Private Brand, Pingo Doce rolled out exclusive products that demonstrate the Company's pioneering nature and its ability to meet the needs of its customers, among which its fresh milk 100% made in Portugal is of particular note, produced at the JMA dairy factory in Portalegre.

Concerning innovation, Pingo Doce stayed in the forefront by opening a lab store with cutting-edge technology on the Nova SBE University Campus where customers use an app to make and pay for purchases, eliminating the need for labels. The store assortment was also developed taking into account the preferences of Generation Z consumers, namely healthy foods, ready-to-eat meals and grab&go.

In terms of social responsibility, Pingo Doce implemented programmes which strongly reinforce its policies in the promotion of health through food, in preserving the environment, involvement with local communities as well as promoting early literacy. Examples of this were the programs "Menos Sal Portugal" (Less Salt), "Bairro Feliz" (Happy Neighbourhood) and "Amar o Mar" (Love the Ocean) and the "Bando do Bosque" (Forest Gang) and "Ler Leva-nos Mais Longe" (Reading takes us further) campaigns. These initiatives are described in more detail in Chapter 5 – Corporate Responsibility in Value Creation, of this report and in the corporate responsibility channel www.jeronimomartins.com.

Pingo Doce's EBITDA stood at 200 million euros, up 6.4% compared to the previous year, with the respective margin increasing 0.2p.p. to 5.1%. The Company maintained the effectiveness of its commercial actions and the improvement of operational efficiency.

Message from the Managing Director

In 2019, Recheio once again gained new customers and grew sales, which amounted to one billion euros, posting an increase of 2.7% year-on-year.

Throughout the year, the Company reinforced its positioning in Perishables, invested in improving the shopping experience in its stores - by refurbishing the Aveiro store -, expanded its assortment and developed its Private Brand, launching new innovative products with added value for its customers.

Amid strong competition and an intense promotional dynamic, Recheio's Traditional Retail project - Amanhecer - posted higher growth than the market, consolidating the year with a very positive performance.

With regard to Exports, and despite the sales decline driven by Angola's economic financial situation, the trend reversed in the last quarter of the year.

We continued to make a threefold investment in Food Service, namely in specialised assortment, service and distribution, which translated into more than 15% growth posted this year, in this segment.

We are confident that the customer focus and this investment in differentiation are key to the sustainability and future of our business.

2019 Performance

Recheio's sales grew 2.7% in 2019 (+3.2% LFL growth), driven primarily by growth of the HoReCa segment, in spite of the strong increase in sales in recent years.

Despite the growth rate of tourism in Portugal having slowed compared to previous years, the trend remained positive, allowing the HoReCa channel to continue growing and the Company to continue reinforcing its customer value proposition.

The development of a specialised assortment, commercial follow-up and support to customers and efficient distribution were again key for the double-digit growth posted in the Food Service segment.

During 2019, Traditional Retail faced strong promotional activity from Modern Retail, nonetheless maintaining the relevance of its customer value proposition.

With regard to Exports, sales decreased primarily due to the economic situation resulting from the sharp depreciation of the Angolan kwanza. This negative trend, however, reversed in recent months, with an increase in the number of customers in the Company's export markets.

At the end of 2019, the stores under the Amanhecer project had a network of 346 partner units, 17 more than in the previous year, posting strong sales performance a 10.3% growth, above the market average. The retail brand Amanhecer also reinforced its investment in the development of its Private Brands in 2019.

Recheio - Net Sales (million euros)



Recheio continued to invest in its positioning in Perishables, clearly investing in the assortment, innovation and communication, and in its Private Brands, launching 146 new products. The weight of Private Brands in sales remained at around 22%.

The Company continued to use leaflets and seasonal campaigns, focusing on low prices to increase the average basket per customer and the number of customers.

During the year, Recheio refurbished its Aveiro store, confirming the strategic pillar of Perishables and aiming to boost sales growth and improve customer solutions by reinforcing the efficiency of the operation.

As for profitability, in 2019 the Company grew its EBITDA by 4.6% to 55 million euros, with the respective margin increasing from 5.4% to 5.5%.

4.1.4. Ara



Message from the Managing Director

Our commitment for being a “buen vecino” (good neighbour) in the neighbourhoods in which we are present inspires us to provide an appropriate regional assortment and ensure the innovation, quality and differentiation of our Private Brands, including reinforcing our price leadership in the daily shopping categories of the Colombian consumer.

This greater proximity to “nuestros vecinos” (our neighbours) is the result of the consolidation of our regional autonomy strategy, which we began in 2018, and confirms our increased ability to meet the local needs of consumers and the competitive environment experienced by each store.

On the course we have charted in order to achieve profitability in our operations in the near future, we are also paying particular attention to the efficiency of store and logistics processes, and to the development of our technical, leadership and customer service teams.

In 2020, we will, as always, remain focused on the consumer so as to earn their loyalty and, thus, deliver strong sales growth.

2019 Performance

In 2019, Ara sales reached 784 million euros, an increase of 30.8% (+37.9% in local currency) compared to the previous year, with a sales growth of 17.6% in the same store network. Ara consolidated its leadership position in Modern Retail in the Coffee Growing Region and increased its market share in the other two regions where it is present (Caribbean Coast and Bogotá).

During the year, the banner opened 85 stores in the regions where it operates and ended 2019 with a total of 616 locations. Currently, Ara has 140 stores in the Coffee Growing region, 225 stores on the Caribbean Coast and 251 stores in the Bogotá region.

The Company also remained focused on the construction and development of its logistics capacity, which will increase its efficiency and support future expansion.

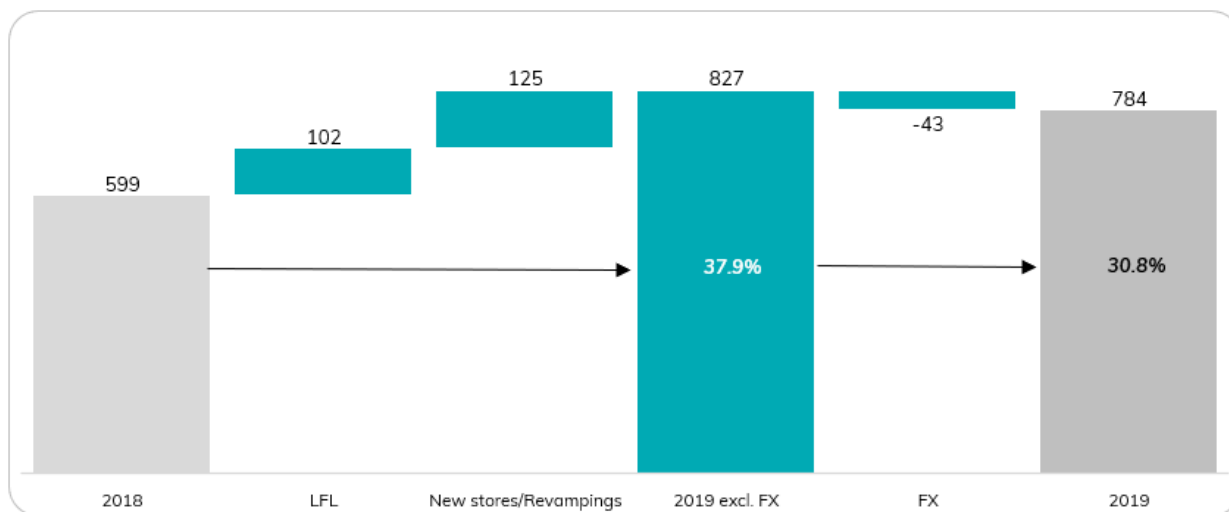
From the second quarter of the year, Ara reinforced its assortment and pricing strategy, driving strong sales growth.

The investment in pricing allowed Ara to test sales elasticity by repositioning some categories, particularly Meat, Fruits and Vegetables.

Promotional activities remained key tools in brand communication, which repeated the successful formulas of previous years with “Rebajon” (Promotion Sales), intensifying theme-based regional and local initiatives to drive LFL sales growth.

To strengthen its pricing position and increase brand awareness, Ara rolled out the “Aquí sabemos ahorrar” (We know how to save money) and “Amigos del Bosque” (Forest Gang) campaigns, the latter, already successfully implemented in Poland and in Portugal, through advertisements on television, radio, newspapers and outdoors, including heavy promotion and activation on social media.

Ara - Net Sales (million euros)



Ara has been establishing stable relationships and partnerships with Colombian suppliers since its start in 2013. In 2019, Ara cooperated with 179 local suppliers who provided Private Brand products which represent about 45% of the Company's sales.

The work done in sales mix and the increased scale of operations, as well as accelerated sales performance per store allowed the Company, for the first time, to reverse the trend of EBITDA losses, which were reduced by 15.0% (10.3% in local currency).

4.2. Agribusiness

Jerónimo Martins Agro-Alimentar

4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

Message from the Managing Director

2019 was a year of new achievements and closer relations with the other Jerónimo Martins Companies in Portugal. The number of products produced by the JMA businesses and sold in the Group stores increased in 2019, the most noteworthy being sea bream from Madeira and fresh milk.

Animal welfare is a requirement in our operations and, as such, it was with great satisfaction that we obtained Animal Welfare Certification at all our livestock production units.

Given how important it is for the implementation of best production practices, we strengthened our ties with the university and research system by signing new agreements and kicking off new projects in environmental sustainability.

We began strategic discussions with the purpose of identifying new production needs, which will drive the expansion of the future JMA portfolio. The consolidation and training of our team strengthens our belief that we are stronger and ready to face the challenges of 2020.

2019 Performance

In 2019, JMA consolidated the expansion of its three operating areas: Dairy (Terra Alegre), Angus beef Production and Fattening (Best Farmer) and Aquaculture (Seaculture), maintaining its mission to protect and secure sustainable access to sources of key products, while ensuring food safety, the availability and quality of products, and competitive prices. We also endeavour to stimulate innovation, differentiation and the development of products to meet the preferences of our customers, in collaboration with Pingo Doce and Recheio.

In the Dairy business, we kicked off the production of the new factory in Portalegre and rolled out new products, reinforcing the quality perception, innovation and stringency of the business. Of note are the new Pingo Doce butter and fresh milk, 100% made in Portugal, using PET packaging, which were very well accepted by consumers.

In the Livestock Farming business, where the Angus Beef fattening operation is carried out, the expansion of the Cartaxo unit's capacity began and the remodelling of the unit already installed was completed. In addition, improvement works were also carried out at Monte do Trigo farm in Alentejo, where a dairy farm operates, supplying the dairy factory. Farming activities are also developed in the Monte do Trigo estate to feed this unit's needs. All our livestock production units obtained Animal Welfare Certification this year.

As far as Aquaculture is concerned, the production of sea bass, at the concession located in Sines, now regularly supplies Pingo Doce stores. The project on the Madeira island, which is a partnership, regularly harvests sea bream and weekly supply to the stores is now in full swing. Sea bream from Madeira was promoted through an advertising campaign, including television and has been very well received by consumers.

In 2019, we continued the research project aimed at confirming the possibility of producing salmon in Portugal, along the coast of Aveiro.

JMA also signed a cooperation agreement this year with the University of Évora to conduct research and support education in its three operating areas: Agribusiness, Aquaculture and Dairy.

As part of the project, Best Farmer (by integrating trainees from the University) will conduct tests and research in areas such as animal welfare, nutrition and the efficient use of water and energy in agricultural production. Terra Alegre will promote research for the roll out of innovative dairy products on the market, while Seaculture will be given access to the facilities, equipment and materials of the Marine Sciences Laboratory, located in Sines, to aid in analysing fish pathologies and the conducting of research on the preservation of natural and artificial environments.

4.3. Specialised Retail



4.3.1. Hebe

Message from the Managing Director

In 2019, Hebe continued strengthening its position in the Polish market, recording solid sales growth and a significant improvement to market share. The Sunday trading ban had a negative impact on the market, but we kept winning by growing much faster than our competitors.

Hebe maintained a solid expansion pace with 46 new openings, reaching 273 locations at the end of the year, without compromising on the quality of the locations to ensure productivity.

We reinforced Hebe's differentiation with regular enhancements to our assortment and numerous in-store optimisations, which further improved the shopping experience for our customers, while providing additional sales and margin benefits. Moreover, we kept investing in our core assets, continuing to build capacity to reach our long-term ambition, while maintaining a strong cost discipline throughout the year.

It is also worth mentioning two important milestones for the Company's development in 2019: Hebe initiated its omnichannel transformation with the launch of our e-commerce channel and reached breakeven at EBITDA level.

2019 Performance

In 2019, Hebe increased sales by 25.9% in local currency, a growth of 24.9% in euros, while continuing to increase its customer base and average basket, both driven by a favourable category mix optimisation and an increased number of products sold per customer. This performance was achieved in a very challenging competitive environment and despite the additional impact of the Sunday trading ban of 13 days on sales.

The Company opened 46 stores over the year, keeping the focus on high traffic locations (mainly in shopping centres and arcades), ending the year with a total of 273 stores (245 drugstores and 28 stand-alone pharmacies), reinforcing the second position in market share for drugstores in Poland.

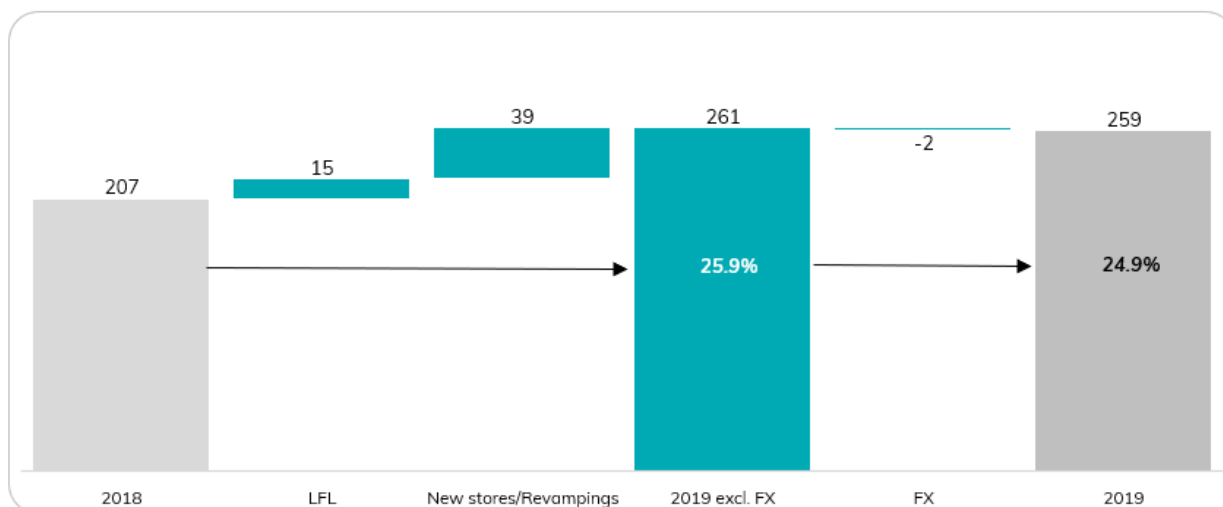
In 2019, Hebe kept growing ahead of the Health & Beauty market, already recording significant market shares in some key categories such as Make-up, Skincare and Fragrances.

The adaptation to the new and differentiating Hebe 3.0 concept is now a reality in almost 80% of the network.

The Company increased sales in both the exclusive and Private Brands portfolios, with these ranges of products already being responsible for more than 20% of sales. Hebe Professional (Make-up, Hand and Foot accessories) was the area of strongest growth in Private Brand with a solid contribution from Hebe Cosmetics (soaps and shower gels) and By hebe (accessories).

Hebe achieved an enhanced sales performance by managing strong seasonal campaigns related to Valentine's Day, Women's Day, Easter, Black Week, Christmas and New Year. The banner also reinforced the use of TV and radio commercials to support sales and brand awareness. With Hebe's e-commerce operation going live, promotional campaigns were organised around key online events such as Black Friday and Cyber Monday.

Hebe - Net Sales (million euros)



The loyalty programme reached more than 3.7 million members at the end of the year, 95% of whom are women. About 64% of the Company's total sales were made to customers who are loyalty card holders, proving the relevance of the programme.

Following current trends, Hebe improved its digital presence on social media platforms with 514 thousand fans on Facebook and 116 thousand on Instagram (an increase of more than 70% versus 2018). Hebe.pl website has been visited by an average of almost 1.2 million active users every month (average from the last 90 days). Moreover, following its launch in 2018, Hebe's Youtube channel already has 48 thousand subscribers and accounted for more than five million views.

2019 was marked by the launch of Hebe's e-commerce operation in July, which is a key milestone for the Company's omnichannel strategy. Preliminary results are very encouraging, already showing a solid basis of traffic and orders.

Following a strategy of strongly focusing on top line growth and on enhancing the margin mix, while improving operating efficiency with its omnichannel approach, the Company reached breakeven at EBITDA level in the year.

4.3.2. Jeronymo and Hussel



Message from the Managing Director

2019 was a year of change for Jeronymo and Hussel. We reviewed the store network of these two retail chains and closed stores that were not in line with their respective new models and which were, therefore, less profitable. Jeronymo closed three stores, while for Hussel two street locations were closed.

The partnership was deepened between Jeronymo and the Group's Food Service business, operated by Recheio, which represents 90% of our purchases, aiming at improving the efficiency of the supply chain.

Our efforts to satisfy ever more discerning customers, who have an increasing number of options, are focused on developing a differentiated offer.

Jeronymo continued to invest in new recipes and healthier and fresher products, created and prepared in store exclusively for our coffee shops at the hand of Chef André Cordeiro.

Hussel focused on its rebranding with a healthier assortment (sugar free, gluten free and lactose free), new sustainable packaging and UTZ certified cocoa.

In 2020, we will continue to focus on the expansion of both banners and on meeting customer needs, by incorporating new market trends.

2019 Performance

In 2019, Jeronymo's sales increased 10% compared to the previous year, while Hussel, which focused on repositioning the banner, posted a 0.6% increase in sales compared to 2018.

Jeronymo opened three new locations: two in Lisbon and one in Oporto. The new store model rolled out in 2018 (in one central Lisbon store - Ferreira Borges - the largest in the chain), was implemented in 11 street stores, offering a welcoming environment, table service and unique recipes for any time of the day.

In 2019, and to continue improving customer service, the new take away model with a dedicated checkout was tested in a store in Lisbon.

In April 2019, a Web App was rolled out for the Jeronymo loyalty programme. At the end of the year, more than 8 thousand customers had already signed up for the programme.

A partnership with Davvero artisanal ice creams was also established during the year for all Jeronymo coffee shops.

With regard to campaigns, particular attention was given to certain times of the year, such as Christmas when, in addition to increasing the offer of seasonal products, exclusive Christmas-themed products were also rolled out.

As far as Hussel is concerned, focus in 2019 was on repositioning the banner to develop a more modern and appealing brand. To this end, Hussel created a manifesto with its mission under the statement: “So Good Together” and kicked off the repackaging project, which now uses 100% recyclable materials and FSC-certified cardboard.

After establishing a partnership with Artisani in 2018 and the launch of Private Brand artisanal ice creams, Hussel now offers this assortment in 20 of its stores.

In terms of marketing, and in addition to its regular campaigns (Valentine’s Day, Easter and Halloween), a Christmas campaign was launched already under the banner’s new positioning.

The Company continued to reinforce its presence on digital channels, namely on Facebook and Instagram, rolling out a new Hussel family app in July, which already had over 5.5 thousand registered customers by the end of the year.

5. Outlook for the Jerónimo Martins Businesses

Biedronka

Biedronka's strategic priorities will continue to be sales growth and increasing market share, while simultaneously protecting the efficiency of its business model against a backdrop of increased wage pressure, as a result of the rise in the national minimum wage.

Biedronka is well prepared to continue adapting to the progressive implementation of the Sunday trading ban regulation. The 2020 LFL sales growth will nonetheless reflect the effects of seven fewer trading days.

The Company will maintain its focus on the expansion plan which is expected to add more than 100 net locations to Biedronka (c.60% of which with the standard format and the remainder under the smaller format).

The banner will also continue with the innovation and development of its offer, ensuring it meets the changing needs of consumers.

Hebe

In 2020, Hebe will continue its omnichannel transformation to enhance the shopping experience for an increasingly demanding customer and will reinforce its differentiation vis-à-vis its competitors.

Focused on growth, the Company will reinforce its value proposition, leveraging on its core features, which include the distinctive variety of its offer, competitive prices and both its service and shopping experience. By optimising its margin mix and improving operational efficiency, Hebe will continue working to enhance profitability.

Hebe will also be focused on its expansion plan with the opening of c.50 stores in 2020.

Pingo Doce

For 2020, the Company's priority will be to consolidate its positioning as food specialist by implementing the new store concept which consists in a Supermarket with the best ingredients available for those who prefer to cook themselves, with the best meal solutions to take home and with a pleasant store environment for customers who prefer to eat in the stores.

The Company will continue to improve its infrastructure refurbishing c.30 of its existing stores and investing in its expansion, by opening about 10 new stores.

Recheio

In 2020, the Company will focus on reinforcing its positioning in the HoReCa channel, with the opening of a new store in Cascais.

It will also continue to refurbish its store network in order to improve the shopping experience and customer service, as well as to invest in the Perishables category, its area of expertise, and the Private Brand assortment, where it aims to differentiate.

Recheio will continue to keep Food Service a priority area for the future, with investments in new service solutions and an increasingly differentiated offer. Next year, is expected the construction of a new Food Service platform in the Lisbon metropolitan area.

Ara

The Company's top priority for 2020 will be to ensure strong LFL sales growth, by continuing to leverage the potential of each store. To this end, it will reinforce the price leadership perception among consumers.

Ara will remain focused on expanding its infrastructure, both of stores (opening of around 130 stores) and Distribution Centres. The expansion plan together with the reinforcement of the value proposition (assortment and strong price position) will be key drivers to accelerate the reduction of EBITDA losses to reach the respective breakeven by 2021.

At the beginning of 2020, the opening of two Distribution Centres built in 2019, one to replace the rented warehouse in the Coffee Growing Region and another in Montería in the Caribbean region, will enable the store network to continue expanding on the one hand, and to improve efficiency and service to the operation, on the other.

Jerónimo Martins Agro-Alimentar (JMA)

The challenges in the coming year are related mainly to the need to increase production, taking the Group's needs into account, by identifying opportunities to expand to new geographic areas, which could offer the opportunity to develop and improve our production capacity or to establish partnerships in new business areas.

We will continue to view Agribusiness as key to securing the sustainability of our supply chains, endeavouring to protect and improve the offer and making a difference for our customers.

Jeronymo and Hussel

For 2020, both banners hope to leverage the development of their renewed image and positioning designed throughout 2019.

Jeronymo will continue its search for the best locations to develop and implement its coffee shop models and will remain focused on improving and adjusting its assortment to new trends. Hussel, meanwhile, will focus on implementing its new image in all of its stores.

6. Events after the Balance Sheet Date

At the conclusion of this report there were no relevant events to highlight that are not disclosed in the Financial Statements.

7. Dividend Distribution Policy

The Company's Board of Directors has 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.

At the 11 April 2019 AGM, considering the above-mentioned policy and following the Board of Directors' proposal, it was resolved to distribute dividends in a total amount of 204.2 million euros.

This translated in a gross dividend of 0.325 euros per share, paid in May 2019, equivalent to 50% of the 2018' ordinary consolidated net earnings.

Bearing in mind that the consolidated net earnings for 2019 are impacted by the effects resulting from the adoption of the IFRS16 accounting standard, which do not represent cash disbursements, the Board of Directors will propose, at the Annual General Shareholder's Meeting, the distribution of 216.8 million euros in dividends, corresponding to the application of the defined policy adjusted for the accounting effects of the adoption of the referred standard.

This proposal corresponds to a gross dividend of 0.345 euros per share, excluding the 859,000 own shares in the portfolio, representing a payout of c.50% of consolidated net earnings excluded from the effects of the IFRS16.

The proposed dividend distribution preserves the Group full flexibility to accelerate its expansion plans and to take advantage of any potential non-organic growth opportunities while maintaining a low level of net debt exposure.

8. Results Appropriation Proposal

In the 2019 financial year, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 389,865,562.94 euros and a profit in individual accounts of 754,394,693.64 euros.

The Board of Directors proposes to the Company' Shareholders the following application of the net profits for the year:

- Free Reserves 537,584,887.74 euros;
- Dividends 216,809,805.90 euros.

The proposed distribution of profits for the year represents a **gross dividend payment of 0.345 euros** per share, excluding own shares in the portfolio.

Lisbon, 19 February 2020

The Board of Directors

9. Management Report Annex

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 31.12.18		Increases during the period		Decreases during the period		Held on 31.12.19	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Viana-Baptista	-	-	-	-	-	-	-	-
A. Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) ¹	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Elizabeth Ann Bastoni ³	n.a.	-	-	-	-	-	-	-
Francisco Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt ⁴	19,700	-	-	-	-	-	n.a.	-
Henrique Soares dos Santos ⁴	26,455 ²	-	-	-	-	-	n.a.	-
José Soares dos Santos ³	n.a.	-	-	-	-	-	20,509	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) ¹	n.a.	-	-	-	-	-	353,260,814	-
María Ángela Holguín ³	n.a.	-	-	-	-	-	-	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

¹ Sociedade Francisco Manuel dos Santos, B.V.

² Of which 1,500 shares held by spouse

³ Appointed in April 11, 2019 to the Board of Directors

⁴ Ceased his duties as Director on April 11, 2019

Statutory Auditor

As at 31 December 2019, the Statutory Auditor Ernst & Young Audit & Associados, SROC, S.A., 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 Qualifying Holdings as at 31 December 2019*

(Pursuant to 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
Sociedade Francisco Manuel dos Santos, SGPS, S.E. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.14%	353,260,814	56.14%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.00%	31,464,750	5.00%
BNP Paribas Asset Management Holding S.A. Through Investment Funds Managed by BNP Paribas	n.d.**	n.d.**	n.d.**	2.77%
JP Morgan Asset Management Holdings Through Investment Funds Managed by JP Morgan Of which, through JP Morgan Investment Management	14,815,917 n.d.**	2.35% n.d.**	14,815,917 n.d.**	2.35% 2.04%
T. Rowe Price Group, Inc. Through T. Rowe Price International Ltd	12,821,174	2.04%	12,694,305	2.02%
BlackRock, Inc.	n.d.**	n.d.**	12,620,324	2.01%

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

** Information not disclosed to the issuer.

10. Reconciliation Notes

(Following ESMA guidelines on Alternative Performance Measures from October 2015)

Income Statement

Income Statement (in Management Report)	Consolidated Income Statement by Functions (in Consolidated Financial Statements)
Net Sales and Services	Net sales and services
Gross Profit	Gross profit
Operating Costs	Includes headings of Distribution costs; Administrative costs; Other operating costs, excluding the amount of €-715.1 mn related to Depreciations
EBITDA	
Depreciation	Value reflected in the note – Segments Reporting. The difference to the note Operating costs by nature or Tangible and Intangible assets is referring to the depreciations amount of non-recurrent (€-0.3 mn)
EBIT	
Net Financial Costs	Net financial costs
Gains in Joint Ventures and Associates	Gains (losses) in joint ventures and associates
Other Profits/Losses	Includes headings of Other operating profits/losses; Gains in disposal of business (when applicable) and Gains (losses) in other investments (when applicable)
EBT	
Income Tax	Income tax
Net Profit	
Non-Controlling Interests	Non-Controlling interests
Net Profit Attributable to JM	

Balance Sheet

Balance Sheet (in Management Report)	Consolidated Balance Sheet (in Consolidated Financial Statements)
Net Goodwill	Amount of €640.7 mn referring to Net goodwill reflected in the heading of Intangible assets
Net Fixed Assets	Includes the headings Tangible and Intangible assets excluding the Net goodwill (€640.7 mn) and Financial leases (€17.1 mn)
Net Rights of Use (RoU)	Includes the heading of Net rights of use excluding the Financial leases (€17.1 mn)
Total Working Capital	Includes the headings Current trade debtors, Accrued income and Deferred costs; Inventories; Biological assets; Trade creditors, Accrued costs and Deferred income; Employee benefits; and also, the value of €4.0 mn Cash and cash equivalents (note - Cash and cash equivalents) and the value of €-12.9 mn related to 'Others' due to its operational nature. Excludes the value of €-0.4 mn related to Interest accruals and deferrals (note - Net financial debt)
Others	Includes the headings Investment property; Investments in joint ventures and associates; Other financial investments; Non-Current trade debtors, Accrued income and Deferred costs; Deferred tax assets and liabilities; Income tax receivable and payable; and Provisions for risks and contingencies. Excludes the value of €19.4 mn related to collateral Deposits associated to Financial debt (note - Trade debtors, Accrued income and Deferred costs); and also, the value of €-12.9 mn related to 'Others' due to its operational nature
Invested Capital	
Total Borrowings	Includes the heading Borrowings current and non-current
Financial Leases	Value reflected in the headings of Lease liabilities current and non-current
Capitalised Operating Leases	Including the headings of Lease liabilities current and non-current deducted of liabilities with Financial leases (€16.5 mn)
Accrued Interest	Includes the heading Derivative financial instruments and the value of €0.4 mn related to Interest accruals and deferrals (value reflected in note – Net financial debt)
Marketable Securities and Bank Deposits	Includes the heading Cash and cash equivalents and the value of €19.4 mn related to collateral deposits associated to Financial debt (reflected in the note – Trade debtors) and excludes the value of €4.0 mn in Cash and cash equivalents (reflected in note - Cash and cash equivalents)
Net Debt	
Non-Controlling Interests	Non-Controlling interests
Share Capital	Share capital
Reserves and Retained Earnings	Includes the heading Share premium, Own shares, Other reserves and Retained earnings
Shareholders' Funds	

Cash Flow

Cash Flow (in Management Report)	Consolidated Cash Flow Statement (in Consolidated Financial Statements)
EBITDA	Included in the heading of Cash generated from operations
Capitalised Operating Leases Payment	Included in the heading Leases paid
Interest Payment	Includes the headings of Loans interest paid, Leases interest paid and Interest received
Income Tax	Income tax paid
Funds from Operations	
Capex Payment	Includes the headings Disposal of tangible and intangible assets; Disposal of financial and investment property; Acquisition of tangible and intangible assets; Acquisition of financial investments and investment property. It also includes acquisitions of tangible assets classified as finance leases under previous regulations (€6.7 mn)
Change in Working Capital	Included in the heading of Cash generated from operations
Others	Includes the headings disposal of business (when applicable), being the remaining amount included in the heading Cash generated from operations
Cash Flow	

**Jerónimo
Martins**



**CONSOLIDATED
FINANCIAL STATEMENTS**

Consolidated Financial Statements

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The Group adopted for the first time on 1 January 2019 the new standard IFRS 16 Leases, according with the modified retrospective method. The comparative information for the year 2018 is not restated (See note 2.1.1.).

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

				Euro thousand	
	Notes	2019	2018	4th Quarter 2019	4th Quarter 2018
Sales and services rendered	3	18,638,220	17,336,708	4,975,978	4,536,775
Cost of sales	4	(14,562,712)	(13,576,829)	(3,891,437)	(3,545,993)
Gross profit		4,075,508	3,759,879	1,084,541	990,782
Distribution costs	4	(3,031,343)	(2,874,490)	(792,193)	(747,266)
Administrative costs	4	(322,294)	(289,299)	(91,568)	(87,353)
Other operating profits/losses	4.1	(15,840)	(9,376)	(7,847)	(2,300)
Operating profit		706,031	586,714	192,933	153,863
Net financial costs	6	(158,704)	(25,112)	(31,630)	(5,660)
Gains (losses) in joint ventures and associates		(2)	188	(169)	55
Gains (losses) in other investments		1,901	-	(421)	-
Profit before taxes		549,226	561,790	160,713	148,258
Income tax	7	(128,459)	(131,930)	(29,416)	(29,672)
Profit before non-controlling interests		420,767	429,860	131,297	118,586
Attributable to:					
Non-controlling interests		30,901	28,816	7,993	9,642
Jerónimo Martins Shareholders		389,866	401,044	123,304	108,944
Basic and diluted earnings per share - Euros	18	0.6204	0.6382	0.1962	0.1734

To be read with the attached notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

				Euro thousand	
	Notes	2019	2018	4th Quarter 2019	4th Quarter 2018
Net profit		420,767	429,860	131,297	118,586
Other comprehensive income:					
Remeasurements of post-employment benefit obligations	5.2	1,746	224	1,746	224
Related tax	7.3	(393)	(50)	(393)	(50)
Items that will not be reclassified to profit or loss		1,353	174	1,353	174
Currency translation differences		14,274	(29,436)	29,205	(7,482)
Change in fair value of cash flow hedges	12	35	(285)	(371)	(86)
Change in fair value of hedging instruments on foreign operations	12	(4,444)	3,589	(4,021)	(102)
Related tax		170	195	533	(43)
Items that may be reclassified to profit or loss		10,035	(25,937)	25,346	(7,713)
Other comprehensive income, net of income tax		11,388	(25,763)	26,699	(7,539)
Total comprehensive income		432,155	404,097	157,996	111,047
Attributable to:					
Non-controlling interests		30,845	28,864	7,937	9,690
Jerónimo Martins Shareholders		401,310	375,233	150,059	101,357
Total comprehensive income		432,155	404,097	157,996	111,047

To be read with the attached notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

		Euro thousand	
	Notes	2019	2018
Assets			
Tangible assets	8	3,969,937	3,687,053
Intangible assets	9	794,010	792,514
Investment property	10	8,563	11,676
Right-of-use assets	11.1	2,334,949	-
Biological assets		3,336	3,398
Investments in joint ventures and associates		5,193	3,245
Other financial investments		1,327	1,321
Trade debtors, accrued income and deferred costs	14	86,767	84,713
Deferred tax assets	7.3	138,130	114,840
Total non-current assets		7,342,212	4,698,760
Inventories		1,038,627	970,653
Biological assets		5,563	3,790
Income tax receivable		11,469	5,035
Trade debtors, accrued income and deferred costs	14	424,689	435,642
Derivative financial instruments	12	-	59
Cash and cash equivalents	15	929,311	545,988
Total current assets		2,409,659	1,961,167
Total assets		9,751,871	6,659,927
Shareholders' equity and liabilities			
Share capital		629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Other reserves		(67,011)	(77,046)
Retained earnings	17	1,396,293	1,209,259
		1,974,967	1,777,898
Non-controlling interests		253,941	238,356
Total shareholders' equity		2,228,908	2,016,254
Borrowings	19	308,764	288,390
Lease liabilities	11.2	1,999,293	-
Trade creditors, accrued costs and deferred income	21	764	774
Derivative financial instruments	12	-	62
Employee benefits	5.2	69,669	65,069
Provisions for risks and contingencies	20	27,780	26,565
Deferred tax liabilities	7.3	70,678	75,627
Total non-current liabilities		2,476,948	456,487
Borrowings	19	423,685	350,814
Lease liabilities	11.2	384,980	-
Trade creditors, accrued costs and deferred income	21	4,182,149	3,794,411
Derivative financial instruments	12	3,056	159
Income tax payable		52,145	41,802
Total current liabilities		5,046,015	4,187,186
Total shareholders' equity and liabilities		9,751,871	6,659,927

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Euro thousand

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.							Non-controlling interests	Shareholders' equity
	Share capital	Share premium	Own shares	Other reserves		Retained earnings	Total		
				Cash flow hedge	Currency translation reserves				
Balance Sheet as at 1 January 2018	629,293	22,452	(6,060)	184	(51,293)	1,193,319	1,787,895	225,298	2,013,193
Equity changes in 2018									
Currency translation differences				(3)	(29,292)		(29,295)		(29,295)
Change in fair value of cash flow hedging				(231)			(231)		(231)
Change in fair value of hedging instruments on foreign operations					3,589		3,589		3,589
Remeasurements of post-employment benefit obligations						126	126	48	174
Other comprehensive income	-	-	-	(234)	(25,703)	126	(25,811)	48	(25,763)
Net profit						401,044	401,044	28,816	429,860
Total comprehensive income	-	-	-	(234)	(25,703)	401,170	375,233	28,864	404,097
Dividends						(385,230)	(385,230)	(15,806)	(401,036)
Balance Sheet as at 31 December 2018	629,293	22,452	(6,060)	(50)	(76,996)	1,209,259	1,777,898	238,356	2,016,254
Balance Sheet as at 1 January 2019									
Balance Sheet as at 1 January 2019	629,293	22,452	(6,060)	(50)	(76,996)	1,209,259	1,777,898	238,356	2,016,254
Equity changes in 2019									
Currency translation differences					14,451		14,451		14,451
Change in fair value of cash flow hedging				28			28		28
Change in fair value of hedging instruments on foreign operations					(4,444)		(4,444)		(4,444)
Remeasurements of post-employment benefit obligations						1,409	1,409	(56)	1,353
Other comprehensive income	-	-	-	28	10,007	1,409	11,444	(56)	11,388
Net profit						389,866	389,866	30,901	420,767
Total comprehensive income	-	-	-	28	10,007	391,275	401,310	30,845	432,155
Dividends (note 17.3)						(204,241)	(204,241)	(15,260)	(219,501)
Balance Sheet as at 31 December 2019	629,293	22,452	(6,060)	(22)	(66,989)	1,396,293	1,974,967	253,941	2,228,908

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

		Euro thousand	
	Notes	2019	2018*
Operating Activities			
Cash received from customers		21,008,673	19,549,814
Cash paid to suppliers		(17,750,432)	(17,092,462)
Cash paid to employees		(1,611,645)	(1,434,545)
Cash generated from operations	16	1,646,596	1,022,807
Income taxes paid		(154,503)	(147,772)
Cash flow from operating activities		1,492,093	875,035
Investment activities			
Disposals of tangible and intangible assets		1,831	1,931
Disposals of other financial investments and investment property		5,000	2,096
Interest received		3,611	2,101
Dividends received		96	46
Acquisition of tangible and intangible assets		(575,529)	(719,759)
Acquisition of other financial investments and investment property		(6)	-
Acquisition and investments in joint ventures and associates		(2,000)	(1,500)
Collateral deposits associated to financial debt		-	15,000
Cash flow from investment activities		(566,997)	(700,085)
Financing activities			
Loans interest paid		(33,057)	(26,446)
Leases interest paid	6	(132,642)	-
Net change in loans	19	99,937	128,322
Leases paid	11.2	(264,197)	-
Dividends paid	17.3	(219,501)	(401,036)
Cash flow from financing activities		(549,460)	(299,160)
Net changes in cash and cash equivalents		375,636	(124,210)
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		545,988	681,333
Net changes in cash and cash equivalents		375,636	(124,210)
Effect of currency translation differences		7,687	(11,135)
Cash and cash equivalents at the end of December	15	929,311	545,988

To be read with the attached notes to the consolidated financial statements

* As allowed by IAS 7, par. 31-33, the information regarding 2018 was restated, with the transfer of the line "Loans interest paid" from operating activities to financing activities. This reclassification ensures an alignment between the Group external and internal reporting, considering its non-financial nature, where the payment of loans interests is seen as being part of financing activities.

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

	Euro thousand			
	2019	2018	4th Quarter 2019	4th Quarter 2018
Cash Flow from operating activities	1,492,093	875,035	424,010	347,448
Cash Flow from investment activities	(566,997)	(700,085)	(177,323)	(173,706)
Cash Flow from financing activities	(549,460)	(299,160)	(47,062)	35,413
Cash and cash equivalents changes	375,636	(124,210)	199,625	209,155

The amounts presented for quarters are not audited.

1 Activity

Jerónimo Martins, SGPS, S.A. (JMH), is the parent Company of Jerónimo Martins (Group), which includes the Companies detailed in notes 26 and 28. The activities of the Group and its performance during the year 2019 are detailed in Chapter II – Management Report.

Head Office: Rua Actor António Silva, n.º 7, 1649-033 Lisboa.

Share Capital: 629,293,220 euros.

Registered at the Commercial Registry Office and Tax Number: 500100144.

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Consolidated Financial Statements on 19 February 2020.

2 Accounting policies

The most significant accounting policies are described in the notes to these Consolidated Financial Statements. The accounting policies identified in this note are applied across the preparation of the Financial Statements. These policies were consistently applied in comparative periods, except where otherwise stated.

2.1 Basis for preparation

All amounts are shown in thousand euros (EUR thousand) unless otherwise stated.

The amounts presented for quarters, and the corresponding changes are not audited.

The Consolidated Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), as at 31 December 2019.

The JMH Consolidated Financial Statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, biological assets and financial assets at fair value through profit or loss, which were measured at fair value (market value).

The preparation of Financial Statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by The Management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.6)

Change in accounting policies and basis for presentation:

2.1.1 New and amended standards adopted by the Group

Between November 2017 and March 2019, the EU issued the following Regulations, which were adopted by the Group from 1 January 2019:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1986/2017	IFRS 16 Leases (new)	January 2016	1 January 2019
Regulation no. 498/2018	IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (amendments)	October 2017	1 January 2019
Regulation no. 1595/2018	IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019
Regulation no. 237/2019	IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (amendments)	October 2017	1 January 2019
Regulation no. 402/2019	IAS 19: Employee Benefits: Plan Amendment, Curtailment or Settlement (amendments)	February 2018	1 January 2019
Regulation no. 412/2019	Annual Improvements to IFRS's 2015–2017 Cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IAS 23 Borrowing Costs (amendments)	December 2017	1 January 2019

The Group adopted the amendments and the new interpretation, with no significant impact on its Consolidated Financial Statements, except for the adoption of the new standard IFRS 16 Leases.

The Group adopted for the first time the new standard IFRS 16 Leases, with no restatement of the comparative Financial Statements. As required by the standards, the nature and effect of these changes are disclosed below:

IFRS 16 Leases

The new standard IFRS 16 eliminated the classification of leases as either operating leases or finance leases for lessees, as it was required by IAS 17 and, instead, introduced a single accounting model, very similar to the previous treatment that was given to finance leases in lessee accounts.

This single accounting model provides for the lessee the recognition of: i. assets and liabilities in the Balance Sheet for all leases with a term of more than 12 months, unless the underlying asset is of low value, regardless of the lease term; and ii. depreciation of lease assets separately from interest on lease liabilities in the Income Statement.

The Group adopted the new standard from 1 January 2019, using the modified retrospective approach in its consolidated accounts, under the transitional provisions of the standard, with no restatement of the 2018 comparative accounts and no impact on Group's Shareholder Equity at transition date.

The Group's leases relate mostly to store and warehouse rent contracts. In respect to its previous commitments regarding operating leases, on transition, the Group recognised at 1 January 2019 in the consolidated Balance Sheet right-of-use assets in the amount of EUR 2,403,441 thousand, lease liabilities in the amount of EUR 2,398,006 thousand and an adjustment in accruals and deferrals in the amount of EUR 5,435 thousand.

In respect to its previous commitments regarding finance leases, in transition, the carrying amount recognised in lease assets and lease liabilities as at 31 December 2018 (EUR 14,211 thousand and EUR 15,149 thousand, respectively) were considered as right-of-use assets and lease liabilities under IFRS 16 on 1 January 2019.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is in the range between 2.5% and 8.9%, based on the features of the agreement (underlying asset and guarantees, currency and term).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- i) the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ii) the accounting for operating leases with a remaining lease term of less than 12 months at transition date as short-term leases;
- iii) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- iv) the use of hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The reconciliation between the amount of the Group's operating lease commitments as disclosed in the previous year's financial statements and the amount of lease liabilities recognised on the date of initial application is as follows:

Operating lease commitments disclosed as at 31 December 2018	3,063,579
Add: service contracts reassessed as lease contracts	47,865
(Less): short-term leases recognised on a straight-line basis as expense	(7,711)
(Less): low-value leases recognised on a straight-line basis as expense	(97)
Add/(less): adjustments as result of a different treatment of extension and termination options	527,141
Add/(less): other adjustments relating to first time application of IFRS 16	6,372
Undiscounted lease liability recognised as at 1 January 2019	3,637,149
Discounted using the group's incremental borrowing rate (average 5.67%)	(1,239,143)
Discounted lease liability recognised as at 1 January 2019	2,398,006
Add: finance lease liabilities recognised as at 31 December 2018	15,149
Lease liability recognised as at 1 January 2019	2,413,155

The impact of the adoption of the new standard IFRS 16 in the opening balances at 1 January 2019 was as presented:

	Euro thousand		
	31/12/2018	Transition Adj. IFRS 16	01/01/2019
Assets			
Tangible assets	3,687,053	(14,211)	3,672,842
Intangible assets	792,514		792,514
Investment property	11,676		11,676
Right-of-use assets	-	2,417,652	2,417,652
Biological assets	3,398		3,398
Investments in joint ventures and associates	3,245		3,245
Other financial investments	1,321		1,321
Trade debtors, accrued income and deferred costs	84,713		84,713
Deferred tax assets	114,840		114,840
Total non-current assets	4,698,760	2,403,441	7,102,201
Inventories	970,653		970,653
Biological assets	3,790		3,790
Income tax receivable	5,035		5,035
Trade debtors, accrued income and deferred costs	435,642	(5,435)	430,207
Derivative financial instruments	59		59
Cash and cash equivalents	545,988		545,988
Total current assets	1,961,167	(5,435)	1,955,732
Total assets	6,659,927	2,398,006	9,057,933
Shareholders' equity and liabilities			
Share capital	629,293		629,293
Share premium	22,452		22,452
Own shares	(6,060)		(6,060)
Other reserves	(77,046)		(77,046)
Retained earnings	1,209,259		1,209,259
	1,777,898	-	1,777,898
Non-controlling interests	238,356		238,356
Total Shareholders' equity	2,016,254	-	2,016,254
Borrowings	288,390	(10,866)	277,524
Lease liabilities	-	2,042,191	2,042,191
Trade creditors, accrued costs and deferred income	774		774
Derivative financial instruments	62		62
Employee benefits	65,069		65,069
Provisions for risks and contingencies	26,565		26,565
Deferred tax liabilities	75,627		75,627
Total non-current liabilities	456,487	2,031,325	2,487,812
Borrowings	350,814	(4,283)	346,531
Lease liabilities	-	370,964	370,964
Trade creditors, accrued costs and deferred income	3,794,411		3,794,411
Derivative financial instruments	159		159
Income tax payable	41,802		41,802
Total current liabilities	4,187,186	366,681	4,553,867
Total Shareholders' equity and liabilities	6,659,927	2,398,006	9,057,933

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2019 and not early adopted

The EU endorsed between November 2019 and January 2020, several amendments, issued by the International Accounting Standards Board (IASB), to be applied in subsequent periods:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 2075/2019	Amendments to References to the Conceptual Framework in IFRS Standards	March 2018	1 January 2020
Regulation no. 2104/2019	Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)	October 2018	1 January 2020
Regulation no. 34/2020	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020

These amendments are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these Consolidated Financial Statements. None of these changes are expected to have a significant impact on the Group's Consolidated Financial Statements.

2.1.3 New standards, amendments and interpretations issued by IASB and IFRIC, but not yet endorsed by EU

IASB issued between May 2017 and October 2018 the following standard and amendments that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 17 Insurance Contracts (new)	May 2017	1 January 2021
IFRS 3 Business Combinations: Definition of a Business (amendments)	October 2018	1 January 2020

The Management is currently evaluating the impact of adopting these new standard and amendments to standards already in place, and so far does not expect a significant impact on the Group's Consolidated Financial Statements.

2.1.4 Change of accounting policies

Except as disclosed above, the Group has not changed its accounting policies during 2019, nor were identified errors regarding previous years, which compel the restatement of Financial Statements.

2.2. Basis for consolidation

Reference dates

The Consolidated Financial Statements include, as at 31 December 2019, assets, liabilities and profit or loss of Group Companies, i.e. the ensemble consisting of JMH and its subsidiaries, joint ventures and associates, which are presented in notes 26 and 28, respectively.

Business combinations

For business combinations involving entities under common control, assets and liabilities are valued at book value and there are no impacts recognised in profit and loss.

Investments in subsidiaries

Subsidiaries are all entities over which JMH has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and the equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

In cases where the share capital of subsidiaries is not held at 100%, a non-controlling interest is recognised relative to the portion of results and net value of assets attributable to third parties.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

The accounting policies used by the subsidiaries to comply with legal requirements, whenever necessary have been changed to ensure consistency with the policies adopted by the Group.

Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The Group's investment in associates includes Goodwill identified on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements (see note 2.6) and, for those determined as joint ventures, they are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

Goodwill represents the surplus of acquisition cost over the fair value of identifiable assets and liabilities attributable to the Group at the date of acquisition or first consolidation. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

Goodwill impairment reviews are undertaken by the Group, annually or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of Goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Whenever the carrying value of Goodwill exceeds its recoverable amount, an impairment is recognised immediately as an expense and is not subsequently reversed (note 2.5.1).

The gain or loss on the disposal of an entity includes the carrying amount of Goodwill related to the entity sold, unless the business to which that Goodwill is related is maintained and generates benefits to the Group.

Non-controlling interests

Non-controlling interests are the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries that are not directly or indirectly attributable to JMH.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loss of control or significant influence

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the measurement of the retained interest as a financial asset.

Foreign currency translation

The Financial Statements of foreign entities are translated into euros based on the closing exchange rate for assets and liabilities and historical exchange rates for equity. Income and expenses are translated at the average monthly exchange rate, which is approximately the exchange rate on the date of the respective transactions.

Exchange differences arising in the translation are recognised directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 12).

Whenever a foreign entity is sold, accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Balances and transactions between Group Companies

Inter-company transactions, balances and unrealised gains between subsidiaries and between these and the Parent Company are eliminated in the consolidation process. Unrealised losses are also eliminated unless the cost cannot be recovered.

Unrealised gains arising from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated except when providing proof of impairment of the asset transferred.

2.3 Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency (euro) at the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date and exchange differences arising from this conversion are recognised in the income statement. When qualifying as cash flow hedges or hedges on investments in foreign subsidiaries or when classified as other financial investments, which are equity instruments, the exchange differences are deferred in equity.

The main exchange rates applied on the balance sheet date are those listed below:

Euro foreign exchange reference rates (x foreign exchange units per 1 euro)	 Polish Zloty (PLN)	 Swiss Franc (CHF)	 Colombian Peso (COP)
Rate at 31 December 2019	4.2568	1.0854	3,685.7100
Average rate for the year	4.2968	-	3,680.6200
Rate at 31 December 2018	4.3014	1.1269	3,751.2000
Average rate for the year	4.2614	-	3,489.6000

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), fair value through profit or loss (FVTPL), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's model adopted for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The model adopted by the Group for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The model adopted determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

i. Financial assets at amortised cost

The Group measures financial assets at amortised cost if held within the adopted model, with the objective to hold financial assets in order to collect contractual cash flow, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment tests. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes mostly trade receivables.

ii. Financial assets at fair value through OCI

The Group measures financial assets at fair value through OCI if held within the adopted model, with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets under this category.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets previously recognized in OCI are never recycled to profit or loss. Dividends are recognised as financial income in the income statement when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category. Equity investments are accounted at cost when the fair value cannot be reliably determined.

iv. Financial assets at fair value through profit or loss

This category corresponds to the financial assets that do not meet the criteria for amortised cost or fair value through OCI and include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the adopted model. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement.

This category includes the derivative instruments not considered for hedge accounting.

Derecognition

Financial assets are derecognised when: i. the Group's contractual rights to receive their cash flows expire; ii. the Group has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

2.4.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the income statement.

ii. Financial liabilities at amortised cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as financial costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new one. The difference in the respective carrying amounts is recognised in the income statement.

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 10), inventories (note 13) and deferred tax assets (note 7.3), all Group assets are analysed at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

Irrespective of whether there is any indication of impairment, for Goodwill, intangible assets not yet available for use and other intangible assets with indefinite useful life, the recoverable amount is determined annually at the balance sheet date.

The recoverable amount of the Group's assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset, or the cash-generating unit to which the same belongs, exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement of the year.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

The value in use of an asset is calculated as the present value of estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

The recoverable amount of assets that do not generate independent cash flow is determined together with the cash-generating unit to which these assets belong.

Reversal of impairment losses

An impairment loss recognised as related to Goodwill is not reversed.

Impairment losses for other assets are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed to the extent of the amount, net of amortisation or depreciation, that would have been determined for the asset if no impairment loss were recognised.

2.5.2 Impairment of financial assets

Customers, debtors and other financial assets

The Group recognises an impairment for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted base on estimation of the original effective interest rate. The estimated cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs, not tracking changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. When performing the loss allowance assessment, the Group takes into consideration the historical credit loss experience, adjusted to forward looking factors specific to the debtors or the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.6 Critical accounting estimates and judgments on the preparation of the Financial Statements

Tangible and intangible assets, and investment property

Determining the fair value of investment property, as well as the useful life of assets, is based on Management estimates. Determining impairment losses of these tangible and intangible assets also involves the use of estimates. The value in use or the fair value of these assets (including Goodwill) are normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

If the cash flow assumptions were reduced by 10% compared to the estimates, or if the discount rate was higher by 100 bps, according to current projections of the business areas the Goodwill would still be recoverable and there would be no risk of impairment (see note 9.4).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options and applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., leasehold improvements or significant customization to the lease asset). These options are used to maximize operational flexibility in terms of managing contracts. A significant part of extension and termination options held are exercisable only by the Group companies and not by the respective lessor.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 62% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentage applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the group with such variable lease contracts would increase total variable lease payments by approximately 15%.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in most leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The average IBR used by the Group to discount the initial lease liabilities was 5.67%.

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods. The use of valuation methodologies requires the use of assumptions, with some assumptions resulting from estimates. Therefore, changes in those assumptions could result in a change in the fair value reported (see note 12).

Deferred taxes

Recognising deferred taxes assumes the existence of results and future taxable income. Deferred tax assets and liabilities were determined based on tax legislation currently effective for the Group Companies, or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

If the rates used to recognise deferred taxes increase by 1 p.p., the impact in Group accounts would be the following:

	Impact on Group accounts	
	Income statement	Other comprehensive income
Portugal	2,100	49
Poland	1,010	10

A positive amount means a gain in Group accounts.

Impairment losses of clients and debtors

The Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the reasonableness of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history, changes in the client's payment terms and forward-looking factors specific to the debtors and the economic environment. If the client or debtor's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining obligations for pension and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and obligations for the benefit plans.

In determining the appropriate discount rate, Management considers the interest rates of corporate bonds with an 'AA' rating or above, as set by an internationally acknowledged rating agency. These rates are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The definition of the criteria to select the corporate bonds to include in the population from which the yield curve is derived requires judgement, the most significant being the selection of the size of the population, the bond issue size, the quality of the bonds, and identification of outliers data to exclude.

Considering the information available from Bloomberg and some necessary estimation to derive the yield curve, the Group defined the following ranges:

Portugal

- Narrow range [0.35% - 0.75%]
- Extended range [0.15% - 0.95%]

Based on these results and following the recommendation of the external actuaries, the Group has decided to reduce its discount rate from 1.40% to 0.55%.

Poland

- Narrow range [1.80% - 2.20%]
- Extended range [1.60% - 2.40%]

Based on these results and following the recommendation of the external actuaries, the Group has decided to reduce its discount rate from 2.80% to 2.00%.

The table below shows the impacts on the obligations with defined benefit plans of the Group, resulting from changes in the following assumptions:

			Impact on defined benefit obligations		
	Assumption used		Change in assumption	Increase in assumption	Decrease in assumption
	PT	PL			
Discount rate	0.55%	2.00%	0.50%	(2,327)	2,476
Salary growth rate	3.00%	4% / 3%	0.50%	1,810	(1,718)
Pension growth rate	3.00%		0.50%	612	(572)
Life expectancy	TV 88/90	GUS 2018	1 year	1,144	(1,074)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

The Group exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful, or to record a liability. Provisions are recognised when the Group expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, actual losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Changes to estimates of potential losses on proceedings under way may significantly affect future results.

Investment in associates

The Management assessed the level of influence that the Group has on Novo Verde – Sociedade Gestora de Resíduos de Embalagens, S.A., with a percentage of control of 30% and a percentage of interest of 15.3%. Given the legal regime applicable to waste management companies, which prevent this type of company from distributing reserves and retained earnings to its shareholders, this investment cannot be classified in the Group's accounts as an associate and has therefore been classified as other financial investments.

Investment in joint arrangements

The Group holds 51% of the voting rights of its joint arrangement in JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR). Based on the contractual arrangements with the other Investor, the Group has the power to appoint and remove the majority of members of the Board of Directors. In addition, all key management personnel with the powers to conduct the relevant activities of JMR are employees of another company 100% owned by Jerónimo Martins. For these reasons, the Management concluded that the Group has the practical ability to direct the relevant activities of JMR and hence has the control over the Company. Therefore JMR is classified as a subsidiary, as well as all entities directly controlled by JMR.

2.7 Fair value of financial instruments

To determine the fair value of a financial asset or liability, the market price is applied, if such a market exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis (level 1). Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions.

The Group applies valuation techniques for unlisted financial instruments, such as derivatives, fair value financial instruments held for sale and biological assets through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility (level 2). For derivatives valuation, the Group also uses the valuations provided by the counterparties.

Cash and cash equivalents, debtors and accruals

These financial instruments include mainly short-term financial assets and for that reason their accounting value at the reporting date is considered approximately their fair value.

Other financial investments

Listed financial instruments are recognised in the balance sheet at their fair value. The equity investments are stated at cost, reduced by any impairment loss, since its fair value cannot be reliably measured.

Borrowings

The fair value of borrowings is obtained from the discount cash flow of all expected payments. The expected cash flows are discounted using actual market interest rates. At the reporting date the carrying value is approximately its fair value.

Creditors and accruals

These financial instruments include mainly short-term financial liabilities, and for that reason their accounting value at the reporting date is considered approximately their fair value.

2.8 Fair value hierarchy

The following table shows the Group's assets and liabilities that are measured at fair value at 31 December according to the following fair value hierarchy levels:

- Level 1: The fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date;
- Level 2: The fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, which may involve other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data. This level includes biological assets and the over-the-counter derivatives entered into by the Group, whose valuations are provided by the respective counterparties;
- Level 3: The fair value is not based on quoted prices obtained in active markets, but determined by using valuation models whose main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts.

2019	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	8,563	-	-	8,563
Biological assets				
Consumable biological assets	6,908	-	6,908	-
Bearer biological assets	1,991	-	1,991	-
Total assets	17,462	-	8,899	8,563
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives held for trading	415	-	415	-
Derivatives used for hedging	2,641	-	2,641	-
Total liabilities	3,056	-	3,056	-
2018	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	11,676	-	-	11,676
Biological assets				
Consumable biological assets	5,188	-	5,188	-
Bearer biological assets	2,000	-	2,000	-
Derivative financial instruments				
Derivatives held for trading	33	-	33	-
Derivatives used for hedging	26	-	26	-
Total assets	18,923	-	7,247	11,676
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives held for trading	31	-	31	-
Derivatives used for hedging	190	-	190	-
Total liabilities	221	-	221	-

2.9 Financial instruments by category

	Assets and financial liabilities at fair-value through results	Derivatives defined as hedging instruments	Financial assets at amortized cost	Other financial assets	Financial liabilities at amortized cost	Total financial assets and liabilities	Non-financial assets and liabilities	Total assets and liabilities
2019								
Assets								
Cash and cash equivalents	-	-	929,311	-	-	929,311	-	929,311
Other financial investments	-	-	-	1,327	-	1,327	-	1,327
Debtors, accruals and deferrals	-	-	426,324	-	-	426,324	85,132	511,456
Other non-financial assets	-	-	-	-	-	-	8,309,777	8,309,777
Total assets	-	-	1,355,635	1,327	-	1,356,962	8,394,909	9,751,871
Liabilities								
Borrowings	-	-	-	-	732,449	732,449	-	732,449
Lease liabilities	-	-	-	-	2,384,273	2,384,273	-	2,384,273
Derivative financial instruments	415	2,641	-	-	-	3,056	-	3,056
Creditors, accruals and deferrals	-	-	-	-	3,879,714	3,879,714	303,199	4,182,913
Other non-financial liabilities	-	-	-	-	-	-	220,272	220,272
Total liabilities	415	2,641	-	-	6,996,436	6,999,492	523,471	7,522,963
2018								
Assets								
Cash and cash equivalents	-	-	545,988	-	-	545,988	-	545,988
Other financial investments	-	-	-	1,321	-	1,321	-	1,321
Debtors, accruals and deferrals	-	-	436,672	-	-	436,672	83,683	520,355
Derivative financial instruments	33	26	-	-	-	59	-	59
Other non-financial assets	-	-	-	-	-	-	5,592,204	5,592,204
Total assets	33	26	982,660	1,321	-	984,040	5,675,887	6,659,927
Liabilities								
Borrowings	-	-	-	-	639,204	639,204	-	639,204
Derivative financial instruments	31	190	-	-	-	221	-	221
Creditors, accruals and deferrals	-	-	-	-	3,493,499	3,493,499	301,686	3,795,185
Other non-financial liabilities	-	-	-	-	-	-	209,063	209,063
Total liabilities	31	190	-	-	4,132,703	4,132,924	510,749	4,643,673

3 Revenue from contracts with customers and segments reporting

3.1 Revenue from contracts with customers

The Group operates mainly in the Food Distribution area, with stores in Portugal, Poland and Colombia. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

In most of Groups' sales of goods, there is only one performance obligation, resulting in the immediate recognition of revenue with the delivery of the goods to the customer. A performance obligation is a promise to transfer to the customer goods or services that are distinct.

When there are promotional campaigns that offer, to the customers, performance obligations to be satisfied in future moments, the Group defers the portion of revenue related to the future obligation, and recognize it in profit or loss only when that future obligation is satisfied or expires.

The Group also implemented loyalty programs using customer cards. For sales made using the customer card, the Group estimates the fair value of the benefits attributed to customers, and the revenue is deferred until the moment the benefit is satisfied or expires.

Some sales to customers include commercial discounts based on quantity purchased. The Group recognizes the revenue from the sale of goods net of the estimated commercial discount expected to be achieved by the customer for the entire year.

Right of return assets and refund liabilities

In the sales to customers, the Group estimates the goods that could be returned by customers, being recognized: i. a responsibility of return, represented by the obligation to deliver to the customer the amount related to the goods

returned; and ii. a return asset - with adjustment of cost of sales - for the right to receive the goods returned by the customer.

Warranty obligations

In the sale of goods, the Group provides the warranties arising from the Law, together with the suppliers, and does not sell extensions of warranties that should be recognized as a separate performance obligation.

The Group as principal or agent

The Group has generally concluded that it is the principal in its revenue arrangements, except for some agency services, because it typically controls the goods or services before transferring them to the customer.

The Group operates in some stores through Commercial Mandate contracts celebrated with third parties, with the Group acting as principal, recognizing to that extent the full revenue from sales of these stores.

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Services provided and other income

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date. Gains related to commercial discounts obtained in the purchase of goods for resale are recognised when these are sold, as a deduction to the cost of goods sold.

3.1.1. Trade Contracts balances

	2019	2018
Trade receivables (note 14)	64,188	58,417
Contract liabilities with customers (note 21)	3,628	3,722
Refund liabilities to customers (note 21)	788	1,041

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

There are no amounts recognised as Contract assets.

Contract liabilities with customers include the deferred revenue related with future performance obligations and the consideration received regarding the sale of gift cards to customers, which will be only considered as revenue when the gift cards are redeemed or expires.

Refund liabilities to customers arises from retrospective volume rebates, related with sales to customers that included commercial discounts based on yearly quantity purchased.

There are no amounts recognised regarding right of return assets and refund liabilities from right of return considering that the returns of assets whose responsibility is assumed directly by the Group, are not material in the context of the Consolidated Financial Statements of the Group.

3.2 Segments reporting

Operating segments are reported consistently with the internal reporting that is provided to the Governing Bodies, including the Managing Committee and the Board of Directors. Based on this report, the Governing Bodies evaluate the performance of each segment and allocate the available resources.

Management monitors the performance of the business based on a geographical and business perspective. In accordance with this, the segments are defined as Portugal Retail, Portugal Cash & Carry, Poland Retail and Colombia Retail. Apart from these there are also other businesses but due to their low materiality they are not reported separately.

Management evaluates the performance of segments based on Earnings Before Interest and Taxes (EBIT). This indicator excludes the effects of other operating profits/losses (see note 4.1).

Transactions between segments are performed under normal market conditions, as described in note 25.1, following the same accounting policies adopted by the Group when dealing with transactions with unrelated parties.

The identified operating segments are:

- Portugal Retail: comprises the business unit of JMR (Pingo Doce supermarkets);
- Portugal Cash & Carry: includes the wholesale business unit Recheio;
- Poland Retail: the business unit which operates under Biedronka banner;
- Colombia Retail: the business unit which operates under Ara banner;
- Others, eliminations and adjustments: includes i. business units with reduced materiality (Coffee Shops Chocolate Stores and Agribusiness in Portugal, and Health and Beauty Retail in Poland); ii. the Holding Companies; and iii. Group's consolidation adjustments.

Detailed information by operating segments as at December 2019 and 2018

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Colombia Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales and services	4,407,917	4,269,640	1,007,100	980,590	12,620,507	11,691,177	783,935	599,420	(181,239)	(204,119)	18,638,220	17,336,708
Inter-segments	454,256	426,535	5,392	3,238	1,609	1,379	-	-	(461,257)	(431,152)	-	-
External customers	3,953,661	3,843,105	1,001,708	977,352	12,618,898	11,689,798	783,935	599,420	280,018	227,033	18,638,220	17,336,708
Operational cash flow (EBITDA)	263,532	187,890	60,492	52,876	1,184,732	849,959	(28,392)	(72,504)	(43,466)	(58,395)	1,436,898	959,826
Depreciations and amortisations	(150,597)	(97,897)	(19,769)	(15,037)	(457,614)	(217,084)	(47,180)	(20,392)	(39,867)	(13,326)	(715,027)	(363,736)
Earnings before interest and taxes (EBIT)	112,935	89,993	40,723	37,839	727,118	632,875	(75,572)	(92,896)	(83,333)	(71,721)	721,871	596,090
Other operating profits/losses											(15,840)	(9,376)
Financial results and gains in investments											(156,805)	(24,924)
Income tax											(128,459)	(131,930)
Net result attributable to JM											389,866	401,044
Total assets	2,237,044	1,755,330	480,098	754,050	5,868,688	3,885,422	862,144	451,212	303,897	(186,087)	9,751,871	6,659,927
Total liabilities	1,722,147	1,272,571	457,056	735,172	4,710,273	2,805,321	845,056	433,076	(211,569)	(602,467)	7,522,963	4,643,673
Investments in tangible and intangible assets	142,685	90,359	24,548	27,198	380,848	371,867	98,185	117,950	22,974	49,089	669,240	656,463

Reconciliation between EBIT and operating profit

	2019	2018
EBIT	721,871	596,090
Other operating profits/losses	(15,840)	(9,376)
Operational result	706,031	586,714

Financial assets with credit risk per segment

The table below shows the Group's exposure according to the accounting value of the financial assets, set out by operating segments.

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Colombia Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cash and cash equivalents	40,121	39,587	21,998	22,625	716,654	422,585	48,880	30,832	101,658	30,359	929,311	545,988
Other financial investments	183	183	1,139	1,133	-	-	-	-	5	5	1,327	1,321
Debtors, accruals and deferrals	104,783	101,550	69,487	55,519	284,905	314,941	18,943	14,506	(51,794)	(49,844)	426,324	436,672
Derivative financial instruments	-	-	-	-	-	33	-	-	-	26	-	59
Total	145,087	141,320	92,624	79,277	1,001,559	737,559	67,823	45,338	49,869	(19,454)	1,356,962	984,040

Information by geography

In the table below are presented sales and services rendered and non-current assets by geography:

	Sales and services		Non-current assets (1)	
	2019	2018	2019	2018
Portugal	4,974,833	4,838,804	2,148,334	1,646,092
Poland	12,879,452	11,898,484	4,248,875	2,493,965
Colombia	783,935	599,420	713,586	354,584
Total	18,638,220	17,336,708	7,110,795	4,494,641

(1) Includes Tangible assets, Intangible assets, Right-of-use assets, Investment property and Biological assets.

4 Operating costs by nature

Operating costs by nature

Operating costs by nature include:

- costs of goods sold less vendor allowances based on volume purchased and promotional allowances obtained for commercial activity and in store advertisement. Includes also materials consumed in the production of goods by the companies;
- distribution costs, related with retail main activity in store, logistics and warehousing;
- administrative costs, corresponding to supporting central offices activities;
- other operating losses and gains.

Other operating profits/losses

Other operating profits/losses, that due to their nature or materiality might distort the financial performance of the Group, as well as their comparability, are presented in a separate line of the consolidated income statement by function. These losses and gains are excluded from the operational performance indicators adopted by Management.

	2019	2018
Cost of goods sold and materials consumed	(14,540,197)	(13,569,503)
Changes in inventories of finished goods and work in progress	2,587	19,998
Net cash discount and interest paid to suppliers	36,590	27,340
Electronic payment commissions	(35,463)	(32,957)
Other supplementary costs	(5,951)	(4,650)
Supplies and services	(688,601)	(634,639)
Advertising costs	(110,422)	(111,799)
Rents	(17,922)	(390,262)
Staff costs	(1,629,433)	(1,470,027)
Depreciation and amortisation of tangibles and intangibles assets	(393,612)	(363,736)
Depreciation of right-of-use assets	(321,758)	-
Profit/loss with tangible and intangible assets	(7,441)	(3,897)
Profit/loss with right-of-use assets	1,367	-
Transportation costs	(204,325)	(187,649)
Other natures of profit/loss	(17,608)	(28,213)
Total	(17,932,189)	(16,749,994)

4.1 Other operating profits/losses

Operating costs by nature include the following other operating losses and gains considered material, which are excluded from the Group's performance indicators, to assure a better comparability between financial periods:

	2019	2018
Legal contingencies	(1,238)	-
Losses from organizational restructuring programmes	(6,833)	(7,936)
Assets write-offs and gains/losses in sale of tangible assets	(4,830)	(3,562)
Changes to benefit plans and actuarial assumptions	(2,939)	2,122
Total	(15,840)	(9,376)

5 Employees

5.1 Staff costs

	2019	2018
Wages and salaries	(1,217,524)	(1,116,591)
Social security	(252,009)	(231,529)
Employee benefits (note 5.2)	(37,456)	(22,096)
Other staff costs	(122,444)	(99,811)
Total	(1,629,433)	(1,470,027)

Other staff costs include, among others, labour accident insurance, social responsibility costs, training costs, occasional hires and indemnities.

The average number of Group employees during the year was 110,224 (2018: 105,514).

The number of employees at the end of the year was 115,428 (2018: 108,560).

The comparative figures of 2018 were reclassified, with the amount of EUR 15,000 thousand being transferred from Other staff costs to Employee benefits, considering the conclusion in 2019 of the implementation of a defined contribution post-employment compensation plan, for employees of the Group. The referred amount is related with the contributions for the year 2018. The contribution for 2019 was EUR 24,945 thousand.

5.2 Employees benefits

Post-employment benefits (retirement)

Defined contribution plans

Defined contribution plans are pension plans for which the Group makes defined contributions to independent entities (funds), and for which it has no legal or constructive obligation to pay any additional contribution at the time when the employees come into use of those benefits.

The contributions are based on a percentage of remuneration of the employees included in the plans.

The funds are open to employee private contributions, with no guaranties given by the Group over those contributions.

Group contributions to defined contribution plans are recognised as expenses at the time they are due.

Defined benefit plans

Defined benefit plans are pension plans where the Group guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by the Group.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using life annuity method, taking into account that the plans only include retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

No service costs are recognised since the current defined benefit plans only include retired employees. The net interest is recognised in the income statement on a yearly basis.

Remeasurements (actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

At the time of amendments to the defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Post-employment benefits (Compensation plan to Group employees)

The Group concluded in 2019 the implementation of a post-employment compensation plan for employees of the Group, which consists of an annual contribution to a foundation that guarantees its independent management by third parties. These contributions have the characteristics of a defined contribution plan, given that the Group has no responsibility for making contributions, in addition to the annual amount defined by the Board of Directors. Additionally, the Group does not assume any risk, namely on the value of the assets in which its contributions are invested, nor on the final value of the benefits to be attributed, with this risk falling entirely on the plan participants.

Seniority awards

The programme of seniority awards which exists in some of the Group's Companies includes a component of defined contribution and a defined benefit.

The defined contribution component consists in a life insurance granted to the employees covered by this programme, starting from a specific number of years of service. This benefit is awarded only when employees reach the age defined in the programme and the costs related to this component are recognised in the year to which they relate.

The component of defined benefit consists of an award in the year that employees complete a number of years of service. Accordingly, the liabilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

The cost of current services, net interest as well remeasurements (actuarial gains or losses) are recognised as costs of the year.

Amounts recognised in the balance sheet as employee benefits and trade creditors, accrued costs and deferred income:

	Employee benefits		Trade creditors, accrued costs and deferred income	
	2019	2018	2019	2018
Retirement benefits - defined benefit plan paid by the Group	15,154	18,146	-	-
Seniority awards - defined benefit plan	54,515	46,923	-	-
Post-employment compensation- defined contribution plan	-	-	-	15,000
Total	69,669	65,069	-	15,000

Amounts recognised in the income statement in staff costs and remeasurements reflected in equity in other comprehensive income:

	Income statement		Other comprehensive income	
	2019	2018	2019	2018
Retirement benefits - defined contribution plan	1,339	735	-	-
Retirement benefits - defined benefit plan paid for by the Group	243	245	(1,746)	(224)
Seniority awards - defined benefit plan	10,929	6,116	-	-
Post-employment compensation- defined contribution plan	24,945	15,000	-	-
Total	37,456	22,096	(1,746)	(224)

The changes in each plan are detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long term benefits granted to employees	
	2019	2018	2019	2018	2019	2018
Balance at 1 January	15,000	-	18,146	19,707	46,923	46,775
Interest costs	-	-	243	245	1,093	1,110
Current service cost	26,284	15,735	-	-	7,036	7,128
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	(1,353)	316
Changes in financial assumptions	-	-	950	(144)	3,285	(2,658)
Changes in experience	-	-	(2,696)	(80)	868	220
Contributions or retirement pensions paid	(41,284)	(735)	(1,489)	(1,582)	(3,604)	(5,344)
Currency translation differences	-	-	-	-	267	(624)
Balance at 31 December	-	15,000	15,154	18,146	54,515	46,923

Actuarial assumptions used in the calculation of the responsibilities for defined benefit plans and other long-term benefits:

	Portugal		Poland	
	2019	2018	2019	2018
Mortality table	TV 88/90	TV 88/90	GUS 2018	GUS 2015
Discount rate	0.55%	1.40%	2.00%	2.80%
Pension and salaries growth rate	3.00%	3.00%	3% - 4%	3% - 4%

The mortality assumptions used are those most commonly adopted in Portugal and Poland, and are based on actuarial advice in accordance with published statistics and experience in each country. The assumption's sensitivity analysis is described in note 2.6.

Expected future payments

The expected maturity for the next 10 years for the liabilities associated with defined benefit plans is as follows:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
Retirement benefits - defined benefit plan paid for by the Group	1,332	4,501	3,735
Seniority awards	5,397	24,330	32,689
Total	6,729	28,831	36,424

6 Net financial costs

Net financial costs represent interest on borrowings, interest on investments made, dividends, foreign exchange gains and losses in financial operations, gains and losses resulting from changes of financial assets measured at fair value through profit and loss, and costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

Receivable dividends

Receivable dividends are recognised as revenues when the right to receive payment is established.

	2019	2018
Loans interest expense	(26,484)	(21,745)
Leases interest expense	(132,642)	-
Interest received	3,595	2,113
Dividends	-	46
Net foreign exchange	(475)	(969)
Net foreign exchange on leases	2,955	-
Other financial gains and losses	(5,239)	(4,407)
Fair value of financial investments held for trade:		
Derivative instruments (note 12)	(414)	(150)
Total	(158,704)	(25,112)

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 12).

Other financial costs and gains include costs with debt issued by the Group, recognised in results through effective interest method.

7 Income tax recognised in the income statement

Income tax includes current and deferred taxes. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in the same heading.

Tax on current income is calculated in accordance with tax criteria prevailing as of the balance sheet date.

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base. No deferred tax is calculated on Goodwill and initial recognition differences of an asset and liability if it does not affect profit and loss or tax results.

The measurement of deferred tax assets and liabilities should reflect the tax consequences from the way the Group estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be used. Deferred tax assets are revised on an annual basis and derecognised when it is no longer probable that they may be used.

For transactions with uncertainty regarding their tax treatment, the Group considers the effects of that uncertainty in the income tax estimations, whenever the tax authorities are not likely to accept the tax treatment given by the Group. Assets and liabilities related to uncertain tax positions are presented as deferred tax assets or liabilities.

For tax litigation and for all situations in which the position of the tax authorities is already known, an assessment is made on the probability of outcome, setting up provisions for the amounts estimated to represent future disbursements (when the probability of outcome is above 50%), or, proceeding with the payment, whenever it is considered to be the best way to protect the Group's interest.

7.1 Income tax

	2019	2018
Current income tax		
Current tax of the year	(171,695)	(145,757)
Adjustment to prior year estimation	13,622	(1,937)
	(158,073)	(147,694)
Deferred tax		
Temporary differences created and reversed	28,795	4,531
Change to the recoverable amount of tax losses and temporary differences from previous years	(333)	91
	28,462	4,622
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	1,152	11,142
	1,152	11,142
Total income tax	(128,459)	(131,930)

The other gains recorded include interest on late payments and compensations received for litigation decided in favor of the Group.

As in previous years, in 2018, all tax litigation lawsuits were reassessed. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in the amount of EUR 6,826 thousand.

7.2 Reconciliation of effective tax rate

		2019		2018
Profit before tax		549,226		561,790
Income tax using the Portuguese corporation tax rate	22.5%	(123,576)	22.5%	(126,403)
Fiscal effect due to:				
Different tax rates in foreign jurisdictions	(6.3%)	34,674	(5.8%)	32,662
Non-taxable or non-recoverable results	8.2%	(45,045)	7.0%	(39,381)
Changes in estimates for tax litigations	(0.2%)	1,151	(2.0%)	11,142
Non-deductible expenses and fiscal benefits	0.4%	(2,383)	0.6%	(3,347)
Adjustment to prior years estimation	(2.5%)	13,622	0.3%	(1,937)
Equity method	-	-	(0.0%)	42
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.0%)	28	(0.1%)	626
Results subject to autonomous taxation and other forms of taxation	1.3%	(6,930)	0.9%	(5,334)
Income tax	23.4%	(128,459)	23.5%	(131,930)

In 2019 and 2018, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21%. For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 9%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively.

In Poland, for 2019 and 2018, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 33% in 2019 and 2018. In 2019 if a taxable loss is determined, a tax rate of 1.5% (2018: 3%) is levied on the net asset value.

The adjustment to prior years estimation recognised in 2019 is related with the recovery of tax corresponding to the double taxation paid in 2017, following an internal reorganisation, which the Group appealed and a favourable decision was received in 2019.

7.3 Deferred tax assets and liabilities

	2019	2018
Opening balance	39,213	34,446
Currency translation difference	177	141
Revaluation and reserves	(400)	4
Result of the year (note 7.1)	28,462	4,622
Closing balance	67,452	39,213

Deferred taxes are presented in the balance sheet as follows:

	2019	2018
Deferred tax assets	138,130	114,840
Deferred tax liabilities	(70,678)	(75,627)
	67,452	39,213

The Group did not recognized any amounts in deferred taxes regarding uncertain tax positions.

2019	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax assets					
Excess over legal provisions	66,750	10,318	-	741	77,809
Update of assets to fair value	4,915	(533)	-	-	4,382
Employee benefits	13,151	5,977	(393)	-	18,735
Effects of the application of leases standard	-	8,216	-	58	8,274
Other temporary differences	30,024	(1,126)	-	32	28,930
	114,840	22,852	(393)	831	138,130
Deferred tax liabilities					
Update of assets to fair value	534	(8)	-	-	526
Deferred income for tax purposes	61,334	(5,780)	-	525	56,079
Differences on valuation criteria in other countries	12,315	-	-	129	12,444
Derivative instruments	(12)	-	7	-	(5)
Other temporary differences	1,456	178	-	-	1,634
	75,627	(5,610)	7	654	70,678
Net change in deferred tax	39,213	28,462	(400)	177	67,452

2018	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax assets					
Excess over legal provisions*	59,209	9,202	(12)	(1,649)	66,750
Update of assets to fair value	4,979	(64)	-	-	4,915
Employee benefits*	10,123	3,078	(50)	-	13,151
Other temporary differences	31,714	(1,611)	12	(91)	30,024
	106,025	10,605	(50)	(1,740)	114,840
Deferred tax liabilities					
Update of assets to fair value	653	(119)	-	-	534
Deferred income for tax purposes	55,591	7,258	-	(1,515)	61,334
Differences on valuation criteria in other countries	12,682	-	-	(367)	12,315
Derivative instruments	43	-	(54)	(1)	(12)
Other temporary differences	2,610	(1,156)	-	2	1,456
	71,579	5,983	(54)	(1,881)	75,627
Net change in deferred tax	34,446	4,622	4	141	39,213

* the values of 2018 related with Excess over legal provisions and with Employee benefits were restated

7.4 Unrecognised deferred taxes on tax losses

The Group does not recognise deferred tax assets related to tax losses in respect of which, with reasonable accuracy, no sufficient future taxable profits are expected to guarantee the recovery of deferred tax assets in the short and/or medium-term. Total unrecognised tax assets is presented below:

Expiring date	Tax	
	2019	2018
2018	-	4,857
2019	6,923	6,785
2020	6,772	6,762
2021	5,270	5,356
2022	2,151	1,476
2023 or further	152,139	107,701
Total	173,255	132,937

8 Tangible assets

Tangible assets are recognised at historical cost net of accumulated depreciation and impairment losses.

Historical cost includes the purchase price and any other expenditure that is directly attributable to the acquisition of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating profit.

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred. The cost of major store remodellings is included in the carrying amount of the asset when it is probable that additional economic benefits will flow to the Group. Whenever it is capitalised, the useful life of the asset is reviewed according with the characteristics of the remodelling. If the store is leased, the useful life does not exceed the period of the lease.

Depreciation

Depreciation is calculated by the straight-line method, on a monthly basis on acquisition cost according to the useful life estimated for each class of asset. The most important annual depreciation rates, in percentage, are as follows:

	%
Land	Not depreciated
Buildings and other constructions	2-4
Plants and machinery	10-20
Transport equipment	12.5-25
Office equipment	10-25

Whenever considered necessary, the estimated useful life of assets are reviewed and adjusted at the balance sheet date. Residual values are not taken into consideration, as it is the Group's intention to use the assets until the end of their economic life.

8.1 Changes occurred during the year

2019	Land and natural resources *	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	514,836	3,612,975	1,968,811	300,631	146,007	6,543,260
Foreign exchange differences	3,014	26,031	12,804	1,658	1,641	45,148
Increases	8,191	281,207	220,019	17,729	131,130	658,276
Disposals and write offs	(23)	(21,552)	(85,103)	(32,871)	(1,299)	(140,848)
Transfers and reclassifications	3,691	24,794	4,543	15,377	(46,501)	1,904
Transfers from/to investment property	(1,748)	263	-	-	-	(1,485)
Changes of accounting policies (see note 2.1.1)	-	-	-	(18,756)	-	(18,756)
Closing balance	527,961	3,923,718	2,121,074	283,768	230,978	7,087,499
Depreciation and impairment losses						
Opening balance	-	1,377,459	1,266,726	212,022	-	2,856,207
Foreign exchange differences	-	8,380	6,626	1,115	-	16,121
Increases	-	172,722	179,100	27,650	-	379,472
Disposals and write offs	-	(17,029)	(82,004)	(32,786)	-	(131,819)
Transfers and reclassifications	-	34	(909)	2,694	-	1,819
Transfers from/to investment property	-	87	-	-	-	87
Impairment losses	-	96	104	20	-	220
Changes of accounting policies (see note 2.1.1)	-	-	-	(4,545)	-	(4,545)
Closing balance	-	1,541,749	1,369,643	206,170	-	3,117,562
Net value						
As at 1 January 2019	514,836	2,235,516	702,085	88,609	146,007	3,687,053
As at 31 December 2019	527,961	2,381,969	751,431	77,598	230,978	3,969,937

* Opening balance of land and natural resources is net of impairment losses

2018	Land and natural resources *	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	495,017	3,227,785	1,715,787	254,097	410,306	6,102,992
Foreign exchange differences	(7,994)	(67,560)	(30,277)	(5,148)	(8,081)	(119,060)
Increases	12,331	356,046	315,904	32,837	(70,357)	646,761
Disposals and write offs	-	(13,566)	(68,495)	(6,179)	(898)	(89,138)
Transfers and reclassifications	15,482	110,270	35,892	25,024	(184,963)	1,705
Closing balance	514,836	3,612,975	1,968,811	300,631	146,007	6,543,260
Depreciation and impairment losses						
Opening balance	-	1,249,282	1,183,793	195,082	-	2,628,157
Foreign exchange differences	-	(20,069)	(15,705)	(3,104)	-	(38,878)
Increases	-	162,095	163,640	24,533	-	350,268
Disposals and write offs	-	(14,340)	(63,956)	(6,051)	-	(84,347)
Transfers and reclassifications	-	56	(1,592)	1,531	-	(5)
Impairment losses	-	435	546	31	-	1,012
Closing balance	-	1,377,459	1,266,726	212,022	-	2,856,207
Net value						
As at 1 January 2018	495,017	1,978,503	531,994	59,015	410,306	3,474,835
As at 31 December 2018	514,836	2,235,516	702,085	88,609	146,007	3,687,053

* Opening balance of land and natural resources is net of impairment losses

The increase in tangible assets correspond to the Group's investments in new stores and distribution centers, and remodelling of the existing stores. The investment programme is detailed in point 3.1.3. - Execution of the Investment Programme of Chapter II - Consolidated Management Report.

Impairment losses recorded in 2019 (EUR 220 thousand) are reflected in the Income statement in "Other operating profits/losses". In Note 4.1 is included in the line "Assets write-offs and gains/losses in sale of tangible assets".

There are no financial charges capitalised in tangible fixed assets.

8.2 Guarantees

No tangible assets have been pledged as security for the fulfilment of bank or other obligations.

8.3 Tangible assets in progress

Amounts in work in progress are mostly related to the implementation and refurbishment of stores and distribution centres.

8.4 Impairment tests

As mentioned in Note 2.5.1, the Group analyses at the date of each balance sheet whether there are indicators of possible impairment losses on tangible assets.

If there are indicators of possible impairment losses on an asset or cash-generating unit, the Group calculates its value-in-use using the Discounted Cash Flow (DCF) method.

Value in use is supported by past performance and market development expectations, with five-year projections of future cash flows for each of the assets or cash-generating units, based on medium/long-term plans approved by the Board of Directors.

These estimates are made considering the following assumptions:

Business area	Discount rates	Growth rates in perpetuity
Retail in Portugal	8.0% (2018: 8.3%)	1% (2018:1%)
Cash & Carry in Portugal	8.0% (2018: 8.3%)	1% (2018:1%)
Retail in Poland	8.0% (2018: 8.5%)	1.5% (2018:1.5%)
Health and Beauty Retail in Poland	9.0% (2018: 10.1%)	1.5% (2018:1.5%)
Specialized Retail in Portugal	8.0% to 9.5% (2018: 8.3% to 10.5%)	1.7% (2018:1.7%)
Retail in Colombia	11.0% (2018: 11.7%)	1.5% (2018:1.5%)

The discount rates adopted corresponds to the weighted average cost of capital (WACC) estimated for each of the business areas on the different geographies.

Growth rates in perpetuity considered was 1% for mature markets as Portugal and 1.5% for the Polish and Colombian market, where growth potential is still considered to exist.

Cash flows also include the expected annual growth in sales, margins and operating costs of each of the business areas.

9 Intangible assets

Intangible assets are stated at historical cost net of accumulated amortisation and impairment losses (note 2.5).

Costs associated with internally generated Goodwill and Private Brands are taken to the income statement as they are incurred.

Research and development expenditure

Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and the Group has the intention and capacity to complete their development and start trading or using them.

Capitalised development expenditure includes the cost of materials used and direct labour costs.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, being amortised over their estimated useful life.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred, except if those costs are directly associated with development projects that will probably generate future economic benefits (reliably measured), in which case they are recognised as development expenditure in intangible assets.

Other intangible assets

Expenses to acquire key money, trademarks, patents and licences are capitalised when they are expected to generate future economic benefits and are expected to be used by the Group.

Intangible assets with indefinite useful life

The trademark Pingo Doce is, besides Goodwill, the only intangible asset with indefinite useful life, since there is no foreseeable limit for the period over which this asset is expected to generate economic benefits to the Group. Goodwill and the intangible assets with indefinite useful life are tested for impairment at the balance sheet date, and whenever there is an indication that the carrying amount may not be recoverable.

Amortisations

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33
Key money	5-6.66

Whenever necessary, the estimated useful life of assets is reviewed and adjusted at the balance sheet date.

9.1 Changes occurred during the year

2019	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	637,486	41,726	126,763	138,107	7,457	951,539
Foreign exchange differences	3,217	284	1,158	991	53	5,703
Increases	-	723	3,483	433	6,325	10,964
Disposals and write offs	-	(6)	(312)	(246)	-	(564)
Transfers and reclassifications	-	2,093	1,271	203	(3,394)	173
Closing balance	640,703	44,820	132,363	139,488	10,441	967,815
Amortisation and impairment losses						
Opening balance	-	34,161	23,294	101,570	-	159,025
Foreign exchange differences	-	251	172	760	-	1,183
Increases	-	2,940	3,462	7,738	-	14,140
Disposals and write offs	-	(6)	(288)	(246)	-	(540)
Transfers and reclassifications	-	-	-	(3)	-	(3)
Closing balance	-	37,346	26,640	109,819	-	173,805
Net value						
As at 1 January 2019	637,486	7,565	103,469	36,537	7,457	792,514
As at 31 December 2019	640,703	7,474	105,723	29,669	10,441	794,010

2018	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	646,632	37,014	126,807	139,055	10,549	960,057
Foreign exchange differences	(9,146)	(751)	(3,129)	(2,776)	(141)	(15,943)
Increases	-	2,270	2,077	2,332	3,023	9,702
Disposals and write offs	-	-	(13)	(559)	-	(572)
Transfers and reclassifications	-	3,193	1,021	55	(5,974)	(1,705)
Closing balance	637,486	41,726	126,763	138,107	7,457	951,539
Amortisation and impairment losses						
Opening balance	-	32,297	20,906	95,814	-	149,017
Foreign exchange differences	-	(675)	(371)	(1,877)	-	(2,923)
Increases	-	2,539	2,756	8,173	-	13,468
Disposals and write offs	-	-	(2)	(549)	-	(551)
Transfers and reclassifications	-	-	5	-	-	5
Impairment losses	-	-	-	9	-	9
Closing balance	-	34,161	23,294	101,570	-	159,025
Net value						
As at 1 January 2018	646,632	4,717	105,901	43,241	10,549	811,040
As at 31 December 2018	637,486	7,565	103,469	36,537	7,457	792,514

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademark Pingo Doce, with net value of EUR 9,228 thousand.

Development expenses mainly relate to IT implementations.

9.2 Guarantees

No intangible assets have been pledged as security for the fulfilment of bank or other obligations.

9.3 Intangible assets in progress

Intangible assets in progress include the implementation of projects for processes simplification, usage rights and key money.

9.4 Impairment tests for Goodwill and other intangible assets

Goodwill is allocated to the Groups' business areas as presented below:

Business areas	2019	2018
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Retail	301,234	298,112
Poland Health and Beauty Retail	9,114	9,019
Total	640,703	637,486

As a consequence of the currency translation adjustment of the assets in the Group's businesses in Poland:

- the Goodwill related to the business in Poland (Biedronka), totalling PLN 1,282,278 thousand, was updated positively by EUR 3.122 thousand;
- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated positively by EUR 95 thousand.

The cash-generating units used to perform Goodwill impairment tests correspond to the business segments, which is the lowest level that Goodwill is monitored by Management.

In 2019, evaluations were made based on the value in use according to DCF evaluation models, thereby sustaining the recoverability of Goodwill value.

The values of these evaluations are determined by past performance and the expectation of market development, with future cash flow projections, for a five year period, being drawn up for each of the businesses, based on medium/long term plans approved by the Board of Directors, supported on historical performance of each business unit, incorporating the expected impacts of its investment plans, weighted by the risks each business is exposed to.

Pingo Doce brand is not being amortised but subject to impairment tests annually, with the same assumptions that are used for Goodwill. The same applies to intangible assets in progress.

These estimates are made considering the following assumptions:

Business area	Discount rates	Growth rates in perpetuity
Retail in Portugal	8.0% (2018: 8.3%)	1% (2018:1%)
Cash & Carry in Portugal	8.0% (2018: 8.3%)	1% (2018:1%)
Retail in Poland	8.0% (2018: 8.5%)	1.5% (2018:1.5%)
Health and Beauty Retail in Poland	9.0% (2018: 10.1%)	1.5% (2018:1.5%)

The discount rates adopted corresponds to the WACC estimated for each of the business areas on the different geographies.

Growth rates in perpetuity considered was 1% for mature markets as Portugal and 1.5% for the Polish market, where growth potential is still considered to exist.

Cash flows also include the expected annual growth in sales, margins and operating costs of each of the business areas.

Note 2.6 presents the information related to sensibility analysis to the Goodwill impairment tests.

10 Investment property

Investment property are land and buildings that are accounted at fair value, determined by specialised independent entities, with appropriate recognised professional qualifications and experience in valuing assets of this nature.

The fair value is based on market values, being the amount at which two independent willing parties would be interested in making a transaction of the asset.

The methodology adopted in the valuation and determination of fair value consists of applying the market's comparative method, in which the asset under valuation is compared with other similar assets that perform the same function, negotiated recently in the same location or in comparable zones. The known transaction values are adjusted to make a proper comparison, and the variables of size, location, existing infrastructure, state of conservation, as well as other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which it is difficult to make a comparison with transactions that have occurred, an income approach is used. It is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. Thus, the assumptions used in the evaluation of each asset vary according to its location and technical characteristics, using an average yield between 8% and 9%.

Changes to fair value of investment property are recognised in the income statement, in gains/losses in other investments, since it is related with assets owned for appreciation.

Whenever, as a result of changes in their use, tangible assets are transferred to investment property, the assets are measured at their fair value and any difference to their carrying amount is recognised in the income statement as revaluation surplus. Gains and losses in subsequent revaluations (fair value) are recognised in the income statement, in accordance with IAS 40.

If an investment property starts to be used by the business operations of the Group, it is transferred to tangible assets and its fair value at the date of transfer becomes its acquisition cost for accounting purposes.

Non-current assets are all the investment property that are not expected to be sold within a period of less than 12 months.

	2019	2018
Opening balance	11,676	13,714
Transfers	1,572	-
Changes in fair value	(461)	(38)
Disposals	(4,224)	(2,000)
Closing balance	8,563	11,676

The investment property relates to plots of land and buildings initially acquired for use in Group operations, and others actually used for that purpose for a period of time but which became redundant, either because they could not be used to build cash-generating units or because they are no longer in use as a result of the restructuring of operations carried out in them.

In 2019 the amount of income from investment property amounted to EUR 56 thousand (EUR 74 thousand in 2018), and costs were recognised in the amount of EUR 31 thousand (EUR 28 thousand in 2018).

11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Whenever available the Group has elected to separate lease and non-lease components included in lease payments for all leases.

At the commencement date lease liabilities measurement is mainly composed by the present value of lease payments to be made over the lease term, which includes fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate.

In calculating the present value of lease payments, the Group used its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments). The weighted-average rate applied is 5.67% (in a range between 2.5% and 8.9%), based on the features of the agreement (underlying asset and guarantees, currency and lease term).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of initial

lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group applies the short-term lease recognition exemption to its short-term leases (lease term of 12 months or less) and it also applies the lease of low-value assets recognition exemption to leases considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group's leases relate mostly to store and warehouse rent contracts, with initial terms between 5 and 20 years, but may have extension options. The lease agreements do not impose any covenants.

Right-of-use assets are also subject to impairment tests, as referred in note 2.5.1.

The new standard IFRS 16 was adopted by the Group from 1 January 2019, using the modified retrospective approach, with no restatement of the 2018 comparative accounts. In transition, both right-of-use assets and lease liabilities were measured at same amount.

11.1 Right-of-use assets

2019	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Total
Cost				
Opening balance	-	-	-	-
Foreign exchange differences	22,800	327	474	23,601
Increases	215,695	9,001	14,065	238,761
Contracts update	89,253	(17,677)	256	71,832
Disposals and write offs	-	-	(93)	(93)
Transfers and reclassifications	-	-	(2,099)	(2,099)
Contracts cancellation	(80,371)	(22,148)	(1,078)	(103,597)
Changes of accounting policies (see note 2.1.1)	2,314,482	65,758	41,957	2,422,197
Closing balance	2,561,859	35,261	53,482	2,650,602
Depreciation and impairment losses				
Opening balance	-	-	-	-
Foreign exchange differences	2,039	53	132	2,224
Increases	297,687	8,878	15,193	321,758
Disposals and write offs	-	-	(93)	(93)
Transfers and reclassifications	-	-	(1,838)	(1,838)
Contracts cancellation	(9,474)	(541)	(928)	(10,943)
Changes of accounting policies (see note 2.1.1)	-	-	4,545	4,545
Closing balance	290,252	8,390	17,011	315,653
Net value				
As at 31 December 2018	-	-	-	-
As at 31 December 2019	2,271,607	26,871	36,471	2,334,949

11.2 Lease liabilities

2019	Current	Non Current	Total
Opening balance	-	-	-
Change in accounting policy (see note 2.1.1)	370,964	2,042,191	2,413,155
Increases (new contracts)	30,032	208,729	238,761
Payments	(258,043)	(6,154)	(264,197)
Transfers	259,869	(259,869)	-
Contracts change/ cancel	(20,953)	(1,236)	(22,189)
Foreign exchange difference	3,111	15,632	18,743
Closing balance	384,980	1,999,293	2,384,273

11.3 Expenses recognised in the income statement

	2019
Depreciation charge of right-of-use assets	
Buildings and other constructions	(297,687)
Basic equipment and others	(8,878)
Transport equipment and others	(15,193)
	(321,758)
Interest expense with lease liabilities	(132,642)
Losses /(gains) with contract cancellations	1,367
Net foreign exchange on lease liabilities	2,955
	(128,320)
Expenses with short term leases	(745)
Expenses with leases of low-value assets	(6,042)
Expenses with variable lease payments not included in lease liabilities	(1,128)
Expenses with non-lease components	(10,007)
Total rents (note 4)	(17,922)
Total expenses of the year related with leases	(468,000)

In 2019, the total cash outflow for leases was EUR 414,761 thousand.

12 Derivative financial instruments

The Group uses derivatives with the sole intention of managing any financial risks to which it is exposed. In accordance with its financial policies, the Group does not enter into speculative positions.

Whenever available, fair values are estimated based on quoted instruments. In the absence of market prices, fair values are estimated through discounted cash flow methods and option valuation models, in accordance with generally accepted assumptions.

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is valued on a regular basis, and the gains or losses resulting from this valuation are recorded directly in the income statement, except in relation to cash flow hedge and net investments in foreign entities hedge derivatives, whose changes in fair value are recorded in equity in other comprehensive income. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

Derivatives not designated as hedging instruments

Although derivatives entered by the Group correspond to effective economic hedges against risks to be hedged, not all of them qualify as hedge instruments for accounting purposes, according to IFRS 9 rules. Those that do not qualify as hedge instruments are booked on the balance sheet at fair value and changes to that amount are recognised in the profit and loss.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Interest rate risk (cash flow hedge)

Whenever expectations surrounding movements in interest rates so justify, the Group tries to anticipate any adverse impact through the use of derivatives. The selection process that each instrument is subject to favours economic contribution more than anything else. The implications of adding any new instrument to a portfolio of derivatives are also taken into account, namely in terms of volatility impact on earnings.

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet and, to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income, in the cash flow hedge reserve. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction that results in the recognition of a non-financial asset (for example: inventory), the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

Foreign exchange risk (net investments in foreign entities hedge)

With respect to foreign exchange risks, the Group follows a natural hedge policy, raising debt in local currency whenever market conditions are judged to be convenient (namely, taking into consideration the level of interest rates).

Exchange rate fluctuations in loans contracted in foreign currencies for the purpose of funding investments in foreign operations are taken directly to the currency translation reserve in other comprehensive income (note 2.2).

Cross currency swaps that are entered into with the purpose of hedging investments in foreign entities that qualify as hedging instruments are booked at fair value on the balance sheet. To the degree that they are considered effective, changes to their fair value are recognised directly in the currency translation reserve (note 2.2). The cumulative gains and losses recognised in other comprehensive income are transferred to results of the year when foreign entities are disposed.

	Notional	2019				Notional	2018			
		Assets		Liabilities			Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Currency forwards - stock purchase (EUR/USD)	4 million USD	-	-	43	-	-	-	-	-	-
Currency forwards - stock purchase (PLN/EUR)	92 million EUR	-	-	352	-	68 million EUR	33	-	31	-
Currency forwards - stock purchase (PLN/USD)	6 million USD	-	-	20	-	-	-	-	-	-
Cash flow hedging derivatives										
Interest rate swap (PLN)	166 million PLN	-	-	26	-	177 million PLN	-	-	-	62
Currency forwards - stock purchase (PLN/USD)	2 million USD	-	-	1	-	-	-	-	-	-
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	649 million PLN	-	-	2,614	-	567 million PLN	26	-	128	-
Total derivatives held for trading		-	-	415	-	33		-	31	-
Total hedging derivatives		-	-	2,641	-	26		-	128	62
Total assets/liabilities derivatives		-	-	3,056	-	59		-	159	62

At 31 December 2019, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 0.1 thousand (2018: EUR 0.1 thousand).

Derivatives held for trading

Currency forwards

The Group hedges its exposure to foreign exchange risk inherent to the purchase of stocks in foreign currency. For this purpose, in 2019, the Group contracted currency forwards in euros and zlotys, with maturity until April 2020, with notional amounting of USD 9,700 thousand and EUR 91,800 thousand.

Cash flow hedge

Currency forwards

In 2019 the Group had contracted a currency forward for future purchase of stocks with notional amounting of USD 1,500 thousand and maturity for April 2020.

Interest rate swap

The Group fixes a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is the variable interest rate index associated with the loans. The purpose of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk of the borrowing is not hedged. Nevertheless, the evaluation of JMH own credit risk and its incorporation in the fair value of derivative financial instruments recognised on the balance sheet would result in an immaterial impact as of 31 December 2019 and 2018. The Group had interest rate swaps in zlotys.

In summary:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMNK/2020	PLN	331,974	165,987	Wibor 3 months	March	June 2020

Hedging of investments in foreign entities

Currency forwards

The Group hedges the economic risk of its exposure to the exchange rate of zloty. To do so, the Group entered into currency forwards, with maturities in April 2020.

Impacts on the Financial Statements

	2019	2018
Fair value of financial instruments as at 1 January	(162)	(2,284)
(Receipts) / payments made	1,979	(971)
Change in the fair value of held for trading derivatives (results)	(414)	(150)
Change in the fair value of held for trading derivatives (foreign exchange differences)	(2)	(1)
Change in the fair value of cash flow hedge derivatives (others reserves)	35	(285)
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	-	(4)
Change in the fair value of net investment hedging derivatives in foreign entities (currency translation reserves)	(4,444)	3,589
Interest expenses from financial instruments that qualify as hedge accounting (income statement)	(48)	(56)
Fair value of financial instruments as at 31 December	(3,056)	(162)

13 Inventories

Inventories are valued at the lower of cost or net realisable value. The net realisable value corresponds to the selling price in the ordinary course of business, less the estimated selling expenses.

Its valuation generally follows the last acquisition price, being FIFO (First In, First Out) the cost method used in the recording of the inventory sold.

The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct costs.

	2019	2018
Raw and subsidiary materials and consumables	10,347	7,855
Goods available for sale	1,107,334	1,017,590
Work in progress and finished goods	1,902	2,945
	1,119,583	1,028,390
Net realisable adjustment	(80,956)	(57,737)
Net inventories	1,038,627	970,653

Adjustments in inventories to net realisable value:

	2019	2018
Balance as at 1 January	(57,737)	(48,384)
Set up, reinforced and transfers	(23,255)	(10,330)
Unused and reversed	644	35
Foreign exchange difference	(608)	942
Balance as at 31 December	(80,956)	(57,737)

No inventories have been pledged as guarantee for the fulfilment of contractual obligations.

14 Trade debtors, accrued income and deferred costs

Customers and debtor balances are amounts to be received regarding goods sold or services rendered in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses (notes 2.4.1 and 2.5).

	2019	2018
Non-current		
Other debtors	65,385	63,522
Collateral deposits associated to financial debt	19,367	19,367
Deferred costs	2,015	1,824
Total	86,767	84,713
Current		
Commercial customers	64,188	58,417
Other debtors	124,371	128,523
Other taxes receivable	7,617	7,945
Accrued income and deferred costs	228,513	240,757
Total	424,689	435,642

Non-current debtors include EUR 63,138 thousand (EUR 61,904 thousand in 2018) relating to additional tax liquidation as well as pre-paid tax. The Group has already contested the amounts paid and made a legal claim for reimbursement (note 24).

The Group has EUR 19,367 thousand (EUR 19,367 thousand in 2018) of remunerated deposits in financial institutions, with limited availability according to specific conditions, which is being used as a collateral guarantee for financial loans contracted by its subsidiary Jerónimo Martins Colombia, S.A.S.. This deposits will be released on loans repayment date.

Accrued income includes basically supplementary gains contracted with suppliers, in the amount of EUR 218,062 thousand (2018: EUR 229,383 thousand).

The deferred costs include EUR 1,276 thousand of loans issued expenses, EUR 1,889 thousand of insurance costs and EUR 8,965 thousand of other costs attributable to future years and paid in 2019, or, if not yet paid, already charged by the entities.

Current debtors with overdue amounts are subject to an analysis of the probability of future losses, based on historical information, taking into account the nature of the commercial relationship established, as well as to existing collateral and credit insurance, with reinforcements/reversals of adjustments for impairment losses recognized when justified (see note 29.2.1).

The ageing analysis of debtors that are past their due date is as follows:

	2019	2018
Debtors balances not considered impaired		
Less than 3 months past due	21,490	25,965
More than 3 months past due	12,386	7,835
Total	33,876	33,800
Debtors balances considered impaired		
Less than 3 months past due	1,939	731
More than 3 months past due	12,551	14,168
Total	14,490	14,899

Of the debtors balances not considered impaired, EUR 1,880 thousand (2018: EUR 1,190 thousand) are covered by credit guarantees and credit insurance.

Movements on impairment of trade receivables are as follows:

	2019	2018
Balance as at 1 January	20,111	24,195
Set up, reinforced and transfers	1,244	2,214
Unused and reversed	(1,945)	(4,324)
Foreign exchange difference	75	(276)
Used	(1,719)	(1,698)
Balance as at 31 December	17,766	20,111

Impairment losses and reversals related to other debtors are included in note 4 - Operating costs by nature, under "Cost of goods sold and materials consumed" when related to commercial disputes with suppliers, amounted EUR 1,055 thousand (2018: EUR 2,166) thousand), and in the caption "Other natures of profit/loss" when related to customers and other debtors, amounted EUR (354) thousand (2018: EUR (56) thousand).

15 Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and other short-term highly liquid investments with initial maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

	2019	2018
Bank deposits	541,454	394,279
Short-term investments	383,816	147,870
Cash and cash equivalents	4,041	3,839
Total	929,311	545,988

Bank deposits correspond to values in banks to meet current cash requirements as well as receipts from customers in transit.

Short-term investments correspond to time deposits in financial institutions.

Ratings of bank deposits and short-term investments are detailed in note 29.2.1.

16 Cash generated from operations

	2019	2018
Net results	389,866	401,044
Adjustments for:		
Non-controlling interests	30,901	28,816
Income tax	128,459	131,930
Depreciations and amortisations	715,370	363,736
Provisions and other operational gains and losses	33,288	16,251
Net financial costs	158,704	25,112
Gains/Losses in associated companies	2	(188)
Gains/Losses in other investments	(1,901)	-
Profit/ Losses in tangible, intangible and right-of-use assets	6,074	3,897
	1,460,763	970,598
Changes in working capital:		
Inventories	(84,777)	(160,150)
Trade debtors, accrued income and deferred costs	(5,770)	1,898
Trade creditors, accrued costs and deferred income	276,380	210,461
Total	1,646,596	1,022,807

17 Capital and reserves

Share capital

Share capital corresponds to the nominal value of the ordinary shares issued.

Share premium is recognised when the issued share price exceeds its nominal value. Costs incurred with the issuance of new shares are recognised directly in this heading, net of respective taxes.

Own shares purchased are shown at cost as a deduction in equity. When they are disposed, the amount received, net of costs related with the transaction and taxes, is recognised directly in equity.

Payable dividends

Payable dividends are recognised as a liability in the Group's Financial Statements in the period in which they are approved for distribution by the shareholders

17.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2018: 629,293,220).

The holders of ordinary shares have the right to receive dividends as established at the General Shareholder's Meeting and have the right to one vote for each share held. There are no preferential shares and the own shares rights are suspended until these shares are sold in the market.

During the year no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

17.2 Own shares

At 31 December 2019, the Group held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2019.

17.3 Dividends

Dividends distributed in 2019 totalling EUR 219,501 thousand, were paid to JMH shareholders in the amount of EUR 204,241 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 15,260 thousand.

17.4 Other reserves and retained earnings

In the individual accounts of JMH duly states all conditions related to the use of reserves to be distributed comprised in the Company equity. We therefore recommend reading this information.

18 Earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders divided by the weighted average of outstanding ordinary shares.

18.1 Basic and diluted earnings per share

	2019	2018
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	(859,000)	(859,000)
Weighted average number of ordinary shares	628,434,220	628,434,220
Diluted net results of the year attributable to ordinary equity holders	389,866	401,044
Basic and diluted earnings per share – Euros	0.6204	0.6382

19 Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method (note 2.4.2).

Borrowings are classified as current liabilities, unless the Group has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The Group has negotiated commercial paper programs in the total amount of EUR 335,000 thousand, of which EUR 135,000 thousand are committed. The utilizations under these programs are remunerated at the Euribor rate for the respective issue period, plus variable spreads. Some emissions were carried out, for short periods of time, to meet specific cash requirements.

Last year a Money Market line was contracted by JMH and JMR, SGPS, S.A., with a limit of EUR 70,000 thousand, and a regular utilization has been made.

A new loan was negotiated for JM Nieruchomości Bis sp. z o.o. with a two-year PLN 400,000 thousand limit, which was partially used to pay the financing of PLN 300,000 thousand that the company already held with the same bank and that matured in April.

Jerónimo Martins Colombia contracted a loan in Colombian pesos, in the medium and long term, with IFC, a member of the World Bank Group, in an amount of COP 330,000,000 thousand, equivalent to USD 93,000 thousand. Regarding the short-term credit lines that Jerónimo Martins Colombia holds with local banks, they were increased by another COP 169,000,000 thousand, equivalent to approximately EUR 45,000 thousand, not being fully used.

19.1 Current and non-current loans

2019	Opening balance	Change acc.* policy	Cash flows	Transfers	Foreign exchange difference	Closing balance
Non-current loans						
Bank loans	277,524	-	108,128	(79,420)	2,532	308,764
Financial lease liabilities	10,866	(10,866)	-	-	-	-
Total	288,390	(10,866)	108,128	(79,420)	2,532	308,764
Current loans						
Bank overdrafts	-	-	33,782	-	317	34,099
Bank loans	346,531	-	(41,973)	79,420	5,608	389,586
Financial lease liabilities	4,283	(4,283)	-	-	-	-
Total	350,814	(4,283)	(8,191)	79,420	5,925	423,685

* With the adoption of the IFRS16 standard, the amounts were reclassified to "Lease liabilities" (see note 11.2).

2018	Opening balance	Change acc. policy	Cash flows	Transfers	Foreign exchange difference	Closing balance
Non-current loans						
Bank loans	231,508	-	133,226	(79,390)	(7,820)	277,524
Financial lease liabilities	6,254	-	10,487	(5,649)	(226)	10,866
Total	237,762	-	143,713	(85,039)	(8,046)	288,390
Current loans						
Bank overdrafts	6	-	(6)	-	-	-
Bank loans	297,526	-	(12,125)	79,390	(18,260)	346,531
Financial lease liabilities	1,973	-	(3,260)	5,649	(79)	4,283
Total	299,505	-	(15,391)	85,039	(18,339)	350,814

19.2 Loan terms and maturities

2019	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial paper in EUR		50,000	50,000	-	-
Loans in PLN		303,493	83,674	219,819	-
Loans in COP		344,857	255,912	65,376	23,569
Bank overdrafts		34,099	34,099	-	-
Total	3.65%	732,449	423,685	285,195	23,569
2018	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial paper in EUR		50,000	-	50,000	-
Loans in PLN		288,097	80,744	207,353	-
Loans in COP		285,958	265,787	20,171	-
Financial lease liabilities		15,149	4,283	10,232	634
Total	3.17%	639,204	350,814	287,756	634

The increase in loans in 2019, is mainly due to the level of investments in the retail business in Poland (Biedronka) and in the retail business in Colombia (Ara), whose financing in local currency (zloty and colombian peso, respectively) explains the increase in the average financing rate.

19.3 Financial net debt

As the Group contracted several foreign exchange rate risk and interest risk hedging operations, as well as short-term investments, the net consolidated financial debt as at 31 December is:

	2019	2018
Non-current loans (note 19.1)	308,764	288,390
Current loans (note 19.1)	423,685	350,814
Financial lease liabilities - non-current (note 11.2)	1,999,293	-
Financial lease liabilities - current (note 11.2)	384,980	-
Derivative financial instruments (note 12)	3,056	162
Interest on accruals and deferrals	423	1,750
Bank deposits (note 15)	(541,454)	(394,279)
Short-term investments (note 15)	(383,816)	(147,870)
Collateral deposits associated to financial debt (note 14)	(19,367)	(19,367)
Total	2,175,564	79,600

20 Provisions

Provisions are recognised in the balance sheet whenever the Group has a present obligation (legal or implicit) as a result of a past event and it is probable that a reasonably estimated outflow of resources embodying economic benefits will be required to settle the obligation.

Restructuring provision

Provisions for restructuring costs are set up whenever a formal restructuring plan has been approved by the Group and the restructuring has started to be implemented or has been announced publicly.

Provisions for restructuring include all liabilities to be paid with the implementation of the plan, including employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Legal claims provision

Provisions related with litigation against Group Companies are set up in accordance with risk assessments carried out by the Group, with the support and advice of its legal advisers.

2019	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	Closing balance
Taxes	10,313	1,112	-	-	-	11,425
Legal claims	6,649	5,114	(4,521)	60	(304)	6,998
Others	9,603	464	(664)	8	(54)	9,357
	26,565	6,690	(5,185)	68	(358)	27,780

2018	Opening balance	Set up, reinforced and transfers	Unused and reversed	Foreign exchange difference	Used	Closing balance
Taxes	18,019	233	(6,826)	-	(1,113)	10,313
Legal claims	4,328	3,489	(853)	(107)	(208)	6,649
Others	6,961	2,927	(248)	(37)	-	9,603
	29,308	6,649	(7,927)	(144)	(1,321)	26,565

Provisions for tax are aimed to cover possible future disbursements resulting from the tax litigation described in note 24. These are all cases in dispute in several courts, for which there is no date to be concluded.

In 2018, all tax litigation lawsuits were reassessed. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made in that year, in the amount of EUR 6,826 thousand.

The ongoing lawsuits for which the Group constitutes provisions essentially relate to commercial, labour and regulatory disputes, for which it is estimated may result in future disbursements. Since these are many and relatively small claims related to different periods, their payment should be phased over time upon completion of the respective court proceedings.

The provision for other litigation is intended to cover the estimated future disbursements related to liabilities assumed by the Group as a result of past transactions, such as guarantees provided by the sale of business. Since they are mostly events that are not yet in dispute with the counterparty, the probability of short-term disbursement is considered remote.

21 Trade creditors, accrued costs and deferred income

Suppliers and other creditor's balances are obligations to pay goods or services that have been acquired in the ordinary course of the business. They are initially recognised at the fair value and subsequently at the amortised cost, in accordance with the effective interest rate method (note 2.4.2).

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

	2019	2018
Non-current		
Other commercial creditors	51	37
Accrued costs and deferred income	713	737
Total	764	774
Current		
Other commercial creditors	3,320,957	3,039,806
Other non-commercial creditors	334,128	233,232
Other taxes payables	120,791	113,996
Contracts liabilities with customers	3,628	3,722
Refunds liabilities to customers	788	1,041
Accrued costs and deferred income	401,857	402,614
Total	4,182,149	3,794,411

The current accrued costs, totalling EUR 397,767 thousand include salaries and wages to be paid to the employees, in the amount of EUR 193,354 thousand, interest payable in the amount of EUR 47,030 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 12,525 thousand. The remaining EUR 144,858 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others) for 2019, which had not been invoiced by the respective entities prior to the end of the year.

22 Guarantees

The bank guarantees are as follows:

	2019	2018
Guarantees provided to suppliers	40,111	29,127
Guarantees for Tax Authorities	99,148	93,353
Other State guarantees	3,269	4,672
Other guarantees provided	7,908	6,501
Total	150,436	133,653

23 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted to EUR 42,215 thousand (EUR 123,535 thousand in 2018) and refers, essentially, to work in progress, preliminary agreement for the acquisition of land, buildings and equipment whose public deeds will occur in due time.

There are no capital commitments assumed by the Group in relation to joint ventures and associates.

24 Contingencies, contingent assets and contingent liabilities

Contingent assets are potential Group assets that result from past events, but whose recognition depends on the occurrence or not of one or more future events that are not under its control.

Disclosure is made in the notes when it becomes probable that future economic benefits will be received by the Group. It is recognized in the Consolidated Financial Statements when it becomes virtually certain to be received.

Contingent liabilities corresponds to potential obligations as result of past events and whose recognition depends on the occurrence or not of one or more uncertain future events not wholly within the control of the Group. They may also represent present obligations as result of past events, which are not recognized in the Financial Statements because its payment is not probable or it is not possible to obtain a reliable value estimation.

The Group discloses in the notes whenever the probability of future disbursement is not considered remote. It is recognized or a provision is set up when it becomes probable that economic benefits will be paid and its value can be estimated with some degree of reliability.

Assets recognised in the Consolidated Financial Statements

- Under non-current debtors (note 14), an amount of EUR 62,472 thousand (EUR 61,242 thousand in 2018) relates to tax liquidations claimed by the Tax Administration.

The Board of Directors, supported by its tax and legal advisers, believes the Company has acted within the law and maintains the administrative and judicial claims filed against such settlements expecting their full recovery.

In this context, the Group immediately demanded total reimbursement of the amounts paid, as well as indemnity interest at the legal rate for the period between the payment date and its effective restitution date.

In 2012 one of the judicial proceedings was held to be well-grounded by the Court of Appeal (Tribunal Central Administrativo Sul), which ruled the cancellation of the referred liquidations and the payment of compensatory interests and of a compensation for the guarantees granted within the proceedings. The Group recognised the amount of compensatory interest due on this credit.

Contingent liabilities

- There are several disputes arising out of the ordinary course of the Group's businesses, and the most significant issues mentioned below are also pending resolution. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, considers that there is enough ground for its appeal in court and, in that sense, it assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur a provision has been made for the amounts it expects to pay in the future, or proceeding with its payment (see note 20), when it considers that it is the best way to protect the Group's interests:
 - a) The Portuguese Tax Authorities (PTA) have informed Recheio SGPS that it should restate the dividends received, amounting to EUR 81,952 thousand, from its subsidiary in the Madeira Free Zone in the years 2000 to 2003, considering them as interest for tax purposes. According to the PTA the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The PTA have issued additional assessments, amounting to EUR 20,888 thousand, of which EUR 19,581 thousand is still in dispute. In spite of a judicial claim that was ruled in favour of the PTA, the Board of Directors maintains its convictions and claimed against them judicially;
 - b) The PTA carried out some corrections to the CIT amount from Companies included in the perimeter of the Tax group headed by JMR SGPS, which led to additional assessments concerning 2002 to 2015, amounting to EUR 81,304 thousand, of which an amount of EUR 71,200 thousand is still in dispute. In the meantime, the Lisbon Tax Court has ruled partially in favour of the Group regarding the 2002, 2003, 2004, 2005 and 2007 assessments. The Group appealed to a higher court;
 - c) The PTA assessed Feira Nova – Hipermercados, S.A. (Feira Nova) and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) regarding 2002 to 2004, the amount of EUR 4,845 thousand. These additional assessments relate to the amount booked by these Companies as shrinkage (loss of inventory through crime or wastage) which was not accepted as a tax deductible cost for CIT purposes, and also the associated VAT since there was no evidence that the goods were not sold. Meanwhile, the Lisbon Tax Court ruled in favour of Feira Nova regarding all VAT assessments, amounting to about EUR 2,813 thousand. The remaining judicial claims are still under discussion in Court;
 - d) The PTA have informed JMH, to restate the dividends received, amounting to EUR 10,568 thousand, from one subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the PTA the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;
 - e) The PTA carried out some corrections of VAT rates applied to certain goods sold by some Group Companies. With these corrections the total amount of assessments for the years 2005 to 2017 in Pingo Doce, Feira Nova and Recheio amounted to EUR 2,756 thousand, EUR 1,300 thousand and EUR 551 thousand, respectively;
 - f) The PTA carried out some corrections to the CIT from Companies included in the perimeter of the Tax Group headed by Recheio SGPS. With these corrections the total assessments concerning 2007 to 2014, amount to EUR 16,580 thousand, of which an amount of EUR 15,829 thousand is still in dispute. The Lisbon Tax Court has already ruled in favour of Recheio SGPS regarding the 2008 assessment. However, the PTA have appealed the said decision;

- g) The PTA have informed Jerónimo Martins that they do not accept the capital losses associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses regarding 2007, and an amount of tax estimated of EUR 6,800 thousand. In 2019, the Lisbon Tax Court ruled in favour of JMH, however the PTA have appealed the said decision to a higher court;
- h) The PTA assessed, regarding 2016, JMR SGPS and JMH (as the head of the Tax Group in which Recheio SGPS is included), the amounts of EUR 43,632 thousand and EUR 12,608 thousand, respectively, related to the taxation in CIT of ¼ of the results generated in internal operations of the Tax Group. As explained in the 2018 Annual Report (and previous years), this assessment results from the application of the transitional rule included in the Portuguese State Budget of 2016. Based on the assessment of our legal and fiscal advisors, we firmly believe that there are sufficient grounds to oppose the said rules. Therefore, no provisions have been made for the amount assessed and which is expected to be further assessed from the application of the 2016, 2017, 2018 and 2019 transitory rules - c. EUR 225,000 thousand in taxes;
- i) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce, Recheio and Hussel an amount of EUR 18,782 thousand, EUR 1,886 thousand and EUR 41 thousand, respectively, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012 to 2019. The values at stake have been challenged in Court, since it is understood that this tax is not due, namely on the grounds of the unconstitutional nature of the Statute that approved the TSAM. Despite the court having decided that the Food Safety Tax is not unconstitutional, the Companies maintain their understanding and presented the respective appeal to the Constitutional Court, which kept the decision. Pingo Doce filed a complaint with the European Commission based on illegal state aid. The disputes are still running their course. The Group regularly assesses the risk and likelihood of its conclusion. However, in order to protect its legitimate interests and not to harm its position in these disputes, it does not disclose the amounts that could be provisioned;
- j) In a lawsuit brought by a former landlord of the subsidiary Jeronimo Martins Polska SA (JMP) the plaintiff claims from the company the amount of PLN 10,360 thousand, as compensation for loss of profit, corresponding to rents that would have been due if the underlying lease agreement had not been terminated by the company. Given that the property has been sold in the meantime, JMP considers that the compensation claimed is not due, at least in the amount claimed since it must be taken into account that the former landlord was able to dispose of the property, which, incidentally, could have alternatively leased to a third party. The case is running its course and the court has referred the parties to mediation, whose first session occurred in August 2019.

Contingent assets

There are decisions taken by the competent courts, partially favorable to the Group's interests, on some of the cases that were paid in 2016, and despite the fact that the Tax Authority has appealed to higher courts, the Board of Directors believes that the Group will obtain future repayments. However, according to our policy described above, the disclosure of any amounts related to contingent assets will be made when their receipt becomes quantifiable.

25 Related parties

A related party is a person or entity that is related to the Group, including those that have, or are subject to, the influence or control of the Group.

25.1 Balances and transactions with related parties

56.136% of the Group is owned by the Sociedade Francisco Manuel dos Santos, B.V. (SFMS). There were no direct transactions between this and any other company of the Group in 2019.

There were no amounts payable or receivable between them on 31 December 2019.

Balances and transactions of Group Companies with related parties are as follows:

	Joint ventures		Other related parties (*)	
	2019	2018	2019	2018
Sales and services rendered	-	-	116	198
Interest income	54	32	-	-
Stocks purchased and services supplied	4,350	1,601	115,199	121,085

	Joint ventures		Other related parties (*)	
	2019	2018	2019	2018
Trade debtors, accrued income and deferred costs	46	28	7	58
Trade creditors, accrued costs and deferred income	597	518	5,945	2,484

(*) Other related parties corresponds to Other financial investments, entities participated and/or controlled by the major shareholder of Jerónimo Martins and entities owned or controlled by members of the Board of Directors.

All the transactions with related parties were made under normal market conditions, meaning, the transaction value corresponds to prices that would be applicable between non-related parties.

Outstanding balances between Group Companies and related parties, as a result of trade agreements, are settled in cash, and are subject to the same payment terms as those applicable to other agreements contracted between Group Companies and their suppliers.

There are no provisions for doubtful debts and no costs were recognised during the year related with bad debts or doubtful debts with these related parties.

25.2 Remuneration paid to Directors and Senior Managers

The costs incurred with fixed and variable remuneration and contributions to the pension plans attributed to the Directors and Senior Managers were as follows:

	2019	2018
Salaries and other short-term employee	23,857	22,924
Termination benefits	99	540
Post-employment benefits	876	562
Other benefits	1,258	1,225
Total	26,090	25,251

The Board of Directors of the Company consisted of 10 Members at the end of 2019. The average number of Senior Managers of the Group was 91 (2018: 90).

Senior Managers are considered to be the Members of the Managing Committee and leading teams of the Group's business units and the Directors of the Corporate Centre.

The remuneration policy of the Board of Directors and of the Supervisory Board are stated in this Annual Report in Chapter IV - Corporate Governance.

The post-employment benefits granted to the Directors and the Senior Managers are part of the defined contribution plan described in note 5.2.

The cost incurred with other benefits refer to long-term benefits and are described in note 5.2.

26 Group subsidiaries

Group control is ensured by the parent Company, Jerónimo Martins, SGPS, S.A..

The tables below list the subsidiaries of Jerónimo Martins Group, fully consolidated.

Company	Business area	Head office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	-
Jerónimo Martins - Serviços, S.A.	Human resources top management	Lisbon	100.00
New World Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Origins - Agro Business Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Tagus - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Warta - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Desimo, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and accounting area	Funchal	100.00
Jerónimo Martins Inovação, S.A.	Other business and management consultancy activities	Lisbon	100.00
Jerónimo Martins - Restauração e Serviços, S.A.	Coffee shops	Lisbon	100.00
Hussel Ibéria - Chocolates e Confeitaria, S.A.	Retail sale of chocolates, confectionery and similar products	Lisbon	51.00
Jeronimo Martins Colombia S.A.S.	Trading and distribution of consumer goods	Bogotá (Colombia)	100.00
Jerónimo Martins – Agro-Alimentar, S.A.	Other business support service activities	Lisbon	100.00
Best-Farmer – Actividades Agro-Pecuárias, S.A.	Growing of crops and animal farming	Lisbon	100.00
Terra Alegre Lactínios, S.A.	Manufacture of milk and dairy products	Portalegre	100.00
Seaculture - Aquicultura, S.A.	Saline brackish waters aquaculture	Lisbon	100.00
JMR - Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Retail management, consultancy and logistics	Lisbon	51.00
Pingo Doce - Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Imoretalho - Gestão de Imóveis, S.A.	Real estate management and administration	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	51.00
EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	51.00
Lidosol II - Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	51.00
Lidinvest - Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	51.00
Jerónimo Martins Retail Services SA in liquidation	Trademarks management	Klosters (Switzerland)	51.00
Jerónimo Martins Finance Company (2), Designated Activity Company	Financial services	Dublin (Ireland)	51.00
Recheio, SGPS, S.A.	Business portfolio management in wholesale and retail distribution	Lisbon	100.00
Recheio - Cash & Carry, S.A.	Wholesale of food and consumer goods	Lisbon	100.00
Imocash - Imobiliário de Distribuição, S.A.	Real estate management and administration	Lisbon	100.00
Larantigo - Sociedade de Construções, S.A.	Real estate purchase and sale	Lisbon	100.00
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
Caterplus - Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	100.00
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	100.00
Santa Maria Manuela Turismo, S.A.	Sea passenger water transport	Lisbon	100.00
Jeronimo Martins Polska S.A.	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
JM Nieruchomości Bis sp. z o.o.	Real estate management and administration	Kostrzyn (Poland)	100.00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	Retail sale of health and beauty products	Kostrzyn (Poland)	100.00
Bliska Sp. z o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	100.00

On 31 December 2019 the company JM Nieruchomosci - Sp. z o.o. was merged into Jeronimo Martins Polska S.A., of which had no impact on the Group's Financial Statements.

On 31 December 2019 the companies Jerónimo Martins Retail Services S.A. in liquidation and Jerónimo Martins Finance Company (2), Designated Activity Company, are in the process of liquidation, which is expected to be completed in the first quarter of 2020.

27 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2019 were EUR 253,941 thousand (2018: EUR 238,356 thousand), of which EUR 253,505 thousand (2018: EUR 237,757 thousand) related to JMR Group (Portugal Retail segment – see note 3), where Ahold Delhaize Group holds a stake c. 49%.

The Financial Statements of this business unit, fully consolidated, include the following amounts related to assets, liabilities and earnings:

	2019	2018
Non-current assets	1,853,609	1,389,192
Current assets	383,435	366,138
Non-current liabilities	(419,560)	(95,049)
Current liabilities	(1,302,587)	(1,177,522)
Total shareholders equity	514,897	482,759
Sales and services rendered	4,407,917	4,269,640
Net profit	63,253	60,663
Other comprehensive income	(115)	97
Total comprehensive income	63,138	60,760

28 Interests in joint ventures and associates

Set out below are the joint ventures and associates of the Group, consolidated by the equity method:

Company	Business area	Head office	% Owned
Marismar - Aquicultura Marinha, Lda.	Saline brackish waters aquaculture	Funchal	50.00

29 Financial risks

The Group is exposed to several financial risks, namely: i. price risk; which includes interest and exchange rate risks; ii. transactional risk, which includes credit and liquidity risk; and iii. 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 Group'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. It is responsible, with the cooperation of the financial areas of the Group's companies, for identifying and assessing risks and for executing the hedging of financial risks, following the guidelines set out in the Financial Risk Management Policy.

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

29.1 Pricing risk

29.1.1 Foreign exchange risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland and in Colombia.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Group acquires merchandise denominated in foreign currency, mainly zloty and US dollars for the Portuguese operations, and euros and US dollars for the Polish operations and for the Colombian operations. As a general rule, these transactions are very short dated. Exchange-rate risks associated with imports are covered by forward purchases of the currency of payment.

The Management of the operational Companies' exchange rate risk is centralised in the Group's Financial Operations Department. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, hedging structures are contracted using instruments such as swaps, forwards or options.

The Group's exposure to foreign exchange risk in financial instruments recognised as at 31 December 2019 was as follows:

As at 31 December 2019	Euro	Zloty	Colombian peso	US dolar	Total
Assets					
Cash and cash equivalents	160,433	719,998	48,880	-	929,311
Other financial investments	1,327	-	-	-	1,327
Trade debtors and deferred costs	113,485	292,522	20,317	-	426,324
Total financial assets	275,245	1,012,520	69,197	-	1,356,962
Liabilities					
Borrowings	49,999	337,592	344,858	-	732,449
Lease liabilities	459,459	1,632,522	292,292	-	2,384,273
Derivative financial instruments	352	2,640	-	64	3,056
Trade creditors, accrued costs and deferred income	1,115,174	2,566,714	197,826	-	3,879,714
Total financial liabilities	1,624,984	4,539,468	834,976	64	6,999,492
Net financial position in the balance sheet	(1,349,739)	(3,526,948)	(765,779)	(64)	(5,642,530)
As at 31 December 2018					
Total financial assets	187,673	751,029	45,338	-	984,040
Total financial liabilities	1,130,600	2,577,652	424,672	-	4,132,924
Net financial position in the balance sheet	(942,927)	(1,826,623)	(379,334)	-	(3,148,884)

Considering the position of the financial assets and liabilities on the balance sheet at 31 December 2019, a depreciation of the zloty against the euro of around 10% would have a positive impact on the results of EUR 10,223 thousand and a positive impact of EUR 335,636 thousand on equity (2018: a positive impact of EUR 179,221 thousand on equity). Regarding the Colombian peso, a depreciation against the euro of 10% would have a positive impact on equity of EUR 69,616 thousand (2018: a positive impact of EUR 34,485 thousand on equity).

29.1.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes the Group to cash flow risk. A given portion of this risk is hedged through interest rate swaps, thus the Group is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluate future interest costs based on forward rates, sensitivity tests to variations in the interest rate level are performed. The Group is essentially exposed to interest rate curves of the euro, the zloty, and to the Colombian peso.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on financial instruments, traded at variable interest rates;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the valuation date.

For each analysis, whatever the currency, the same changes to the yield curves are used. The analyses are carried out for the net debt, meaning deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivative financial instruments as of the reference dates, and the respective change in the interest rate curves.

Based on the simulations performed at 31 December 2019, and excluding the effect of interest rate derivatives, a rise of 50b.p. in interest rates, with everything else remaining constant, would have a positive impact of EUR 976 thousand (2018: negative in EUR 397 thousand). These simulations are carried out at least once a quarter, but are reviewed whenever there are relevant changes, such as debt issuance, debt repayment or restructuring, significant variations in reference rates and in the slope of the interest rate curve.

Interest rate risk is managed through operations involving financial derivatives contracted at zero cost at the initial moment.

29.2 Transactional risk

29.2.1 Credit risk

The Group manages centrally its exposure to credit risk on bank deposits, short-term investments and derivatives contracted with financial institutions. The Financial Departments of the business units are responsible for the management of credit risk on its customers and other debtors.

The financial institutions that the Group chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating, there is also a maximum exposure to each of these financial institutions.

However, in each Company the bank that collects the deposits from stores may have a lower rating than the one defined in the general policy, although the maximum exposure cannot exceed two days of sales of the operating company.

The following table shows a summary of the credit quality on bank deposits and short-term investments and derivative financial instruments with positive fair value, as at 31 December 2019 and 2018:

Financial institutions	Rating	Balance	
		2019	2018
Standard & Poor's	[A+ : AA]	154,623	38,728
Standard & Poor's	[BBB+ : A]	178,097	194,991
Standard & Poor's	[BB+ : BBB]	112,992	78,997
Standard & Poor's	[B+ : BB]	16,391	604
Moody's	[Caa2 : Caa1]	527	618
Moody's	P -1	139,441	69,330
Fitch	[A- : A+]	99,463	63,648
Fitch	[BBB- : BBB+]	223,404	93,812
Fitch	[B- : BB+]	172	320
	Not available	160	1,160
Total		925,270	542,208

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available Moody's or Fitch notations are used instead.

With regard to customers, the risk is mainly limited to Cash & Carry business, since the other businesses operate based on sales paid with cash or bank cards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance and by imposing credit limits which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows an analysis of the credit quality of the amounts receivable from customers and other debtors without non-payment or impairment:

Credit quality of the financial assets		
	2019	2018
New customer balances (less than six months)	1,043	803
Balances of customers without a history of non-payment	55,676	51,680
Balances of customers with a history of non-payment	6,308	7,029
Balances of other debtors with the provision of guarantees	5,155	3,172
Balances of other debtors without the provision of guarantees	133,556	140,073
Total	201,738	202,757

The following table shows an analysis of the concentration of credit risk from amounts receivable from customers and other debtors, taking into account its exposure for the Group:

Concentration of the credit risk from the financial assets				
	2019		2018	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	5	9,906	5	7,860
Customers with a balance between 250,000 and 1,000,000 euros	28	11,874	17	6,699
Customers with a balance below 250,000 euros	8,788	42,548	8,500	42,725
Other debtors with a balance above 250,000 euros	22	56,037	48	74,594
Other debtors with a balance below 250,000 euros	13,092	81,373	6,234	70,879
	21,935	201,738	14,804	202,757

The maximum exposure to credit risk as at 31 December 2019 and 2018 is the financial assets carrying value.

29.2.2 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only ensure the regular development of the Group' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

Treasury needs are managed based on short-term planning, executed on a daily basis, which derives from the annual plans that are reviewed regularly during the year.

The following table shows the Group' liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that the Group contracts are settled at net value.

Exposure to liquidity risk			
2019	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings			
Commercial paper	50,125	30	-
Other loans	396,125	307,274	25,217
Derivative financial instruments	25	-	-
Creditors	3,655,085	-	-
Lease liabilities	406,785	1,285,225	1,963,073
Total	4,508,145	1,592,529	1,988,290
2018	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings			
Financial leasing	4,283	10,232	634
Commercial paper	71	50,365	57
Other loans	364,229	237,991	-
Derivative financial instruments	48	23	-
Creditors	3,273,038	-	-
Operational lease liabilities	378,882	1,204,567	1,480,130
Total	4,020,551	1,503,178	1,480,821

The cash flows presented for commercial paper programs include fixed expenses incurred with these programmes whether they are being used or not.

The Group has entered into some covenants in its loan agreements for the medium and long-term debt in place. These covenants include:

- Limitation on the disposal and pledge of assets above a certain amount;
- Limitation on mergers and/or demergers when these imply the reduction of assets in the consolidation perimeter;
- Change of control clause;
- A limit on the ratios of Net Debt/EBITDA, calculated in accordance with the pre-IFRS 16 accounting standards;
- Fulfilment of Social and Environmental Standards.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At the end of December 2019 the Group was in full compliance with the covenants assumed on the debt loans in place.

29.3 Capital risk management

The Group seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its shareholders and to optimise the cost of capital.

Balance of the capital structure is monitored based on the financial leverage ratio (Gearing), calculated according to the following formula: Net Debt/Shareholder Funds and by the ratio Net Debt/EBITDA. The Board of Directors established a target for the Gearing ratio below 100%, consistent with an investment grade rating, and a ratio Net Debt/EBITDA below 3.

The Gearing ratios as at 31 December 2019 and 2018 calculated without the effect of adopting the IFRS 16 standard, as analysed by the Group's Management, were as follows:

	2019	2018
Capital invested	2,083,210	2,095,853
Net debt	(192,165)	79,600
Shareholder's funds	2,275,375	2,016,254
Gearing*	n.a.	3.9%
EBITDA	1,044,991	959,825
Net debt / EBITDA	(0.2)	0.1

*At 31 December 2019 the net debt was positive.

30 Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform the following:

- a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant that are not already contained either in the balance sheet or its annex;
- b) The total remuneration paid to the External Auditor and Statutory Auditor in 2019 was EUR 843 thousand, of which EUR 820 thousand correspond to statutory audit of the accounts, while the remaining EUR 23 thousand, are related to human resources support services and training services provided to employees in programmes not specifically prepared for the Group;
- c) Note 25 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

31 Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the Financial Statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

At the conclusion of this Report there were no relevant events to highlight that are not disclosed in the Financial Statements.

Lisbon, 19 February 2020

The Certified Accountant

The Board of Directors

Statement of the Board of Directors

Within the terms of paragraph c), number 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors, identified below, declare that to the best of their knowledge:

- i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter; and
- ii) the Management report is a faithful statement of the evolution of the businesses, of the performance and of the position of Jerónimo Martins, SGPS, S.A. and the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, 19 February 2020

Pedro Manuel de Castro Soares dos Santos
(Chairman of the Board of Directors and Chief Executive Officer)

Andrzej Szlezak
(Member of the Board of Directors)

António Pedro de Carvalho Viana-Baptista
(Member of the Board of Directors)

Artur Stefan Kirsten
(Member of the Board of Directors)

Clara Christina Streit
(Member of the Board of Directors and Member of the Audit Committee)

Elizabeth Ann Bastoni
(Member of the Board of Directors and Member of the Audit Committee)

Francisco Seixas da Costa
(Member of the Board of Directors)

José Soares dos Santos
(Member of the Board of Directors)

María Ángela Holguín
(Member of the Board of Directors)

Sérgio Tavares Rebelo
(Member of the Board of Directors and Chairman of the Audit Committee)

*(Translation from the original document in the Portuguese language.
In event of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Jerónimo Martins, S.G.P.S., S.A. (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2019 (showing a total of 9.751.871 thousand euros and total equity of 2.228.908 thousand euros, including a net profit attributable to the equity holders of the company, as mother of the group of 389.866 thousand euros), the Consolidated Income Statement by Functions, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Jerónimo Martins, S.G.P.S., S.A. as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. IFRS 16 - Leases first time adoption

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group adopted this new standard from 1 January 2019. Under the transitional conditions of IFRS 16, the new standard was adopted retrospectively with the cumulative effect being recognized on the transition date, 1 January 2019, with no restatement of the 2018 comparative accounts. With the adoption of IFRS 16, the Group recognized, in Liabilities, lease liabilities related to commitments previously	Our audit procedures included: ▶ Understanding and evaluation of the procedures performed by the Group related to the adoption of IFRS 16; ▶ Implementation of specific audit procedures to assess the operational effectiveness of the controls identified as relevant, highlighting: i) identification of lease agreements; ii) recognition of the right of use and its lease liabilities and iii) validation of key controls throughout the process;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted on the basis of an incremental borrowing rate on January 1, 2019. The corresponding asset (Rights of use) was initially measured by the amount that equals the liabilities with leases, adjusted for any deferral or accrual expenses related to leases, recognized in the balance sheet as of 31 December 2018. As of 31 December 2019, the amount of the Rights of use in the consolidated financial statements amounts to 2.335 million euros, which includes the assets related to leases previously under IAS 17. The Group's previous operating leases, whose commitments are now recorded in liabilities, relate mainly to lease agreements for stores and warehouses with different terms and various extension or termination options. We consider this issue to be a Key Audit Matter to the extent that the calculation of the Lease liabilities and the Rights of use is complex, involving new processes for information collection and significant judgments from management determining assumptions such as the lease term and the discount rate.	▶ Review of the Management assumptions, used in the assessment of lease contracts, including the assessment of assumptions such as the lease term, identification of the rights of use and the renewal/termination options; ▶ Execution, for a sample of contracts, test of detail to conclude on the accuracy of the data collected for each selected lease; ▶ Obtaining the complete list of lease agreements to perform tests on the completeness of the information used by Management; and ▶ Recalculation, for a sample of contracts, of the Rights of use and the correspondent Lease liabilities. Our audit procedures also included a review of the disclosures presented in the consolidated financial statements (note 2.1.1, note 2.6 and note 11) taking into account the applicable accounting standards.

2. Owned stores (fixed assets) and leased stores (right-of-use) valuation

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group operates a significant number of stores in three different countries: Portugal, Poland and Colombia. The carrying value of stores, including related assets and right of use, are important to our audit due to the material amount of those assets (more than 5.468 million euros as at 31 December 2019), as well as the judgment involved in the identification of any impairment triggers and subsequent assessments of the recoverability of the invested amounts. Management annually assesses whether there are triggering events indicating potential	Our audit procedures included: ▶ Understanding, evaluating and testing controls over the fixed assets and right of use processes; ▶ Evaluating the Group's policies and procedures to identify triggering events for potential impairment of assets related to underperforming stores by assessing Management's review of the financial performance on a Cash Generating Unit (CGU) basis; ▶ Obtaining Management's assumptions for impairment analyses and validating them by comparison to internal forecasts and long term strategic plans that were approved by Management, as well as historic trend analyses to determine Management's ability to reliably estimate such

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
impairment focusing on future store performance, which is dependent on external factors, namely store traffic, basket size and the competitive landscape.	assumptions, including the discount rate calculated by the Group; ▶ Performing, for a sample of CGUs, the re-execution of the calculation of impairment testing and comparing the value in use to the carrying amount; Our audit procedures also included a review of the disclosures presented in the consolidated financial statements.

3. Recognition of Supplementary Gains / Vendor Allowance

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group receives various types of vendor allowances (or “supplementary gains”), which are included in cost of sales as disclosed in notes 4, 13 and 14 to the consolidated financial statements. These allowances are associated with supply contracts with vendors and take various forms of credits and discounts. Such discounts obtained from contracts with suppliers should be considered as a component of the cost of the inventory and should be recognized in the income statement when the products are sold (according to IAS 2 - Inventories). The amounts to be deducted from the cost of sales depends on the quantities of products included in the vendor agreement which, at the date of the balance sheet, have already been sold. As the process of calculation and accounting for some material discounts involves manual processes which are more susceptible to the occurrence of errors in the consolidated financial statements, we consider this a key audit matter.	Our audit procedures included: ▶ Understanding, evaluating and performing control testing over the vendor allowances process; ▶ Understanding and performing tests on the system interface between the accounting system and the commercial system used to control the supplementary gains; ▶ Testing, for a sample of supplementary gains contracts, the accuracy of the key inputs in the system for the contracts and re-performing the amounts recorded; ▶ Performing analyses of the suppliers debtor balances, namely through the validation of credit noted issued subsequently and assessment of impairment indicators; ▶ External confirmation for a sample of suppliers to obtain assurance that the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed. Where responses were not received, we completed alternative procedures such as obtaining rebate contracts, understanding the contractual terms and recomputing the rebate earned; ▶ Obtaining evidence, for the most significant manual adjustments, to support the amount accounted for and the correctness of the period in which these were recorded; ▶ Performing detailed analytical procedures, namely monthly review, prior year review, ratio analysis to sales and ratios analyses to purchases of the vendor allowances; and ▶ Performing year-end cut-off procedures to determine whether amounts were recorded in the correct accounting period.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	We have also verified the adequacy of the disclosures presented in the consolidated financial statements.

4. Tax litigations and contingencies

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The risk of tax matters and current disputes with the tax authorities are monitored constantly by both Group's Management and Audit Committee. Based on the opinion expressed by the Group's legal and tax advisors, on the opinion from external lawyers on specific tax issues, and according to Management's judgment, all disagreements with tax authorities are recognized as liabilities or disclosed as a contingent liability in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) in the consolidated financial statements. The total amount of tax contingencies, net of provisions and payments under special tax regimes amount to approximately 94,3 million euros at 31 December 2019. The Group disclosed a risk that arose from the State Budgets from 2016 to 2019, related to the taxation of gains from previous years that derived from internal transactions, totaling 225 million euros. In 2019, the Group received a tax bill from the Tax Authority regarding the 2016 process, amounting 56 million euros. This topic is a key audit matter for our audit considering the complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertainty associated with the final outcome.	Our audit procedures included: ▶ Understanding and evaluating the monitoring processes over tax litigations and claims; ▶ Performing confirmation procedures with lawyers representing the Group on the tax matters; ▶ Reviewing the minutes of meetings and performing inquiries of management, legal department and tax department for the most significant claims and litigations; and ▶ Performing analyses of the ongoing tax disputes with the support of internal tax specialists. We have also verified the adequacy of the disclosures presented in the consolidated financial statements.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for:

- ▶ the preparation of consolidated financial statements that presents a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;

- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- ▶ communicate with those charged with governance, including the Audit Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated to those charged with governance, including the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under N° 4 and N° 5 of article 451 of the Commercial Companies Code and the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, N° 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

Pursuant to article 451, paragraph 7 of the Companies Code, this opinion is not applicable to the non-financial statement included in the Management Report.

On the non-financial information set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, N° 6 of the Commercial Companies Code, we inform that the Group included in the Management Report the non-financial information of the set out in article 508-G of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, N° 4 of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) N° 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of the Jerónimo Martins, S.G.P.S., S.A. (Group's Parent Entity) for the first time at the shareholders' general meeting held on 6 April 2017 for the mandate from 2017 to 2018, and reappointed for the mandate from 2019 to 2021 at the shareholders' general meeting held on 11 April 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred with a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the Audit Committee of the Group on February 18, 2020; and
- ▶ We declare that we have not provided any prohibited services as described in article 77, N° 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 04 March 2020

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves (ROC nº 896)
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Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. management report, consolidated and individual accounts for the year ending December 31st, 2019, as well as on the proposals presented by the Board of Directors.

Supervisory activity

Throughout the year, this Committee monitored the management and evolution of the Company's businesses by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the members of the Managing Committee, the Company Secretary and the Statutory Auditor (who also performs the duties as External Auditor), and in all cases received their full co-operation.

This Committee was given access to all corporate documentation that it considered relevant, in order to assess compliance with its regulations and with the applicable laws.

From the External Auditor and those responsible for preparing the Company's individual and consolidated financial information, with whom it met regularly, it obtained sufficient and necessary information to gauge the accuracy of the accounting documents, accounting policies and valuation criteria adopted by the Company, thereby ensuring that these correctly represent the results and the equity of the Company.

The Committee monitored, in particular, the development of legal and tax proceedings and litigation involving Group's companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies to which it is exposed.

Following the entry into force of new European legislation on the reporting of transactions to Tax Authorities, obtained from the Company's responsible the necessary clarifications regarding the procedures being implemented that ensure the compliance with said legislation.

Monitored the impacts on the Company's Financial Statements that resulted from the adoption, in 2019, of the new accounting standard IFRS 16 Leases, namely the way in which it was communicated, bearing in mind the non-existence of information that ensures comparability of the main financial performance indicators.

In compliance with the Financial Risk Management Policy, it monitored, in particular, the financing operations of the Colombian subsidiary, the hedging operations related with the dividend flows to be paid by the Polish subsidiaries and on the criteria that should trigger a change in the interest rate hedging approach, with the co-operation of the Financial Operations Department, and verified that the actions taken by the Company were adequate to comply with the policies issued by the Board of Directors.

Bearing in mind the worsening of the worldwide risks associated with cybersecurity, meet with the Information Security Officer, having obtained the necessary clarifications regarding the risks to which the Group is exposed, the work developed and the mitigation plans foreseen for 2020.

Obtained from several departments of the Company, namely those responsible for the financial area, the risk management, the internal audit, and from the representatives of the External Auditor, all information and clarifications requested, which allowed to verify the adequacy and effectiveness of the internal control and risk management systems.

It closely monitored the work carried out by the Internal Audit Department, by following its annual activity plan, the conclusions of the reports on the work carried out, as well as the actions that the Company implemented as a result of the recommendations issued by this department and also those contained in the reports issued by the External Auditor. The Committee reviewed and approved the internal audit plan for 2020 as well as the necessary resources allocation.

It monitored the evolution of issues raised, as well as the conclusions of the audit work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's Statutory Auditor in carrying out their functions.

It verified and approved all non-audit services provided by the firm of External Auditors to the Group's companies, ensuring that were carried out by their employees who took no part in the audits, and that these services are not forbidden under applicable law. It also guaranteed that the amounts paid for the services rendered in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

It also verified that, under the terms of paragraph 5 of article 420.º of the Commercial Companies Code, the Corporate Governance Report includes all the elements mentioned in article 245.º - A of the Portuguese Securities Code.

Opinion

Taking into account the information received from the Board of Directors, the Company's personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Individual and Consolidated Financial Information, we are of the opinion that:

- i) The Management Report should be approved;
- ii) The Individual and Consolidated Financial Statements should be approved; and
- iii) The Board of Directors' results appropriation proposal should be approved.

Statement of Responsibility

In accordance with sub-paragraph c) of paragraph 1 of article 245.º of the Portuguese Securities Code, the members of the Audit Committee, identified below, declare that to the best of their knowledge:

- i) the information contained in the Management Report, the Annual Accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.

- ii) The Management Report is a faithful statement of the evolution of the businesses, the performance and position of Jerónimo Martins, SGPS, S.A. and of the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, March 5, 2020

Sérgio Tavares Rebelo
(Chairman of the Audit Committee)

Clara Christina Streit
(Member)

Elizabeth Bastoni
(Member)

Jerónimo
Martins



CORPORATE GOVERNANCE

Corporate Governance

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PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

Section A SHAREHOLDER STRUCTURE

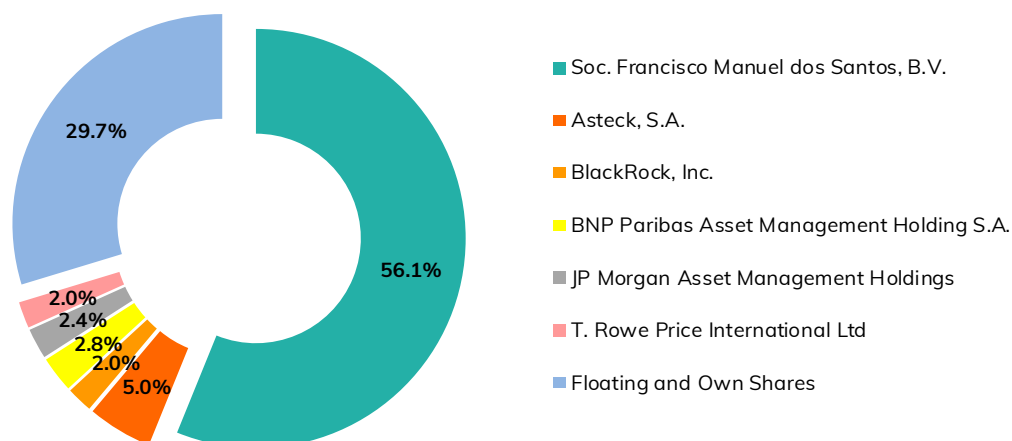
Subsection I Capital Structure

1. The Capital Structure (Share Capital, Number of Shares, Distribution of Capital by Shareholders, etc), Including an Indication of Shares That Are Not Admitted to Trading, Different Classes of Shares, Rights and Duties of Same and the Capital Percentage That Each Class Represents (Art. 245.º-A/1/a of the Portuguese Securities Code - PSC)

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 December 2019*:



* According to the last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date, being assumed that the number of shares owned is equivalent to the number of voting rights, unless otherwise disclosed to the issuer. See, Point 7

2. Restrictions on the Transfer of Shares, Such as Clauses on Consent for Disposal, or Limits on the Ownership of Shares (Art. 245.º-A/1/b PSC)

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

3. Number of Own Shares, the Percentage of Share Capital that it Represents and Corresponding Percentage of Voting Rights that Corresponded to Own Shares (Art. 245.º-A/1/a PSC)

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. Important Agreements to which the Company is a Party and that Come Into Effect, Amend or are Terminated in Cases Such As a Change in the Control of the Company After a Takeover Bid, and the Respective Effects, Except Where Due to their Nature, the Disclosure Thereof Would be Seriously Detrimental to the Company; This Exception Does Not Apply Where the Company is Specifically Required to Disclose Said Information Pursuant to Other Legal Requirements (Art. 245.º-A/1/j PSC)

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. A System That is Subject to the Renewal or Withdrawal of Countermeasures, Particularly Those 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

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 that the Company is aware of and That May Result in Restrictions on the Transfer of Securities or Voting Rights (Art. 245.º-A/1/g PSC)

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.

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

Subsection II Shareholdings and Bonds Held

7. Details of The Natural or Legal Persons Who, Directly or Indirectly, are Holders of Qualifying Holdings (Art. 245.º-A/1/c & /d PSC) and Art. 16.º PSC) With Details of the Percentage of Capital and Votes Attributed and the Source and Causes of the Attribution

The holders of qualifying holdings, calculated in accordance with the terms of paragraph 1 of Article 20 PSC, based on the total number of shares under the terms of section b), paragraph 3 of Article 16 PSC, as at 31st December 2019, are identified in the table below.

List of Qualifying Holdings as at 31st December 2019*

(Pursuant to sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Regulations no. 5/2008)

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights
Sociedade Francisco Manuel dos Santos, SGPS, S.E. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.14%	353,260,814	56.14%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.00%	31,464,750	5.00%
BNP Paribas Asset Management Holding S.A. Through Investment Funds Managed by BNP Paribas	n.d.**	n.d.**	n.d.**	2.77%
JP Morgan Asset Management Holdings Through Investment Funds Managed by JP Morgan	14,815,917	2.35%	14,815,917	2.35%
Of which, through JP Morgan Investment Management	n.d.**	n.d.**	n.d.**	2.04%
T. Rowe Price Group, Inc. Through T. Rowe Price International Ltd	12,821,174	2.04%	12,694,305	2.02%
BlackRock, Inc.	n.d.**	n.d.**	12,620,324	2.01%

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

**Information not disclosed to the issuer.

8. A List of the 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 - CCC)

The Board of Directors

Members of the Board of Directors	Held on 31.12.18		Increases during the year		Decreases during the year		Held on 31.12.19	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
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) ¹	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Elizabeth Ann Bastoni ³	n.a.	-	-	-	-	-	-	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt ⁴	19,700	-	-	-	-	-	n.a.	-
Henrique Manuel da Silveira e Castro Soares dos Santos ⁴	26,455 ²	-	-	-	-	-	n.a.	-
José Manuel da Silveira e Castro Soares dos Santos ³	n.a.	-	-	-	-	-	20,509	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) ¹	n.a.	-	-	-	-	-	353,260,814	-
María Angela Holguín Cuéllar ³	n.a.	-	-	-	-	-	-	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

¹ Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.

² Of which 1,500 shares held by spouse.

³ Beginning of the term of office as Director on 11th April 2019.

⁴ Ceased duties as Director on 11th April 2019.

Statutory Auditor

As at 31st December, 2019, the Statutory Auditor, Ernst & Young Audit & Associados, SROC, S.A., confirmed not holding any shares or bonds of Jerónimo Martins, SGPS, S.A. and not having made any transactions, during 2019, with Jerónimo Martins, SGPS, S.A. securities.

9. Special Powers of the Board of Directors, especially as Regards Resolutions on the Capital Increase (Art. 245.º-A/1/i) PSC) With an Indication as to the Allocation Date, Time Period Within Which Said Powers May Be Carried Out, the Upper Ceiling for the Capital Increase the Amount Already Issued Pursuant to the Allocation of Powers and Mode of Implementing the Powers Assigned

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

10. Information on Any 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.

There are no significant business relationships between holders of Qualifying Holdings and the Company.

Section B CORPORATE BODIES AND COMMITTEES

Subsection I General Meeting

A. Composition of the Presiding Board of the General Meeting

11. Details and Position of the Members of the Presiding Board of the General Meeting and Respective Term of Office (Beginning and End)

On 11th April 2019, Abel Bernardino Teixeira Mesquita and Nuno de Deus Pinheiro were appointed as Chairman and Secretary of the General Shareholders' Meeting, respectively, for the term 2019-2021.

B. Exercising the Right to Vote

12. Any Restrictions on the Right to Vote, Such as Restrictions on Voting Rights Subject to Holding a Number or Percentage of Shares, Deadlines for Exercising Voting Rights, or Systems Whereby the Financial Rights Attaching to Securities are Separated from the Holding of Securities (Art. 245.º-A/1/f PSC)

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 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 computerised means 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 <https://www.jeronimomartins.com/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. Details of the 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, and Details of Said Majority

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 CCC. 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 (Art. 245-A/1/h PSC). Diversity Policy.

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.

Under the terms of Art. 289, no. 1, d) CCC, the proposals for the appointment of members of the Board of Directors (as well as other corporate bodies) have made reference to the professional qualifications and professional activity, in the last five years, of the individuals proposed by the Company's shareholders for appointment. Such elements were sufficient justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.

Diversity Policy

In Portuguese company law the shareholders have exclusive competence to appoint the members of management and supervision bodies of companies.

Hence, considering that the shareholders are not to be confused with the Company, it is not possible for the latter to define or enforce a diversity policy as is foreseen in Art. 245-A, no. 1, r) of the Portuguese Securities Code, as amended by Decree-Law no. 89/2017, of 28th July.

This does not mean, however, that in selecting the members of management and supervision bodies of the Company (respectively, Board of Directors and Audit Committee), the shareholders have not been taking into account diversity criteria that seek to combine the individual attributes of each of the members, such as independence, integrity, experience and competence, with the specific characteristics of the Company, e.g., its governance model, its dimension, its shareholder structure and its business model.

It can even be continued to be said that, in the current structure of the Board of Directors and of the Audit Committee, the shareholders have maintained the safeguard of gender diversity, age diversity,

qualification diversity and professional background diversity, as can be seen in point 1.3.1. of Chapter 1, and in points 17 to 19, and 26 of Chapter IV of this Report.

Reference is also made to the (gender) Equality Plan, disclosed by the Company on 16th September 2019, where are stated, namely, the goals to be achieved by the Company, the specific measures to be implemented, who is responsible for its implementation, and which indicators shall be used to measure the achievement of such goals.

Therefore, the Company considers to have adopted the said diversity criteria and requisites through its enunciation in this document and its approval by the Board of Directors and by its shareholders.

17. Composition of the Board of Directors, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date When First Appointed and End of the Term of Office of Each Member

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 2019, the Board of Directors had the composition indicated below, being currently composed of ten effective members, who were elected at the General Meeting held on 11th April 2019 for the term of office 2019-2021:

Pedro Manuel de Castro Soares dos Santos

- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31st March 1995
- Expiry of the term of office on 31st December 2021

Andrzej Szlezak

- Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2021

António Pedro de Carvalho Viana-Baptista

- Independent Non-Executive Director
- First appointment on 9th April 2010
- Expiry of the term of office on 31st December 2021

Artur Stefan Kirsten

- Non-Executive Director
- First appointment on 9th April 2010 (term of office expired on February 2011)
- New appointment on 9th April 2015.
- Expiry of the term of office on 31st December 2021

Clara Christina Streit

- Independent Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2021

Elizabeth Ann Bastoni

- Independent Non-Executive Director
- First appointment on 11th April 2019
- Expiry of the term of office on 31st December 2021

Francisco Manuel Seixas da Costa

- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2021

José Manuel da Silveira e Castro Soares dos Santos

- Non-Executive Director, appointed by Sociedade Francisco Manuel dos Santos, B.V., under the terms of n.o 4 of art. 390 CCC
- First appointment on 31st March 1995 (expiry of term of office on 29th June 2001)
- New appointment on 15th April 2004 (expiry of term of office on 9th April 2015)
- Expiry of term of office on 31st December 2021

María Angela Holguín Cuéllar

- Independent Non-Executive Director
- First appointment on 11th April 2019
- Expiry of the term of office on 31st December 2021

Sérgio Tavares Rebelo

- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2021

Hans Eggerstedt

- Non-Executive Director
- First appointment on 29th June 2001
- Expiry of the term of office on 31st December 2018. In office until 11th April 2019

Henrique Manuel da Silveira e Castro Soares dos Santos

- Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2018. In office until 11th April 2019

18. Distinction to be Drawn Between Executive and Non-Executive Directors And, as Regards Non-Executive Members, Details of Members that May Be Considered Independent

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 15th 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 and other stakeholders, 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 Recommendations contained in the 2018 IPCG's Corporate Governance Code (2018), hereafter referred to as "2018 IPCG's Recommendations", considering the provision of recommendation III.4, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, António Viana-Baptista, Clara Christina Streit, Elizabeth Ann Bastoni, Francisco Seixas da Costa, María Angela Holguín Cuéllar and Sérgio Rebelo qualify as Independent Directors.

Clara Christina Streit, Elizabeth Ann Bastoni and Sérgio Rebelo are also members of the Audit Committee, being subject further to the independence criteria indicated in paragraph 5 of Article 414 CCC, which are complied with. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A CCC, except that provided for in subparagraph b). Hans Eggerstedt, who was a Director of the Company, and member of the Audit Committee until 11th April 2019, could not be considered as independent according to the criteria above mentioned.

Being the number of Independent Directors of six, in accordance to the criteria above mentioned, out of a total of ten Directors, the Company complies with recommendation III.4. (2018 IPCG's Recommendations).

19. Professional Qualifications and Other Relevant Curricular Information of Each Member of the Board of Directors

Pedro Soares dos Santos is a Portuguese national, and 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 31st March 1995, and has been Chief Executive Officer since 9th April 2010 and Chairman of the Board of Directors of the Company since 18th 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 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 10th April 2013.

António Viana-Baptista is a Portuguese national, 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 is a Non-Executive Director of Semapa, SGPS, S.A. and of Atento, S.A., and is also Director of Alter Venture Partners G.P., SARL. He was a member of the Audit Committee of the Company during the terms 2010-2012, and 2013-2015. He has been a Non-Executive Director of the Company, since 9th 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 Westfälische University in Gelsenkirchen since 2001. He served as Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") between 2011 and 2018, where he was a member of the Management Board since 1st 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 a Non-Executive Director of the Company, since 9th 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. From 2013 to 2017, she served as Member of the Supervisory Board and as Chair of the Nomination Committee of the Dutch insurance company Delta Lloyd N.V.. 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 of the German property company Vonovia SE (former "Deutsche Annington SE"). From May 2015 to April 2018, she was 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. In 2017, she was appointed Member of the Supervisory Board, Member of the Risk Committee and the Nomination and Corporate Governance Committee and, in 2019, she was appointed Member of the Supervisory Board of Deutsche Börse AG. She has been a Non-Executive Director of the Company, since 9th April 2015.

Elizabeth Ann Bastoni is an American national, and holds a Bachelor of Arts degree from Providence College and a degree in French civilization studies from the Sorbonne University in Paris. She started her career in Paris with KPMG in 1989 in the International Tax Practice where she served in various roles, including senior manager of Business Development. From 1998 to 2003, she served as Director of Global Compensation, Benefits and Expatriate Programs for Lyonnaise des Eaux worldwide. Prior to joining The Coca-Cola Company in 2005, she held senior human resources positions with the Paris-based Thales Group. She joined Carlson from The Coca-Cola Company where she served as Chief Human Resources and Communications Officer. She served as Director of Carlson Wagonlit Travel and as a Director of The Rezidor Hotel Group since April 2011. She is President of Bastoni Consulting Group LLC, Director of Société BIC, Chairwoman of the Board of Directors of Limeade, Inc. and Chair of the

Remuneration and Nomination Committee of Limeade Inc. She chaired the Remuneration Committee of the Jerónimo Martins Group between 2016 and 2018. She is a Non-Executive Director of the Company since 11th April 2019.

Francisco Seixas da Costa is a Portuguese national, 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 and, on 2017 he was appointed Member of the Independent General Council of RTP – Rádio e Televisão de Portugal, S.A.. He is Chairman of the Fiscal Council of PMM – SGPS S.A. and Chairman of the Advisory Board of A.T. Kearney Portugal, Consultadoria de Gestão, Lda.. 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 10th April 2013.

José Soares dos Santos is a Portuguese national, has a degree in Marine Biology from Lisbon Classic University, in 1986, with executive education at IMD (1995) and Harvard (1997), and Alumni Member of Stanford (2000). Member of the Board of Directors of Sociedade Francisco Manuel dos Santos, SGPS, S.E., since 2001. Executive President of Sociedade Francisco Manuel dos Santos B.V. since its establishment. Member of the Board of Directors of Jerónimo Martins SGPS, S.A., from 1995 to 2001 and from 2004 to 2015. Since 1995, he has been Chairman of Unilever Fima, Lda., Gallo Worldwide, Lda. and JMDB Representação e Distribuição de Marcas Lda.. Executive Board Member and Trustee of Fundação Francisco Manuel dos Santos, since 2009. Since September 2015, he has been Chairman of Oceanário de Lisboa, S.A. and, since December 2016, Chairman of the Board of Trustees and the Board of Directors of the Oceano Azul Foundation. Chairman of Movendo Capital B.V., since 2017. He has been a Non-Executive Director of the Company, appointed by Sociedade Francisco Manuel dos Santos, since 11 April 2019.

María Ángela Holguín Cuéllar is a Colombian national, has a degree in Political Sciences from Universidad de los Andes, a specialization in Public Administration at the Andes University, and a specialization in Diplomacy and Strategy from the Centre d' Études Diplomatiques et Stratégie. With over two decades of public and private sector experience, she held high positions in the Colombian government, including at the Office of the President of Republic, at the Ministry of Foreign Affairs, and at the Office of the Attorney General of the Nation. As part of her broad professional experience in the diplomatic field, María Ángela Holguín Cuéllar has held, among others, the positions of Minister of Foreign Affairs of Colombia (2010-2018) and Deputy Minister (1998), Ambassador and Permanent Representative of the Colombian Mission to the United Nations (2004-2006) and Ambassador of Colombia to Venezuela (2002-2004). She was also Regional Director for Latin America of the Worldview International Foundation (2000-2002) and Representative in Argentina of the CAF Development Bank of Latin America (2008-2010). In addition, she was Coordinator for Colombia of the IADB Assembly and Inter-American Investment Corporation (1997), and Executive Director of the Latin American and Caribbean Regional Conference on Early Childhood (1997). She is a member of the Supervisory Board of New World Investments B.V. (company that is part of the Group). She is a Non-Executive Director of the Company since 11th April 2019.

Sérgio Tavares Rebelo is a Portuguese national, has a degree in Economics 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 Economics 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, from 2015 to 2018. He currently is Chairman of the Company's Audit Committee. He has been a Non-Executive Director of the Company, since 10th April 2013.

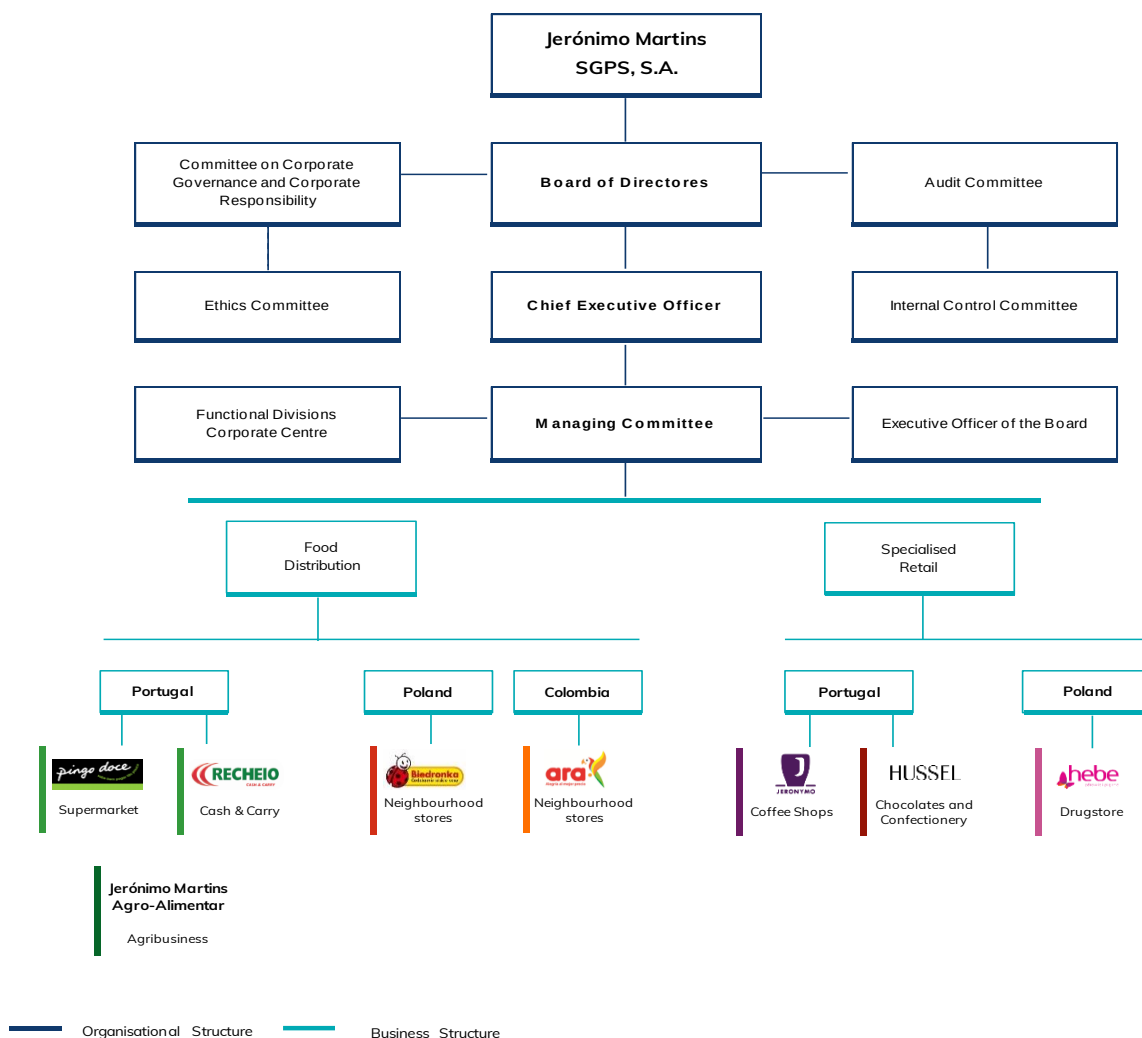
Hans Eggerstedt is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, 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 was a Non-Executive Director of the Company, from 29th June 2001 to 11th April 2019.

Henrique Soares dos Santos is a Portuguese national, 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 z.o.o in Poland, until 1998. The following year he was appointed Financial Controller of Jerónimo Martins Retail Activity Polska Sp z.o.o.. In 2001, he served as Deputy Group Controller and in the same year he was appointed Chief of Staff to the Chairman of the Board of Directors of Jerónimo Martins, SGPS, S.A., a position he held until 2002. He also served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, SGPS, S.A.. He was Member of the Board of Directors of Waterventures – Consultoria, Projectos e Investimentos, S.A.. He is a Member of the Board of Directors of Jerónimo Martins - Serviços, S.A., of Arica Holding B.V., of Sindcom – Investimentos, Participações e Gestão, S.A., as well as of Nesfia - Sociedade Imobiliária, S.A. and Sociedade Francisco Manuel dos Santos, II, S.A.. He was a Non-Executive Director of the Company, from 9th April 2015 to 11th April 2019.

20. Customary and Meaningful Family, Professional or Business Relationships of Members of the Board of Directors, with Shareholders That are Assigned Qualifying Holdings That are Greater Than 2% of the Voting Rights

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
Artur Stefan Kirsten	Director	Sociedade Francisco Manuel dos Santos, B.V.
José Soares dos Santos	Executive President	Sociedade Francisco Manuel dos Santos, B.V.

21. Organisational Charts Concerning the Allocation of Powers Between the Various Corporate Boards, Committees and/or Departments Within the Company, Including Information on Delegating Powers, Particularly as Regards the Delegation of the Company's Daily Management



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 2019, 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.

In addition to the delegated responsibilities, the Chief Executive Officer shall submit to the Board of Directors, for approval: consolidated medium and long term plans for Jerónimo Martins Group and for

each business area thereof, together with his appraisal, including the activity and investments plans, as well as the three year term financial projections ("medium and long term plans"); budgets, including financial targets to be achieved in the following financial year, for Jerónimo Martins Group and for each business area thereof; accounts and the consolidated results for the Group and for each of the its business areas, any investments not foreseen in the delegation of powers.

The matters referred to in Article 407(4) CCC 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 2019 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.

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 CCC, 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 CCC, 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 two business segments: i. Food Distribution and Specialised Retail, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – are organised into Geographical Areas and Operating Areas (under different brands and formats). The Company also has operations in the Agro Business segment which serve, 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 – Defines the environmental strategy, policies and procedures across the geographies where the Jerónimo Martins Group is present, assuring the fulfillment of the commitments taken by the Group and promoting the identification of opportunities to minimize the negative environmental impacts, both direct and indirect, derived from its operations and products, on the value chain.

Based on the environmental risk evaluation, the trends, the available scientific information and the Sustainable Development Objectives set by the United Nations, the Group's environmental strategy has as its priorities the fight against climate change, the protection of biodiversity and the correct management of waste. Specific objectives, programs and goals have been established to manage each of these priorities.

The main commitments and actions implemented in 2019, as well as the results achieved, can be found in Chapter V ("Corporate Responsibility in Value Creation"), being highlighted in the year:

- The calculation of the single use plastic footprint (being 2018 the baseline year);
- The calculation of the waste distribution for the different management methods;
- The development and disclosure to Private Brand suppliers of technical specifications for packaging eco-design.

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 2019, 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 projects of international expansion 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.

Commercial – Responsible for defining, coordinating and implementing the strategy, and global common commercial policies, common to the several geographies where the Group operates.

It has as its main mission to lead the coordination and integration of the commercial departments of the several operational companies, in pursuing the following main goals:

- Procurement activities and joint negotiations with producers and international suppliers of Private Brands, Perishables and Non-Food;
- To promote the sharing of know-how and information between the different geographies;
- To encourage and operationalize common innovation associated to Private Brands;
- To develop global brands (to be used by other operational companies of the Group) in specific categories;
- To potentiate and coordinate all other commercial synergies between companies.

Corporate Communications and Responsibility – This Division ensures the strategic management of the Jerónimo Martins brand and is responsible for preserving and developing the Group's reputational capital. This mission is pursued through the engagement in a continuous dialogue with the several external non-financial stakeholders and by the incorporation of environmental, social and ethical concerns in day-to-day decisions along the value chain. It acts also as an inter-departmental integration agent, developing efforts to guarantee the alignment of messages and practices with the Group's values and goals.

In 2019, the Division encouraged the creation and promotion of Sustainability Committees in the Group's Companies, which have as a mission to ensure a correct priorities management and the alignment between the Group's policies and the Companies' practices. A Stakeholder Survey was also conducted which was used to update the materiality analysis carried out to assess whether its

Corporate Responsibility strategy and priorities met the expectations of 10 target audiences in the three countries where the Group operates.

In the 7th edition of the Jerónimo Martins Sustainability Conference, this year focusing on the theme “Plastic Pollution: What Now?”, a discussion was held on plastic pollution, related best use and management practices and innovative initiatives for the food retail sector.

The Division also conceived and implemented the celebration of the 30th anniversary of Jerónimo Martins’ listing on the Lisbon Stock Exchange.

Additional details about the activities that this Functional Division carried out in 2019 can be found in detail in Chapter V (“Corporate Responsibility in Value Creation”).

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 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 identifying eventual deviations from the plans. It thus provides the Managing Committee 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 follow-up.

In 2019, it continued the implementation of several ownership structure restructuring projects, as well as process automation with the aim of achieving organizational simplification and administrative efficiency. Implemented the tools and changes to the reporting systems required to support the adoption of the accounting standard IFRS 16 – Leases. It maintained the support and monitoring of the performance of the business units, and supported the development of the medium and long-term strategic plans of the Group.

Business Development – Responsible for business development projects focused on opportunities and challenges directly related to the Group Companies, namely by supporting the development of specific initiatives and by coordinating multidisciplinary projects.

Also, this department is responsible for analyzing and structuring opportunities which could lead the development of the Group portfolio.

In 2019, the Department coordinated several strategic projects of different companies of the Group, as well as strategic reflections regarding the Group’s portfolio development.

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 related to M&A activities.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and evaluate expansion and valuation opportunities for the Group, focusing its activity on markets and businesses with potential to support the development of new and relevant business units for the Jerónimo Martins portfolio.

During 2019, it led and supported several strategic projects 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 2019, it provided the necessary technical support in all ownership restructuring operations. It monitored the implementation in all geographies where the Group is present of the new European Union Directive (known as "DAC6") on the new EU tax disclosure rules. Through the associations, national and international, 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 Report.

Logistics and Supply Chain – Its objective is to promote innovation and efficiency of the Group's business models, in all dimensions of the Supply Chain, enabling the development and growth of the several business units in the different geographies.

Having the above as a mission, this Office worked in 2019 with the following four key priorities and will keep them during the next years:

- Plan and define with each business, the End to End Supply Chain models that best adapt to the evolution of each market;
- Contribute to the evolution of supply models of suppliers, so that this translates into improvements in scale, and productivity gains in the value chain;
- Design a new model of physical infrastructure, modern and technologically advanced, building new distribution centers, or remodelling existing ones, that constitute a reference in the sector, that provide a service of excellence to the stores.
- Promote and foster good practices, and increase synergies among teams from different geographies;

Marketing and Consumer Office – Division 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 2019, this Office completed the project of the store located on the Campus of Universidade Nova in Carcavelos, the first store in Portugal without payment boxes and which has, among other things, the first solution for selling to customers based on computer vision (sub domain of Artificial Intelligence) in Europe. The implementation of the Analytics Tool continued and the Office also supported the Group's Companies in Marketing, Communication and Digital activities.

Financial Operations – This Division includes Financial Risk Management, as well as Insurance and 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 undertake, or have the potential to undertake business with Jerónimo Martins, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions are always achieved. 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. The negotiation and management of the insurance policies of the Group are also negotiated and managed in this division, where lies the responsibility for the relation with the insurance brokers and insurance companies that do business with the Group.

In compliance with the above-described activities, during 2019, new debt was issued to refinance debt maturing and it was contracted for the Colombian subsidiary a new loan with the International Finance Corporation (IFC), a member of the World Bank. On what concerns insurance policies, the annual renegotiation of the same was made, reinforcing once again an integrated approach of all geographies where the Group operates.

Data Privacy – Responsible for the development and implementation of policies, procedures, methodologies and rules in all business units where Jerónimo Martins operates. In addition, it also guarantees the relationship with the in-house lawyer's teams, the Data Protection Officers of the different companies of the Group, as well as with the relevant authorities.

In 2019, the department continued to focus its activity on the monitoring of personal data processing activities, aiming to implement appropriate controls, as well as monitoring relevant projects in this matter. It also played an active role in the communication and internal training on this subject.

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 2019, the main activities carried out focused on:

- carrying out the defined product and supplier control activities;
- revision of the suppliers audit check-list, including food fraud and food defense requirements;
- continuous improvement of Private Brand products by reformulating existing products;
- anti-fraud and GMO (Genetically Modified Organisms) ingredients controls;
- maintaining the certifications in Quality and Food Safety;
- rolling-out of the QMS (Quality Management System) IT tool for all geographies;
- revision of the Corporate Guidelines for Private Brand – Perishables, Food and Non-Food Products
- rolling-out of a suppliers improvement program in Colombia, in order to raise the respective productivity and the food safety of the products supplied.

Operations Quality and Food Safety - Responsible in the three geographies for ensuring quality and food safety in all perishable products and processes, along the supply chain, in all its steps: producers and suppliers, goods reception and storage, stores, kitchens and fresh dough factory.

For that, it defines, plans, implements and controls policies, standards and requirements, for products and processes, promoting alignment of local structures and sharing of best practices, always seeking continuous improvement of products Quality and Food Safety and customer satisfaction.

Human Resources – Founded on the culture and values of Jerónimo Martins, this Corporate area is responsible for defining the strategy and global policies of human resources and internal social responsibility that contribute to keep being a benchmark employer, acting through the main pillars of the employee lifecycle – Attraction, Development, Training, Compensation and Benefits – guiding its implementation and compliance in a sustainable way, including the promotion of its best practices, 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 2019 can be found in detail in Chapter V (“Corporate Responsibility in Value Creation”), subchapter 8 – “Being a Benchmark Employer” - of the Annual Report.

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 – Responsible for the implementation of a security strategy to ensure the protection of Jerónimo Martins Group's employees, customers, values and assets. In this context, it defines and coordinates procedures in terms of protecting the security of the Companies'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.

In 2019, the security risk platform for store audits support was completed. This platform will be implemented in Poland and in Colombia. Following the corporate security plan, security audits were performed in all geographies: to support the expansion plan in Colombia, as reinforcement of security controls in Poland, and in Portugal for high-risk level stores. In order to improve communication and dissemination of security information, the security portal has been launched on the OurJM intranet.

Information Security – Responsible for planning, implementing and maintaining an information security and cybersecurity management system in all Group Companies, based on risk management, incident prevention, detection, response and recovery.

Information Security Officers (ISO) in each country, who report to this Division, ensure the implementation of the Information Security strategy and local compliance with applicable Information Security Policies and Standards. Country ISO's also support the respective Companies by assessing and mitigating cybersecurity risks of projects and activities.

Amongst the initiatives performed in 2019, it is highlighted the implementation of an information classification system across all geographies, the cooperation with national cybersecurity authorities in training and cyber-incidents readiness, as well as the reinforcement of employees' awareness to security best practices.

Information Technology – Its mission is to ensure the strategic alignment of the Group and its several business units on what concerns IT.

Hence, this Division ensures value creation, and by way of making available and implementing solutions that promote effectiveness, efficiency and innovation, it supports the growth of the portfolio and respective businesses in a sustainable way.

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

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 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 Jeronymo (cafeterias) and Hussel (chocolates and confectionery shops) and Hebe in Poland (drugstores).

The Group has made 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 in Portugal.

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. The Number of Meetings Held and the Attendance Report For Each Member of the Board of Directors

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 2019, the Board of Directors met seven times. The respective minutes were prepared for all meetings. The number of annual meetings held by this body is also disclosed on the Company's website, through the link mentioned in point 62 ("Relevant Addresses").

The Directors who have not personally attended Board Meetings have appointed, in the majority of cases, 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%
Andrzej Szlezak	100%
António Viana-Baptista	86%
Artur Stefan Kirsten ¹	86%
Clara Christina Streit	100%
Elizabeth Ann Bastoni ^{1,3}	83%
Francisco Seixas da Costa	100%
Hans Eggerstedt ²	100%
Henrique Soares dos Santos ²	100%
José Soares dos Santos ³	100%
María Angela Holguín Cuéllar ³	100%
Sérgio Rebelo	100%

¹ In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

² Only the meetings of the Board of Directors held until 11th April 2019, date of expiry of the term of office, were taken into account.

³ Only the meetings of the Board of Directors held after 11th April 2019, date of the respective appointment as Director, were taken into account

24. Details of Competent Corporate Boards Undertaking the 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.

Every year, on November, the discussion within the Board of Directors of the strategic plans of the Group and of the different areas of business has underlying the performance evaluation in the year of the Board of Directors, the existing Internal Committees, and of the Chief Executive Officer, taking into account not only qualitative aspects, by comparison with the plans and approved budgets, but also the main projects under course, including those of portfolio expansion. Such yearly performance evaluation is afterwards complemented at the time of the approval of the Management Report and of the accounts.

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. The Availability of Each Member of the Board of Directors and Details of the Positions Held at the Same Time in Other Companies Within and Outside the Group, and Other Relevant Activities Undertaken by Members of This Board Throughout the Financial Year

Throughout the 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. z o.o.*
Director of Jeronimo Martins Colombia, S.A.S.*
Director of Recheio, SGPS, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Jerónimo Martins – Agro-Alimentar, S.A.*
Director of Jerónimo Martins Inovação, S.A.*
Director of Santa Maria Manuela Turismo, 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 (Non-Executive) of Semapa, SGPS, S.A.
Director (Non-Executive) of Atento, S.A.
Director of Alter Venture Partners G.P., SARL

Artur Stefan Kirsten

Chairman of the Supervisory Board of Vonovia Finance B.V.
Director of Movendo Capital, B.V.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Member of the Supervisory Board of Flaschenpost SE

Clara Christina Streit

Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)
Member of the Supervisory Board of Vonovia SE
Member of the Supervisory Board of NN Group N.V.
Member of the Supervisory Board of Deutsche Börse AG

Elizabeth Ann Bastoni

President of Bastoni Consulting Group LLC
Director of Société BIC
Chair of the Board of Directors of Limeade, Inc.

Francisco Seixas da Costa

Chairman of the International Consultive Board of Fundação Calouste Gulbenkian
Director (Non-Executive) of Mota-Engil, SGPS, S.A.
Member of the Strategic Consultive Committee of Mota-Engil, SGPS, 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.
Member of the Independent General Council of RTP – Rádio e Televisão de Portugal, S.A.
Chairman of the Supervisory Board of PMM – SGPS, S.A.
Chairman of the Advisory Council of A. T. Kearney Portugal, Consultadoria de Gestão, Lda.

José Soares dos Santos

Board member of Sociedade Francisco Manuel dos Santos, SGPS, S.E.
Executive President of Sociedade Francisco Manuel dos Santos, B.V.
Chairman of Movendo Capital B.V.
Chairman of Unilever Fima, Lda.
Chairman of Gallo Worldwide, Lda.
Chairman of JMDB Representação e Distribuição de Marcas, Lda.
Chairman of Oceanário de Lisboa, S.A.
Director of REF Eastern European Opportunities Luxembourg S.a.r.l.
Director of REF Eastern Opportunities Sp. z o.o.

María Angela Holguín Cuéllar

Director (Non-Executive) of Hoteles Estelar S.A.
Director (Non-Executive) of Satagro Zomac S.A.S.
Director (Non-Executive) of Gases del Pacífico S.A.C.
Director (Non-Executive) of Gases del Norte del Perú S.A.C.
Member of the Supervisory Board of New World Investments B.V.*

Sérgio Tavares Rebelo

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

Hans Eggerstedt (until 11th April 2019)

Director of Arica Holding B.V.

Henrique Soares dos Santos (until 11th April 2019)

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 Sociedade Francisco Manuel dos Santos, II, S.A.

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.

* Companies that are part of the Group

C. Committees within the Board of Directors and Board Delegate

27. Details of the Committees created within the Board of Directors, and the Place Where the Rules on the Functioning Thereof is Available

Currently – 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") – only the Committee on Corporate Governance and Corporate Responsibility (CCGCR), referred on point 29 has, among its members, a majority of Company's Directors and is considered to be a Company Committee.

There are also other committees created in the Company, composed by Directors and by other individuals who are not Directors, analysed in point 29.

28. Details of the Board Delegate

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 in Exercising Said Powers

a) Company's Committees

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, as well as the Company's Directors Andrzej Szlezak and José Soares dos Santos. The other Members of the Committee are Artur Santos Silva and Maria de Fátima Barros.

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 between the Company and its shareholders or other stakeholders.

Especially in 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, having met once in 2019.

b) Other Committees

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, Ana Luísa Virgínia, António Barracho, António Serrano, Carlos Martins Ferreira, Isabel Pinto, Luís Araújo, Marta Lopes Maia, Nuno Abrantes, Pedro Leandro and Sara Miranda. 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 2019, the Managing Committee held meetings for the exercise of its competences 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.

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. Since 19th December 2019 it is composed by António Serrano, Germán Barreto, Dominik Wolski and Sara Maia. 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. The minutes of the meetings held in 2019 for the exercise of its competences were drawn up.

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 (Henrique Soares dos Santos, Jerónimo David Duarte, Joanna Peschak and Jorge Santos Dias). None of the members is an Executive Director of the Company.

In 2019, 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 (Audit Committee) Representing the Model Adopted

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, which imply the proper monitoring, evaluation and pronouncement on the strategy defined by the Board of Directors, from which, moreover, it emanates, and the monitorization of effectiveness of the risk management system, the Audit Committee's Regulation foresees that the same, in performing its activities, is responsible 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 year, the Audit Committee paid particular attention to the financial risk management, namely, on what concerns exchange rate hedging operations, the evolution of pending court cases, to the implementation process of new accounting rules and to the analysis of the reports and corrective measures proposed by Internal Audit.

31. Composition of the Audit Committee, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date of First Appointment, Date of End of the Term of Office for Each Member. Diversity Policy

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, one of whom will be its Chairman.

The members of the Audit Committee are appointed by the General Shareholder's Meeting to terms of three years, 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.

With regard to changes in the composition of the Audit Committee throughout 2019, it is to note that, in the General Meeting held on 11th April 2019, it was decided to appoint the members of this body for the term of office 2019-2021.

Therefore, due to the applicable legal provisions, the members appointed for the term of office 2016-2018 were in office until 11th April 2019.

The composition of the Audit Committee, during 2019, was the following:

Sérgio Tavares Rebelo

- Chairman of the Audit Committee
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2021

Clara Christina Streit

- First appointment on 14th April 2016
- Expiry of the term of office on 31st December 2021

Elizabeth Ann Bastoni

- First appointment on 11th April 2019
- Expiry of the term of office on 31st December 2021

Hans Eggerstedt

- First appointment on 30th March 2007
- Expiry of the term of office on 31st December 2018. In office until 11th April 2019

Diversity Policy

In this regard it is applicable what is stated in point 16.

32. Details of the Members of the Audit Committee, Which are Considered to be Independent Pursuant to Art. 414/5 CSC

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A CCC, except that provided for in sub-paragraph b). Sérgio Tavares Rebelo, Clara Christina Streit and Elizabeth Ann Bastoni comply with the independence criteria foreseen in Article 414, number 5 CCC.

Concerning Hans Eggerstedt, who was in office until 11th April 2019, see, point 18.

33. Professional Qualifications of each Member of the Audit Committee and Other Important Curricular Information

The professional qualifications of the members of the Audit Committee are those described in 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 himself 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. The Number of Meetings Held and the Attendance Report for 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 2019 the Audit Committee met six times, and all meetings were duly minuted. The number of annual meetings held by this body is also disclosed on the Company's website, through the link mentioned in point 62 ("Relevant Addresses").

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

Sérgio Rebelo	100%
Clara Christina Streit ¹	100%
Elizabeth Ann Bastoni ¹	75%
Hans Eggerstedt ²	100%

¹ Only the meetings of the Audit Committee held after 11th April 2019, date of the respective appointment as member of the Audit Committee, were taken into account.

² The absence was justified in every meeting not attended.

³ Only the meetings of the Audit Committee held until 11th April 2019, date of expiry of the term of office, were taken into account.

36. The Availability of Each Member of the Audit Committee, Indicating the Positions Held Simultaneously in Other Companies Inside and Outside the Group, and Other Relevant Activities Undertaken by Members of These Boards Throughout the Financial Year

The members of the Audit Committee have always been available for the Company's affairs during 2019, 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.

C. Powers and Duties

37. A Description of the Procedures and Criteria Applicable to the Supervisory Body for The Purposes of Hiring Additional Services From the External Auditor

According to the provisions of Law no. 148/2015, of 9th 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 Supervisory Body

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 Ernst & Young Audit & Associados, SROC, S.A. (Chartered Accountant) No. 178, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161480, represented by João Carlos Miguel Alves, ROC no. 896.

40. Statement on the Number of Years that the Statutory Auditor Consecutively Carries Out Duties With the Company and/or Group

The Company's Statutory Auditor has carried out its duties with the Company for about three years, as from 6th April 2017.

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 reference is made to other services carried out by the Statutory Auditor for the Company.

Subsection V External Auditor

42. Details of the External Auditor Appointed in Accordance With Art. 8 PSC and the Partner That Represents the Same in Carrying out These Duties, and the Respective Registration Number at the CMVM

The External Auditor is Ernst & Young Audit & Associados, SROC, S.A. (Chartered Accountant No. 178), registered at the CMVM (Portuguese Securities Market Commission) under no. 20161480, represented by João Carlos Miguel Alves, ROC no. 896.

During 2019, 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.

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. Statement on the 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 and/or Group

Ernst & Young Audit & Associados, SROC, S.A., as well as the partner that represents the External Auditor has been carrying out that role for the Company for about three years, as from 6th April 2017.

44. Rotation Policy and Schedule of the External Auditor and the Respective Partner That Represents Said Auditor in Carrying Out Such Duties

The Company did not set any specific policy regarding the rotation of the External Auditor and of the Statutory Auditor. It follows, however, the new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of 7th September, which establishes in its article 54, no. 2, that the maximum period for carrying out the duties as partner responsible for the Statutory Audit is seven years, and the company of statutory auditors may be appointed as Statutory Auditor and External Auditor for the maximum period of two mandates of four years, or three mandates of three years.

45. Details of the Board Responsible for Assessing the External Auditor and the Regular Intervals When Said Assessment is Carried Out

The Audit Committee is the responsible body for evaluating the performance of the External Auditor, which is performed annually.

46. Details of Services, Other Than Auditing, carried out by the External Auditor for the Company and/or Companies in a Control Relationship and an Indication of the Internal Procedures for Approving the Recruitment of Such Services and a Statement on the Reasons for Said Recruitment

The non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network in the amount of 23,086 euros, concern to support services in the field of human resources and other services consisting in training rendered to employees in programs not specifically prepared for the Group.

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 in 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 2019, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 843,147 euros.

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

	Amount	%
By the Company		
Amount for statutory auditing services (€)	108,500	12.9%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	10,000	1.2%
By entities comprising the Group		
Amount for statutory auditing services (€)	711,561	84.4%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	13,086	1.5%

Section C INTERNAL ORGANISATION

Subsection I Articles of Association

48. The 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, regardless of their function, to report possible irregularities occurring in the Group. They may also make any comments, particularly with respect to compliance with the Code of Conduct.

The Code of Conduct defines the principles and values of the Jerónimo Martins Group, namely, the respect for the law, integrity and corporate social responsibility, and a set of rules of conduct such as non-discrimination and equal opportunities, loyalty in negotiating with suppliers, prevention of conflicts of interests, among other matters.

The Ethics Committee has informed all the Group employees, through internal communication channels, of its e-mail address and the contents of the Code of Conduct, of which is delivered a copy to each employee on the moment of his admission in any of the Group's Companies. Without prejudice of resorting to the Ethics Committee's e-mail, the employees can always resort to their hierarchy for guidance about the Code of Conduct, or should they want to report any irregularity. The employees can also use the Employee Assistance Service, which is an internal channel available in each of the countries where the Group operates.

In 2019, the Board of Directors approved an Anti-Corruption Policy, which is applicable to all Jerónimo Martins' Group Companies and all its associates – including management positions and positions based on a term of office -, and regardless of the nature of their contractual relationship, job position or working country, and which purpose is to establish the acting principles and obligations laid out in the Code of Conduct with regard to honesty and integrity. This Policy sets rules for preventing unlawful conducts that constitute acts of corruption and safeguarding against potential conflicts of interest. On what concerns conflicts of interests, the Anti-Corruption Policy foresees that the associate shall immediately report the existence of such conflict and refrain from carrying out any act or making any decision in relation to it. According to the Policy, any associate who becomes aware or has justified suspicions of breaches to the Policy should report such situations and, in case of doubt about the existence of a conflict of interest, the Ethics Committee should be consulted.

The Ethics Committee safeguards the confidentiality of the contacts sent to its e-mail address.

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 – which reports to the Audit Committee - and to the Group's Managing Committee. Each quarter, these reports are presented to the Audit Committee, body which, as better described in point 52, is responsible to approve the activity plans with regard to Risk Management, monitoring their execution and assessing the effectiveness of the internal control, internal auditing and risk management system. With the same regularity, a report is prepared regarding the status of the recommendations agreed with the audited areas managers.

During 2019, there were audits performed over stock management, cash collection, management of accounts payable and receivable, supplementary income, quality assurance 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 hierarchally 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 its adverse effects.

The Group's Enterprise Risk Management System has the objectives to structure and consistently organise the way the Group identifies and evaluates risks, assuring that they are assessed broadly, considering dependencies and correlations among various risks areas and also promoting alignment of the process across the organization. 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 active participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification, reporting and mitigation 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 / Compliance Functions: Group and Business Unit Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for suggestions or policies development that improve the efficiency of Risk Management processes. This second line also includes functions such as Financial Control, Security, Quality & Food Safety, amongst other corporate areas;
- 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. Its responsibilities include, namely, to evaluate global risk exposure levels and ensure that they are compatible with the objectives and strategies approved by the Board of Directors, to review mitigation actions defined for the most critical risks, to review the development of Risk Management initiatives and planning, to review periodically the Group's Top Risks;

- 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 monitoring the mitigating measures for the different types of risk, and ensuring the existence of an effective Risk Management framework, that ensures a level of risk exposure compatible with the objectives and strategies approved by the Board of Directors, without prejudice to the duties of the Audit Committee;
- the Group Risk Management Division 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. Group Risk Management Division 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 and Description of the Major Economic, Financial and Legal 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 demographics, consumers' preferences, the life cycles of the businesses, the dynamics of the markets (financial, employment, natural and energy resources), geopolitical situation, the activities of competitors, technological innovation, availability of resources, legal and regulatory changes and social scrutiny of the Group's business activities.

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 focuses on risks arising from the processes through which the Group units operate.

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, money laundering 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 Safety¹

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 flow, to analyse compliance with best practice and certification requirements; iii. monitoring, by analysing the product to check its compliance with Quality and Food Safety requirements; and iv. 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 Risks²

Ensuring the efficient management of resources, while promoting environmental preservation, is essential for the sustained growth of the Jerónimo Martins Group's businesses. Considering the size of its Companies, the Group has been conducting studies on the impacts of such activities on ecosystems and on the services and the resources they provide, in the following areas: i. Agricultural management practices focused on water and energy consumption, biodiversity and economic management; ii. Risk analysis on fish sold in Group's stores; iii. Analysis of risks and opportunities associated with the impacts of climate change and water use in the Group's activities; and iv) Mapping of deforestation commodities, their origins and production methods in Private Brand products and Perishables.

Also in 2019, Jerónimo Martins Group started an analysis of the financial risks and opportunities associated with climate change, based on global average temperature increase scenarios and following the methodology proposed by the Task Force on Climate-related Financial Disclosures (TCFD).

Regarding climate change, water use and deforestation commodities, the following risk typologies were identified:

- 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 and contribute to tackle deforestation.

The probability of occurrence of these situations and their level of impact, including financial risks, as well as their management, is analysed by the Group as part of its risk assessment procedures.

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.

¹ The actions carried out by the Group for Food Quality and Safety in 2019 are detailed in Chapter V ("Corporate Responsibility in Value Creation"), subchapter 4 - "Promoting Good Health through Food".

² Actions carried out by the Group during 2019, on Environment Protection are detailed in the Chapter V ("Corporate Responsibility in Value Creation"), subchapters 5 - "Respecting the Environment" and 6 - "Sourcing Responsibly".

Information Systems Risks

The risks associated to Information Technologies are analysed considering their different components: planning and organisation, development, innovation, 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, performing monitoring and control activities in order to identify and mitigate potential vulnerabilities.

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.

Compliance in issues related with Personal Data is followed by the Data Protection Officer, supported by the Data Privacy Department, and in cooperation with the Legal Departments of the Holding Company, of the Group Companies and the Information Security Department.

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. 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 of financial risks, by following the guidelines set out in the Financial Risk Management Policy.

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 29 – Financial Risks of Chapter III of the Annual Report and Accounts.

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 annual 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 Reporting Financial Information (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, Functions, the Information Made Available by Said Department and Contact Details

Composition

The Investor Relations Office of Jerónimo Martins is comprised as follows:

Office Manager: Cláudia Falcão

Team: Ana Maria Marcão, Hugo Fernandes and Teresa Balsas

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 - history, current performance and outlook for the future -, 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.

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 and participates in 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 2019, activities were promoted 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;
- conference 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 e-mail messages 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, with the management of the respective Companies;
- continuous update of the investor relations webpage on the Company's institutional website.

In order to make information easily accessible to all stakeholders, the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website, at <https://www.jeronimomartins.com/en/>.

The site not only provides, in Portuguese and in English, 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 about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- current Internal Regulations;
- information regarding the General Shareholders' Meetings;
- minutes of the General Shareholders' Meetings, or respective extracts;
- historical agendas and decisions taken at the General Shareholders' Meetings.

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.com.

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. Data on the 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 2019, 351 meeting contacts were recorded with investors and financial analysts and 575 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 address:

<https://www.jeronimomartins.com/en/>

60. Place Where Information on The Firm, Public Company Status, Headquarters and Other Details Referred to in Art. 171 CCC is Available

Information concerning Article 171 CCC is available on the Jerónimo Martins institutional website through the following link:

<https://www.jeronimomartins.com/en/contacts/>

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:

<https://www.jeronimomartins.com/en/investors/governance/articles-of-association-and-regulations/>

62. Place Where Information is Available on the Names of the Corporate Boards' Members, the Market Liaison Officer, the Investor Assistance Office or Comparable Structure, 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:

<https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/board-of-directors/>

Audit Committee:

<https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/audit-committee/>

General Meeting

<https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/shareholders-meeting/>

Statutory Auditor

<https://www.jeronimomartins.com/en/investors/governance/corporate-bodies/statutory-auditor-roc/>

- Name of the Market Liaison Officer:

<https://www.jeronimomartins.com/en/investors/investor-contacts/>

- Information concerning the Investor Assistance Office, respective functions and contact details:

<https://www.jeronimomartins.com/en/investors/investor-contacts/>

63. Place Where the Documents are Available and Relate to Financial Accounts Reporting, Which Should be Accessible For at Least Five Years and the Half-Yearly Calendar on Company Events that is Published at the Beginning of Every Six Months, Including, Inter Alia, General 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:

<https://www.jeronimomartins.com/en/investors/presentations-and-reports/>

- Half-yearly calendar on Company events:

<https://www.jeronimomartins.com/en/investors/financial-calendar/>

64. Place Where the Notice Convening the General Meeting and All the Preparatory and Subsequent Information Related Thereto is Disclosed

The place where the notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed is the Jerónimo Martins institutional website through the following link:

<https://www.jeronimomartins.com/en/investors/general-meetings/>

65. Place Where the Historical Archive on the Resolutions Passed at the Company's General 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 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:

<https://www.jeronimomartins.com/en/investors/general-meetings/>

Section D REMUNERATION

Subsection I Power to Establish

66. Details of the Powers for Establishing the Remuneration of Corporate Boards, Chief Executive 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 2019-2021.

The remuneration of the remaining Company's management is decided by the respective Board.

Subsection II Remuneration Committee

67. Composition of the Remuneration Committee, Including Details of Individuals or Legal Persons Recruited to Provide Services to Said Committee and a Statement on the Independence of Each Member and Advisor

At the General Shareholders' Meeting held on 11th April 2019, Jorge Ponce de Leão (Chairman), Chittaranjan Kuchinad and Erik Geilenkirchen 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 2019, the Remuneration Committee asked the Company to obtain a comparative remunerative study from a specialized consultant in order to ensure that the remuneration levels of the Group's governing bodies were adequate and in line with international practices, which is the context in which the Group operates. Thus, the services of consultant Mercer were hired by the Company in 2019 for the said purpose. The Remuneration Committee considered, taking into account, in particular, the respective curriculum and portfolio of clients, that such consultant offered guarantees of independence, as evidenced in the study presented. The Remuneration Committee authorized the hiring of the aforementioned consultant to provide services to the Company or to companies that are in a controlling or group relationship with the Company.

Elizabeth Bastoni (outgoing Chair of the Remuneration Committee) and Erik Geilenkirchen were present, as representatives of the Remuneration Committee, in the Annual General Meeting of the Company held on 11th April 2019.

68. Knowledge and Experience in Remuneration Policy Issues by Members of the Remuneration Committee

The Members of this Committee have extensive knowledge and international experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively.

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. He 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. He also held management duties in the HR area of Radiotevisão Portuguesa, was CEO of SAIP SGPS and Chairman of the Board of Directors of ANA – Aeroportos de Portugal.

Chittaranjan Kuchinad has an academic background in statistics (a degree in Statistics / Economics in the University of Bombay, India, and a Masters in Statistics in the Marquette University, United States of America). He has extensive experience in the design and funding of compensation and benefits programs in Europe, Asia/Pacific and Latin America. He started his career as a consultant at Wyatt and at Towers Perrin. He provided services to a broad spectrum of mid-size to large global companies and was the primary consultant to major clients, namely, IBM Asia / Pacific, IBM Latina America, Coca-Cola, Gillette, InchCape and Citibank. He was Director of International Compensation of McDonald's Corporation, Senior Director of Human Resources of Nike, Inc. Asia/Pacific, Executive Vice President of Human Resources and Senior Vice President of Total Pay of Starbucks Coffee Company, Chief People Officer of ASDA (Walmart), of Guess?, Inc., and of Jacobs Douwe Egberts. He has been performing the duties of Chief People Officer of Save The Children.

Erik Geilenkirchen holds a Masters in Mechanical Engineering. Since 1989 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. He is the founder of "IntelligentBoardRoom.com".

The members of the Remuneration Committee have received during the year information from the several Group's companies as to its businesses, allowing the Committee to ascertain if the existing remuneration strategies are aligned with a competitive position in the market, in the scope of the individual performance objectives of the CEO of the Company.

Subsection III Remuneration Structure

69. Description of the Remuneration Policy of the Board of Directors and Supervisory Boards as Set Out in Art. 2 of Law No. 28/2009 of 19 June

The Remuneration Committee considered appropriate to maintain the basic principles that govern the core of the Corporate Bodies Remuneration Policy of the Company, reinforcing and highlighting aspects of the remuneration policy that are critical to the sustainability of the Group's business, namely:

- the international landscape should be the foundation and benchmark for the corporate bodies' competitive remuneration, as it is essential to keep the ability to attract and retain the best talent in an international context;
- the alignment of the remuneration of the corporate bodies' members to their responsibilities, their availability and their competencies put at the service of the Company;
- the importance of rewarding the commitment to the Group's overall strategy and to shareholders' long-term interests, the achievement of superior results and the demonstration of appropriate attitude and behaviors;

- the need to safeguard the interests of the Company.

The current legal and recomendatory framework continued to be taken into account, 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 continued to take 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.

Given the current organizational model and the adopted and already strengthened principles, the Remuneration Committee considered the measures referred below.

The remuneration of the non-executive Directors shall be a fixed amount.

Concerning the remuneration of Directors with executive duties, and to ensure that it is aligned with international market practices, the Remuneration Committee reinforced the importance to maintain a process for defining targets and assessing performance subject to review and/or update on a regular basis (every three years).

Specifically on what concerns the remuneration of the Chief Executive Officer (CEO), the Remuneration Committee decided to maintain the existence of two remuneration components, fixed and variable. The fixed component of remuneration corresponds to a monthly remuneration paid in 14 monthly installments, the amount of which is determined by the Remuneration Committee taking into account the duties and responsibilities attributed to the CEO of the Company, the performance achieved and the benchmark for similar positions. The variable component is annually determined by the Remuneration Committee, is limited to the maximum amount of twice the value of the fixed annual remuneration, and is based on an annual individual performance evaluation which attends to a framework of key quantitative indicators, in line with the Group business plans and approved by the Board of Directors, and qualitative priorities that are key to the sustainability of the business.

The quantitative key performance indicators account for 50% of the individual performance calculation, and reflect the financial performance related to the Company's growth and the shareholders' return. The financial performance indicators considered include: sales growth, net earnings, Economic Value Added (EVA), and Gearing. The qualitative key performance indicators also account for 50% of the individual performance calculation. The Remuneration Committee evaluates real implementation of transversal projects that are critical to ensure the future business competitiveness and the long-term sustainability, using the following individual performance indicators: strategic direction and allocation of resources/investments; organizational health and talent agenda, and multi-stakeholder relations. The performance and results achieved in the multi-stakeholder relations indicator include a measure by Environmental Social and Governance (ESG) analysts according to the information disclosed on the policies, practices and KPI's.

These dimensions and KPI's are long-term by nature, critical for the future success of the businesses and, as such, can have a timeline that can exceed a year.

The attribution of the annual variable component is determined considering the following criteria: if after review, the individual performance does not meet 100% of the set targets, there will be no variable remuneration payment, and, if the individual performance equals or is above 100% of the targets, the variable remuneration payment may range from 50% to 100% of the maximum variable amount.

Bearing in mind what is said above, a process regarding the CEO performance cycle was properly put in place, which includes an annual performance assessment with quarterly periodic reviews, based on evidence, and on a regular monitoring of the degree of achievement of the indicators and the targets approved by the Remuneration Committee. In accordance with the established procedure, the performance cycle is concluded with the attribution of the variable component in the first quarter of the year following the performance period, after the calculation of the full year results, with its payment still taking place during the first semester.

Together, the fixed and variable components should ensure a competitive remuneration in the international market and drive individual and collective performance, in order to establish and achieve ambitious goals of accelerated growth and appropriate shareholder return. Furthermore, the Committee considers that the Remuneration Policy is aligned with the best practices of publicly traded companies. Given the pressures in the market place for executive capabilities, the Remuneration Committee analyzes the competitiveness of Jeronimo Martins in this matter from time to time.

Bearing in mind the contribution of the countries and business areas where the Group operates, the Remuneration Committee considers adequate that the payment of 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 determined by the Remuneration Committee.

The Remuneration Committee considers that the remuneration of Directors with executive duties allows an alignment of their interests with the interests of the Company to the long term. The alignment with the long-term interests of the Company is reinforced by the circumstance that the current Chairman of the Board of Directors and Chief Executive Officer is a member of the family who is the majority shareholder of the Company. For this reason, the Remuneration Committee decided not to have a deferral on the variable remuneration. 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 without prejudice to the above mentioned regarding the proportion between the fixed and the variable amount of executive directors. For the same reasons the said Committee finds unnecessary the inclusion of a clawback mechanism related to variable remuneration.

The Retirement Pension Plan for Executive Directors was approved at the 2005 Annual General Meeting, which is described in point 76, having the Remuneration Committee stated in its declaration for 2019 that this benefit should continue unchanged for this year.

As established by the Remuneration Committee in 2010, life and health insurance *fringe benefits* continued for Directors with executive duties.

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.

The amount paid to Directors with non-executive duties may be differentiated for those who have been assigned functions in Specialized Committees or Supervisory Boards of subsidiaries. With respect to those, the Remuneration Committee considers it appropriate to award a fee per meeting, due to the fact that the duties performed on behalf of these Committees and Supervisory Boards demand additional availability from the respective committee members. An additional fixed remuneration may also be paid to those non-executive directors who are in charge of specific tasks.

The Chairman and secretary of the Shareholders General meeting will keep a per meeting fee.

The Statutory Auditor will be 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 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 Committee points out that there was no compensation paid to former Directors – executive or not – related to the termination of their appointment, and the Company did not adopt any legal instruments so that the termination of a Director's time in office before its term results, directly or indirectly, in the payment to such Director of any amounts beyond those foreseen by law.

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 And 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 and the fact that the definition of the variable remuneration depends of a framework of key quantitative and qualitative business dimensions and key performance indicators (KPI's), being the definition of the variable component of the CEO remuneration based on the achievement of those KPI's foreseen in the Group's business plans approved by the Board of Directors, 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.

Within the parameters of the remuneration policy in force, and to ensure alignment with market best practices, the Remuneration Committee deemed adequate to review the process of defining targets and assess performance for Directors with executive duties, namely the Chief Executive Officer, having followed-up the progress in both qualitative and quantitative targets on a quarterly basis. It also defined clear and measurable qualitative targets, namely by getting access to ESG (Environmental, Social and Governance) reports.

Based on a rigorous and thorough analysis of multiple sources of evidence both internal and independent, the Remuneration Committee followed closely the progress of several performance indicators, both quantitative (sales growth, net earnings, EVA and gearing) and qualitative (strategic direction and resources allocation / investments, organizational health and talent management, and multi-stakeholder relations).

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. Reference to There being a 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 depending on the effective delivery of the objectives and targets, measured by the behaviour of the quantitative and qualitative indicators. See points 69 and 70.

72. The 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. The 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, Including 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 PSC.

74. The Criteria Whereon the Allocation of Variable Remuneration on Options is Based and details of the Deferral Period and the Exercise Price

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 PSC.

75. The 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 Statement on the Date When Said Schemes Were approved at the General Meeting, on an Individual Basis

At the 2005 Annual General 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.

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 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 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, Including Fixed and Variable Remuneration and as Regards the Latter, Reference to the Different Components That Give Rise to Same

The gross remuneration of the Members of the Board in 2019 totaled 1,697,145.81 euros, corresponding 1,012,750.00 euros to fixed remuneration, 378,000.00 euros to variable remuneration and 306,395.81 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 (euros)		
	Fixed Component	Variable Component *	Retirement Pension Plan
Pedro Soares dos Santos	239.750,00	378.000,00	306.395,81
Andrzej Szlezak	83.000,00	-	-
António Viana-Baptista	80.000,00	-	-
Artur Stefan Kirsten	80.000,00	-	-
Clara Christina Streit	80.000,00	-	-
Elizabeth Ann Bastoni ¹	90.000,00	-	-
Francisco Seixas da Costa	80.000,00	-	-
Hans Eggerstedt	-	-	-
Henrique Soares dos Santos	-	-	-
José Soares dos Santos	80.000,00	-	-
Maria Angela Holguín Cuéllar	80.000,00	-	-
Sérgio Tavares Rebelo	120.000,00	-	-

* Annual variable remuneration fixed and paid in 2019, following the performance assessment for the year 2018.

¹ Includes the amount of 10,000.00 euros paid as member of the Remuneration Committee, in the period between 1st January 2019 to 11th April 2019.

78. Any 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 2019 totalling 1.277,250.00 euros, being the gross individual amounts paid detailed in the chart below:

Director	Amounts Paid (euros)	
	Fixed Component	Variable Component *
Pedro Soares dos Santos ¹	445,250.00	702,000.00
Andrzej Szlezak ²	40,000.00	-
María Angela Holguín Cuéllar ²	20,000.00	-
Sérgio Tavares Rebelo ²	70,000.00	-

* Annual variable remuneration fixed and paid in 2019, following the performance assessment for the year 2018.

¹ For exercise of management duties.

² 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 for the Purposes of Law No. 28/2009 of 19 June

The gross remuneration paid, during 2019, to the Members of the Audit Committee, in such quality, as a whole was 60,000.00 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)	20,000.00	-
Clara Christina Streit	20,000.00	-
Elizabeth Ann Bastoni	20,000.00	-
Hans Eggerstedt	-	-

82. Details of the Remuneration in Said Year of the Chairman of the Presiding Board to the General Meeting

The remuneration paid by the Company to the Chairman of the Board of the General Shareholder's Meeting in the year was 7,500.00 euros.

Subsection V Agreements with Remuneration Implications

83. The 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.
See, Point 69.

84. Reference to the Existence and Description, With Details of the Sums Involved, of Agreements Between the Company and Members of the Board of Directors and Managers, Pursuant to Art. 248-B/3 of the Securities Code That Envisage Compensation in the Event of Resignation or Unfair Dismissal or Termination of Employment Following a Takeover Bid (Art. 245-A/1/l) PSC)

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 (Allocation Conditions, Non-Transfer of Share Clauses, Criteria on Share-Pricing and the Exercising Option Price, the Period During Which the Options May be Exercised, the Characteristics of the Shares or Options to be Allocated, the Existence of Incentives to Purchase and/or Exercise Options)

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 Inasmuch as the Voting Rights are not Directly Exercised by Said Employees (Art. 245-A/1/e) PSC)

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; Conflicts of Interest

Any dealings that may exist between the Company and its Board Members are subject to the provisions of Article 397 CCC, 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 & Szlęzak (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 CCC and following the favourable opinion of the Audit Committee, the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned law firm for the provision of legal services.

In the event of a conflict of interest between a Director, on his own behalf or that of a third party, and the Company, the provisions of the Anti-Corruption Policy referred above in Point 49 are applicable, without prejudice to what is said below.

In these cases, paragraph 6 of art. 410. CSC is also applicable. Thus, this Director cannot vote on the resolutions that the Board of Directors of the Company may adopt regarding any matter in which there is a divergence between the interest, direct or indirect, of the Director, and the interest of the company, and such Director must inform the Chairman of the Board of Directors regarding such a conflict situation.

Business between the Company and Other Related Parties

In order to define the type, scope, and minimum value of business between the Company and other related parties that require its prior approval, and those that, because they are of higher value, also require the prior opinion of the supervisory body, the Board of Directors, by resolution of 30th July, 2013, adopted the procedure and criteria approved by the Audit Committee in the scope of business with other related parties referred in point 91.

90. Details of Transactions That Were Subject To Control in the Referred Year

In 2019, there were no transactions that would fall into the scope of the criteria foreseen in points 89 and 91 and, consequently, there were no transactions subject to control.

91. A Description of the Procedures and Criteria Applicable to the Supervisory Body When Same Provides Preliminary Assessment of the Business Deals to be Carried Out Between the Company and the Holders of Qualifying Holdings or Entity-Relationships With the Former, as Envisaged in Art. 20 of the Securities Code

In this regard, it should be noted that in terms of procedure the Audit Committee – which, considering the Company's Anglo-Saxon governance model, comes from the Board of Directors - 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 PSC –, 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 which, as mentioned in point 89, were adopted by the Board of Directors.

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:

- having an amount equal to or higher than three million euros or 20% of the sales of the respective shareholder;
- 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;
- 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.

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 note 25 – Related Parties of Chapter III.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code Implemented

The Company adopted IPCG's Corporate Governance Code (which is available on IPCG's website at <https://cgov.pt/base-de-dados/codigos-de-governo>), 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 <https://www.jeronimomartins.com/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 IPCG in the Corporate Governance Code of 2018. It is accepted, however, that there are some recommendations that were not adopted in their entirety as it is better explained below, without prejudice to the explain presented.

The following shows the breakdown of the recommendations contained in IPCG's Code of Corporate Governance (2018) 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.

The Company clarifies that, with regard to the recommendations of multiple significance, referred to in the "2018 IPCG CGS Multiple Recommendations Table", available at <https://cam.cgov.pt/pt/documentos/1344-tabela-de-recomendacoes-multiplas>, when, in the table below it is stated that a certain recommendation has been adopted by the Company, it is to be understood that the Company considers that all "sub-recommendations" in the scope of such recommendation have been adopted.

When the Company considers to have partially adopted a certain recommendation, reference is made in the table as to the "sub-recommendations" that the Company considers to have adopted and the justification concerning the "sub-recommendations" that were not adopted is disclosed in the subparagraphs of point 2.1., presented below the table.

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
Chapter I. GENERAL PROVISIONS		
I.1. Company's relationship with investors and disclosure		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Part I, Section B, Sub-section II, point 21, and Part I, Section C, Sub-section IV, points 56 and 58
I.2. Diversity in the composition and functioning of the company's governing bodies		

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted	Part I, Section B, Sub-section II, points 16 to 19 and 26, Sub-section III, points 31 and 33
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Part I, Section B, Sub-section II, points 22 and 23, Sub-section III, points 34 and 35
I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted	Part I, Section C, point 61
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part I, Section B, Sub-section II, point 23, Sub-section III, point 35, Section C, Sub-section V, point 62
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49
I.3. Relationships between the company bodies		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	Part I, Section B, Sub-section II, point 21
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	Part I, Section B, Sub-section II, points 21 and 29, Sub-section III, points 30 and 35
I.4. Conflicts of interest		

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49, Section E, Sub-section I, point 89
1.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Part I, Section B, Sub-section II, point 29, Section C, Sub-section II, point 49, Sub-section III, point 54, Section E, Sub-section I, point 89

I.5. Related party transactions

I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Adopted	Part I, Section E, Sub-section I, points 89 and 91
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Adopted	Part I, Section E, Sub-section I, point 90

Chapter II · SHAREHOLDERS AND GENERAL MEETINGS

II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part I, Section B, Sub-section I, point 12
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	Part I, Section B, Sub-section I, points 12 and 14
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted	Part I, Section B, Sub-section I, point 12
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Not Adopted	Part II, point 2.1., sub. a)
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	Adopted	Part I, Section B, Sub-section I, point 13
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part I, Section A, Sub-section I, points 4 and 5, Section B, Sub-section I, point 12

Chapter III · NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION

III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure	Not Adopted	Part I, Section B, Sub-section II, point 21, and Part II, point 2.1., sub. b)

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.		
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Part I, Section B, Sub-section II, points 17 and 18
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	Part I, Section B, Sub-section II, points 17 and 18
III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted	Part I, Section B, Sub-section II, points 17 and 18
III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (<i>cooling-off period</i>).	Not Applicable	
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	Part I, Section B, Sub-section II, points 21 and 24
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not Applicable	Part I, Section B, Sub-section II, points 21 and 29, Sub-section III, point 30, Section C, Sub-section III, points 50, 52, 54 and 55

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted	Part I, Section B, Sub-section II, point 29, Sub-section III, point 30, Section C, Sub-section III, points 50, 51, 52, 54 and 55
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Partially Adopted (Sub-Recommendations III.9.(1) and (2))	Part I, Section B, Sub-section II, points 24, 25, 27 and 29, and Section D, Sub-section III, point 69, and Part II, point 2.1., sub. c)
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	Part I, Section C, Sub-section II, point 49, Sub-section III, points 50 to 55
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted	Part I, Section B, Sub-section II, point 29, Sub-section III, point 30, Section C, Sub-section III, point 52
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	Part I, Section B, Sub-section II, point 29, Sub-section III, point 30, Section C, Sub-section III, points 52 and 54

Chapter IV . EXECUTIVE MANAGEMENT

IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Partially Adopted (Sub-Recommendation IV.1.(1))	Part I, Section B, Sub-section II, point 21, and Part II, point 2.1., sub. d)
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part I, Section B, Sub-section II, point 21
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	Part I, Section C, Sub-section III, points 50 a 54
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	Part I, Section B, Sub-section III, point 30 and Section C, Sub-section III, points 50 to 52

Chapter V · EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT

V.1. Annual evaluation of performance

V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the	Adopted	Part I, Section B, Sub-section II, points 21, 24, 25 and 27, and Section D, Sub-section III, points 69 and 70

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
body to these objectives, as well as the relationship with the company's other bodies and committees.		
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part I, Section B, Sub-section III, point 30
V.2. Remuneration		
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Adopted	Part I, Section D, Sub-section I, point 66, Sub-section II, point 67
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Adopted	Part I, Section D, Sub-section III, points 69 to 74
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted	Part I, Section D, Sub-section III, points 69 and 70
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum	Adopted	Part I, Section D, Sub-section III, points 69 and 76, and Sub-section IV, point 80, and Sub-section V, points 83 and 84

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.		
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part I, Section D, Sub-section II, point 67
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	Part I, Section D, Sub-section II, point 67
V.3. Director remuneration		
V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	Part I, Section D, Sub-section III, points 69 to 71
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Not Adopted	Part I, Section D, Sub-section III, points 69 and 72, and Part II, point 2.1.e)
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Not Applicable	Part I, Section D, Sub-section III, points 69 and 74
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	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 to 79 and 81
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, points 83 and 84
V.4. Appointments		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	Part I, Section B, Sub-section II, points 16 to 19

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Not Adopted	Part II, point 2.1., sub. f)
V.4.3. This nomination committee includes a majority of nonexecutive, independent members.	Not Applicable	Part II, point 2.1., sub. g)
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Not Applicable	Part II, point 2.1., sub. h)

Chapter VI - RISK MANAGEMENT

VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted	Part I, Section C, Sub-section III, points 50 a 52 and 54
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted	Part I, Section C, Sub-section III, points 50 to 54
VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted	Part I, Section B, Sub-section III, point 30, and Section C, Sub-section III, points 52 and 55

Chapter VII - FINANCIAL STATEMENTS AND ACCOUNTING

VII.1. Financial information

VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part I, Section B, Sub-section III, point 30, and Section C, Sub-section V, point 61

VII.2. Statutory audit of accounts and supervision

VII.2.1. Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor;	Adopted	Part I, Section B, Sub-section III, points 30 and 37, and Part II, point 2.1.i)

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.		
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part I, Section B, Sub-section III, points 30 and 37, Sub-section V, point 46
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Part I, Section B, Sub-section III, point 30, Sub-section V, point 45
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Not applicable	Part II, point 2.1.j)
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Not applicable	Part II, point 2.1.j)

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) Concerning Recommendation II.4, it has to be said that, in addition to creating the conditions for the physical participation of the shareholders at the General Meeting, the Articles of Association of the Company allow postal votes. Additionally, the Company has adopted since 2006 adequate mechanisms so that the shareholders may vote electronically.

The Company considers, for the reasons above, to have created the necessary and sufficient conditions for an expressive participation of the shareholders in General Meetings of the Company. Between 2014 and 2019 have participated, on average, 82.13% of shareholders in Company's General Meetings.

In addition, digital participation of shareholders in General Meetings is not a usual practice of the Portuguese market, as evidenced by the benchmark.

b) As to Recommendation III.1, it is explained that the coordination of Non-Executive Directors in the Company is made by means of a Mechanism for Coordinating the Activities of Non-Executive Directors. Without prejudice to the mandatory duty of general surveillance of such Directors, under Article 407, paragraph 8 CCC, the Company has created a disclosure mechanism that requires that Executive Directors or the Chairman of the Executive Committee, as the case may be, disclose relevant information to Non-Executive Directors regarding the performance of the delegated powers or the special duty conferred upon them. Said Mechanism also foresees that any information request presented by any Non-Executive Director, within their respective functions, should be answered, and that Non-Executive Directors may also meet in *ad hoc* meetings, as well as a duty over the Company Secretary, to timely provide Non-Executive Directors with the definitive agenda of the meetings and respective preliminary documentation of Board Meetings and of the Specialized Committees that they are part of. The Company Secretary shall also ensure, according to such Mechanism, the delivery to

Directors who so request, of a copy of the meetings of the Managing Committee or that of any other Corporate Bodies.

See, point 21 of Part I, Section B, Sub-section II.

c) With reference to Recommendation III.9, the Company does not have a Nomination Committee for senior management for the reasons explained below in subparagraph f).

d) What concerns Recommendation IV.1 it is explained that the Company complies with it partially, considering that, although a Regulation of the Board of Directors exists, it is not therein regulated the performance of executive functions by executive directors in entities outside of the Group. However, the objective of the Recommendation at stake is achieved considering that the Company is a family company, that the Company's Chief Executive Officer is a member of the family that holds the majority of the share capital of the Company, what is foreseen in the Company's Regulation of the Board of Directors in force, the content of the current Delegation of Powers to the Chief Executive Officer and the legal obligations that impend over directors, e.g., duties of loyalty and, in particular, the duties of care that the same have to comply with, under Article 64 CCC.

See, point 21 of Part I, Section B, Sub-section II.

e) With reference to Recommendation V.3.2., 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. It has to be noted that the role of executive director of the Company has been performed by members of the family that holds the majority of the share capital of the Company and, therefore, the long-term alignment of interests between the executive management and the Company is naturally ensured.

See, point 69 of Part I, Section D, Subsection III.

f) Concerning Recommendation V.4.2., it has to be said that the Jeronimo Martins Group has been through a period of high growth, currently developing operations in three countries, and employing over 100,000.00 individuals. The Company's Human Resources Division developed the necessary studies and has implemented the appropriate mechanisms in order to manage its workers, at all levels, and to make available the necessary tools to the companies of the Group, both at the initial hiring and subsequently, in career management. Considering, additionally, the notorious family dimension of the Company, the Human Resources Policy and, the selection and hiring acquires special importance and requires special attention by the Chief Executive Officer, himself a member of the controlling family.

See, point 21 of Part I, Section B, Sub-section II ("Human Resources"), and the explanation in subparagraph c) above.

g) Concerning Recommendation V.4.3., see the explanation made in the previous subparagraph.

h) Concerning Recommendation V.4.4., see the explanation made in subparagraph f).

i) As to Recommendation VII.2.1., it is important to clarify that the Company considers this Recommendation to be adopted, taking into consideration the fact that the Regulation of the Company's Audit Commission foresees great part of the provisions of the Recommendation at stake, except concerning issues specifically regulated in national and E.U. law (respectively, in Law 148/2015, of September 9, in Article 77 of Law 140/2015 of September 7, and in Regulation (EU) N.o 537/2014 of the European Parliament and of the Council of 16 April 2014).

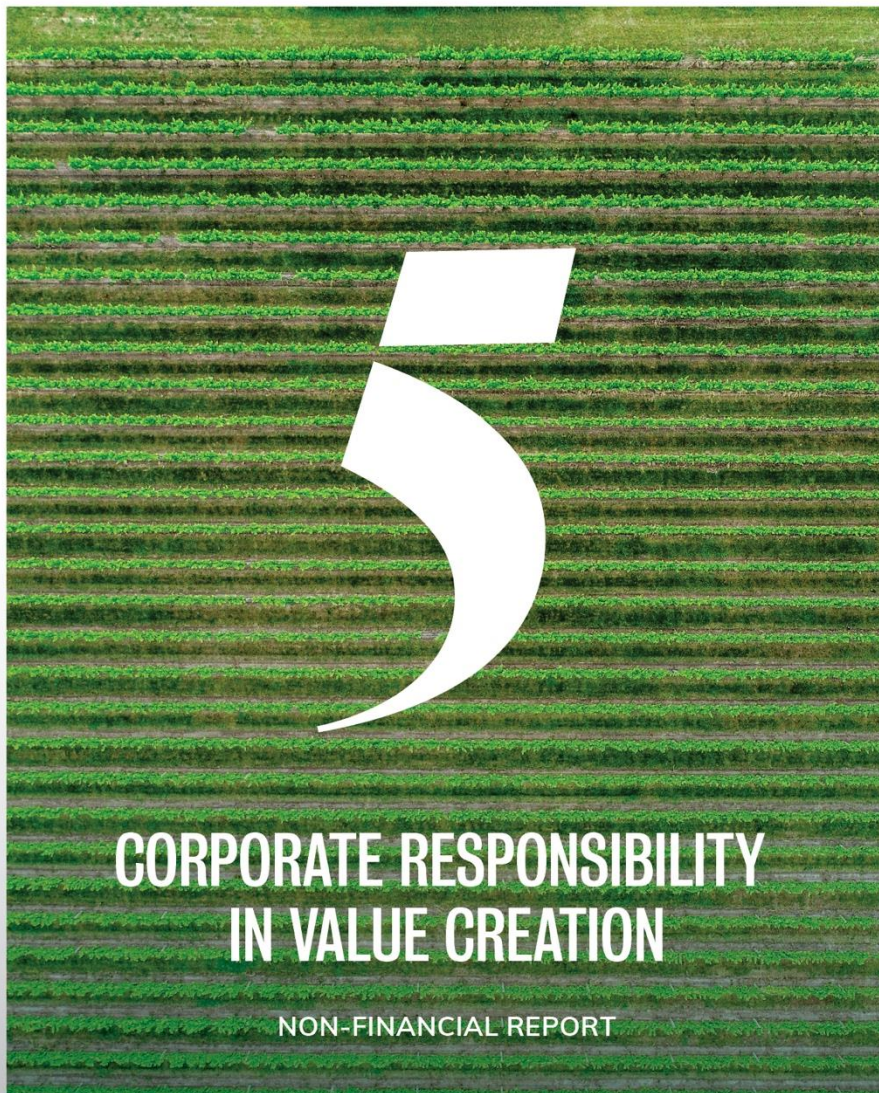
Considering the provisions of the “Interpretative Note No. 1 about the 2018 IPCG’s Corporate Governance Code”, on Recommendations VII.2.4. and VII.2.5, in the part where it is foreseen that when the performance of a company’s body is covered by the provisions of the applicable law, such issues should not be considered autonomously, reasoning which is applicable in the present case, the Company renders this Recommendation as adopted.

j) As to Recommendations VII.2.4. and VII.2.5., it has to be said that the Company did not assign the statutory auditor the duties foreseen in these Recommendations and, therefore, the same should be considered as not applicable. The “Interpretative Note No. 1 about the 2018 IPCG’s Corporate Governance Code” is hereby applicable.

3. Other Information

There is no other data or additional information, which is relevant for understanding the corporate governance model and practices adopted.

**Jerónimo
Martins**



Corporate Responsibility in Value Creation

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1. Our Approach

As a food specialist, we believe that we can make a difference in creating sustainable and socially responsible value, influencing practices and processes that have a relevant impact on the environment and people. That is why we promote the adoption of good practices and high-quality standards along the value chain, in food, in the environment, in our sourcing, in the jobs we create and in the way we support communities.

In order to guarantee the continuity of our business, which has over 225 years of existence, we have defined a Corporate Responsibility strategy, consisting of five pillars of action, which is transversal to the Group's Companies, seeking to address the challenges identified by its stakeholders¹ and the Sustainable Development Goals defined by the United Nations²:

I - 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 that the Companies sell;
- ii. ensuring food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.

II - Respecting the Environment

We work every day to reduce the environmental impact of our processes and our supply chain, improving the efficiency and incorporating procedures and technologies with a lower ecological footprint. There are three priority areas of action: climate change, biodiversity and waste management.

III - Sourcing Responsibly

We monitor the origins and production processes of the products we sell, incorporating ethical, social and environmental concerns in our decisions throughout the supply chain. We are committed to developing long-lasting commercial relationships, practising fair prices and supporting local production in the countries where we operate.

IV – Supporting Surrounding Communities

We are strongly committed to the communities in the countries where we operate, 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.

V – Being a Benchmark Employer

By creating employment, we aim to stimulate social and economic development in the markets where we do business. To do so, we promote balanced wage policies and a stimulating and positive work environment, in a firm commitment to our employees, who are beneficiaries of social responsibility policies that are extended to their families.

¹ The 10 main material topics are mentioned in the sub-chapter 2. "Stakeholder Engagement", also available at www.jeronimomartins.com.

² The subchapter 10. "Table of Indicators", in the end of this Chapter, shows the link between each of the reported indicators and the Sustainable Development Goals to which they contribute.

Jerónimo Martins Group remains in the main ESG Indexes

Our performance in the Corporate Responsibility pillars continues to be recognized by a wide range of stakeholders, including Environment, Social and Governance (ESG) analysts.

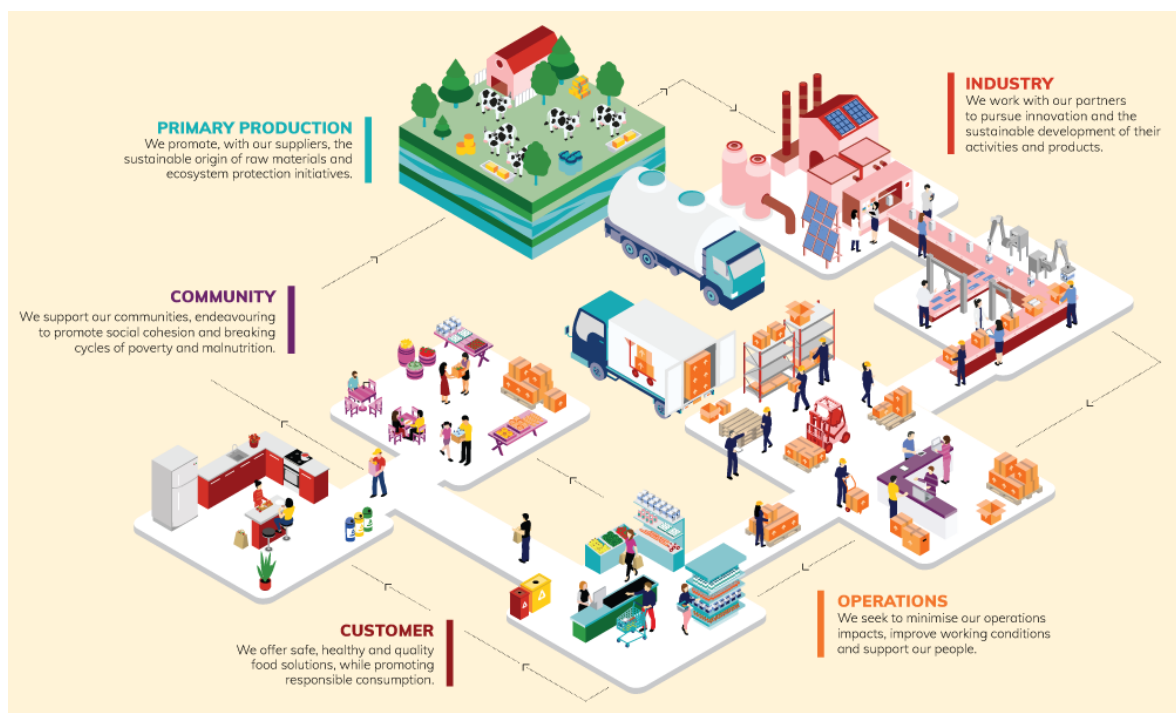
In 2019, we were recognised as "Leaders" by the Global Child Forum, standing 4th in this European ranking that examines how companies have embedded children's rights into company practice. We were also included, for the first time, in the Ethibel Pioneer Investment Register index.

We also improved the evaluation in the CDP Forests programme, obtaining the "A-" (Leadership) score in the four evaluated commodities (palm oil, soy, beef and paper and wood). In the Water Security programme, to which we responded for the first time, we obtained the "B" score (Management). At the CDP Climate Change, we continued at the "Leadership" level, with "A-".

We remained in the FTSE Russell indexes: FTSE4Good Developed Index, FTSE4Good Europe Index and FTSE4Good Developed Minimum Variance. The Group also maintained its presence in the STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, Ethibel Excellence Investment Registers, Ethibel Sustainability Index Excellence Europe, Euronext Vigeo Eurozone 120 and Euronext Vigeo Europe 120, among others.

These indexes identify the companies that best manage the ESG risks and they are used, for example, in structured investment products and as a benchmark. These inclusions are the result of the recognition of the Group's commitments, actions and outcomes regarding sustainability and in the long-term development of its businesses.

Business Model and Relation with Sustainable Development



2. Stakeholder Engagement

We promote a regular dialogue with our stakeholders, because we believe that this involvement is important to identify, prioritize and manage the sustainability aspects with a relevant impact on society and on the business. To this end, we use different communication channels in order to promote greater alignment with the needs and expectations of our stakeholders.

Stakeholders	Interfaces	Communication Channels
Shareholders and Investors	Investor Relations Department.	Corporate website, e-mail, annual reports, 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 reports, 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, social and environmental 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, Internal Social Responsibility website, 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.	Phone lines, e-mail, corporate website, social media channels and post.
Local Communities	Communications and Corporate Responsibility Department, Stores and Distribution Centres.	Follow-up visits, meetings, protocols and partnerships/patronage, social impact surveys.
Journalists	Communications and Corporate Responsibility Department.	Corporate website, press releases, press conferences, meetings, annual reports and half-yearly corporate magazine.
NGOs and Associations	Communications and Corporate Responsibility Department.	Follow-up visits, meetings, partnerships/patronage and half-yearly corporate magazine.

At an institutional level and with regard to our Companies, we are also members of various national and international organisations and initiatives concerning Corporate Responsibility, which allow us to monitor trends in these areas, define strategic priorities and improve our management processes³.

In 2019, we carried out a review of the material aspects to be considered within the scope of our Corporate Responsibility strategy and reporting⁴, aligned with the requirements of the Global Reporting Initiative (GRI), in its GRI Standards version, an exercise developed every three years.

We increased the scope of the analysis when compared to 2016 and implemented stakeholders' surveys and interviews for the first time in Colombia. This review also considered new topics such as food waste and fighting deforestation. In total, more than 3,400 responses were collected, from 10 different stakeholders from the three countries where we operate, including top management answers from Jerónimo Martins and its Companies.

³ For further details on the way we engage with stakeholders and on the organisations of which we are part of, please refer to the "Responsibility" channel at www.jeronimomartins.com.

⁴ For further details on the 2019 materiality analysis process, please refer to the "Responsibility" channel at www.jeronimomartins.com.

As a result of this analysis, it was possible to identify ten material topics:

- Food quality and safety;
- Reduction of packaging materials and use of sustainable materials;
- Ethics and transparency;
- Fighting food waste;
- Respect for Human and workers Rights;
- Affordable product offering;
- Respect for Human and Labour Rights in the supply chain;
- Mission, Vision and Strategy;
- Support to social projects;
- Incorporation of circular economy principles.

Food quality and safety is again the most relevant aspect for Jerónimo Martins and its stakeholders. Governance topics registered a higher value, compared to the previous survey. On the other hand, issues such as the reduction of packaging materials and the use of sustainable materials gained a greater relevance in this analysis. The following subchapters disclose the actions developed in 2019 that consolidate the material aspects mentioned above.

In order to ensure the compliance, disclosure and reinforcement of our Corporate Responsibility Principles⁵, the Group also counts on the Committee on Corporate Governance and Corporate Responsibility, which works closely with the Board of Directors and with the Ethics Committee⁶.

The Group's page in the professional social network LinkedIn registered over 183,000 followers by the end of 2019, being an important tool for the communication of the Group's activities, including the actions developed within the five pillars of Corporate Responsibility. In this context, during 2019, 97 posts related to Corporate Responsibility were published, registering more than 1.4 million impressions⁷.

⁵ The Corporate Responsibility Principles are described in the "Responsibility" channel, page "Our Responsibility Strategy" at www.jeronimomartins.com

⁶ The responsibilities of each of these Committees are described at www.jeronimomartins.com, in the "Investors" area.

⁷ This metric refers to the number of times each post was displayed to LinkedIn users.

3. 2019 Highlights

I - Promoting Good Health through Food

- Nutritional reformulations of Private Brand products, Perishables and of ingredients for Perishables prevented the entry into the market of 1,487 tonnes of sugar, 300 tonnes of saturated fat, 90 tonnes of fat and 14 tonnes of salt;
- Being aware of the growing demand for vegan and vegetarian options, we launched the Go Vege range in Poland and Portugal, with 13 and 7 products, respectively;
- Pingo Doce launched the "Menos Sal Portugal" programme, in partnership with CUF (José de Mello Saúde), to increase the awareness about the impact of excessive salt intake. In the scope of this programme, more than 300 volunteers were enrolled in a study to evaluate the impact of re-educating eating habits on several health indicators, with specialists from Nova Medical School and the Faculty of Medicine of the Porto University;
- We performed around 10,000 internal audits of the Group's infrastructures, complemented by around 110,000 analysis of work surfaces and manipulators, among others, and over 63,000 product analysis. More than 110,000 hours of training in hygiene and food safety reached over 32,000 employees.

II - Respecting the Environment

- In 2019, the Group's carbon footprint, per 1,000 euros of sales, decreased by 21.3% compared to 2018, contributing to meeting the reduction target for the 2018-2020 triennium;
- The energy consumption, per 1,000 euros of sales, was reduced by 6.3%, compared to 2018;
- The Group scored "A-" in the CDP Climate Change 2019, continuing at the "Leadership" level;
- 76 new ecodesign packaging projects were implemented, contributing to the annual savings of more than 3,500 tonnes of packaging materials. Since its beginning, in 2010, this project prevented the use of over 24,000 tonnes of these materials;
- In the CDP Water Security programme, to which we responded for the first time in 2019, we obtained the "B" score, the "Management" level.

III - Sourcing Responsibly

- In 2019, approximately 90% of the purchases of food products sold by the Group were sourced from local suppliers, maintaining this ratio above our 80% target;
- More than 110 new Private Brand and Perishable product references with sustainability certificates (e.g., organic certification, FSC, UTZ, and Rainforest Alliance, among others) were launched by the Group's banners;
- Over 30% of the Group's Private Brand eggs sold in 2019 were "cage-free" (e.g., barn eggs, free-range eggs or organic eggs), contributing to our goal of progressively increasing this proportion to 100% in 2025. This goal was achieved by Pingo Doce in the second semester of 2019;
- In 2019, Jerónimo Martins complied with its guidelines in the scope of the Group's sustainable fishing strategy;
- Jerónimo Martins achieved an overall rating of "A-" in the CDP Forests 2019 for all commodities under evaluation: palm oil, soy, beef and paper and wood.

IV - Supporting Surrounding Communities

- The value of support offered by the Group was over 43.4 million euros, an increase of 37% compared to 2018. Additionally, food donation totaled over 15.6 thousand tonnes, which represents an increase of 36% over 2018, in the pursuit of the effort to fight food waste, hunger and malnutrition. In Poland, the food donation to social organisations programme was extended to 1,639 stores;

- Pingo Doce launched the “Bairro Feliz” (Happy Neighbourhood) programme, supporting 157 local causes with more than 150,000 euros, while Biedronka continued the project to support elderly people in vulnerable situations, with a pre-paid monthly shopping card, investing more than 2.3 million euros;
- With the new editions of the Children's Literature Prize, Biedronka and Pingo Doce strengthened their commitment to promoting reading habits in children. Since its launch, the total amount invested in prizes for authors and illustrators has reached 550,000 euros, with around 340,000 books sold;
- In Colombia, the partnership with the Instituto Colombiano de Bienestar Familiar (Colombian Institute for Family Well-Being) allowed to support more than 8,500 children from 640 community daycare centers with personal hygiene products;
- Over 520 employees contributed with more than 2,800 volunteering hours to several community support initiatives.

V - Being a Benchmark Employer

- We created 6,868 jobs, representing a net increase of 6.3% over the previous year. We also provided 757 work internships in the different Companies of the Group;
- 137 million euros were awarded to employees, an increase of 24% compared to the previous year, and 13,663 employees were promoted, an increase of 14% compared to 2018;
- More than 4.5 million training hours were provided to the Group's employees, distributed among over 79,000 training initiatives;
- The investment in support initiatives to employees under the areas of Health, Education and Family Well-Being amounted to 20 million euros. In Poland, through the "Możesz Liczyć na Biedronkę" programme (You Can Count on Biedronka), financial support was given to more than 5,100 employees in vulnerable situations. In Portugal, the Social Emergency Fund, which counts on the collaboration of social workers, supported over 970 employees.

4. Promoting Good Health through Food

4.1 Introduction

Aware of how important a Group like ours can be when it comes to influencing changes in behaviour and contributing to fostering societies with healthier lifestyles, we make constant efforts to ensure the quality of ingredients, the nutritional profile of our products and safety in food preparation. As such, we are better prepared to improve our offer and deliver innovation that is relevant and valued by consumers.

By observing societies' eating habits, where the excess intake of sugar, salt, fat and saturated fat has resulted in an increased prevalence of diseases such as obesity, diabetes, osteoporosis and cardiovascular diseases, we know that it is imperative that we cut down the use of these ingredients.

To help change people's eating habits, we have been increasing investment in the development of nutritionally balanced and less processed Private Brand products, while simultaneously promoting the democracy of access to these products. Our stores also offer a wide range of solutions for consumers with specific dietary requirements or preferences, such as intolerance to certain ingredients.

This strategy is in line with the priorities defined in the United Nations Sustainable Development Goals for 2030 and with the expectations of our stakeholders in the Group's business activities, which were consulted during the year.

The Group's main initiatives thus aim at ensuring quality, diversity and food safety.

4.2 Quality and Diversity

The implementation of the Product Quality and Safety Policy⁸ aims at the continuous and sustainable improvement of the development and monitoring processes of Private Brand (food and non-food) and Perishables products. This policy is built on the following principles and practices:

- application of complementary standards, due to possible oversights in applicable legislation and to scientific proof in decision making;
- engagement with stakeholders, to pro-actively understand their expectations, consumption trends and to establish/strengthen partnerships;
- ban on animal testing, application of the precautionary principle as to genetically modified organisms and nanotechnology, the commitment to replace microplastic with biodegradable materials that do not pose risks to the food chain and ecosystems, and test regarding packaging materials that will come into contact with food;
- prioritised traceability and the existence of robust procedures for defending, mitigating and managing risks concerning product safety;
- transparent and straightforward communication on our product labelling beyond that required by law, in order for the consumer to make a more informed purchasing decision.

In addition, the Group's Nutritional Policy⁸ complements the commitments undertaken by the Companies defined for Private Brand food products and is in line with the recommendations of the World Health Organization, among others. The dimensions covered by this policy are nutritional profile, ingredients, labelling, portion sizes, continuous improvement, and communication and education, and are underpinned by the following directives, among others:

- restrictions as to use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of ingredients in the products for children, such as salt, sugar and fat;

⁸ This policy is available to all consumers and other stakeholders on the Jerónimo Martins corporate website, in the "Responsibility" channel, page "Promoting Good Health Through Food", at www.jeronimomartins.com

- nutritional reformulation strategies;
- diversity of the offer and development of products for people with specific nutritional requirements or preferences, and within specific age groups;
- packaging materials allowed for contact with foodstuffs;
- labels that include clear and straightforward information for consumers on health, nutrition, portions and promote healthy eating habits;
- product monitoring plans, including sensory tests, audits and laboratory controls.

The Guidelines for Development of Private Brand products and Perishables also reinforce the principles listed in the two aforementioned policies. We reviewed these Guidelines in 2019, defining specifications for plant-based products (to address vegan and vegetarian consumption trends) and products for people over the age of 55 (adapting nutritional profiles for this age group). These specifications ensure that there is an adequate amount of protein, essential fatty acids, vitamins and minerals in these products.

4.2.1 Launches

We, together with our business partners, continued to invest heavily in launching Perishables and Private Brand products, thus keeping up with the ever-changing needs of consumers and modern lifestyles, while offering products that help to positively encourage healthier eating habits.

Poland

The following Private Brand launches in 2019 by Biedronka are of note:

- 17 Marinero fish references (trout, herring, sturgeon, hake and mackerel fillets), the majority of which are sources of Omega-3;
- three Vital Fresh prepared mix of vegetables, innovative products on the Polish market, as they do not contain additives;
- Café d'Or Vanilla Latte, with lactose-free milk, no added sugar or sweeteners, and has 41% lower sugar content than the Polish market benchmark;
- Hungarian-style Culineo Goulash, the first of its kind in the Polish market given its beef content (27%) compared to the benchmark. It does not contain preservatives, colourings nor the monosodium glutamate flavour enhancer.

21 organic products were rolled out for consumers who prefer foods made using sustainable food production methods, without the use of plant protection products. The following products in the Go Bio range are of note:

- plant-based and root powders to supplement jams, yoghurts and meals: Black Chokeberry, which is a source of magnesium, fiber and vitamin E, which help, respectively, in the maintenance of a regular functioning of bones and in the digestive system, and to fight the oxidation of cells; Jerusalem Artichoke, rich in protein and potassium, that helps to regulate blood pressure; Maca (Peruvian ginseng root), rich in copper, that helps to regulate the nervous system and is also a source of calcium;
- durum wheat semolina and bulgur semolina;
- quinoa seeds, a source of fibre and protein.

Four gluten-free references were launched, mainly in the Cold Meat category: Głodniaki sausages, and pork, chicken and turkey hams of the same brand.

In this category, the products rolled out by Biedronka are clean label, that is, with no added monosodium glutamate, phosphates or other additives used in the food industry to ensure food preservation, nor flavour enhancers or food colouring (identified with the letter "E"). This commitment has led Biedronka to restrict 47% of additives approved by the European Union and by Polish law, which entailed an investment in innovative equipment and methods. Regional products Biedronka

Premium sliced pork sausage and Kraina Wedlin Select smoked ham and pâté are particularly of note in 2019, among others.

Regarding the new Nasza Spizarnia (Our Pantry) range, the Ministry of Agriculture and Rural Development awarded the [Poznaj Dobrą Żywność](#) (Try Fine Food) logo to five products for their quality, nutritional profile, composition and production methods, among other aspects⁹. The products awarded were the marinated mushrooms, canned blueberries, raspberries and the wild berry mix.

Go Vege

The growing trend for diversification in the diet of Polish consumers and the need for an increasingly democratised market set the tone for Biedronka to roll out the Go Vege range. These products are suitable for vegans and vegetarians and, among other legally required criteria*, do not contain Genetically Modified Organisms (GMO).

13 references were introduced into the market, among which vanilla and chocolate ice cream, two varieties of peanut butter (made only with peanuts, which are a good source of protein), tofu and smoked tofu (high in protein – 12g/100g and 13g/100g, respectively – to complement the reduced consumption or absence of animal protein, which are also sources of calcium), three varieties of juices (sources of vitamin C and potassium) and an organic oatmeal drink.

Two new products from exclusive brands have also been added to the range: the Smacznego falafel with hummus (rich in fibre and with no preservatives) and the vegetable filling for meals Plony Natury.

*The claims regarding suitability for vegan consumption must consider compliance with certain criteria, such as implementation of the Polish Regulation of the Ministry on Agriculture and Rural Development Journal of Laws from 2015, item 29, as amended, regarding the labelling of foods; absence of animal-based ingredients in the production process; good production practices so as to minimise cross contamination with non-plant-based ingredients and to be GMO free. Supplier audits are carried out by Biedronka specialists.

Portugal

The following roll outs during the year are of note:

- more than 80 gluten-free products, such as the Pura Vida spiral pasta and spaghetti, and the fresh Cheese and Cheese-ham gluten and lactose-free pizzas, the only ones of this kind in the Private Brand market;
- 13 lactose-free references, such as the Pura Vida natural yoghurt and the apple and the strawberry cereal drinking yoghurts, the skimmed milk and the cheese of the same range;
- Veggie 5 fruit and beetroot juice and the Veggie 7 fruit and spinach juice, with no colouring and containing only natural sugars from fruit. High pressure stabilisation during the refrigeration process means these juices do not need to be pasteurized and no preservatives are added;
- Bolsas 100% Fruta e Legumes (100% Fruit and Vegetable Pouches), available in three varieties. These pouches do not contain food colouring or preservatives and only sugar from fruit is used. They are a perfect alternative to children's occasional snack;
- Farinha Láctea Multifrutos Sem Açúcar Cuida Bebê (Cuida Bebê sugar-free multi-fruit infant cereal);
- Bolachas Matinais Sem Açúcar (sugar-free breakfast biscuits), made of wholemeal cereals, are rich in fibre and prepared with sunflower oil.

In the Pura Vida range, which aims at providing a more democratic offer of sugar-free, gluten-free and lactose-free products for people with specific dietary requirements or preferences, 24 new products were rolled out, making a total of 112 references available. In addition to the aforementioned products, three Sobremesas Para Vegetarianos (desserts for vegetarians) references were also rolled out,

⁹ Products included in this initiative are evaluated by the Poznaj Dobrą Żywność Programme's Scientific Committee, a support entity of the Ministry of Agriculture and Rural Development, with experts in medicine, nutrition, food and feed, law and economics. Analysis criteria include the following aspects: the composition of raw materials, microbiological characteristics, organoleptic properties, nutritional content, functional additives, amount of additives and production methods.

available in strawberry, pineapple and red berries, which are gluten-free and do not contain sweetener or artificial colouring, and are sources of vitamin C, as was Granola Com Sementes Ancestrais (granola with ancestral seeds), a source of fibre that helps regulate the digestive system and is low in salt.

10 certified organic products in the Go Bio range were also rolled out: three fruit pouches for children, the green tea sachets, the agave syrup (an alternative to sugar) and the shelled walnuts. In 2019, there were 43 references in the Go Bio range.

Also in Portugal, the Go Vege range hit the market with seven products: pea penne, red lentil fusilli, peanut butter and natural and smoked tofu, among others.

At Pingo Doce brand, most noteworthy was the roll out of three products for vegetarians, such as hamburgers (chicken-style and beef-style) made only using peas and cereals (soy-free), and chicken-style nuggets. These products were designed especially for vegetarian. None of these food alternatives contain flavour enhancers or animal-based flavouring and are sources of protein.

The Maionese Com Baixo Teor de Sal Pingo Doce (Pingo Doce Low Salt Mayonnaise) was also rolled out, a product that contains 80% less salt than the market average (in August 2019), thanks to the addition of the bela-luz thyme, an aromatic herb endemic to the Iberian Peninsula which adds flavour and is used as a salt substitute.

New Perishables' products were also introduced into the market:

- Pão Grão D'Ouro (golden grain bread), without adding additives, made with grains, all of which are sources of fibre and help regulate the digestive system;
- Pão 100% Integral (100% wholemeal bread), made with wholemeal flour and rich in fibre.

In Meal Solutions and Take Away, the Pingo Doce restaurants offered meals with more vegetables: asparagus and mushroom quiche, cod with a cornbread crust (contains cabbage and onion), cod loin with a dried tomato and olive crumble (contains roasted pepper sauce). Other ingredients were also added, such as dried fruits to the pork loin with rice.

For vegetarian consumers, and in addition to Pingo Doce vegetable dishes, six meals were rolled out among which paella (low in saturated fat), chilli (source of protein) and cooked quinoa.

In the Soup category, three references with no added salt and low in saturated fat were rolled out: the Sopa Juliana (Julienne mixed vegetable soup) and the Creme de Legumes (creamy vegetable soup), both without potatoes, and the Sopa de Feijão Verde (green bean soup).

The variety of soups offered in the Spring-Summer season was complemented with three salads: wild rice with shrimp and leek, niçoise salad, and sautéed vegetables (low in saturated fat, the perfect side dish to achieve the daily intake of 400g of vegetables recommended by the World Health Organization).

Colombia

Most noteworthy is the roll out of three Lactif semi-skimmed lactose-free yoghurt with pro and prebiotic fibre, which helps regulate the digestive system.

4.2.2 Reformulations

We reformulated the recipes of 75 food products¹⁰ in all three countries (35 in Poland, 39 in Portugal and one in Colombia).

The product reformulation strategy focuses on foods that:

- are consumed mostly by children;
- contain high levels of salt, sugar, fat, saturated fat, and/or superfluous additives;
- are consumed in large quantities and, as such, their reformulation might have a wider positive impact on public health;
- might be perceived as being healthy, but whose nutritional profile needs to be adjusted.

Total Reformulations

In 2019, the Group prevented the entry into the market of:

- 1,487 tonnes of sugar;
- 300 tonnes of saturated fat (includes replacement of ingredients for perishables);
- 90 tonnes of fat;
- 14 tonnes of salt.

Poland

Sugar content was reduced in 21 products, in particular the Psyzne Danie pierogi (pasta dumplings) with a reduction of 50% – a total of 66 tonnes prevented – and four varieties of the Aktiplus fermented yoghurts, the sugar content of which was reduced by between 19% and 29%.

With regard to fat, the recipes of eight references were reformulated. Most noteworthy are the Danie Express chicken nuggets, with reductions of between 3% and 8%, corresponding to more than two tonnes of fat prevented from being placed on the market.

Nine references saw their saturated fat content reduced. The two varieties of Danie Express poultry and pork cheeseburgers are just a few examples.

We also cut between 7% and 26% of salt from the composition of eight products, among which the Nasze Smaki prepared English-style stew, the Pano buns for hotdogs and the Madero meat sauce. Other products were reformulated to remove superfluous additives, by substituting artificial aromas and/or colouring with natural ingredients in three Magnetic chocolate references. The recipes of 13 references were also reviewed to remove, among others, thickeners, emulsifiers and flavour enhancers.

Non-Food Products

We have also been removing some substances considered potentially harmful to human health and/or ecosystems. In Poland, the synthetic preservatives from three Dada children's wipes references were removed, and they are now products recognised in Poland by the Instytut Pomnik – Centrum Zdrowia Dziecka (Children's Health Centre). Two Skino shaving gel references were also reviewed: in addition to having removed potentially allergenic preservatives, natural and moisturising ingredients were added, such as aloe vera extract and vitamin E.

Also in Poland, a scent perceived as allergenic was removed from four Be Beauty cosmetic products. The "Q10 Night Cream", from which we also removed the keratin, thus making it suitable for vegans. Vitamin A was also added.

In 2019, a total of 12 non-food products were rolled out as suitable for vegans.

¹⁰ Number of reformulated products using different ingredients. When updating recipes, the same product may be revised as to the presence of different ingredients or to just one of those ingredients. As such, the total amount presented may not correspond to the number of reformulated references of each of the indicated ingredients. Includes Perishables.

Portugal

The sugar content of six Pingo Doce and Recheio Private Brand products was reduced. Most notably the traditional Pingo Doce and Amanhecer Bolachas Maria (Maria Cookies) which are very popular among children, a reduction which led to more than 110 tonnes of sugar.

The amounts of salt were revised in the recipes of Tomato Pulp with Onion and Garlic from the brands Pingo Doce, Masterchef and Amanhecer, and their content was reduced by 50%. This value is equivalent to more than a ton of salt that was no longer consumed.

In the case of saturated fat, we replaced palm oil with sunflower oil or olive oil in 25 references. Highlight for the Pingo Doce and Amanhecer Maria Cookies, which recipe update resulted in avoiding 131 tons of saturated fat.

The coconut oil was removed from the Super Rolito ice cream, thus reducing its fat content. The fat and saturated fat from Chouriços de Porco Preto (black pork chorizo sausages) was also removed from their recipes.

Superfluous ingredients were also removed from some products: the monosodium glutamate, a flavour enhancer, was removed from five Pingo Doce ham references; the food colouring was removed from the Masterchef strawberry topping, used by professionals in the HoReCa channel; the egg white lysozyme protein (an allergen and preservative) was removed from flamengo cheeses; and the artificial sweeteners were removed from the Pura Vida de 5 Cereais Integrais (Pura Vida 5 whole grain biscuits).

The preparation Mix Folar, used in Bakery products at Pingo Doce, saw its palm oil replaced by sunflower oil, corresponding to an estimated reduction of 3.7 tonnes in saturated fat¹¹.

Within the context of the Portuguese government's Integrated Strategy for the Promotion of Healthy Eating (EIPAS), the following developments related to Pingo Doce's commitments made in 2019 are of note¹²:

- reduce salt content:
 - in the Meal Solutions and Take Away soups, by up to a maximum of 0.3g/100g in 2023. We began reducing salt in seven references which had an average salt content of more than 0.7g/100g, an intermediate goal until achieving the established goal, the impact of which will be assessed in 2020;
 - in own-made bread up to a maximum of 1g/100g in 2021. Production recipes were adjusted to 85% of all references after analysis and sensory panels were developed, with the average referring to the references collected of 1.08g/100g. Unfinished references will have their recipes reviewed in 2020;
 - in the top four best-selling meals, to reach the target of 0.9g/100g by 2023. Given that there are two references with a content of between 0.1g and 0.2g below this limit, two other recipes will be revised in 2020;
 - in chips and snacks by 12% by 2022. The baselines¹³ of the weighted average salt per 100g have not yet been determined by the various players in the agrifood sector.
- reduce sugar content:
 - reduce the average total sugar content in fruit nectars by 7% and the average added sugar content by 14%, both until 2023. Baselines¹³ for every 100ml of product have not yet been determined by the various players in the agrifood sector;

¹¹ The weight of ingredients removed takes into account annual consumption of the same ingredients before and after replacement.

¹² The commitments reported in 2018 referred to the ones discussed with the Directorate-General for Health, to which Pingo Doce proactively adhered, being subsequently subject to redesign regarding the periods of implementation by the agrifood sector.

¹³ As a starting point for the reformulation process, the nutritional composition at 31 March 2018 is considered.

- reduce the average sugar content added to chocolate milk by 10% by 2022. Baselines¹³ for every 100ml of product have not yet been determined by the various players in the agrifood sector;
- 10% reduction in weighted average sugar content in the soft drink category until 2022. Baselines¹³ for every 100g of product have not yet been determined by the various players in the agri-food sector.

Colombia

Revision of the Be Power energy drink, the sugar content of which was reduced by 7 p.p., prevented a total of 8 tonnes of sugar from being placed on the market.

Products' Nutritional Reformulations		Biedronka ¹⁴	Pingo Doce	Recheio	Ara
Reformulated products ¹⁵	Products	35	20	19	1
Reformulations – Salt	Products	9	3	3	-
Amount of Salt Avoided	Tonnes ¹⁶	12	1	1	-
Reformulations – Sugar	Products	21	3	3	1
Amount of Sugar Avoided	Tonnes ¹³⁶	1,365	68	46	8
Reformulations – Fat	Products	8	2	1	-
Amount of Fat Avoided	Tonnes ¹³⁶	87	2	1	-
Reformulations - Saturated Fat	Products	9	13	12	-
Amount of Saturated Fat Avoided	Tonnes ¹³⁶	61	120	115	-

4.2.3 Promoting Healthier Choices

To promote an offer that is increasingly in line with consumer needs, we have been working on adjusting the portions of the Private Brand products, in accordance with market research, and including straightforward information on packaging. These practices also help to reduce food waste, something that the Group tackles in each of the five pillars of its Corporate Responsibility strategy, downstream of the chain.

Our priorities are to:

- design (or reformulate) product recipes as to their quantity and format;
- voluntarily indicate the number of portions in each package, on all products;
- voluntarily indicate the average time the product must be consumed once opened, to contribute to the adequate consumption of products that are used over a long period of time;
- only use one expiry date, whenever the law so permits, to avoid confusing consumers over other printed dates, such as production batches.

With regard to the Pingo Doce, Amanhecer, Gourmês and Masterchef Private Brands, portion sizes and packaging formats are adjusted in the initial product design phase to facilitate consumption and reduce possible food waste. This is the case with the roll out of Bolachas Matinais 0% Açúcares (breakfast biscuit packs with 0% sugar).

Regarding expiration dates, we provide packaging information about the average time of consumption after opening, helping consumers to manage their products. These are the most perishable products such as mayonnaise, milks and fruit pastries.

¹⁴ Includes Perishable products.

¹⁵ A product may have its recipe revised for more than one ingredient. The method of unique counting, not references, is done for this purpose.

¹⁶ The number of tonnes removed is obtained using the following calculation method: the quantities of these ingredients present in the formula of the references covered multiplied by the number of units bought or sold in the year.

Product Information

The Group's Packaging Manuals include the disclosure of the characteristics and benefits of Private Brand products on the labelling, complying with technical and legal requirements, namely on the nutritional composition, and presenting full nutritional tables, with values per 100 grams and per portion.

The voluntary use of more straightforward nutritional information on the front of the packages has been a priority for the Group, in order to enable the consumers to make a more informed choice about the products they buy.

In Portugal, we maintained the following:

- the adoption of the "Sem OGM" (Without GMO) symbol for products consisting mainly of one ingredient that could potentially have been genetically modified. In 2019, the symbol was in 22% of the total of references in question, an increase of 8 p.p. compared to 2018;
- use of the calorie icon for 91% of alcoholic beverages, an increase of 2 p.p. compared to 2018¹⁷;
- the adoption, also for alcoholic beverages, of a symbol that discourages consumption by pregnant women. In this case, 91% of the references presented this symbol, an increase of 43 p.p. compared to 2018¹⁷;
- the maintenance of the icons for products that are a source of Omega-3, lactose-free, gluten-free, without added sugar and without fat;
- the maintenance of the identification of Pingo Doce charcuterie products that have less fat and salt, according to the requirements of the "Escolha Saudável" (Healthy Choice) program, in collaboration with the Portuguese Heart Foundation.

In Poland, the following are of note:

- use of the indication of fibre in the nutritional table, on the back of packages;
- use of the European logo on organic products, in compliance with Community regulations (EC) No. 834/2007 and (EC) No. 889/2008 on production, labelling and control;
- use of own symbols based on criteria required, among others, by Polish legislation (see Go Vege highlight box) for vegan and vegetarian consumers, following the launches and reformulations aimed at consumers with specific food needs or preferences;
- maintenance of the icons for products that are a source of Omega-3, lactose-free and gluten-free;
- the adoption of symbols, in alcoholic beverages, for calorie index (3% of the references presented this indication, 0.3 p.p. more than in 2018), of warning for pregnant women (7% of the references, 0.6 p.p. more than in 2018)¹⁷ and of responsible driving (23% of references, 4.4 p.p. more than in 2018)¹⁷.

We maintained the partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and Gluten-Free Diet) to monitor the production and roll out of gluten-free products, ensuring both the absence of cross-contamination and certification of the final product.

With regard to genetically modified organisms (GMO), new legislation will be applied in 2020 regarding the labelling of usually modified products such as maize, rapeseed, soy and beetroot. Other ingredients have also voluntarily been added to the analysis process: wheat and tomato, and cotton in the case of non-food products. In addition to requirements for suppliers, the Group Companies also perform laboratory analyses to comply with their Product Quality and Food Safety Policy so as to disclose the presence of GMOs when they cannot be avoided, within the method's quantification limit of 0.1% (more demanding than the 0.9% threshold stipulated in EU mandatory labelling rules).

¹⁷ Corrected 2018 value(s).

In Colombia, voluntary adoption of nutritional indications of the recommended daily ingredients continued, displaying the values for calories, fat, sodium, sugar and protein.

Information in other media

For over 10 years, product development and communication at Pingo Doce has been following the principles of the Mediterranean Diet, classified as an Intangible Cultural Heritage of Humanity by UNESCO, the United Nations Educational, Scientific and Cultural Organization. Besides product packaging, which includes cooking advice and suggested fruit and vegetables, the bi-monthly magazine “Sabe Bem” (Tastes Good, with an average print-run of 150,000 copies) is also a preferred means for communicating this diet, by sharing recipes that encourage the reuse of surplus food.

2019 also saw the launch of the book “À Mesa com o Pingo Doce” (Dining with Pingo Doce), offering practical recipes in line with the principles of the Mediterranean Diet, and cooking methods that best adapt to the current lifestyle of Portuguese consumers, in particular when it comes to the time it takes to cook meals at home. The recipes were approved by Pingo Doce’s nutrition team and by cooking experts, with more than 750,000 copies provided to customers.

Over the years, the Pingo Doce website has been an important tool in encouraging consumers to adopt the Mediterranean Diet. A list of lactose-free and gluten-free products is also published to help consumers in their choice, which is updated every month by Pingo Doce’s nutrition team, in accordance with the analytical control carried out on the Private Brand products.

Biedronka introduced a leaflet based on the Healthy Nutrition and Physical Activity for Adults Pyramid for Polish consumers, with a print-run of 1.4 million copies, explaining the five groups – and how much of each should be consumed daily – and the need for daily exercise, which make up a balanced diet.

In addition, 56 articles were also published in various media, describing the nutritional profiles and quality of Biedronka products, and their health benefits. An additional 61 articles (60% more than in 2018) were published through internal channels directed to employees.

The Company took part in a scientific conference in Poland to share information on food education: the [Wszechnica Żywniowa](#) (Nutrition University), which celebrated its 25th edition. The event was hosted by the Faculty of Human Nutrition and Consumer Sciences of the Warsaw University of Life Sciences. Organisations from the agrifood sector and civil society participated in the conference, such as Nestlé, Carrefour, the Kulczyk Foundation and Polska Federacja Producentów Żywności Związek Pracodawców (Polish Federation of Food Producers), where Biedronka’s presentation focused on the importance of food choice for a balanced diet and its cooperation with suppliers.

4.2.4 Partnerships and Support

The Group holds regular talks with public and private benchmark institutions to learn and share knowledge about food, nutrition and health, which enables engagement with new audiences for the enrichment of all stakeholders.

In Portugal, Pingo Doce is an active member of the technical committees of the Portuguese Association of Retailing Companies (APED) dedicated to food quality. Partnerships with organisations aiming to contribute towards a healthy diet were also maintained, most notably:

- the Directorate-General for Health (DGS), within the scope of the National Program for the Promotion of Healthy Eating (PNPAS), with Pingo Doce providing 29 recipes on the Mediterranean Diet developed by its nutrition team. Additionally, DGS participated in five articles published in the magazine “Sabe Bem” by Pingo Doce, being also published in the PNPAS blog “Nutrimento” at [nutrimento.pt](#);
- the Portuguese Celiac Disease Sufferers, for the identification and dissemination of gluten-free products;

- the Portuguese Heart Foundation, to identify cold meat products that are low in fat and salt, using the symbol “Healthy Choice”;
- the Portuguese Association of Nutritionists, to sponsor the Nutrition and Food Congress.

In Poland, besides the agreements previously established for publishing information on a healthy diet and the more straightforward identification of specific food products, we maintained the following initiatives:

- support for the 4th National Nutrition Conference with the theme “Obesity, Anorexia and Bulimia in Children and Young People”, hosted by the Polish Institute of Food and Nutrition. An institutional brochure was designed for the event and attendees were offered products from exclusive brands;
- support for the [Zielona Kraina](#) (Green Land) project, developed in partnership with Green Factory, supplier of the exclusive brand Vital Fresh. The objective of this project is to promote healthier eating habits among primary school children. More than 7,400 students took part in 379 initiatives under this programme, which was carried out in 120 schools in 15 Polish cities during the 2018/2019 academic year. Nutrition workshops, included in the programme, were also held with the help of 29 nutritionists;
- deepening of the partnership with Instytut Matki i Dziecka (Institute of Mother and Child), with which Biedronka has been collaborating since 2012, to develop products for children, by creating a public platform which lists all products that have received a positive evaluation as to their safety. Information for parents with suggestions for use and opinions about the items is available at [epozytywnaopinia.pl](#).

In Colombia, Ara maintained its participation in the work committees of ICONTEC (Colombian Institute of Technical Standards) to discuss and create quality and food safety standards, applicable to all product categories.

Menos Sal Portugal (Less Salt Portugal)

Average sodium intake in Portugal is around 10 grams per day, double the amount recommended by the World Health Organization. This eating habit is a public health problem in the country affecting one-third of the Portuguese population. High salt intake is associated with diseases such as high blood pressure, which can often lead to stroke or myocardial infarction. According to the PHYSA – Portuguese Hypertension and Salt Study, conducted in 2014, an estimated 2 million people in Portugal have high blood pressure.

Pingo Doce created the “Less Salt Portugal” programme in partnership with CUF (José de Mello Saúde) to raise awareness among Portuguese citizens of the harmful effects of excess salt intake. A study was also conducted on the impact of food education in changing eating habits and on several health indicators. With the help of experts from Nova Medical School and the University of Porto’s Faculty of Medicine, a scientific study was conducted with more than 300 volunteers between the ages of 20 and 70 from the Lisbon Metropolitan area. Over the course of three months, participants also took part in a food (re)education programme, led by experts, to reduce salt intake.

A dedicated website – [menossalportugal.pt](#) – was launched and a leaflet with recommendations was distributed in Pingo Doce stores. A “half a pinch” spoon was also offered to keep the salt intake to the recommended daily amount and to encourage controlled salt use in home-cooked meals.

4.3. Quality and Food Safety

We continually invest in the certification and monitoring of our processes, facilities and equipment in order to ensure we have high-quality products that are safe for consumption. To do so, we not only count on our Quality and Food Safety technicians, but also resort to external auditors and independent and accredited laboratories.

Most noteworthy is the creation of the Basic Quality Requirements for Perishable products in Poland. This document, which includes the standards implemented by the Group and information on quality and specific requirements for the Fruit and Vegetables, Fish and Meat categories, is compulsory for all Biedronka suppliers.

We have reviewed the criteria for Good Manufacturing Practices and for Good Hygiene Practices related to meat sold at the Butcher's counter since 2014, to comply with and adjust procedures to critical requirements.

In 2019, we conducted around 10,000 internal audits of the Group's infrastructures, complemented by around 110,000 analyses of work surfaces and manipulators, among others, and more than 63,000 product analyses.

4.3.1 Certifications

During 2019, the following certifications were renewed or extended to new infrastructures:

- ISO 22000:2005 certification on the storage and distribution processes of animal and plant-based food products in all 16 Distribution Centres in Poland, and on the food product development process at Biedronka's head office;
- ISO 22000:2005 and FSSC 22000 certification for the Soup Factory in Poland, obtained for the first time, within the scope of ready-to-eat after heating and individualized packaging;
- ISO 9001:2015 certification for the Development of Private Brands, in Portugal, and Post-Launch Product Follow-Up/Supplier Follow-Up;
- HACCP certification in accordance with the Codex Alimentarius:
 - all of Pingo Doce's central kitchens, regarding Food Safety;
 - 16 Recheio Cash & Carry stores;
 - the Caterplus Food Service platforms in Porto and Lisboa;
 - the Azambuja, Modivas, Alfena and Algez Distribution Centres, with regard to Food Safety;
- Certification of the Food Safety Management System, according to the ISO 22000:2005 Portuguese standard, in 21 Recheio stores and one Caterplus Food Service platform in Tavira.

In 2019, all the Polish Distribution Centres renewed their certification for handling organic products, according to Council Regulation (EC) No. 834/2007.

4.3.2 Audits

In addition to internal audits, we also audited the suppliers of Perishables and Private Brand products and suppliers in general, the results of which are available in sub-chapter 6. "Sourcing Responsibly".

Poland

Audits were conducted at Biedronka stores and at the Distribution Centres, by both internal and external auditors to check the suitability of facilities, equipment and procedures.

Stores and Distribution Centres	Biedronka			Distribution Centres		
	2019	2018	Δ 2019/2018	2019	2018	Δ 2019/2018
Internal Audits	4,899	5,161	-5%	29	32	-9%
Follow-up Audits	79	127	-38%	0	0	-
External Audits	73	0	-	27	24	+13%
HACCP Performance*	86%	81%	+5 p.p.	95%	95%	-

*At Biedronka, HACCP implementation is evaluated based on own 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.

There was a decrease in follow-up audits due to the performance that occurred after the internal audits, which is why the final HACCP assessment was also better compared to 2018. In the case of Distribution Centres, the number of audits is in line with annual planning due to the increase of external audits to the regular control by the official entities.

We use external, accredited laboratories to analyse work surfaces, equipment, product handlers, raw materials and products finished in store to control microbiological risks. 7,151 analyses were

performed, 189% more compared to 2018, due mainly to the scope of analysis being extended to fruit and vegetables, fresh bread display, a greater number of analyses performed on chicken roasted in store, as well as to the increase of the number of stores having charcuterie counters' services to clients.

Portugal

Audits carried out at Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2019	2018	Δ 2019/2018	2019	2018	Δ 2019/2018	2019	2018	Δ 2019/2018
Internal Audits	888	873	+2%	85	84	+1%	33	39	-15%
Follow-up Audits	1,505	1,415	+6%	211	250	-16%	39	40	-3%
External Audits	35	15	+133%	15	55	-73%	8	10	-20%
HACCP Performance*	84%	90%	-6 p.p.	87%	88%	-1 p.p.	91%	93%	-2 p.p.

*At Pingo Doce, as at Recheio, HACCP implementation is assessed using their own reference standards, based on the Codex Alimentarius and which are appropriate for the operating realities of the Companies.

The increase of internal and follow-up audits at Pingo Doce is due to the fulfilment of the predefined plan for stores, which network has expanded. At Recheio, the decrease of follow-up audits is the result of the implementation of the food safety management system, according to ISO 22000:2005 Portuguese standard, made in 2018 whose improvements were implemented throughout the year, making the same volume of audits unnecessary.

Also, with regard to Distribution Centres, the decreases in internal and follow-up audits can be explained by the fact that, during the year, their regularity was reviewed considering the maturity of the food security system.

At Pingo Doce and Recheio stores and at our Distribution Centres, as well as other infrastructures such as the Fresh Dough Factory, 99,142 Quality and Food Safety analyses were performed on work surfaces, Perishables and product handlers in store, while water and air quality analyses were also conducted (an increase of 1% compared to 2018). These analyses are performed by external, accredited laboratories.

Colombia

Audits were carried out in the Ara stores and in the Distribution Centres by internal teams.

Stores and Distribution Centres	Ara			Distribution Centres		
	2019	2018	Δ 2019/2018	2019	2018	Δ 2019/2018
Internal Audits	1,740	495	+252%	3	3	0%
Follow-up Audits	414	1,664	-75%	4	0	-
Good Hygiene and Quality Practices*	80%	72%	+8 p.p.	87%	95%	-8 p.p.

*The compliance rate shown 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 (i) the facilities for handling the product, such as temperature; (ii) packaging; and (iii) organic waste management procedures.

The increase in the number of internal audits to stores was due to the expansion of Ara's network and a new conceptualization of audits: technical follow-up audits were included in relation to the performance obtained. In the case of follow-up audits, and for the reason presented above, priority was given to corrective measures.

The improvements in food safety performance were due to the monitoring of stores, as well as the investment made in training operational teams, including those responsible for districts.

3,440 analyses were carried out to work surfaces, Perishables handlers, products handled in stores and also water, which represents a decrease of 65% compared to 2018. This decrease is explained by the new control methods namely by reporting samples instead of analysed parameters.

4.3.3 Analyses

The products sold are checked as to their safety and quality. Analyses are performed in external, accredited laboratories.

Poland

Number of Analyses/Samples collected	2019	2018	Δ 2019/2018
Private Brand – Food	14,061	12,431	+13%
Private Brand – Non-Food	903	825	+9%
Fruit and Vegetables	1,540	1,069	+44%
Meat and Fish	790	300	+163%
Bakery	695	80	+769%
Eggs	391	353	+11%

In the case of Biedronka's Private Brands, the increases are due to a greater number of suppliers covered as well as to the increase of products sold as a result of the expansion of operations. The increase in the analysis of Perishables was due to new methodologies for accounting for microbiological and physical-chemical analyses as well as the beginning of analyses made on fresh pastries, included in the Bakery category, for sale in stores.

Portugal

Number of Analyses/Samples collected	2019	2018	Δ 2019/2018
Private Brand – Food*	17,247	15,790	+9%
Private Brand – Non-Food	4,415	4,560	-3%
Fruit and Vegetables	2,900	2,815	+3%
Meat	1,171	1,182	-1%
Fish	1,197	928	+29%
Bakery	947	479	+98%
Meal Solutions	2,170	1,359	+60%

*Including routine analyses on the presence of gluten, genetically modified organisms, lactose, denomination of species, control analyses and extra analyses.

The 10% increase in analyses of Private Brand food products is essentially due to the inclusion of the acrylamide substance in the analytical control plan for risk assessment, making it possible to guarantee the monitoring of that contaminant whose limits were revised in a Community regulation. Extra-routine analyses were also carried out.

With regard to Private Brand non-food products, the decrease was mainly due to the fact that there were no changes in supplier as seen in 2018, when extra analyses were carried out following the relaunch of the baby hygiene and feminine hygiene ranges.

The increases observed in the Perishables' categories are explained by the reinforcement made to the analytical control plan for fish and fruit and vegetables, namely in parameters that are legal requirements, and the entry of new suppliers.

The increase in the Bakery area is due to analyses inherent to the development of new products, as well as to the monitoring of the nutritional information declared on the labels of the products

manufactured in our operations (such as the Fresh Dough Factory). The increase seen in the Meal Solutions area is due to the analysis of new products, as well as the validation of durability dates.

Colombia

Number of Analyses/Samples collected	2019	2018	Δ 2019/2018
Private Brand – Food	11,951	6,970	+71%
Private Brand – Non-Food	2,834	1,076	+163%
Fruit and Vegetables	39	52	-25%
Meat	27	14	+93%
Fish	3	11	-73%
Bakery	0	6	-100%

14,854 laboratory analyses were carried out on products, which translates into an increase of 83% compared to 2018. The significant increase in the analysis of Private Brand products accompanies the volume of products sold as well as the expansion of the chain of stores in the country.

In the case of Perishables, the increase in the Meat category is due to the greater number of suppliers, as a result of the referred expansion. The decreases observed in Fish are a consequence of less references at sale in the Perishables range; in Fruit and Vegetables a new analysis accounting methodology – by sampling and not by parameter analysed – came into force; and in the case of Bakery, the annual cycle did not consider a priority product in that geography for analysis compared to previous performances.

4.3.4 Training

Training in Poland¹⁸ was provided to 16,136 employees, corresponding to a total of 26,369 training hours¹⁹. Topics covered included themes such as updates on food safety management systems within the scope of international standards FSSC 22000 and ISO 22000:2018.

In Portugal²⁰, 47,779 training hours¹⁹ were provided to 10,538 employees, focusing on:

- the food safety management system implemented in the Companies;
- food defence/security in the context of preventing and combating intentional adulteration of food;
- food labelling;
- thermal destruction of micro-organisms in sterilisation processes;
- good practices in the handling of perishable products.

In Colombia²¹, a total of 39,029 training hours¹⁹ were given to 5,824 employees on topics such as quality aspects of perishable products, good production and hygiene practices, as well as cold chain management.

	Training Volume ¹⁹		No. of People Trained	
	2019	2018	2019	2018
Group	113,177	125,139	32,498	35,731*
Portugal	47,779	51,743	10,538	11,805*
Poland	26,369	39,671	16,136	18,652
Colombia	39,029	33,725	5,824	5,274

* Corrected value.

¹⁸ Comprises Biedronka's stores and Distribution Centres in Poland.

¹⁹ Training volume, indicator calculated as follows: number of people trained x number of Hygiene and Food Safety training hours.

²⁰ Comprises Pingo Doce, Recheio, Jerónimo Martins Agro-Alimentar, Hussel and Jerónimo Martins Restauração e Serviços.

²¹ Comprises Ara stores and Distribution Centres in Colombia.

5. Respecting the Environment

5.1. Introduction

According to the 6th edition of the Global Environmental Outlook²², published by UNEP²³, population growth, urbanisation trends and economic development are expected to drive increased demand for natural resources, such as food, energy and water. In order to ensure sustainable development until 2050, the report identifies several initiatives that should be implemented: improve energy efficiency, introduce low-carbon technologies (e.g. renewable energy), change the behaviour of consumers and companies, and boost reforestation efforts. The UNEP also advocates measures that include better management of protected areas, sustainable farming and the efficient use and storage of water.

At the Jerónimo Martins Group, we work hard every day to reduce the environmental impacts of our processes and our supply chain, by improving efficiency and implementing measures and technologies with a low ecological footprint. Our Environmental Policy²⁴, which sets out guidelines and improvement goals, focuses on three priorities: preserving biodiversity, fighting climate change and responsibly managing waste.

Environmental Audits and Environmental Certification

To improve our environmental performance, our Distribution Centres (DC) have implemented Environmental Management Systems in compliance with ISO 14001. At Biedronka, 16 DC have this environmental management certification, and four of Pingo Doce and Recheio's DC continue to have this certification. In total, more than 65% of the Group's DC (20 out of 30) are certified under this standard. Our goal is to have 25 facilities with environmental certification by the end of 2020.

To ensure compliance with environmental management procedures, we also conduct internal audits in stores, warehouses and DC. In 2019, 4,788 environmental audits were conducted at Biedronka, 269 at Pingo Doce and 18 at Recheio, a 39% increase compared to 2018. In Colombia, regular audits will start being conducted at Ara stores in 2020. In 2019, the average score was 87%, up 3 p.p. compared to 2018. Whenever the score obtained in the audits is less than 100%, corrective actions are defined.

5.2. Biodiversity

The latest report²⁵ from IPBES²⁶ on biodiversity and ecosystem services warns that one million of the world's eight million animal and plant species are threatened with extinction, urging the implementation of measures to reduce biodiversity loss.

The Group recognises that its business activities impact biodiversity and ecosystem services, linked especially to its expertise in Perishables, which is reflected in the sale of Meat, Fish, Fruit and Vegetables, and other Perishable products. As such, our strategies and policies reflect our continuous effort to map and mitigate these impacts:

- upstream, and in partnership with our suppliers, we encourage awareness and monitoring initiatives, such as the sustainable agriculture project, and initiatives to fight deforestation, as part of our commitment to Zero Net Deforestation by 2020;
- in our operations, we promote, for example, the protection of wild fish (through a sustainable fishing strategy), introduce products and services with a better environmental and social profile

²² The 6th edition of the Global Environmental Outlook (Geo6), published by UNEP in 2019, is available at: www.unenvironment.org/resources/global-environment-outlook-6.

²³ UNEP is the acronym for the United Nations Environment Programme.

²⁴ Available for consultation under "Responsibility" at www.jeronimomartins.com.

²⁵ "The Global Assessment Report on Biodiversity and Ecosystem Services", published by the IPBES in 2019, is available at: ipbes.net/global-assessment-report-biodiversity-ecosystem-services.

²⁶ IPBES is the acronym for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

(e.g. sustainability certified products) and endeavour to implement sustainable practices in the production of beef, milk and aquaculture;

- downstream, with consumers and the general public, and in partnership with research centres and/or Non-Governmental Organisations²⁷, we promote awareness campaigns and projects for the preservation of ecosystems, habitats and species on which our activities depend and/or which are impacted by them.

These initiatives are described in this sub-chapter and in sub-chapter 6. “Sourcing Responsibly”.

Partnership to Save the Macaws in Colombia

In 2019, in partnership with the ProAves Foundation, we launched a project to protect two macaw species in Colombia, aimed at contributing to the preservation of biodiversity and raising the environmental awareness of local communities.

As part of this project, we assessed the conservation status of the Red-and-Green Macaw (*Ara chloropterus*) and the Military Macaw (*Ara militaris*), including their habitat, the Montes de Oca Forest Reserve, in Guajira. The Reserve has high biodiversity, with at least 200 plant species, 164 birds, 35 mammals and 45 amphibians and reptiles. The conservation of the forests where these two species live and breed is essential to their conservation. As such, in 2019, and as part of this project, we planted 1,000 trees of 16 species in an area spanning 58 km².

With regard to environmental awareness, activities were carried out in schools and through communication actions with posters in the Montes de Oca community. The initiative encompassed more than 200 children, aimed at raising awareness for the need to protect the habitat of these species and so that they can identify the macaws and be able to fill in the monitoring form for sightings of these species. Over the course of three months, 50 forms were collected from the areas where the macaws were sighted. This information also helps to implement the appropriate conservation measures, in line with the project's goals.

5.3. Climate Change

In 2018, the IPCC²⁸ warned of the need to limit the average temperature rise to 1.5°C²⁹ above pre-industrial levels, in order to reduce the effects of climate change that are already being felt. The Panel published two new reports³⁰ in 2019, alerting to the degradation of natural systems. The impacts on these systems will intensify, leading to increased pressure and impacts on production systems and, subsequently, food safety. In response, the IPCC once again stressed the need to significantly reduce carbon emissions and to step up efforts to mitigate and adapt to climate change, in line with the Paris Agreement.

The energy policies followed by Member States are also expected to encourage the transition to a low-carbon or carbon-neutral economy. One example is the European Green Deal³¹, which aims to reach carbon neutrality in the European Union, in a fair and inclusive way, by 2050. These policies are expected to have an impact on several sectors, such as energy, buildings, transport and agriculture.

It is estimated that both physical risks, associated with the effects of climate change, and transition risks, associated with carbon reduction policies, will have an impact on the vast majority of companies. This is where the recommendations of the Task Force on Climate-related Financial Disclosures come in, an initiative promoted by the financial sector that helps businesses quantify and disclose financial risks and opportunities linked to climate change, and their respective action plans. In line with these recommendations, in 2019 the Group began assessing the impacts and opportunities of its business activities based on different climate scenarios.

²⁷ To learn more about these initiatives, see section 5.5. “Partnerships and Support” of this sub-chapter, and sub-chapter 6. “Sourcing Responsibly”, section 6.3. “Promotion of More Sustainable Production Practices”.

²⁸ IPCC is the acronym for the Intergovernmental Panel on Climate Change.

²⁹ The IPCC's special report on “Global Warming of 1.5°C”, published in 2018, is available at www.ipcc.ch/sr15.

³⁰ The “Climate Change and Land” and “The Ocean and Cryosphere in a Changing Climate” reports are available at www.ipcc.ch/srcccl and www.ipcc.ch/srocc, respectively.

³¹ Launched in December 2019, the European Green Deal is available at: ec.europa.eu/info/strategy/priorities-2019-2024.

Our strategy also includes implementing measures to reduce energy consumption and carbon emissions associated with, for example, logistics processes and refrigeration gases. We also strive to fight deforestation, namely by managing commodities related to this risk: palm oil, soy, beef and paper and wood³². In 2019, we once again obtained an overall rating of “A-” in the Carbon Disclosure Project (CDP) Climate, positioning the Group at the “Leadership” level, closer to reaching the maximum rating (A). This programme assesses our performance in terms of climate strategy, including our transparency in the reporting of information and risk management.

5.3.1. Carbon Footprint

In 2019, scope 1 and 2 carbon emissions corresponded to 903,261 tonnes of carbon dioxide equivalent (CO₂e), a reduction of 15.4% year-on-year, which is mostly justified by the acquisition of renewable energy certificates in Portugal. For the same reason, the specific value dropped from 0.0616 to 0.0485 tonnes of CO₂e for every thousand euros in sales, above the Group's target of a 5% reduction in the carbon footprint.

Carbon Footprint (t CO ₂ e/'000 €)	2019	2018	Δ 2019/2018
Specific value (scope 1 & 2)	0.0485	0.0616	-21.3%

Carbon Footprint (t CO ₂ e)	2019	2018	Δ 2019/2018
Overall Carbon Footprint (scope 1 and 2)³³	903,261	1,067,728	-15.4%
▪ Biedronka	804,630	846,167	-4.9%
▪ Hebe	11,074	8,801	+25.8%
▪ Pingo Doce ³⁴	29,810	141,181	-78.9%
▪ Recheio	5,806	19,897	-70.8%
▪ Ara	36,686	38,039	-3.6%
▪ Agribusiness	15,255	*13,642	+11.8%
Carbon Footprint (scope 1 – direct impacts)	212,304	233,404	-9.0%
▪ Leakage of refrigeration gases	104,338	128,509	-18.8%
▪ CO ₂ usage	20,988	21,733	-3.4%
▪ Fuel consumption	54,755	55,971	-2.2%
▪ Light vehicle fleet	21,247	17,552	+21.1%
▪ Enteric emissions (cattle)	10,976	9,639	+13.9%
Carbon Footprint (scope 2 – indirect impacts)	690,957	834,324	-17.2%
▪ Electricity consumption (location-based)	831,491	829,000	+0.3%
▪ Electricity consumption (market-based)	674,212	817,551	-17.5%
▪ Heating (location-based)	16,745	16,773	-0.2%
Carbon Footprint (scope 3 – other indirect impacts)	246,660	211,837	+16.4%
▪ Transport of goods to stores (Distribution)	179,118	148,556	+20.6%
▪ Waste management	46,166	41,368	+11.6%
▪ Energy consumption in franchised stores	19,070	19,881	-4.1%
▪ Air travel by employees	2,306	2,032	+13.5%

* Values corrected to account for the value of the Renewable Energy Certificates for this business area (1,453 out of a total of 126,020 t CO₂e).

Notes: The carbon footprint of the different activities (under the Group's operational control and which account for 99.9% of turnover) is calculated using the three levels of the World Business Council for Sustainable Development (WBCSD) and World Resources Institute's Greenhouse Gas Protocol method: direct, indirect and third party. The values presented take into account emission factors defined by the IPCC for refrigeration gases and for enteric emissions from cattle, by the Direção-Geral de Energia e Geologia em Portugal (Portuguese Directorate-General for Energy and Geology), by the Colombian 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, suppliers (electricity) and by the Greenhouse Gas Protocol (fuels used in light vehicle fleet, transport of goods to stores and air travel) and by the UK GHG Conversion Factors for Company Reporting (waste).

³² To learn more about these initiatives, see sub-chapter 6. “Sourcing Responsibly”, section 6.3. “Promotion of More Sustainable Production Practices”.

³³ Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table “Carbon Footprint - Indicators”.

³⁴ To calculate the environmental indicators reported in this subchapter, the DC, central buildings and trucks used in the distribution of goods were accounted for at Pingo Doce.

5.3.2. Water and Energy Consumption

Another initiative in our strategy to fight climate change includes greater efficiency in the use of resources, such as water and energy. That is why these criteria are included in the projects for refurbishing or building new infrastructures. In this regard, the following measures are of note:

- energy control and management systems;
- refrigerated displays and freezers fitted with doors and covers;
- more efficient lighting technologies, such as LED and installation of skylights;
- installation of renewable energies³⁵;
- water saving systems: flow regulators, taps with timers, regulating sensors for ice machines and rainwater harvesting for our irrigation systems and to wash equipment.

These measures have entailed an investment of over 145 million euros since 2014, with more than 230,000 tonnes of CO₂e avoided and a return period of 6.5 years.

In addition to the technological measures to reduce water and energy consumption, we have also been investing in projects to encourage best practices in terms of behaviour. With our “Water and Energy Consumption Management Teams”, a project launched in 2011 in the Pingo Doce and Recheio stores, we managed to reduce water and energy consumption by 341,653 m³ and 48,080,140 kWh. This project, which is promoted through regular reporting and internal benchmarking, has obtained an accumulated saving of over 6.1 million euros.

Regarding office buildings, the Let's Go Green project enabled a reduction in electricity usage of 289,013 kWh while water consumption grew 287 m³, between 2015 and 2019. The water consumption increase is associated to new welfare and health services made available to employees in the headquarters building, in Lisbon. Consumption of electricity and water per employee decreased 42% and 21%, respectively. By the end of 2019, and within the scope of this project, single-use plastic water bottles in the Lisbon headquarters building were replaced by reusable glass water bottles in meeting rooms. Additionally, single-use plastic water bottles are no longer sold in the dining area at this location. This measure will avoid the equivalent of about 1,000 kilos of single-use plastic per year. Driven by the results achieved in five office buildings in Portugal, in 2019 this project was extended to Biedronka's head office and is currently also being implemented at the Ara head office.

Water extraction and consumption by source

Total consumption (m ³ /’000€)	2019	2018	Δ 2019/2018
Specific value	0.258	*0.232	+11.2%

Total consumption (m ³)	2019	2018	Δ 2019/2018
Total water consumption	4,814,635	*4,026,757	+19.6%
▪ Municipal and private supply system	4,620,947	*3,848,859	+20.1%
▪ Underground and surface water	184,648	173,992	+6.1%
▪ Other sources	9,040	3,906	+131.4%
▪ Reclaimed water	0	0	-
Water consumption per business unit			
▪ Pingo Doce	1,605,575	1,685,771	-4.8%
• Municipal and private supply system	1,434,947	1,531,088	-6.3%
• Underground and surface water	169,154	152,790	+10.7%
• Other sources	1,474	1,893	-22.1%
• Reclaimed water	0	0	-
▪ Recheio	111,443	125,223	-11.0%
• Municipal and private supply system	99,352	104,915	-5.3%
• Underground and surface water	12,081	20,308	-40.5%
• Other sources	0	0	-
• Reclaimed water	0	0	-

³⁵ See table “Renewable Energy” in this subchapter.

Total consumption (m³)	2019	2018	Δ 2019/2018
▪ Biedronka	849,323	831,912	+2.1%
• Municipal and private supply system	849,323	831,912	+2.1%
• Underground and surface water	0	0	-
• Other sources	0	0	-
• Reclaimed water	0	0	-
▪ Hebe	17,486	16,344	+7.0%
• Municipal and private supply system	17,486	16,344	+7.0%
• Underground and surface water	0	0	-
• Other sources	0	0	-
• Reclaimed water	0	0	-
▪ Ara	180,996	130,012	+39.2%
• Municipal and private supply system	170,681	127,999	+33.3%
• Underground and surface water	2,749	0	-
• Other sources	7,566	2,013	+275.9%
• Reclaimed water	0	0	-
▪ Agribusiness	2,049,822	*1,237,495	+65.6%
• Municipal and private supply system	2,049,158	*1,236,601	+65.7%
• Underground and surface water	664	894	-25.7%
• Other sources	0	0	-
• Reclaimed water	0	0	-

*Values corrected to separate the volume of water extracted for irrigation in the agribusiness.

The increase in water consumption is due to the expansion of operations, in particular at the Jerónimo Martins Agro-Alimentar production units. The increase is mainly due to the production of cattle feed crops, which began in 2018 in our Monte do Trigo unit. This option allows us to reduce the carbon emissions associated with its transport to our facilities, reduce dry animal feed consumption and improve animal welfare with a quality-controlled diet. During 2020, we will evaluate mitigation measures with the aim of limiting this trend, including testing the farming of biodiverse crops.

In 2019, and for the first time, we replied to the CDP “Water Security” program, which analyzes water management as a critical resource. The Group was classified at level “B” (Management). With the participation in this programme, Jerónimo Martins distinguished itself as the only Portuguese company evaluated in all CDP programmes: “Climate Change”, “Forests” and “Water Security”.

Wastewater by type of destination

Total production (m³)	2019	2018	Δ 2019/2018
Wastewater production by destination	2,389,136	2,297,422	+4.0%
▪ Municipal sanitation	2,327,331	*2,231,889	+4.3%
▪ Environment	61,805	*65,533	-5.7%
Wastewater production, per business unit			
▪ Pingo Doce	1,284,460	1,348,617	-4.8%
• Municipal sanitation	1,229,639	1,287,673	-4.5%
• Environment	54,821	60,944	-10.0%
▪ Recheio	89,146	100,178	-11.0%
• Municipal sanitation	86,393	96,533	-10.5%
• Environment	2,753	3,645	-24.5%
▪ Biedronka	679,459	665,530	+2.1%
• Municipal sanitation	679,459	665,530	+2.1%
• Environment	0	0	-
▪ Hebe	13,989	13,075	+7.0%
• Municipal sanitation	13,989	13,075	+7.0%
• Environment	0	0	-
▪ Ara	144,797	104,010	+39.2%
• Municipal sanitation	140,566	*103,066	+36.4%
• Environment	4,231	*944	+348.2%
▪ Agribusiness	177,286	66,012	+168.6%
• Municipal sanitation	177,286	66,012	+168.6%
• Environment	0	0	-

* Amounts corrected to separate the amount of wastewater discharges into the environment in Colombia.

In 2019, water from the municipal and private supply system accounted for more than 95% of total consumption by our activities. Groundwater extraction, for which we hold the required licences, is used for less demanding operations in terms of water quality (e.g. irrigation and cooling systems).

Wastewater discharges in the environment accounted for approximately 2.5% of all wastewater produced, which was properly treated prior to being discharged. As regards the reuse of water, around 9,000 m³ of rainwater was collected, in Portugal and Colombia (two DC), for use in cooling systems, irrigation and for washing the outside of trucks, more than 4.5 times comparing to 2018.

Energy consumption

Total consumption (GJ/'000 €)	2019	2018	Δ 2019/2018
Specific value	0.373	0.398	-6.3%

Total consumption (GJ)	2019	2018	Δ 2019/2018
Energy consumption	6,946,140	6,904,040	+0.6%
▪ Biedronka	4,158,478	4,249,910	-2.2%
▪ Hebe	89,517	67,722	+32.2%
▪ Pingo Doce ³⁴	1,861,830	1,852,788	+0.5%
▪ Recheio	220,222	207,183	+6.3%
▪ Ara	524,857	459,691	+14.2%
▪ Agribusiness	91,236	66,747	+36.7%
Energy consumption by type			
▪ Electricity*	5,492,450	5,592,914	-1.8%
▪ Fuel	1,156,424	1,144,080	+1.1%
▪ Heating	164,866	167,046	-1.3%

* Includes electricity generated from renewable sources for self-consumption (e.g. photovoltaic panels).

The increase in energy consumption is also due to expansion of operations, an increased number of stores and other infrastructures, in particular related to investment in the Jerónimo Martins Agro-Alimentar production units. There is a 6.3% decrease, when comparing energy consumption for every 1,000 euros of sales, thus meeting the Group's annual goal of reducing specific consumption by 2%.

Renewable energy

Technology	No. buildings	Energy (kWh/year)	Savings* (t CO ₂ e/year)
Photovoltaic panels for self-consumption	6	2,132,811	618
▪ Pingo Doce ³⁴	2	1,447,775	415
▪ Recheio	1	669,087	192
▪ Biedronka	3	15,949	11
Lamp posts and security system powered by photovoltaic panels and/or wind turbines	7	**32,619	10
▪ Pingo Doce ³⁴	1	263	0.1
▪ Recheio	4	11,301	3
▪ Biedronka	1	1,659	2
▪ Agribusiness	1	18,396	5
Solar collectors for heating water and/or in the air conditioning system	**13	**1,405,980	403
▪ Pingo Doce ³⁴	6	1,270,200	364
▪ Recheio	7	135,780	39
Geothermal heat pumps (Biedronka)	15	1,634,392	1,176

* These values reflect the update in the electricity emission factors (location-based).

** Amounts corrected after the operation of the different technologies of each building was reassessed.

In 2019, the investment in renewable energies – with the photovoltaic projects gaining significance – resulted in the production of around 5.2 million kWh³⁶, corresponding to an increase of 18% compared to 2018. The Group also invested in purchasing electricity from renewable sources to power all its operations in Portugal.

³⁶ The investment corresponds to savings in electricity costs of approximately 480,000 euros per year.

Renewable Energy

At the Jerónimo Martins Group, energy from renewable sources already generates 500,000 MWh, that is, 25% of total energy consumption in 2019 and an increase of 85% year-on-year.

To advance the own-energy generation project we started in 2018 in Portugal (Algoz DC and Recheio store in Tavira), we continued investing in the installation of photovoltaic panels at the Alfena DC and at three Biedronka stores. This helped reinforce energy independence by 8% compared to 2018, corresponding to over 2.1 million kWh and a reduction of more than 618 tonnes of CO₂e.

In Portugal, and since 1 July 2018, purchased electricity required for our banners' operations has come from renewable sources. In 2019, this strategic decision led to the acquisition of an equivalent to approximately 200,000 tonnes of CO₂e in renewable energy certificates.

5.3.3. Reduction of Environmental Impacts from Logistics Processes

More efficient logistics processes are also linked to the reduction of their respective impacts, in particular their carbon footprint. With this in mind, we implemented several measures, of which the following are of note:

- at Pingo Doce³⁴, at the end of 2019, 81% of goods transport vehicles complied with the Euro 5 requirements (129 vehicles) and Euro 6 requirements (148 vehicles). In Poland, 95% of goods transport vehicles complied with Euro 5 requirements (500 Biedronka and 14 Hebe service vehicles) and Euro 6 requirements (604 Biedronka and five Hebe service vehicles). In Colombia, 32% of Ara service trucks complied with Euro 5 requirements (81 vehicles);
- the backhauling operation³⁷ at Biedronka entailed the collection of a total of 798,098 pallets, 27% more than in 2018, which resulted in a saving of 1,777,804 km while preventing the emission of 1,481 tonnes of CO₂e. At Hebe, the same operation entailed the collection of a total of 12,145 pallets, five times more than in 2018, which resulted in a saving of 34,523 km while preventing the emission of 23 tonnes of CO₂e. At Pingo Doce³⁴, backhauling entailed a volume of 303,870 pallets, 53% more than in 2018, which resulted in a saving of 10,296,348 km, preventing the emission of 9,099 tonnes of CO₂e. At Ara, this operation kicked off in 2019, resulting in a saving of 46,393 km while preventing the emission of 36 tonnes of CO₂e;
- a fronthauling operation³⁸ was implemented at Pingo Doce³⁴, corresponding to a volume of 21,894 pallets delivered, which resulted in a saving of 71,783 km while preventing the emission of 63 tonnes of CO₂e;
- at Pingo Doce, we added two trucks that run on liquefied natural gas and seven light-duty trucks³⁹ to our fleet, preventing the emission of a total of 221 tonnes of CO₂e;
- at Ara, a project to transport non-palletised goods was implemented to optimise transport loads between our suppliers' facilities and our DC, which includes seven suppliers and resulted in a saving of 1,276,916 km, while preventing the emission of 1,999 tonnes of CO₂e;
- the by-truck project was also implemented at Ara, which uses trailers to transport goods between the DC in two regions and the farthest stores, resulting in a saving of 24,080 km and in preventing the emission of 19 tonnes of CO₂e.

5.3.4. Management of Refrigeration Gases

Cooling plays an essential role in our operations, as controlled temperatures help ensure the quality and safety of food products and, consequently, the preservation of food, thus preventing waste. To reduce carbon emissions associated with cooling and air conditioning systems, we use leak control technologies and increasingly more natural refrigerants. These actions are also part of our voluntary commitments to reduce greenhouse gas (GHG) emissions, such as The Consumer Goods Forum resolution to promote the use of natural refrigerants.

³⁷ After delivering products to our stores, the return route includes stopping by the facilities of the Group's suppliers to pick up goods and take them to the DC.

³⁸ After delivering products to our DC, our suppliers' return route to their facilities includes stopping by the Group's stores to deliver goods.

³⁹ Light-duty trucks help reduce fuel consumption and, as a result, CO₂ emissions.

In 2019, the following actions implemented to reduce GHG emissions linked to refrigeration gases are of note:

- replacement of fluorinated gases with natural refrigerants (e.g. carbon dioxide and ammonia) in cooling plants;
- in Portugal, the Alfena DC has cooling and refrigeration equipment running on CO₂ (ice machines, freezers and fridges in the canteen);
- 328 Biedronka stores, 264 Pingo Doce stores, 38 Recheio stores and 193 Ara stores have freezers running solely on propane;
- cooling technologies running solely on CO₂ are installed in 76 Pingo Doce stores and one of its central kitchens, 10 Recheio stores, 912 Biedronka stores and six of its DC, and in one Ara DC, an increase of 55% more than in 2018, corresponding to approximately 25% of all of the Group's stores;
- the dairy factory and seven DC (five Pingo Doce and two Ara DC) have refrigerated warehouses (positive and/or negative cold) with systems running on ammonia combined with glycol, 60% more than in 2018, corresponding to more than 45% of these facilities in the Group.

Whenever possible, new stores and those subject to major refurbishments use equipment with low global warming potential fluids – for heating, ventilation and air conditioning installations – and 100% natural refrigerants – for industrial refrigeration installations.

5.4. Main Consumption of Materials and Waste Management

According to the European Commission⁴⁰, products in a circular economy should remain in the economy for as long as possible, waste and resource use should be minimised and, at the end of their life, products should be used again and again to create further value. We endeavour to optimise resource use by developing reusable and/or recyclable packaging and products, reducing waste production and, whenever possible, ensuring the proper recovery of the waste we generate.

In line with these principles, the Group is committed to ensuring that all Private Brand packaging is 100% recyclable by 2025, five years ahead of the alignment with the EU Plastics Strategy and European Directive 2019/904.

At the same time, the Group is also a signatory of the New Plastic Economy Global Commitment, which includes the following main goals to be implemented by 2025:

- eliminating problematic components (e.g. PVC, EPS and XPS⁴¹) from Private Brand plastic packaging;
- promoting reuse models;
- ensuring that 100% of Private Brand plastic packaging is reusable or recyclable;
- incorporating at least 25% of recycled content in plastic packaging;
- reducing specific plastic consumption by 10%, measured in tonnes of plastic packaging for every million euros of turnover, compared to 2018.

5.4.1. Materials Used and Reduction Initiatives

It is our goal to continuously learn about the origin and production methods of the material resources used, promoting more sustainable supply chains and consumption practices.

⁴⁰ More information available at ec.europa.eu/commission/priorities/jobs-growth-and-investment/towards-circular-economy_en and ec.europa.eu/commission/presscorner/detail/en/MEMO_15_6204.

⁴¹ PVC - polyvinyl chloride; EPS - expanded polystyrene; XPS - extruded polystyrene.

Main materials used

Total consumption (tonnes/'000 000€)	2019	2018	Δ 2019/2018
Specific value	27.47	28.28	-2.9%

Total consumption (tonnes)	2019	2018	Δ 2019/2018
Materials consumption	511,952	490,366	+4.4%
▪ Biedronka	421,927	406,903	+3.7%
▪ Hebe	1,349	1,334	+1.1%
▪ Pingo Doce ³⁴	53,494	52,388	+2.1%
▪ Recheio	12,948	12,045	+7.5%
▪ Ara	22,234	17,696	+25.6%
Private Brand product packaging	474,019	451,247	+5.0%
▪ Paper and cardboard	167,816	*160,719	+4.4%
▪ Cardboard packaging for liquid products ⁴²	16,389	*15,717	+4.3%
▪ Plastic	134,498	*126,541	+6.3%
▪ Glass	122,614	*117,630	+4.2%
▪ Steel	17,879	*17,298	+3.4%
▪ Other materials**	14,823	*13,342	+11.1%
Service packaging	10,727	9,704	+10.5%
▪ Plastic	8,071	7,486	+7.8%
▪ Paper and cardboard	2,236	1,905	+17.4%
▪ Other materials**	420	313	+34.2%
Other consumption	27,206	29,415	-7.5%
▪ Office paper	877	813	+7.9%
▪ Promotional leaflets	26,329	28,602	-7.9%

* The amounts were corrected based on updated calculations.

** Includes aluminium, wood and other materials.

Despite the absolute increase in materials used, resulting from the expansion of our operations, there is a reduction in consumption when compared to total turnover. There is also a decrease in the number of promotional leaflets in all the Companies, reflected in an overall reduction in the consumption of paper used by the Group.

Additionally, in 2019, the Group also calculated its use of single-use plastics footprint. The year saw an increase of 4.6% in absolute terms and a reduction of 2.7% in the intensity indicator, compared to 2018.

Single-Use Plastics (SUP)

Total consumption (tonnes/'000 000€)	2019	2018	Δ 2019/2018
Specific value	9.23	9.49	-2.7%

Total consumption (tonnes)	2019	2018	Δ 2019/2018
SUP use per business unit	172,088	164,531	+4.6%
▪ Biedronka	132,941	129,772	+2.4%
▪ Hebe	103	73	+41.1%
▪ Pingo Doce	21,656	21,458	+0.9%
▪ Recheio	5,794	5,222	+11.0%
▪ Ara	11,594	8,006	+44.8%
SUP use by category			
▪ Private Brand packaging	137,776	129,685	+6.2%
▪ Service packaging	8,072	7,486	+7.8%
▪ Check-out bags	9,833	10,800	-9.0%
▪ Pallet wrapping film	5,449	5,716	-4.7%
▪ Rubbish bags	10,173	9,739	+4.5%
▪ Other SUP*	785	1,238	-36.6%

* Includes cutlery and stirrers for drinks, plates and bowls, cups, straws and cotton buds (all SUP includes Private Brand, exclusive brands and own consumption, with the exception of cotton buds).

In terms of SUP, there was a general increase, compared to 2018, in almost all categories, with the exception of check-out bags, pallet wrapping film and other SUP, a result, respectively, of the

⁴² Corresponds to composite packaging used to package products such as juices, milks and creams, among other products.

preference of customers for reusable solutions, increasing efficiency of our logistical operations and the beginning of the replacement of some SUP with alternative materials (e.g. launch of paper cotton buds at Pingo Doce and Biedronka). Despite the general increase in SUP consumption, as a result of the expansion of our operations, there is a reduction of about 3% in its specific consumption. In 2018 and 2019, plastic represented 32% of the total materials that make up the four packaging categories (Private Brand packaging, service packaging, check-out bags and pallet wrapping film).

Fighting Plastic Pollution

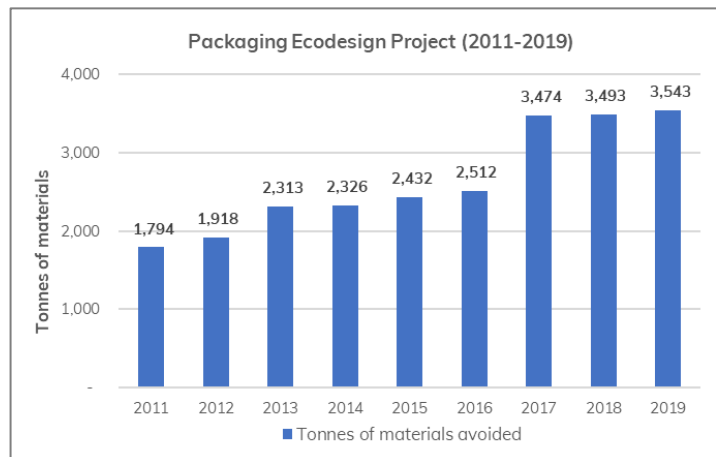
During 2019, we established partnerships with our suppliers to reduce materials used in Private Brand products or to replace them with lower environmental impact materials, namely:

- in Private Brand cotton buds, sold in Poland and Portugal, we replaced the plastic sticks with certified paper sticks. In all, the use of about 330 tonnes of plastic is avoided per year;
- in the personal hygiene wipes sold by Biedronka, the plastic fibres were replaced with cotton fibres. This change helps avoid the use of approximately 220 tonnes of plastic per year;
- in the formulae for cleaning products, laundry detergents and personal hygiene products, sold in Poland and Portugal, we replaced microplastic beads with degradable materials, thus avoiding the use of more than four tonnes of microplastics per year.

Promoting the Sustainable Use of Materials

Ecodesign of packaging

In order to improve the environmental performance of our Private Brand products, we established partnerships with our suppliers to: (i) reduce environmental impact and (ii) optimise the cost of production, transport and management of packaging waste. In the 2018-2020 triennium, our goal is to implement 20 ecodesign projects per year. In 2019, we implemented 76 of these projects (41 at Pingo Doce, 22 at Recheio, 12 at Biedronka and one at Ara). Of note in 2019 is the development and early disclosure of our technical ecodesign specifications for Private Brand packaging, in line with the goals set to ensure the recyclability of the packaging by 2025.



Since 2011, more than 385 references have had their packaging redesigned, thereby avoiding the use of about 24,000 tonnes of materials. This project has also allowed us to introduce 82 FSC®-certified packages and prevent the emission of nearly 4,000 tonnes of carbon linked to transport.

Kraft and Ultra Pro Concentrated Washing Up Liquid

In 2019, Biedronka and Pingo Doce rolled out a washing up liquid under the Kraft and Ultra Pro brands. Each bottle is made with 100% recycled PET, 11% of which is marine plastic litter, collected from rivers, lakes and oceans, and 89% is post-consumption recycled plastic.

The plastic bottle follows the principles of a circular economy. It was designed to be 100% recyclable and is made of 100% recycled plastic. We, therefore, encourage the incorporation of used materials into new products and avoid using new materials, especially plastic.

The plastic of the bottle collected from the marine environment helps reduce plastic pollution in rivers, seas and oceans. In this case, the litter is collected by Waste Free Oceans (WFO) through partnerships with fishermen who do so using nets.

This packaging helps avoid the use of an estimated 10.4 tonnes of new plastic per year.

Reusable packaging

We strive to reuse increasingly more materials in our operations. In Portugal (Pingo Doce and Recheio), the use of reusable plastic boxes in the Perishables area remained at about 41 million units. At Ara, we use reusable transportation boxes for bottled water and Fruit and Vegetables (more than 2.8 million units, up 38% compared to 2018). In all, we avoided using nearly 22 thousand tonnes of single-use packaging.

Pingo Doce continued its partnership with the New Water Project (NWP) to offer its customers a solution to refill reusable water bottles. This service is available using tap water, which undergoes a purification process in the station. The ECO project, launched in 2018, has already been implemented in more than 130 stores in Portugal and helped avoid the use of around 100 tonnes of plastic.

Promoting bulk sales

At Ara, bulk sales account for nearly 60,000 tonnes of food products and are currently implemented in 539 stores, where at least one of the products covered is sold (rice, sugar, lentils and beans). The bulk sale of sweets and dried fruits accounted for about 27,000 tonnes at Biedronka (covering all stores) and 229 tonnes at Pingo Doce (more than 230 stores).

Reusable check-out bags and solutions

Material consumption per type	2019	2018	Δ 2019/2018
Reusable paper check-out bags – tonnes	211	83	+154.2%
▪ Biedronka	99	0	-
▪ Hebe	0	0	-
▪ Pingo Doce	111	83	+33.7%
▪ Recheio	1	0	-
▪ Ara	0	0	-
Reusable bags* – tonnes	9,411	10,258	-8.3%
▪ Biedronka	6,903	7,513	-8.1%
▪ Hebe	51	22	+131.8%
▪ Pingo Doce	2,286	2,665	-14.2%
▪ Recheio	5	5	0.0%
▪ Ara	166	93	+78.5%
Plastic check-out bags – tonnes	423	542	-22.0%
▪ Biedronka	0	201	-100.0%
▪ Hebe	3	10	-70.0%
▪ Pingo Doce	0	0	-
▪ Recheio	0	0	-
▪ Ara	420	331	+26.9%
Trolleys – units	31,876	40,753	-21.8%
▪ Biedronka	0	0	-
▪ Hebe	0	0	-
▪ Pingo Doce	25,576	25,225	+1.4%
▪ Recheio	1,042	419	+148.7%
▪ Ara	5,258	15,109	-65.2%

* Includes different sized resistant bags and materials that can be used multiple times.

We started phasing out the use of free plastic check-out bags in our Companies in 2007. The reduction in the amount of plastic bags is accompanied by an increase in sales of paper bags associated with the launch of this article in Biedronka stores. In Ara's case, the increase in sales of plastic bags is associated with the expansion of its operations.

Regarding reusable bags and trolleys, the reduction in quantities sold can be explained by the increase in their reuse for carrying products. In the cases of Ara and Hebe, sales of reusable bags continue to increase due to the growing demand from customers (existing charges for disposable solutions in those countries have encouraged the search for reusable solutions). Also noteworthy is the increase in post-consumer recycled plastic in reusable bags from 3% in 2018 to around 60% in 2019, totalling more than 5,600 tonnes.

5.4.2. Waste Management

The Group produced 518,712 tonnes of waste in 2019, 8.2% more than in 2018, as a result of its growing operations.

Waste produced (tonnes/000 €)	2019	2018	Δ 2019/2018
Specific value	27.83	27.65	+0.7%

Waste Produced (tonnes)	2019	2018	Δ 2019/2018
Total Amount	518,712	479,328	+8.2%
▪ Biedronka	388,204	359,228	+8.1%
▪ Hebe	958	808	+18.6%
▪ Pingo Doce	97,718	95,851	+1.9%
▪ Recheio	6,624	6,766	-2.1%
▪ Ara	23,049	16,064	+43.5%
▪ Agribusiness	2,159	611	+253.4%
Quantity by type of waste			
▪ Cardboard and Paper	302,422	286,441	+5.6%
▪ Plastic	10,963	10,964	0.0%
▪ Wood	2,447	2,755	-11.2%
▪ Organic	102,793	94,193	+9.1%
▪ Unsorted	86,567	75,771	+14.2%
▪ Cooking Oil and Fats	220	161	+36.6%
▪ Waste from Effluent Treatment	8,667	5,488	+57.9%
▪ Hazardous Waste	375	529	-29.1%
▪ Other Waste	4,258	3,026	+40.7%

Fighting food waste

The Group implemented The Consumer Goods Forum resolution to reduce food waste by 50%, compared to 2016, by 2025. We were the first retailer in Portugal to calculate and disclose our food waste footprint⁴³.

In 2019, food waste linked to the Group's activities increased by 1.3% compared to 2018, and about 22% compared to 2016. In total, 16.1 kg of food waste was generated per tonne of food sold. This increase is largely due to the significant investment made by our companies in the Perishables area. These unprocessed products are more sensitive to temperature and handling, and have a shorter shelf life, which contributes to increasing our food waste footprint. Perishables account for about 70% of all food waste produced by the Group.

Kilograms of food lost or wasted/tonne of food sold	2019	2018	Δ 2019/2018
Food waste	16.1	15.9	+1.3%
Destination*			
▪ Animal feed and biological processing	2.5	2.4	+4.2%
▪ Anaerobic digestion, composting and controlled combustion	9.4	9.7	-3.1%
▪ Landfill, incineration and wastewater treatment systems	4.1	3.8	+7.9%

* According to the World Resources Institute's Food Loss and Waste Protocol, food not sent for human consumption is considered food waste.

To reverse this trend, we implemented several initiatives in our operations, such as:

- the mark-down project, launched in 2019 at Pingo Doce, through which food products that are about to expire are sold at discounted prices;
- training employees to identify, select and separate safe food to be donated;
- increasing food donations made to charities⁴⁴.

⁴³ Food waste values were calculated based on the World Resources Institute's Food Loss and Waste Protocol. The calculation assumptions are available under the "Responsibility" area at www.jeronimomartins.com.

⁴⁴ Information about food donations is available in this chapter, sub-chapter 7. "Supporting Surrounding Communities".

We also work with our suppliers in the reduction of upstream food waste, thus contributing towards target 12.3 of the United Nations Sustainable Development Goals⁴⁵. We encourage the purchase of non-graded food – the nutritional profile of which is the same as graded products – thereby ensuring these products are integrated into the food chain and reach the consumers' tables.

Non-graded food is incorporated into the soups in Portugal and in Poland or in 4th range products (washed and pre-cut ready-to-use vegetables) and is also sold at a reduced price in Recheio stores. In 2019, we made sure that over 13,600 tonnes of these products, also known as “ugly” fruit and vegetables, were put into the market.

Our operations at Jerónimo Martins Agro-Alimentar also source sub-products from the food industry and non-graded vegetables to be incorporated into the cattle feed. In 2019, more than 9,000 tonnes of these materials were incorporated into animal feed, nearly three times more than in 2018.

Waste recovery and destination in operations

The Group's waste recovery rate stood at 84.8%, a value that represents a decrease of 0.2 p.p. when compared to 2018. Of total waste, 14.7% was sent to landfills.

Waste recovery rate	2019	2018	Δ 2019/2018 (p.p.)
Overall Amount	84.8%	85.0%	-0.2
Biedronka	90.1%	91.4%	-1.3
Hebe	80.2%	79.0%	+1.2
Pingo Doce ³⁴	65.4%	63.8%	+1.6
Recheio	74.0%	72.2%	+1.8
Ara	80.2%	73.8%	+6.4
Agribusiness	98.5%	88.7%	+9.8

Waste management methods	2019	2018	Δ 2019/2018
Recovery*	84.8%	85.0%	-0.2
Landfill	14.7%	14.6%	+0.1
Incineration (without energy recovery)	0.2%	0.4%	-
Other destinations without recovery	0.1%		-

*Includes sending waste for recycling, organic recovery and incineration with energy recovery.

Customer waste recovery

We strive to raise the awareness of our employees, customers and surrounding communities to the importance of separating waste, and provide the necessary infrastructures⁴⁶ to do so at our store networks:

- the network of Pingo Doce recycling bins encompassed 385 stores, that is, about 90% of the store network. In 2019, we introduced the second generation of Pingo Doce recycling bins⁴⁷ at 32 Pingo Doce stores;
- at Pingo Doce, the recovery of coffee pods and lids/corks/bottle tops resulted in more than 3,500 euros raised for charities chosen by our stores;
- 99% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries;
- used batteries were collected by Ara customers in 506 stores (82% of the store network). At Recheio, battery collection is available at all stores.

⁴⁵ This goal consists of halving, by 2030, the per capita global food waste at retail and consumer levels and reducing food losses throughout the entire production and supply chains.

⁴⁶ For more detailed information about how many and what type of recycling bins are available to our customers, please refer to the “Responsibility” area at www.jeronimomartins.com.

⁴⁷ The second generation of recycling bins are wheeled to make them easier to move. The surfaces are easier to sanitise, the lids have compartments to prevent theft and the size of the different modules, which are smaller than the previous model, enables them to be installed in smaller stores.

Waste dropped off by customers in recycling bins at stores

Waste collected from stores (tonnes)	2019	2018	Δ 2019/2018
Pingo Doce	337.56	325.95	+3.6%
Used batteries	8.98	13.56	-33.8%
WEEE ⁴⁸ (including fluorescent light bulbs)	76.97	97.93	-21.4%
Used Cooking Oil	99.14	96.14	+3.1%
Pods	152.47	118.32	+28.9%
Recheio	0.34	0.23	+47.8%
Used batteries	0.34	0.23	+47.8%
Biedronka	283.41	231.10	+22.6%
Used batteries	146.72	139.06	+5.5%
WEEE ⁴⁸ (including fluorescent light bulbs)	136.69	92.04	+48.5%
Ara	0.26	0.13	+100%
Used batteries	0.26	0.13	+100%

In 2019, all Companies increased the collection of total amounts of waste from customers, thus reversing the trend of the last two years. Overall, the quantities incremented by 11.5%. This is the result of efforts, especially by Pingo Doce and Biedronka, to raise the number of collection points and to promote awareness and information campaigns for customers (e.g., magazine articles and information in promotional leaflets).

5.5. Awareness Campaigns and Support

We also recognise the importance of encouraging better individual and collective behaviour to reduce environmental impacts. To this end, we carried out several campaigns to raise the awareness of our employees, customers and the community in general.

At the same time, in 2019, we donated nearly 175,000 euros to support initiatives, in Portugal and Colombia, focused on restoring natural habitats and protecting biodiversity, and raising environmental awareness, of which we highlight:

Institution	Project	Description
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	The support Pingo Doce has been providing since 2003 has aided the activities carried out by the Oceanarium.
Associação Natureza Portugal (ANP - Portuguese Nature Association) in association with the World Wildlife Fund (WWF)	"Green Heart of Cork"	Project supported by Jerónimo Martins since 2013. It contributed to obtaining certification (FSC®) for 30,000 hectares of woodlots, including a High Conservation Value Area of 1,302 hectares.
Liga para a Protecção da Natureza (LPN - Portuguese League for Nature Protection)	ECOs-Locais	Project supported by Pingo Doce since 2011. In 2019, five awareness and environmental conservation campaigns were held, with 111 registered volunteers, in which 300 kg of waste and 9,200 cigarette butts were collected.
Liga para a Protecção da Natureza (LPN - Portuguese League for Nature Protection)	Beach cleaning initiatives	Project supported by Pingo Doce since 2018. In 2019, 15 initiatives to clean up beaches and the surrounding areas were carried out, with 1,159 registered volunteers, in which 2,600 kg of waste and 13,000 cigarette butts were collected. Awareness campaigns were also held at seven beaches in Portugal on marine wildlife and the threat of marine litter, which involved over 300 participants.

⁴⁸ WEEE – Waste Electrical and Electronic Equipment.

Institution	Project	Description
Quercus	"SOS Pollinators" Campaign	Project supported by Jerónimo Martins since 2014. In 2019, 200 copies of the Family Beekeeping Manual were distributed to 95 participants in five training sessions, and to local authorities, farmers, beekeepers and technicians, among others. Eleven awareness campaigns on the conservation of pollinators and biodiversity were also held for schools (367 participants). The project was announced in the Portuguese media through two television programmes, each with an average of 400,000 viewers, and three features on local radio.
European Recycling Platform (ERP) – Portugal	"Geração Depositário" Project	Pingo Doce has supported this project since 2013, which has already reached 900 schools and other entities, 420,000 pupils and 40,000 teachers, and has collected over 3,000 tonnes of WEEE ⁴⁹ .
Lisbon Zoo	Sponsorship of the Ring-tailed lemur	Pingo Doce has supported this project since 2015 covering expenses associated with this species.
ProAves	Save the Macaws Project	This project, launched in 2019, is supported by Ara and helps protect two Macaw species at the Montes de Oca Forest Reserve ⁴⁹ .

For more detailed information, please refer to the "Responsibility" area at www.jeronimomartins.com.

⁴⁹ To learn more about this initiative, see section 5.2 "Biodiversity" of this sub-chapter.

6. Sourcing Responsibly

6.1. Introduction

To differentiate our offer with quality products and affordable prices, we are consequent with our strategy to be local wherever we are, and we privilege a close relationship with our suppliers. We have established lasting relationships, which help drive socioeconomic development in the regions where the Group operates, with a strict requirement to comply with environmental, ethical and social criteria. Only by ensuring this respect can we continuously reduce the negative impacts of our activities, ensuring we fulfil our commitments within the scope of our Sustainable Sourcing Policy and our Supplier Code of Conduct⁵⁰.

6.2. Supplier Engagement

6.2.1. Promoting Local Sourcing

The preference for local suppliers helps to reduce the carbon footprint linked to transporting products and, at the same time, stimulates local development. That is why, under equal commercial terms, we choose local suppliers. We import when:

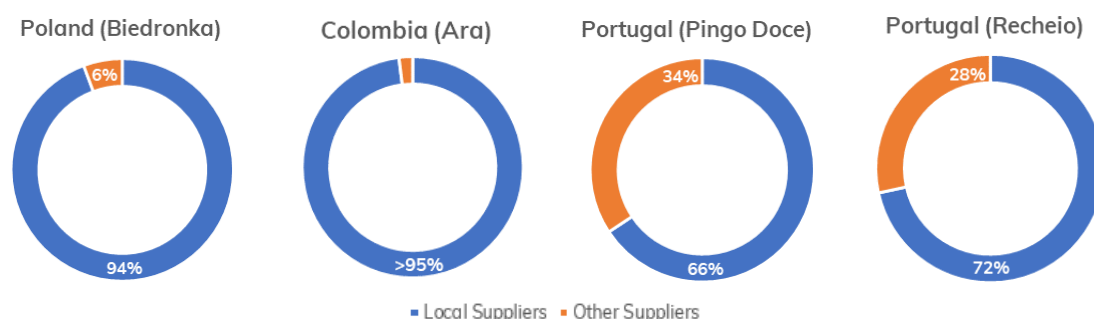
- there is product scarcity, due to production seasonality (common in the Fruit and Vegetables area);
- there is no local product, or the quantity produced is insufficient to guarantee supply to our chains;
- the quality-price ratio of locally sourced products does not allow us to fulfil our best price and quality commitment.

In 2019, about 90% of food products were sourced locally, thereby achieving the goal set by the Group to keep the ratio, at least, at 80%. With regard to food and non-food products, in Poland (Biedronka), 93% of products were sourced from local suppliers, while in Portugal 83% were sourced locally (79% at Pingo Doce and 98% at Recheio). In Colombia (Ara), more than 95% of products were purchased from local partners.

We use specific forms of communication to disclose the source of some local products, namely labels with the colours of the national flag of the countries that supply Perishables, such as Fruit and Vegetables, and Private Brands are identified with a seal stating “100% Nacional” (100% National) in Portugal, “Polski Produkt” (Polish Product) and “Hecho en Colombia” (Made in Colombia). Additional information is also communicated in stores, leaflets and on the Companies’ websites.

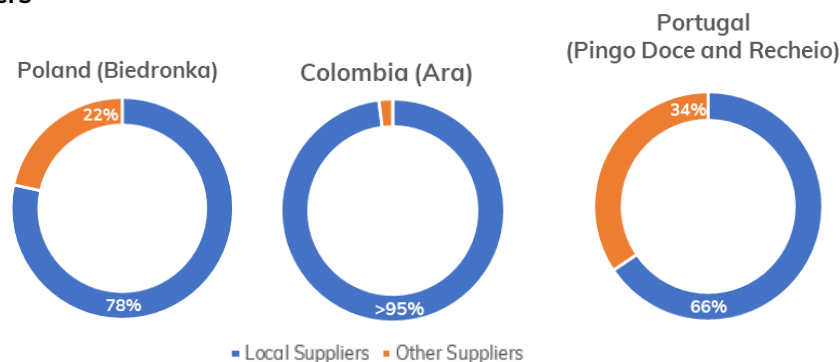
Considering only Private Brand and Perishable products sold in the Group’s Food Distribution stores, sourcing from local suppliers was distributed as follows in 2019:

Private Brand Suppliers



⁵⁰ Available for consultation under the “Responsibility” area at www.jeronimomartins.com.

Perishables Suppliers⁵¹



6.2.2. Initiatives with Local Suppliers

The partnerships we have established with suppliers aim at promoting the integration of sustainability criteria with production processes and the development of traditional varieties. The following initiatives are of note in 2019:

Portugal

- Pingo Doce promoted Portuguese products through communication campaigns in stores and in leaflets, under the seal "National Product". This was the case with strawberries from the west of Portugal, apples from the Beiras region, cherries and small fruits (e.g. blueberries and raspberries), with over 1,900 tonnes sold;
- Recheio maintained its partnership with local suppliers, having launched seven new exclusive wine references from the Alentejo and Setúbal Peninsula regions. In total, over 92,600 litres of this regional wine were sold. In December, Recheio also launched a new extra virgin olive oil from the Alentejo region;
- Pingo Doce renewed support to small and medium-sized producers of Perishables who are members of the Confederação dos Agricultores de Portugal - CAP (Portuguese Farmers' Confederation), for an additional three years. This measure is unique in Portuguese retail and consists of 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 370 suppliers in the Fruit, Vegetables, Meat, Fish, Cold Meats and Wine categories have already benefited from this initiative.

Poland

- Biedronka introduced new native varieties in the Fruit and Vegetables category: *Śliwka Węgierka* plums, *Inka* and *Harnaś* peaches and regional *Lubelskie* and *Łąckie* apples with a Protected Geographical Indication, available in more than 1,100 stores. These projects are the result of our partnership strategy with our suppliers, which take the form of regular visits to the production sites and of sharing technical knowledge. Nearly 740 tonnes of these varieties have been sold, over eight times more than in 2018;
- Biedronka expanded its organic product offer in the Private Brand Perishables area. In 2019, 10 new references were rolled out in the Fruit and Vegetables category;
- in the Butcher's section, we continued the partnership established with a Polish producer of beef (veal). Together with the supplier, Biedronka controls the product's life cycle, in a "field to fork" approach. The sale of this product, which began in April 2016, takes place every two weeks and was extended from 100 stores, that year, to 500 in 2019. This resulted in a total sales volume of around 60 tonnes, an increase of more than 40% compared to 2018.

Colombia

- Ara cooperated with 179 local suppliers (an increase of around 25% compared to 2018), who secured more than 885 Private Brand products, around 15% more than in the previous year;

⁵¹ Information about the ratio of products purchased from suppliers in each of the Perishables categories (Meat, Fish, Fruits and Vegetables, Bakery and Flowers) is available under the "Responsibility" area at www.jeronimomartins.com.

- an agreement was signed with the Banco Agrario de Colombia (Agricultural Bank of Colombia) to offer Ara's agricultural product suppliers better credit rates;
- the 7th edition of the Ara Private Brand Congress was held in Bogotá, under the theme "Dejando Huella" (Leaving a footprint), which was attended by 250 current and potential local suppliers, an increase of 13% compared to 2018.

6.3. Promoting More Sustainable Production Practices

In line with the Group's Environmental and Sustainable Sourcing policies, we endeavour to encourage production practices that help reduce the pressure on natural resources and ecosystems, while improving the efficiency of the supply chain.

6.3.1. Fighting Deforestation

According to the IPCC⁵² (Intergovernmental Panel on Climate Change), the implementation of good farming practices and initiatives for the preservation of forest areas, reforestation and limitation of deforestation are key for limiting the planet's global average temperature increase to a maximum between 1.5°C and 2°C. In addition to its potential for carbon sequestration and climate regulation, forests are also the habitat of around 80% of the earth's biodiversity. Palm oil, soy, beef, and wood and paper fibres are the main agriculture commodities whose production is linked to deforestation risks.

That is why the Group is committed to Zero Net Deforestation by 2020, as part of its participation in The Consumer Goods Forum (CGF). In order to minimise the deforestation risk in our supply chain, we have been implementing several initiatives aimed at reducing the carbon emissions linked to forest destruction, preserving biodiversity in these ecosystems and contributing towards eliminating the violation of Human Rights, Children's Rights and/or Workers Rights linked to these commodities.

We have been mapping the presence of these ingredients in our Private Brand and Perishable products since 2014, questioning suppliers as to their origin and sustainability certification. Our goal is to progressively ensure the sustainable origin of these raw materials. In 2019, we achieved the following results:

Main agricultural commodities with deforestation risk in Private Brand and Perishables

Commodity	Total Quantity			Quantity sourced from countries at risk of deforestation*		
	2019 (t)	**2018 (t)	Δ 2019/2018	2019 (t)	**2018 (t)	Δ 2019/2018
Palm Oil	23,977	23,989	-0.1%	23,977	23,989	-0.1%
Soy (direct)	14,272	12,961	+10.1%	9,113	7,061	+29.1%
Soy (indirect)***	375,034	341,038	+10.0%	90,592	54,011	+67.7%
Paper and Wood (products)****	92,026	87,915	+4.7%	244	1,204	-79.7%
Paper and Wood (packaging)****	85,336	86,049	-0.8%	5,017	4,286	+17.1%
Beef	42,071	41,430	+1.5%	239	249	-4.3%

* According to CGF's classification of countries at risk of deforestation for each commodity. As CGF does not have a risk list for palm oil, we consider – in a conservative approach – that all palm oil in our products comes from countries with deforestation risk.

** Values corrected as a result of the external verification performed and/or of the alignment of accounting methodologies, namely in what regards the exclusion of pet food products since the raw materials used result from the recovery of animal sub-products.

*** Soy used in animal feed for the production of animal protein contained in products.

**** Includes only virgin fibres. Recycled fibres are excluded.

The increase of most of these ingredients in our Private Brand and Perishable products is due mainly to the growth of our operations. Regarding commodities from countries at risk of deforestation, the increase in direct soy is mainly associated to the expansion of operations in Colombia, a country with a high consumption of vegetable oils containing soy and where a significant percentage is sourced from Bolivia. Increased traceability of soy in the value chain⁵³ has also contributed to this growth. In

⁵² The IPCC "Special Report on Climate Change and Land", published in 2019, is available at www.ipcc.ch/srcccl.

⁵³ Includes the five tiers of soy quantification in the value chain, according to CGF's "Calculation guidelines for the measurement of embedded soy usage in consumer goods businesses", available at: www.theconsumergoodsforum.com.

addition, we observed an increase in Private Brand and Perishable products containing animal protein and that are fed with feed containing soy. In 2019, our suppliers indicated that around 10% of soy sourced from origins with deforestation risk was sustainably certified by the Round Table on Responsible Soy (RTRS) or ProTerra, ensuring that its production is not linked to deforestation.

Our strategy for palm oil is based on substitution with vegetable oils with a better nutritional profile, progressively ensuring its sustainable origin in cases where it is present in our products. In 2019, 100% of the palm oil used in Private Brand and Perishable products of our banners in Poland and Portugal (Biedronka, Hebe, Pingo Doce and Recheio) was certified by the Roundtable on Sustainable Palm Oil (RSPO). In Ara (Colombia), 30% of this ingredient is RSPO certified. In total, 92% of palm oil used by the Group in its products has this certification.

For virgin paper and wood fibres in our Private Brand products, we observed a decrease of sourcing from origins at risk, representing less than 0.5% of the total. In what regards the use of these fibers in packaging, the registered increase is mainly due to the incorporation of fibres from Colombia into the product packaging of our Private Brands that we sell in this country, representing about 5% of fibers coming from countries at risk of deforestation. In the Group's total, over 60% of these fibers have certification that ensures its sustainable origin and production (FSC or PEFC).

Regarding beef, less than 1% is from areas at risk and therefore our priority in terms of traceability and certification will continue to focus on the remaining commodities.

We shall continue to endeavour to use commodities whose origins are not linked to the risk of deforestation, namely by ensuring their sustainable production, while – at the same time – reinforcing our traceability procedures.

We are members, since 2017, of the RSPO and of the RTRS, since the beginning of 2019, with the aim of promoting the responsible use of palm oil and soy. We are also part of the Soy Buyers Coalition, a project spearheaded by CGF in which more than ten companies from industry and retail sectors endeavour to implement projects to help fight deforestation in the main soy production regions in Brazil, together with local stakeholders (civil society, producers and other players). In addition, Biedronka was one of the founding members of the Polish Coalition for Sustainable Palm Oil (PKZOP), a multi-stakeholder initiative created in June 2019 by 12 members from the private sector (food, cosmetics and retail industries), certification bodies and Non-Governmental Organisations. The PKZOP's main goal is to certify (for example, through RSPO certification) 100% of palm oil by 2023.

Jerónimo Martins Group classified in the “Leadership” level by CDP Forests 2019

In 2019, we achieved a score of “A-” on all commodities assessed – palm oil, soy, beef and paper and wood – positioning the Group at the “Leadership” level. The classifications obtained placed Jerónimo Martins above the sector average in all commodities.

The CDP “Forests” programme evaluates strategy and performance in terms of the management of commodities linked to deforestation, including transparency when reporting information and risk management.

6.3.2. Sustainable Fishing

Within the scope of its Sustainable Sourcing Policy⁵⁰, the Group is committed to selling only fish species caught in compliance with practices that do not over-exploit, reduce or lead to the extinction of those species. The Sustainable Fishing Strategy establishes the following guidelines:

- banning the purchase and sale of species classified as “Critically Endangered”, for which there are no extraordinary licences permitting it;
- seeking alternatives to aquaculture for species classified as “Endangered” and not carrying out promotional initiatives involving those originating from wild populations and which are not from stocks that are sustainably managed and/or do not have a sustainability certificate;

- limiting promotional initiatives of species classified as “Vulnerable” whenever they are not from aquaculture and/or do not come from stocks that are sustainably managed and/or do not have a sustainability certificate.

The strategy is based on an assessment, carried out every three years, of the level of vulnerability of all fish species sold in Perishables and Private Brand products by all Companies. By using the IUCN Red List of Threatened Species⁵⁴ database and the assessments carried out by the respective regional scientific bodies on the level of exploitation of fish stocks (for example, the International Council for the Exploration of the Sea⁵⁵ on species pertaining to the North Atlantic), we are able to update the list of at risk species and, therefore, monitor compliance with our Sustainable Fishing Strategy every year.

In 2019, and based on a review of the analysis of all species sold by the Group, we once again achieved the goal set:

- species classified as “Critically Endangered”, for which there are no specific extraordinary licences, were not sold. The assessment performed in 2016 identified the European eel (*Anguilla anguilla*) as falling into that category, which is why the Group stopped selling it in its stores⁵⁶;
- with regard to species classified as “Endangered”, promotions were only carried out for species from aquaculture;
- there was a reduction of above 15% compared to 2018, in promotions for species classified as “Vulnerable”. Of these species, more than 75% are from aquaculture or sustainably managed stocks.

6.3.3. Practices to Promote Animal Welfare

We strive to promote best practices in animal welfare, aiming, whenever possible, to be above the benchmark. Examples of such practices are only using antibiotics for therapeutic purposes and never preventively, the compulsory stunning of animals immediately prior to slaughter – with the exception of certified religious rituals⁵⁷ (less than 5%) – and prohibition against using growth hormones in the production of our Perishables and Private Brand products.

To this end, we regularly carry out laboratory tests⁵⁸, as well as quality and food safety audits of the slaughterhouses used by the Group in Portugal, Poland and Colombia.

Animal Testing

We do not allow animal testing in the development of our products, whether Private Brand or Perishables, in any of the countries in which we operate. The exception resides in animal food products where sensory tests are performed in order to assess the degree of the specific target population's satisfaction, and also in products which aim to control or eliminate parasites and/or super-populations that might be sources of contamination or disease (e.g., insects).

Biotechnology and Genetically Modified Organisms (GMO)

Our Genetically Modified Organisms Policy⁵⁹ is built on the principle that our Private Brand products and Perishables do not contain any transgenic ingredients or additives, whether of vegetable or animal origin. Thus, the Companies undertake to:

- cooperate with suppliers in order to understand the production processes and assess the safety and quality standards implemented;
- regularly carry out laboratory analyses, using independent and accredited entities;
- ensure that suppliers can identify and trace GMO in the cases where it is not at all possible to replace them;

⁵⁴ Further information at www.iucnredlist.org

⁵⁵ Further information at www.ices.dk.

⁵⁶ Although the European eel is produced from aquaculture, these production systems rely on the collection of “juvenile” specimens (glass eels) from natural environments, which puts pressure on wild populations.

⁵⁷ For example, Halal or Kosher certifications.

⁵⁸ In Colombia, laboratory tests related to the use of growth hormones and antibiotics are controlled by suppliers.

⁵⁹ Part of our Quality and Food Safety Policy and available under the “Responsibility” area at www.jeronimomartins.com.

- should any GMO be present, guarantee that consumers have the right to transparent, accurate information about the presence of these organisms on the product labelling, such disclosure being carried out in strict compliance with the limit applied by the Group of a maximum of 0.1% (the method's quantification limit). The limit allowed under European law is 0.9%.

Meat production practices

In Poland, we continue to sell Private Brand free-range chicken, a project launched in 2015 in partnership with local suppliers. These chickens are sold in all Biedronka stores and are raised without the use of antibiotics and given non-GMO feed. They also have ten times more space to grow than conventional chickens, with an average density of 30 kg/m² and a minimum slaughter age of 70 days (higher than the market average established at 56 days). In 2019, more than 2,000 tonnes of this product were sold, an increase of 20% compared to 2018.

In Portugal, the Pingo Doce free-range chicken is raised outdoors, with a maximum density of 25 kg/m², and their food is mainly cereal based (minimum of 70%). These chickens have a minimum slaughter age of 81 days and belong to the slow-growing group strain. This product is certified by SGS, an independent external body, and its specifications were approved by the General Directorate for Agriculture and Rural Development. Pingo Doce also sells EU organic certified veal.

Pingo Doce continued to sell "Porco.pt" certified pork, of domestic production, the practices of which promote animal welfare. For example, an animal density below that required by law and cereal-based feed is ensured. In 2019, more than 500 tonnes of certified pork were sold. Private Brand Duroc serrano ham, sold by Pingo Doce, also has animal welfare approved certification of its production and slaughter processes from an external and independent entity.

Animal welfare criteria are also included in contract specifications for the calves sourced for our operations in Portugal (such as absence of wounds and signs of thirst or hunger), for the Aberdeen Angus meat variety (such as the prohibition against transport for over 8 hours or the use of tranquillisers), and for veal from organic production.

Cage-free chicken eggs

The Group is committed to eliminating the sale of fresh eggs from caged hens under the Companies' Private Brands by 2025.

At Pingo Doce, this goal was fully achieved in August 2019, with the Private Brand offering only eggs laid by hens raised according to organic production methods, free-range or in a barn, that is, cage-free.

The Biedronka Private Brand sells barn eggs, free-range and organic fresh eggs, while Recheio sells barn eggs under the Amanhecer Private Brand. In January 2020, barn eggs under the MasterChef brand were also introduced. In 2019, more than 30% of Private Brand fresh eggs sold by the Group's Companies were cage-free⁶⁰, an increase of 10 p.p. in comparison to 2018.

100% Pingo Doce cage-free fresh eggs⁶⁰

Since August 2019, Pingo Doce, under its Private Brand, sells only fresh eggs of the following production methods: organic, free-range and barn eggs, i.e., "cage-free".

These eggs come entirely from local suppliers, maintaining our commitment to promoting local purchases.



Our goal is to work together with Private Brand suppliers to help them adapt their operations so that they meet the target we have established for 2025. In Poland, we are identifying suppliers who can achieve the goal sooner.

⁶⁰ Cage-free eggs include the following production methods: type 0 – organic eggs, type 1 – free-range eggs and type 2 – barn eggs.

Additionally, Biedronka also extended its commitment to sell fresh eggs from cage-free chickens to Supplier brands.

Practices at Jerónimo Martins Agro-Alimentar

At Jerónimo Martins Agro-Alimentar (JMA) – with regard to our production of Aberdeen Angus beef, dairy cows, and sea bream and sea bass from aquaculture – we promote animal welfare practices above the benchmark.

In the aquaculture production of sea bass and sea bream:

- all the fish are vaccinated;
- production takes place in open sea and not in tanks, enabling the fish to develop in their natural habitat;
- low production density, not exceeding 15 kg/m³;
- oxygen concentration in water always kept at high levels > 6.5 mg/l;
- no mutilation is permitted (e.g. cutting fins), which means that 100% of our animals are free from such practices;
- “Dyneema” nets are used. These are more flexible, thus causing less friction, reducing pain and avoiding flake loss in the fishing process.

In the production of Aberdeen Angus beef:

- we guarantee a minimum of 6.5 m² per animal (more than the recommended area of 3 m²);
- we place fresh straw in bedding every day;
- animals are grouped by gender and weight in order to reduce competition and the consequent stress that may arise;
- we comply with the recommendations of the Grandin Livestock Handling Systems’ Standard Welfare Scheme;
- to keep animals from slipping, the flooring used is made of grooved concrete or rubber.

At the dairy farm:

- at least one bed per cow and 0.6 m of feeding space is provided;
- the facilities have an automatic cooling system that activates fans and sprinklers to cool the animals. The fans also have the advantage of ventilating the stalls, reducing the amount of ammonia in the air and drying the animals’ bedding, so that they remain comfortable. Since fans were installed, straw consumption has been reduced by around 30%, leading to a lower production of manure;
- there are automatic massage brushes for all the animals;
- music is played to contribute towards a less stressful environment for the animals;
- all the animals have a collar to monitor their activity, so that, through behaviour analysis, it is possible to naturally identify when they are in heat, avoiding the use of reproductive hormones. It detects changes in behaviour, leading to the early detection of pathologies, contributing towards the animals’ welfare and reduction in the use of drugs.

In addition, we guarantee the following in our dairy farm operations and Aberdeen Angus beef production:

- training in animal welfare to all employees in contact with the animals living in our facilities;
- vaccination and de-worming of all the animals;
- leading and handling the animals using techniques that reduce stress. The use of electric shocks, sticks or any system that might hurt the animals is forbidden;
- feed based on silage and fodder, favouring the cows’ ruminal health, and increasing their comfort and well-being. The animals are fed with corn silage supplied by local producers or our production units. Non-graded vegetables (e.g. sweet potatoes) and sub-products from other food industries (e.g. pressed tomatoes and brewer’s grain) are also used. The food is complemented by feed adapted to each stage of the animals’ growth phase, accounting for around 30% of dietary requirements;
- freedom of movement for all animals, which are free from chains. Their tails are undocked.

All Aberdeen Angus beef production units and the dairy farm obtained, in 2019, certification on the Responsible Reduction of Drug Use by an independent external entity, receiving a score of “100% Excellent”. This certification ensures that antibiotics are only used for therapeutic purposes. These production units also have animal welfare approved certification, from an independent external entity, in accordance with the European “Welfare Quality” protocol.

JMA also signed a cooperation agreement with the University of Évora to conduct research and support education. This agreement includes theoretical-practical, technical-scientific and research activities in the fields of animal welfare, nutrition and animal health, and the improvement of environmental indicators, the efficient use of water and energy, agricultural production, the use and improvement of soils and recovery of cork oak woodlands.

6.3.4. Certified Products

In 2019, we introduced new products with sustainability certification in our Perishables and Private Brands:

Perishables and Private Brand Products with Sustainability Certification

Certification	Number of SKU										Δ 2019/2018
	2019					2018					
	Ara	Biedronka	Pingo Doce	Recheio	Total	Ara	Biedronka	Pingo Doce	Recheio	Total	
Organic*	0	139	92	0	230	0	112	98	0	210	+10%
FSC / PEFC / SFI**	5	30	83	55	173	5	14	75	46	140	+24%
Fairtrade / UTZ / Rainforest Alliance	0	93	6	0	99	0	***89	2	0	***91	+9%
MSC	0	24	0	0	24	0	***26	0	0	***26	-8%
Dolphin Safe	3	0	6	6	15	3	0	6	6	15	0%
EU Ecolabel / Blue Angel	0	2	6	1	9	0	0	6	1	7	+29%
V-Label	0	0	2	0	2	0	42	2	0	44	-95%
KAT	0	2	0	0	2	0	0	0	0	0	n.a.
Total	8	290	195	62	555	8	***283	189	53	***533	+4%

* These products are developed according to the rules of organic production, certified by an independent external body and bear the European Union logo, which ensures compliance with the Community Regulation for Organic Farming.

** Figure includes products with this certification and/or packaging material with this certification.

*** Corrected figures as a result of external verification carried out.

Note: A certain product may have more than one certification system (e.g. organic certification and FSC).

There is an increase in the number of Private Brand and Perishables references with sustainability certification, compared to 2018. Two new certification systems have also been introduced: the Blue Angel, a label that differentiates products with a better environmental profile, and KAT, which ensures that the eggs used as ingredients in our products are cage-free⁶⁰ and come from controlled egg production sites. The reduction in the number of references with V-label certification is associated with the integration of these criteria into internal standards and requirements for the development of Private Brand products suitable for vegans and vegetarians, with compliance with specific requirements⁶¹ being assured through our Quality and Food Safety audits.

⁶¹ The claims regarding suitability for vegan and vegetarian consumption consider compliance with certain criteria, such as implementation of the Polish Regulation of the Ministry on Agriculture and Rural Development Journal of Laws from 2015, item 29, as amended, regarding the labelling of foods; absence of animal-based ingredients in the production process; good production practices so as to minimise cross contamination with non-plant-based ingredients and to be GMO free.

Consumer Awareness in Private Brand Products

To promote more informed consumer choice, we have developed internal control systems for Private Brand products. In addition to external sustainability certifications, the packaging of these products is used to provide information on differentiating characteristics from an environmental or nutritional point of view, for example.

This is the case with the Pingo Doce products' Ecodesign stamp, which indicates how the packaging has become more sustainable, or the recycling icons, which indicate the recycling bin to be used by the consumer at the end of the product's life. Biedronka has also adopted this approach in products that use cage-free eggs⁶⁰ in their ingredients or in food solutions suitable for vegans and vegetarians.



Sustainability information placed on Pingo Doce Private Brand products



Tampa



Frasco



Sustainability information placed on Biedronka Private Brand products

6.4. Selection and Monitoring of Suppliers

We favour working with suppliers and service providers who ensure compliance with Portuguese and international legal and ethical principles, reflected in the Sustainable Sourcing Policy, Supplier Code of Conduct and the Jerónimo Martins Group's Code of Conduct⁶².

The Group reserves the right to terminate business relations whenever it learns that suppliers and/or their suppliers have violated the aforementioned principles, and/or if they fail to incorporate ethical, social and environmental concerns when conducting their business and are unwilling to draw up and implement a corrective plan.

We are also collectively reinforcing our commitment to eradicating forced labour - as defined by the International Labour Organisation - across our banners' supply chains and to continuing to ensure its absence in our operations, supporting the resolution of The Consumer Goods Forum and its Priority Principles: every worker should have freedom of movement, no worker should pay for a job and/or be indebted or coerced to work.

6.4.1. Supplier Audits

We regularly audit Perishables and Private Brand suppliers to assess and follow-up on the management and control of processes, the implemented quality system, and product formulation. The audits cover the following areas: quality and food safety, environment and labour standards.

Quality and Food Safety Audits

These audits mainly cover aspects related to product development and production. However, other environmental and labour requirements are also assessed. These environmental requirements include criteria associated with the management of water, effluents and waste, weighting 5%. Within the scope of labour requirements, health and safety in the workplace and training conditions are assessed, which have a weight of up to 10% in the assessment. Aspects assessed include the existence and use of appropriate clothing, equipment for washing hands, rules of conduct and personal hygiene, the existence and condition of social areas, changing rooms and bathrooms for employees, and ensuring the provision of appropriate training for them to carry out their roles. Each supplier is reassessed at predefined intervals based on the score they obtained.

Conducted by the Quality teams, these audits are compulsory for all suppliers and potential new suppliers of Perishables and Private Brand products in accordance with our risk assessment process.

⁶² Available under the "Responsibility" area at www.jeronimomartins.com.

We prefer 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, International Featured Standards (IFS), Food Safety System Certification (FSSC) 22000 or ISO 22000.

In 2016, the Perishables Quality and Food Safety Department in Portugal started a project for auditing meat suppliers, which includes animal welfare criteria and accounts for a weight of 29% in the assessment, based on current legislation and the Global G.A.P. standard. Matters such as the conditions of the facilities, lighting, density and ventilation are assessed, among others. In 2019, 105 suppliers/farms were assessed. Whenever necessary, corrective plans are drawn, the progress of which we monitor together with the suppliers.

Audits of Perishables and Private Brand Suppliers*

	2019	2018	Δ 2019/2018
Portugal			
Perishables	870	905	-3.9%
Private Brand – Food and Non-Food	249	252	-1.2%
Poland			
Perishables	154	**337	-54.3%
Private Brand – Food and Non-Food***	453	458	-1.1%
Colombia			
Perishables	160	74	+116.2%
Private Brand – Food and Non-Food	182	176	+3.4%

*The audits include the following types: selection, control and follow-up.

**Figures corrected as a result of external verification.

*** In 2019, a further 3,776 inspections were carried out on Private Brand non-food products and, in 2018, a further 4,218 were carried out.

The decrease in the number of Quality and Food Safety audits in Poland for Perishable products is justified by a review of our internal standards that redefined the frequency of audits according to the previous classification: suppliers evaluated with "High" (with an overall rating between 80% and up to 95%) or "Excellent" (with an overall rating of 95% or higher), saw a decrease in the number of audits. All suppliers with ratings below 80% in the previous audits, were accessed more frequently in 2019. In Colombia, the increase in the number of audits of Private Brand and Perishables is mostly due to the increase in the volume of potential new suppliers.

Environmental Audits

Environmental audits of service providers and Perishables and Private Brand suppliers aim at ensuring that the additional environmental performance requirements are met and at implementing a corrective action plan for any non-conformities detected. These audits of suppliers of the Companies, which started in 2016 in Portugal, are conducted by an external entity. In 2019, the scope was extended to include suppliers of the Companies in Poland and Colombia.

The audits aim to independently assess compliance with about 100 requirements, divided into nine areas: water, energy, waste, liquid effluents, atmospheric emissions, noise, hazardous substances, environmental risks and environmental management systems.

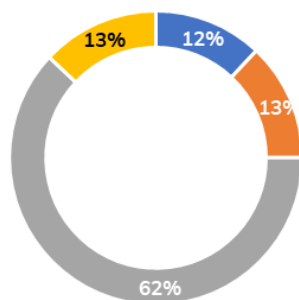
The results of each supplier are scored according to full, partial or non-compliance with critical requirements, general requirements and, when applicable, best practices. There are four compliance levels, based on the final average obtained in the nine areas:

- Excellent: compliance with 100% of the critical requirements and compliance with more than 94% of the "Satisfactory" level requirements, plus a compliance of between 71% and 85% of the "Good" level requirements and, at least, 70% of the "Excellent" level requirements, or compliance with 100% of the critical requirements and has a certified environmental management system;

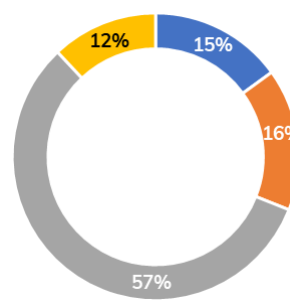
- Good: compliance with 100% of the critical requirements and a compliance of between 85% and 94% with the "Satisfactory" level requirements, plus a compliance of 70% with the "Good" level requirements;
- Satisfactory: compliance with 100% of the critical requirements and a compliance of between 70% and 84% with the "Satisfactory" level requirements;
- Inadequate: non-compliance with one or more of the critical requirements and/or a compliance of less than 70% with the "Satisfactory" level requirements.

In 2019, 55 Perishables and Private Brand suppliers of our Companies were audited⁶³. The suppliers were selected based on the Group's purchasing volume and on the relevance of the environmental impacts of their business. Environmental audits were also carried out on service providers in Portugal (20) and in Poland (26). These were selected based on the risk assessment of their business activities.

Overall Performance of Environmental Audits of Perishables, Private Brand and Exclusive Brand Suppliers (2016-2019)



Overall performance of Environmental Audits of Service Providers (2016-2019)



■ Excellent ■ Good ■ Sufficient ■ Inadequate

All service providers and suppliers classified as "Inadequate" and/or those who do not fully comply with the defined critical requirements are given a corrective action plan, which the supplier must implement within a maximum of six months. We reserve the right to suspend cooperation in cases where the corrective plan is not fulfilled, the level of implementation of which is assessed in a second audit conducted the following year.

Social Audits

We have begun to audit the social conditions in our supply chains, which are conducted by an external independent entity.

These audits aim to independently assess compliance with 120 requirements in 12 fields:

▪ preventing child labour;	▪ salaries and benefits;
▪ preventing forced labour;	▪ health and safety at work;
▪ preventing discrimination;	▪ emergency preparedness;
▪ safeguarding the right to freedom of association;	▪ monitoring compliance;
▪ contractual terms;	▪ business ethics;
▪ working hours;	▪ protecting Human Rights.

These requirements are designed to reinforce compliance with the Portuguese and international laws and international benchmark best practices for the various sectors of activity established under the Sustainable Supply Chain Initiative by The Consumer Goods Forum, of which we are members.

⁶³ Ara, Biedronka, Pingo Doce and Recheio suppliers were audited.

Thirty-four suppliers were selected based on their turnover:

- 32 direct suppliers with production units of more than 15 Perishables and Private Brand categories (food and non-food). Local suppliers of the Food Retail Companies were audited in Portugal, Poland and Colombia, as were suppliers located in Spain;
- 2 indirect Exclusive Brand suppliers (non-food), with operations in Portugal and China.

Once suppliers were selected and informed of the audit, introductory workshops and self-assessment surveys were carried out to explain the importance of the topics, the assessment cycle and the preparation of required evidence. The next step was to visit the sites, which included observation of the production unit, document sources and the conducting of anonymous interviews to a sample of randomly selected employees to get a more realistic view of each supplier.

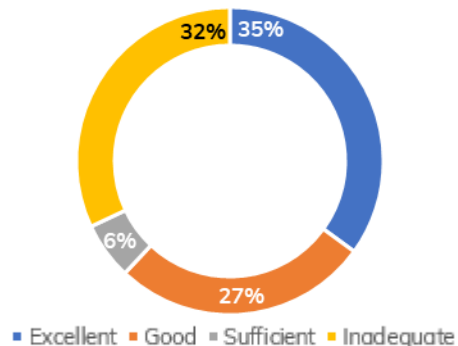
The results of each supplier are scored according to full or partial compliance and non-compliance with critical requirements, general requirements and, when applicable, best practices. There are four compliance levels:

- Excellent: full compliance with 100% of the critical requirements, plus a compliance of at least 95% with the general requirements and best practices;
- Good: full compliance with 100% of the critical requirements, plus a compliance of between 85% and 94% with the general requirements and best practices;
- Satisfactory: full compliance with 100% of the critical requirements, plus a compliance of between 65% and 84% with the general requirements and best practices;
- Inadequate: total or partial non-compliance with one or more of the critical requirements and/or a compliance of less than 65% with the general requirements and best practices.

Suppliers with a score of “Satisfactory”, “Good” and “Excellent” but who still have partial non-conformities with general requirements are given a corrective action plan, which is discussed and must be implemented within a maximum of 12 months, depending on the severity. During this period, additional contact is established with the supplier to confirm the implementation of the plan, and, when needed, to ensure further audits.

Suppliers with a score of “Inadequate”, are regularly contacted for up to six months to confirm the implementation of a corrective plan. An *in loco* assessment is performed the following year for further evaluation. In the absence of evidence of progress, we reserve the right to suspend commercial collaboration.

Overall Performance of Social Audits to Perishables, Private Brand and Exclusive Brand Suppliers (2019)



6.4.2. Supplier Awareness and Training

In order to continuously improve the products we develop together with our suppliers, we hold awareness campaigns and training for our business partners through programmes and initiatives dedicated to topics related to quality and food safety, and sustainable development.

In Portugal, Poland and Colombia, 9 training sessions and meetings were held in 2019, focusing on Quality and Food Safety, attended by more than 150 suppliers. We have strengthened our relationship with suppliers, especially in areas where cooperation can be improved and in the development of innovative products.

In Colombia, Ara continued its Private Brand supplier development programme “Ubuntu” – an African word which, in Xhosa culture, means “I am because we are” – which aims at improving the quality and production capacity of these business partners. The programme aims to establish long-term relationships with local suppliers and has several stages, starting with an assessment of the supplier,

then drawing up an action plan and ending in the development and implementation of a personalised improvement plan. In 2019, 11 Private Brand suppliers participated, in a total of 600 hours. The Company secures half of the required investment and the other half is financed by the supplier. The “Ubuntu” project is also a demonstration of the Group’s commitment to being a part of the local communities in Colombia.

With regard to raising awareness for sustainable development, in 2019 the Jerónimo Martins Group held its 7th Sustainability Conference with the theme “Plastic Pollution – What Now?”⁶⁴, dedicated to the challenges of fighting plastic pollution. The one-day event was attended by 30 Jerónimo Martins Group business partners from Portugal and Poland.

Two workshops were also held in Portugal on the Sustainable Agriculture Handbook, which was attended by 29 Fruit and Vegetable supplier representatives, and another three workshops were held on environmental and social audits for 43 suppliers from Portugal, Poland, Colombia and other countries.

Promoting Sustainable Agricultural Practices

Since 2014, we have been working very closely with Fruit and Vegetable suppliers in Portugal to promote good farming practices. Some of the criteria we follow are the minimisation of water and energy consumption, the responsible use of fertilizers and plant protection products, and practices for the preservation of local biodiversity.

The Sustainable Agriculture Handbook was created, a publication that, in addition to raising awareness for the implementation of these practices, allows users to calculate their environmental sustainability index.

In 2019, this index was applied in 22 new farms belonging to 20 Portuguese suppliers. In all, the sustainability index has already been calculated for 103 farms, ranging between 3.05 and 4.22 (on a scale of 1 to 5, in which 5 is the maximum score).

Our goal is to apply the methodology, every year, in at least 20 new farms belonging to Fruit and Vegetable suppliers in Portugal, thus enabling the Group to monitor their progress.

The project was launched in Poland in 2019. Adaptation of the methodology to the reality in the country is expected to be concluded in 2020 and implemented with local suppliers from 2021.



⁶⁴ The event’s key messages are available under the “Responsibility” area, at www.jeronimomartins.com.

7. Supporting Surrounding Communities

7.1. Introduction

As an active member of our surrounding communities, we endeavour to encourage the inclusion of society's more vulnerable groups: the elderly and underprivileged children and young people. The Group's over 4,100 food stores, spread across more than a thousand cities, towns and villages in Portugal, Poland and Colombia, contribute every day towards fighting hunger and malnutrition, while also helping to break down cycles of extreme poverty and social exclusion.

We also support projects for furthering knowledge about nutrition and healthy eating, aiming particularly at raising the awareness of the younger generations. Additionally, we also champion the environment preservation, education, culture, entrepreneurship, civic consciousness and Human Rights.

Our Policy on Supporting Surrounding Communities is available on the corporate website, under the area [Supporting Surrounding Communities](#).

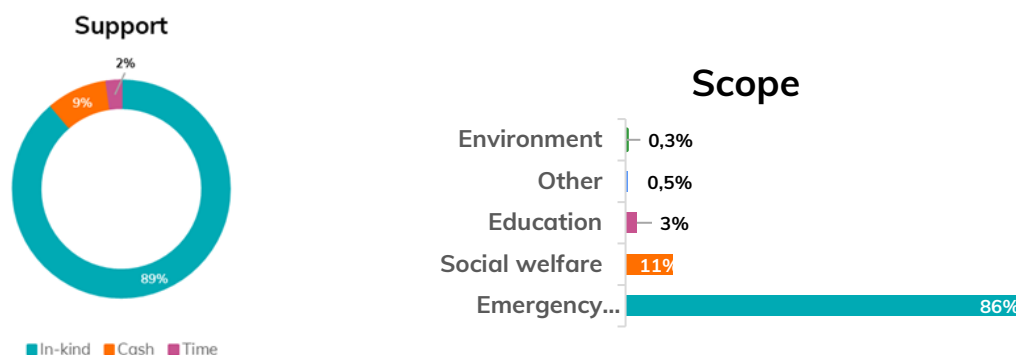
7.2. Managing the Policy on Supporting Surrounding Communities

The actions that we support and/or promote are monitored and assessed as to the impact they produce, with a view to an efficient allocation of resources to projects covering the largest possible number of people and/or generating the highest and best results.

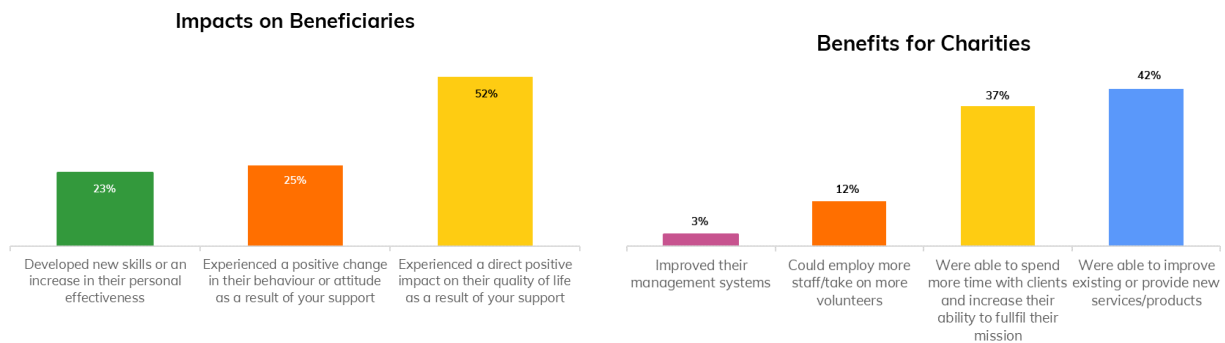
Besides carrying out follow-up visits to the institutions with which we have entered into cooperation agreements, in order to make an *in loco* check of the quality of the infrastructures and service provided to the people supported, we also measure whether or not the desired social changes have occurred and if so, how. To this end, we apply the criteria implicit to the social impact assessment method from the London Benchmarking Group (LBG), which the Group has been a member of since 2011.

In 2019, we measured the impact of investing around 37.4 million euros⁶⁵ in support allocated to 206 organisations, which in turn are estimated to have reached more than 1.5 million people. This amount includes both in-kind and monetary donations, channelled mainly into support in the areas of Social Emergency, Social Well-Being and Education.

Social Impacts' Measurement



⁶⁵ This sum refers to the activities/projects measured involving institutions and their beneficiaries, with a minimum starting level for obtaining any significant data on social impact. It does not, therefore, refer to the total amount of support invested by the Jerónimo Martins Group.



Most of the beneficiaries questioned by the institutions reported positive impacts on their quality of life. The institutions also confirmed that the support provided by Jerónimo Martins and its Companies had enabled them to invest in new products or services, improving existing ones, as well as to better fulfil their missions.

Over the course of 2019, 92 employees in Portugal participated in professional on-the-job training programmes, through the Escola de Formação Jerónimo Martins (Jerónimo Martins Training School), totalling 58,568 hours of tutoring, equivalent to a value of more than 810,000 euros.

The report of the main indicators are compiled using the LBG model is available on our corporate website (under the area [Supporting Surrounding Communities](#)) and is checked by an independent, external entity.

7.3. Direct Support

The Group's direct support is focused on offering food products to institutions who work to provide relief from hunger, malnutrition and extreme poverty, and on providing monetary support to organisations carrying out educational work with children and young people at risk, in an attempt to curb school drop-out and social exclusion.

In 2019, direct monetary and in-kind support attributed at a corporate level and by all the Group's Companies amounted to over 43.4 million euros⁶⁶, which represents an increase of 37% compared to 2018, which can be explained by the expansion of the donations programme in Poland.

Supporting Social Emergencies

The natural disaster that devastated the city of Beira in Mozambique, as the result of Cyclone Idai, taking the lives of 786 people and affecting around 3 million others in Mozambique, Zimbabwe and Malawi, has motivated the solidarity of Jerónimo Martins. Through "Operação Emboqueiro por Mocambique" (Operation Baobab for Mozambique), organised by the CVP (Portuguese Red Cross), the Group joined Sociedade Francisco Manuel dos Santos supporting the cost of the second plane that flew directly from Lisbon to Beira, transporting around 33 tonnes of donated items and material to support CVP's medical team, including a field maternity unit and delivery kits for the Maternity Unit in Macurungo, one of the neighbourhoods worst hit by the tragedy and where CVP set up its field hospital.

Jerónimo Martins and Pingo Doce and Recheio companies donated around 14 tonnes of essential food products, personal care and baby care items, the equivalent of a donation of around 26,200 euros. The logistics costs stood at 100,000 euros, donated to CVP.

Corporate

We supported 50 entities and projects, which were mostly involved in social intervention (69%), totalling over 696,000 euros. Support was also given to projects concerning education, culture, Human Rights, environment and health. Through cooperation protocols, we provide ongoing support to 19 of these institutions, the majority of which have had a relationship with the Group for more than a decade.

⁶⁶ Includes Pingo Doce, Lidosol, Recheio, João Gomes Camacho, Caterplus, Jeronymo, Hussel, Biedronka and Ara.

Pingo Doce

The Company seeks to support projects and social causes that help to overcome social and economic risks affecting the community. Its guiding principles are promoting good health through food, preserving biodiversity, fostering literacy among children and youngsters, support to local communities and addressing social emergencies and food shortages.

During the year, Pingo Doce received more than 2,200 requests for support through its website (besides all those made directly in its stores, due to their proximity to the local community), having answered to the appeal of more than 690 social institutions that carry out their mission in the surrounding areas of the Company's stores. Donations amounted to over 12.8 million euros, both in kind and through monetary support, including sponsoring of environmental preservation projects. The food donated surpassed the 5,800⁶⁷ tonnes.

In 2019, Pingo Doce rolled out the Bairro Feliz (Happy Neighbourhood) programme, which involves providing monetary support to causes identified by the local population, thereby aiming to strengthen the ties with local communities and contribute to the well-being of the neighbourhoods in the vicinity of the stores. As each location has its characteristics, it is the local entities and residents of each neighbourhood who register their causes. After evaluation and selection of these by a jury, the ones that were cast most votes by the customers will each receive a donation of up to 1,000 euros.

The programme kicked off in 49 stores in northern Portugal where 91 causes were submitted, 24 of which were selected through a customer voting system. In the 2nd edition of the programme, 632 project applications were received in the districts of Aveiro, Braga, Bragança, Coimbra, Guarda, Porto, Viana do Castelo, Vila Real and Viseu, out of which 133 causes were chosen for support.

For the two editions combined, 157 local causes were supported, involving an investment of over 150,000 euros.

Recheio

Recheio donated around 460,000 euros in kind, of which more than 205 tonnes⁶⁷ were food products, given to more than 220 institutions working with causes such as fighting hunger among extremely vulnerable people. The APPIA – Associação Pró-Partilha e Inserção do Algarve (Algarve Pro-Sharing and Integration Association), Grupo de Acção Social Cristã (Christian Social Action Group) in Barcelos and the Carcavelos Parish Community Centre are some of the institutions that distributed surplus food to their beneficiaries. Over 39,000 euros was also allocated to social projects, namely to install a lift platform in the home of a young woman who has cerebral palsy and permanent disability in cooperation with Associação Salvador.

Biedronka

Biedronka channelled around 29 million euros into support for social campaigns and projects, an increase of 76% compared to the previous year, which can be essentially explained by the expansion of the in-store food donations programme, benefiting over 480 social institutions, 23% more than in 2018.

In this regard, the Company continued to donate surplus food to charities, such as Caritas Polska and the Polish Federation of Food Banks, that are responsible for the distribution of food products among severely deprived people. That is why, besides food donations, financial support was maintained to develop the infrastructure of Caritas, involving the donation of around 116,000 euros to buy five refrigerated trucks, to be used in food distribution.

⁶⁷ Values calculated internally in accordance with proxies resulting from implementing the Food Loss and Waste Protocol, a methodology devised by the World Resources Institute and various stakeholders to be able to consistently calculate and report food waste and loss in the supply chain.

In just four years, since the programme for donating surplus food was launched in Poland, the number of stores involved surpassed the 1,500 stores forecast for 2020, totalling 1,639 at the end of the year, an increase of 54% compared to 2018. Products donated amounted to over 9,600 tonnes⁶⁷, which are estimated to have reached around 353,000 people.

Biedronka has been cooperating with Caritas Polska since 2006, a partnership that has additionally developed the following direct support initiatives:

- In the second edition⁶⁸ of the programme Na Codzienne Zakupy (For Everyday Shopping), an initiative involving financial assistance for senior citizens from the areas surrounding the stores in small cities or towns, more than 6,600 vulnerable elderly people (approximately 1,300 more than in the previous year) had access to monthly pre-paid Biedronka cards, which represented an investment of 2.3 million euros. Around 5,700 beneficiaries evaluated the programme, considering it to be advantageous for bringing variety to their diet, as well as for fighting malnutrition;
- 14th edition of the Festyny Bądźmy Razem (Let's Be Together) campaign, which aims to encourage stronger bonds between children and their families, by holding picnics on Children's Day. In 2019, the campaign encompassed 25 Polish cities, taking presents, contests and educational games to more than 200,000 children and their respective families, representing support worth more than 146,000 euros;
- On World Day of the Sick and on St. Nicholas' Day, Biedronka provided food to around 2,000 children hospitalised in Warsaw.

At Christmas, direct support was given by way of food to vulnerable groups of the population. In Warsaw and Krakow, more than 50,000 meals were distributed to the homeless on Christmas Eve and, in partnership with the Sovereign Order of Malta, the traditional Polish Christmas wafers were distributed to over 2,600 senior citizens and patients hospitalised in 26 Polish cities.

Also for the Christmas season, and in the scope of the Szlachetna Paczka (Nobel Gift) programme, Biedronka supported the Wiosna Association. The Company invested 23,000 euros, which helped towards the logistics of the programme, making it possible for this association to support over 14,500 economically-challenged Polish families from all over the country, by providing baskets (with food and cosmetics, among others) prepared by around 10,000 volunteers. This was the 19th edition of the programme and the Company intends to maintain its support to this association, which estimates that over 2 million people are living in extreme poverty in Poland, almost half a million of whom are children.

In partnership with Instytut Matki i Dziecka (Institute of Mother and Child) and with Legia Warszawa Football Club Foundation, Biedronka supported the "Scoring for Health" programme, which was implemented in 160 schools in eight cities in Poland and other six countries of the European Football for Development Network. The programme's main objective is to fight child obesity, identified by the World Health Organization as one of the primary public health problems in Europe. The project also encompasses visits to Biedronka stores in 2020.

The participating children spend two and a half years involved in initiatives that foster healthy eating habits and physical exercise as incentives for a healthier lifestyle. The initiatives include specialised weekly interactive classes, educational sessions, workshops on topics such as nutrition, cooking and physical exercise, and football matches. The events to launch the programmes are held in the stadiums or academies of the participating clubs, where the children enjoy a day of sport, have physical and health assessments (re-assessed at the end of the programme) and play educational games, where players from the clubs are present. The launch took place under the scope of the Anti-Obesity Day, when 260 children aged nine and ten, from four primary schools in Warsaw, signed a commitment to a healthier diet and a more active lifestyle in the following months. They received healthy snacks and reusable bottles of water.

⁶⁸ In 2018, this initiative was called Poganamy Na 100 (We Help at 100), as part of the commemorations of the 100th anniversary of Poland's reconquered independence.

Biedronka also joined Fundacja Program Pomocy Pierwsza Praca (First Job Assistance Programmes Foundation), supporting the picnics for children and young people from underprivileged adoptive families. More than 4,000 children and young people have participated in these picnics since 2017, and which also entailed Biedronka participating in the discussion panels and recreating a store.

Ara

During the year, Ara donated more than 220,000 euros in kind to social support projects, an increase of 22% compared to the previous year. Ara's support, between 2014 and 2016, to the governmental programme of the ICBF – Instituto Colombiano de Bienestar Familiar (Colombian Institute for Family Well-Being) *Madres Comunitarias* (Community Mothers) in its mission of addressing the dietary deficiencies of children in community nurseries, led to progress being recorded in the mental, physical and nutritional well-being of the children who benefited from it.

In 2018, on the initiative of the ICBF, Ara's cooperation with the *Madres Comunitarias* governmental programme changed from involving food donations to addressing personal and home care needs. Since August 2019, the new protocol has made possible to offer oral hygiene kits (toothbrushes and toothpastes) and hand hygiene kits (anti-bacterial wipes and soaps) to over 8,500 children up to the age of five, from needy families and areas. The programme encompassed 640 nurseries, which received support from 340 Ara stores, representing an investment of over 35,000 euros.

Within the scope of this cooperation a drawing competition was also held related to Ara and the *Amigos del Bosque* campaign, targeting children in community homes, the winners of which received 50 bicycles. The winning drawings were included on Ara's Christmas cards to employees, customers and suppliers. At Christmas, the *Ara Madrinda* activity offered snacks and books to the children supported by the ICBF. These initiatives represented an investment of over 85,000 euros.

Ara also continued to support underprivileged communities, by sending food products from its stores and Distribution Centres, which, while not being able to be sold to the public, are good for consumption.

We have been supporting ABACO (The Colombian Association of Food Banks) since 2013. It is their mission to establish strategic alliances with public and private partners to fight hunger, and through them we redirected over 34 tonnes⁶⁹ of food. It is estimated that this has benefited a monthly average of more than 4,500 people from 1,516 families supported by the Food Banks in nine cities (Bogotá, Pereira, Manizales, Barranquilla, Villavicencio, Ibagué, Cucuta, Montería and Calie). At the same time, emissions equivalent to 1.3 tonnes⁶⁹ of CO₂ were avoided, which would otherwise have been released into the atmosphere from landfill.

Due to the cold snap and flooding that hit the country's western region, Ara also donated 400 kits of products to the population.

Fighting Food Waste

Surplus food which, while having the right food safety conditions, cannot be sold, are donated by the Group's Companies to institutions providing social support, so that it reaches people who are extremely vulnerable. Besides fighting hunger and malnutrition, we aim to make a positive contribution towards a circular economy, enabling these food products to be used for human consumption, the purpose for which they were produced.

In 2019, donations of food products totalled over 15,600 tonnes⁶⁹, which represents an increase of 36% compared to 2018.

⁶⁹ Amount estimated by ABACO.

7.4. Volunteering and Internal Campaigns

In partnership with civil society institutions, the Group promotes various volunteering programmes targeted for employees, as it believes that everyone's contribution to social causes, civic consciousness and emergencies is essential to build more cohesive and charitable societies. In 2019, over 520 employees contributed with more than 2,800 hours of volunteering (2,000 of which in working hours), in various initiatives, including the following:

- collaboration with the Junior Achievement Portugal Association, which fosters entrepreneurship among children and young people, by working on topics such as relations with the family and the community, economics and how to set up a business. During the 2018/2019 academic year, there were 22 participants, who dedicated 239 hours of volunteering, with the involvement of 221 students. Since 2005, the Group employees have reached more than 9,000 students in a total of over 7,900 hours of volunteering;
- refurbishment of infrastructures in institutions that support the community, with Just a Change Association. This involved 132 volunteers in four sessions where they renovated and painted walls and cleaned areas, totalling 848 hours of volunteering;
- human interaction and response to hunger and malnutrition situations, in partnership with the Serve the City Association, of 118 volunteers that served three community dinners to homeless people in Lisbon.

Every year, during the Christmas season, the Group actively promotes a charitable campaign targeting the head offices' employees to offer presents requested by children who live throughout the year in foster homes supported by Jerónimo Martins. The institutions selected in 2019 were Casa de Protecção e Amparo de Santo António, Casa de Santa Isabel (Apoio à Vida), Crescer Ser (Parque, Encosta, Infantado and Cedofeita homes) and SOS Villages in Bicesse. Our employees offered 76 presents to children up to the age of 12.

During the Group's Christmas Party, which brings together more than 1,000 managers and senior executives, a fund-raiser was organised in favour of Centro Juvenil e Comunitário Padre Amadeu Pinto (in Almada), aimed at purchasing a new van for this institution, which is engaged in protecting and caring for minors and young adults in the outskirts of Lisbon, considered to be a priority area of intervention due to being socially deprived. The matching donation rationale was used and so the Group matched the amount donated by employees. The Group will continue to support this institution during 2020, by allocating food support to around 100 children and young people who are regularly monitored by the institution, with the aim of minimising risky behaviour, increasing academic achievement and supporting vocational training and/or job market integration.

The Group and its Companies in Portugal joined the campaign [Portugal Chama](#) by AGIF (Agency for the Integrated Management of Forest Fires) of the Ministry of the Economy, which intended to alert the population to the need for prevention during the most critical months of the year, due to the high temperatures and lack of rain. Pingo Doce and Recheio made the materials produced by AGIF available on their websites and in 63 stores in the regions usually affected by the calamity of forest fires, such as the districts of Bragança, Castelo Branco and Guarda. In the case of Pingo Doce, customers could be alerted by email, Facebook and through the magazine Sabe Bem (which has a monthly print-run of 150,000 copies). The magazines that Recheio produces for its customers and partners also mentioned the campaign.

7.5. Indirect Support

Conscious of the need to develop a collective awareness to fight hunger and malnutrition among more deprived people, the Group is strongly involved in campaigns for collecting food and other items, as well as in fund-raising initiatives, to support the work carried out by charities.

Portugal

Pingo Doce stores continued with the food collection campaigns to support institutions such as Banco Alimentar Contra a Fome (Portuguese Food Bank) and CASA (Centre to Support the Homeless), welcoming at our stores over 740 external fund-raising initiatives. In the first case, it was possible to collect the equivalent of over 959 tonnes⁷⁰ of food.

We also promoted the sale of vouchers that can be converted into food and other products to our customers, in order to support these and other organisations, such as Filhos do Coração, Ordem da Cruz de Malta, ACAPO, HELPO or WWF (for the latter, the amount raised went to wildlife conservation projects). A total of more than 156,600 euros was raised through vouchers. Pingo Doce supported the costs of communicating these and other in-store campaigns, totalling more than 35,900 euros.

Recheio also joined the Portuguese Food Bank's campaign and the sale of vouchers, having collected approximately 6 tonnes of food⁶⁷ and raised over 2,650 euros from vouchers.

The project Mercado Social (Social Market) began in the Lisbon region in 2018 and has now been extended geographically to include Pingo Doce stores in other parts of the country. This project is aimed at supporting institutions in the third sector that produce food, providing them with a dedicated space in store for selling their products, with total sales reverting to those institutions. In 2019, two institutions were included: CERCICA (Cascais Cooperative for the Education and Rehabilitation of Citizens with Special Needs) through the sale of teas and herbs in two stores of the chain, and the Braga Delegation of the Portuguese Red Cross, by selling products from the "Somos+" (We Are More) project, which includes jams, biscuits and chocolates, in one store. In addition, Mercearia Semeiar from the BIPP Association and Casa dos Sabores from the Casa de Protecção e Amparo de Santo António, were part of the project for the second year running, their products being on sale in two Pingo Doce stores.

With the goal of fostering social entrepreneurship and the financial sustainability of institutions in the third sector, Pingo Doce promoted the sale of products developed by institutions that are engaged in fighting social exclusion in Portuguese society:

- Since 2012, we have been supporting CEERDL – Centro de Educação Especial Rainha Dona Leonor (Special Education Centre), an institution that provides occupational services, rehabilitation therapy, residential and home support, vocational training and employment support for people with a disability and mental illness. The lilies that were planted and picked by those attending this charitable cooperative amounted to a total of 59,000 units;
- We continued to support the "Cogumelo Solidário" (Generous Mushroom) project, from AANP – Associação dos Albergues Nocturnos do Porto (Porto's Night Shelters Association), which began in 2013, for the sale of organic shitake mushrooms. This project focuses on contributing towards the financial sustainability of the services provided by this entity to people who are homeless, including meals and basic personal care products. More than 3,200 packs of these shitake mushrooms were sold in Pingo Doce stores.

Poland

In partnership with the Polish Federation of Food Banks and Caritas, the stores were used as a platform for mobilising customers to collect food for more vulnerable people. Various campaigns ran throughout the year in around 1,300 Biedronka stores, such as fund-raising at Easter, Christmas and in the World Food Day, making it possible to redirect over 957 tonnes of food.

As part of the Kromka Chleba dla Sąsiada (A Slice of Bread for a Neighbour) campaign, organised by Caritas, 92 tonnes of bread were prepared and distributed in the parishes and markets of some Polish cities, promoting a means for the elderly to socialise with volunteers from the organisation and also tackling isolation.

⁷⁰ Estimate of the Portuguese Food Bank.

Biedronka also rolled out the first paper bag produced with 50% recycled paper in more than 650 stores. Dobra Torba (The Good Bag) costs €0.16, a third of which is donated to the Polish Federation of Food Banks. 1,000,000 bags were sold and 46,500 euros have been donated to the Federation since May.

In partnership with a detergent brand, Biedronka promoted a campaign for collecting clothes, to be given to around 500 people who are supported by Caritas. The campaign ran for one month, in 300 stores, and enabled 40 tonnes of clothes to be collected.

Colombia

Ara maintained the programme for the voluntary rounding-up of the value of clients' purchases to benefit the mission of Fundación Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia). Besides the Acogimiento Familias (Foster Families) and Fortalecimiento Familiar (Family Strengthening) programmes, which are focused on families at risk of being separated, and children and young people taken away from their families, in 2019 the Foundation also engaged with families in contexts of violence and emergency.

Customers rounded up their purchases, donating a total of more than 236,000 euros, a 109% increase compared to 2018, justified by the increase in stores involved and the Company's investment in communicating this initiative. The amount raised enabled the programmes involving education (offer of educational materials, and sports and cultural programmes), healthcare (medical support programmes), food and accommodation to reach 8,500 children and young people from around 2,900 foster families in the cities of Riosucio, Maicao, Rioacha, Cartagena and Bogotá.

7.6. Other Support

We also set up partnerships with a number of institutions in order to identify and address the challenges of social cohesion in the countries where we do business.

Promoting Healthy Eating and Lifestyles

In Poland, Biedronka continued to support the programme [Zielona Kraina](#) (Green Land) in cooperation with Green Factory, a long-standing partner supplying 4th range products and also with the participation of Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition).

This initiative, in its 4th edition, is in line with the school programmes and eating patterns recommended by specialists, and aims to educate children about healthy eating habits. A cycle of free workshops was created (which include preparing meals, games and talks) involving nutritionists and chefs, aimed at fourth-year students' and their teachers. During the 2018/2019 academic year, more than 7,400 students took part in 379 lessons within the programme, which took place in 120 schools in 15 Polish cities. Nutritional workshops, included in the programme, also took place with the help of 29 nutritionists.

The 5th edition of the programme for the 2019/2020 academic year kicked off in October 2019 and should include 400 actions in 7 Polish cities. 496 schools and over 30,000 teachers and students from 30 cities have already been involved since 2015.

In Portugal, for the fourth year running, we took part in the Eco-Schools' programme [Alimentação Saudável e Sustentável](#) (Healthy and Sustainable Food), promoted by ABAE – Associação Bandeira Azul da Europa (European Blue Flag Association), aimed at raising awareness among students from the participating schools about topics such as food, nutrition and the sustainability of agrifood production.

Within the scope of this project, which directly encompassed more than 250 schools from various academic levels, from nurseries, kindergartens, primary and secondary schools to vocational institutions, the students submitted 186 projects for evaluation, 15%⁷¹ more compared to the 2017/2018 academic year. The projects presented addressed challenges such as monitoring aspects of nutrition and food safety in canteens, crafting communication pieces about the composition of food and information on the sustainability of fish species and the nutritional benefits of eating fish, and finally, creating full menus with local and seasonal ingredients. The Group supported the purchase of food, financial offers to the participating teams and prizes to the winning schools, which included solar ovens, among other things.

Aiming to promote healthy lifestyles, for the third year running, Pingo Doce joined the World Bike Tour, an event involving around 4,000 cycle-tourists in Lisbon. In the days leading up to the challenge, Pingo Doce was present at the place for collecting the kits (which included Private Brand products), having created a lounge area where natural fruit-flavoured drinks were distributed. A quiz linked to the campaign called "[Amar o Mar](#)" (Love the Sea) was also held, whereby the participants answered questions about the impact of human action on the seas and oceans and could win free entries to the Lisbon Oceanarium and bottles of the [ECO Water](#), among other prizes.

On the day of the event, Pingo Doce also distributed over 3,000 Golden apples from the Beiras region to the participants. Besides food for the cyclists, Pingo Doce also offered the registration to 78 employees, customers and charities. The amount invested was around 120,000 euros, including communication costs.

Pingo Doce and CUF (José de Mello Saúde) rolled out a programme in Portugal to raise awareness about excess salt intake: "[Menos Sal Portugal](#)" (Less Salt Portugal). As part of this initiative, a scientific study, unprecedented in Portugal, was carried out, seeking to thoroughly assess the population and measure their salt intake and its direct consequences on their health. Over the course of 12 weeks, 311 volunteers participated in a project aimed at educating people to lower their salt intake and to adopt a healthier lifestyle, where the participants were monitored by nutritionists and other healthcare professionals. The ReEducar (Re-Educating for a Healthy Diet) study was devised to obtain scientific data that would make it possible to evaluate how a lower salt intake, along with adopting healthy lifestyles, enables blood pressure and the risk of cardiovascular disease to be lowered, decreasing the probability of a heart attack or a stroke. The volunteers who completed the programme showed what were considered to be significant improvements regarding lower blood pressure, just by reducing the salt intake in their diet and through healthier habits.

In this regard, Maionese Com Baixo Teor de Sal Pingo Doce (Pingo Doce Low Salt Mayonnaise) was rolled out, which is a product that was also used as a symbol of the Company's fight against excessive salt intake from fast-moving consumer goods, among the Portuguese. This product contains 80% less salt compared to the average on the market (August 2019), due to the properties of the Bela-Luz thyme, an aromatic herb endemic to the Iberian Peninsula, which gives flavour and replaces the need for the usual quantities of salt. The infusion from this plant is produced organically by CERCICA – Cooperativa para a Educação e Reabilitação de Cidadãos Inadaptados de Cascais (Cascais Cooperative for the Education and Rehabilitation of Citizens with Special Needs), a charity with the mission of promoting the inclusion of citizens with special needs in their Social Farming project. Over 13,500 units of this product were sold between October and December.

Promoting literature and reading habits

Promoting and publicising children's literature have been one of the Group's priorities within the scope of democratizing the access to knowledge and of promoting a critical spirit and creativity among younger generations. Along with the strategy for selling books at prices that are accessible, Pingo Doce and Biedronka have been promoting and publicising children's literature competitions that promote the emergence of new authors and illustrators.

⁷¹ Corrected figures compared to 2018.

International Children's Rights Day set the theme for handing over the Pingo Doce Children's Literature Prize. Its 6th edition saw 1,350 entries in the text phase and 298 in the illustration phase.

Pingo Doce also reinforced its commitment to encourage reading habits among younger people, through initiatives complementing the prize:

- the "Bando do Bosque" campaign, starring a group of soft toy animals and a children's book with the same characters, were offered to customers in exchange for their purchases, promoted the importance of reading habits to develop children's cognitive and social skills. In partnership with the Portuguese National Reading Plan, for each book delivered, 0.50 euros went to projects whose main goal is to consolidate and enrich regular reading habits and in-family reading practices in Pre-School and Primary School Education, through the projects "Leitura em Vai e Vem" (Reading Back and Forth) and "Já Sei Ler" (I Can Read Now), respectively. The amount collected allowed us to distribute backpacks to over 200,000 children;
- the campaign "Ler Leva-nos Mais Longe" (Reading Takes us Further) entailed 36 traditional children's stories in six volumes, aimed at encouraging children to read every day. For every book delivered, 0.10 euros was given towards building a study room with a library in Casa Acreditar in Lisbon, where children and youngsters from IPO (Portuguese Oncology Institute) will have classes and study sessions, in an investment of more than 98,000 euros;
- Over 13,000 children's books were also given to more than 2,000 school libraries, each of them receiving the six books that were winners of the Pingo Doce Children's Literature Prize.

Now in its 5th edition, the Piorko 2019 – Biedronka's Children's Literature Prize – registered around 3,200 works entering the text phase of the competition and over 1,100 works in the illustration phase. These figures represent an increase of 45% in the number of entries, which proves the importance the initiative has been gaining in Polish society, as an opportunity to launch new talent.

The winners of each phase of the prize, both in Poland and in Portugal, receive 25,000 euros besides being guaranteed the publication and exclusive sale of the winning book in Biedronka and Pingo Doce stores. Since the initiative was launched, the number of winning books sold has amounted to over 118,000 in Portugal and more than 212,000 in Poland. The total sum invested in prizes to authors and illustrators has already amounted to around 550,000 euros. The 2019 edition of Piorko was also organised under the patronage of the Children's Ombudsman in Poland.

Another activity regarding this topic was the 2nd edition of the contest Szkolne Przygody Gangu Słodziaków (The Sweeties Gang's School Adventures) aimed at primary schools throughout the country, with the objective of encouraging daily reading habits and environmental protection behaviour. Involving an investment of more than 290,000 euros, 100,000 students from more than 14,800 schools got involved in the contest with the challenge of organising the celebrations of Reading Day and of creating an adventure story that would include the characters from the Sweeties Gang. The winning schools received books for their libraries, while teaching materials were also offered to the teachers to stimulate reading, interpretation and critical thinking. Furthermore, over 500 trees were planted through schools as part of the competition.

Biedronka once again joined Gutek Film, which manages the cinema in Muranow, for the screening of 12 films at very accessible prices, in order to encompass children and seniors with limited access to cultural activities. The elderly participants also had the opportunity to meet journalists, writers, translators and film directors. 2,600 people participated in the cinema sessions, involving an investment of over 11,000 euros. The three editions of this project gave a total of 7,700 people the opportunity to see Polish and international films.

Ara also linked the campaign Amigos del Bosque (Friends of the Forest) to promoting reading habits among Colombian children, having offered over 15,500 books within the scope of the following initiatives:

- besides the around 9,000 books offered under the Ara Madrina programme, Ara offered 1,600 books to deprived children (supported by the ICBF) from rural areas such as Arauca, La Guajira and Putumayo;
- 1,300 books were offered to children supported by Aldeas Infantiles;
- schools with limited financial resources in the cities of Pereira, Armenia and Manizales received over 2,600 books;
- also children from vulnerable communities in the north zone of Colombia received more than 3,600 books.

Promoting Social Inclusion and Entrepreneurship

Between 2017-2019 support was given to the programme “Connect to Success”, developed by FLAD (Luso-American Development Foundation) and by the US Embassy in Portugal, contributing to three projects from Portuguese female business entrepreneurs, needing mentoring to develop their businesses. These women benefited from monthly consultancy from several Group employees in Portugal.

The partnership with Associação Girl Move, that has been in place since 2016, was also maintained. This association has the mission of training Mozambican girls and women so that they can become agents for social, economic and political development in their communities, fighting and reversing cycles of poverty through education. During the month they spend in the Group, each “Girl Mover” is assigned a mentor, so that each young woman is given the right tools to return to Mozambique with a different vision of the future and more prepared to contribute with the knowledge acquired for the development of their country.

In 2019, four young Mozambican women had the opportunity to do an internship in the areas of Marketing, Quality and Food Safety and also at Seaculture. Over the course of the four editions, the Group has enabled 11 “Girl Movers” from the areas of Agricultural Engineering, Food Control and Quality, and Marketing Management, among others, to further their technical skills, so that they are better able to face the challenges of the Mozambican job market and put their talent at the service of that country.

In partnership since 2011, Biedronka is the main sponsor of the Nadzieja Na Mundial (Hope for Mundial) association since 2018, who works to support the development of children in institutions, helping them to socialise through sport.

The organisation promotes football tournaments for children and young people from Poland, Europe and the rest of the world in different competitions. Besides over 174,000 euros in financial support, which covers the logistics linked to the Polish and European championships (or the world championship, depending on the year), Biedronka offered fruit and water to over 670 children who participated in the different championships, as well as prizes for the best goalkeeper and the best striker.

Within the scope of the Akademia Młodych Orłów (Young Eagles Academy) project, which began in 2014 in partnership with the Polish Football Association, and which aims to develop the abilities of children (aged 6 to 11) from financially deprived families of 28 Polish cities, Biedronka granted financial support amounting to more than 232,000 euros. 2,500 more children than in the 2018/2019 season were able to attend the training sessions of their respective levels.

8. Being a Benchmark Employer

8.1. Our People

There are more than 115 thousand of us who contribute – through our work, dedication and expertise – towards the sustained development of the Group's businesses.

We seek to maintain the levels of commitment, engagement and motivation of our employees every day, by creating opportunities for training and development, and promoting social responsibility programmes in the health, education and well-being areas, that help improve the quality of life of our people and their families.

We invest in the diversity of skills and profiles, from programmes for attracting young talent to senior profile recruitment. This positioning allows us not only to attract the best talent in highly competitive job markets, but to also to meet the demands and challenges of our businesses.

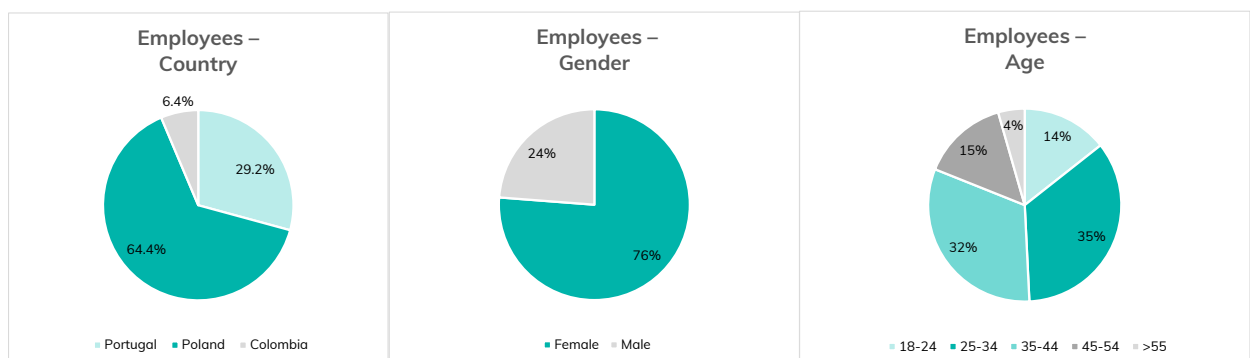
At the same time, we also continued to create labour inclusion opportunities for those who are in disadvantage when it comes to accessing the job market, such as people with disabilities, migrants and refugees or those at social risk.

We created 6,868 jobs, representing a net increase of 6.3% compared to 2018, and we also provided 757 on-the-job internships in the different Group Companies.

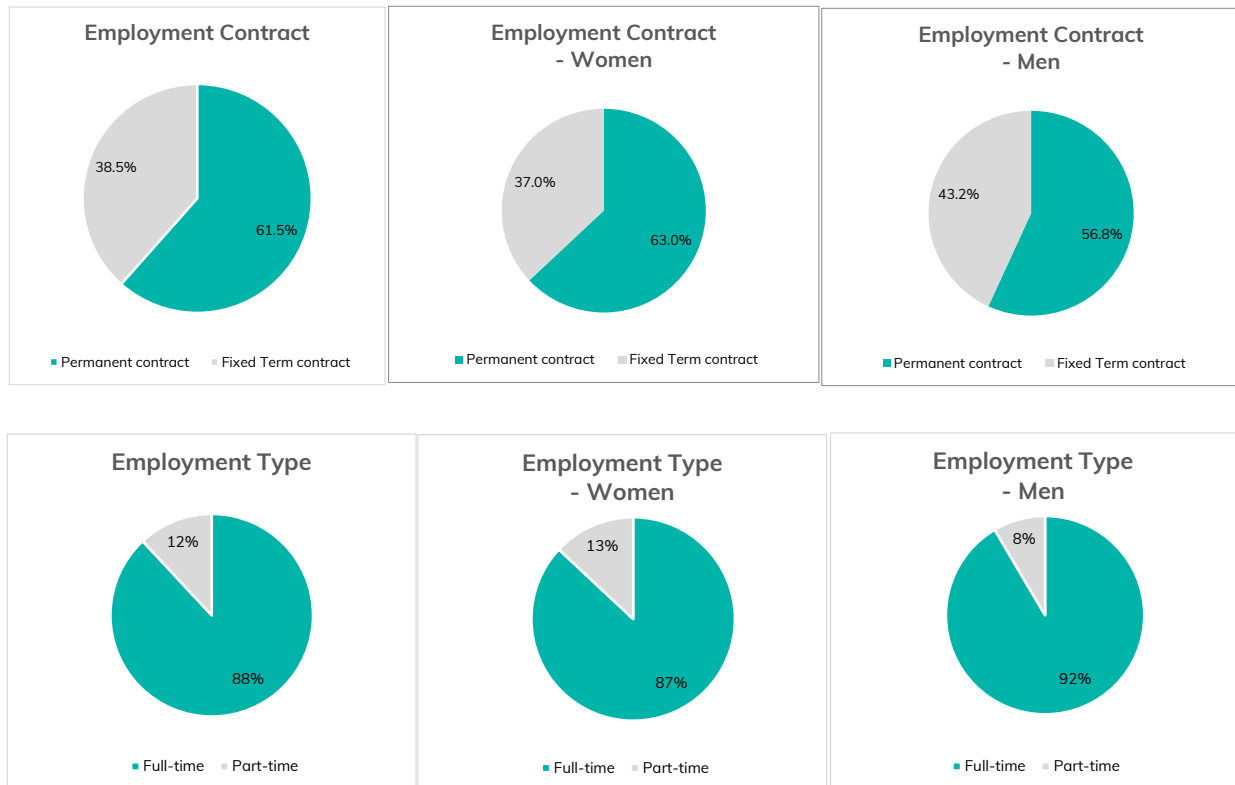
At the end of 2019, the Jerónimo Martins team had the following breakdown by country:

	2019		
	Gender		Total
	Women	Men	
Total number of employees	87,977	27,451	115,428
Portugal	22,269	11,474	33,743
Poland	62,064	12,278	74,342
Colombia	3,644	3,699	7,343

As regards management positions, 67% are occupied by women.



61,5% of the Group's employees are permanent members of staff, and 88% work full-time.



The Group's overall turnover rate⁷² was 30%.

8.2. Principles and Values

We conduct our businesses in accordance with the values and principles of transparency and integrity with the various stakeholders we engage with: employees, customers, suppliers and investors, among others. These principles and values, which are part of our Code of Conduct, guide the actions of all employees in the performance of their duties, regardless of their position, role or the country in which they work. This Code is disclosed on the organisation's various internal communication channels.

New employees receive a hard copy of the Code of Conduct and are provided training on the document and the respective guidelines during the onboarding process at the Group. During the year we also held other training initiatives that covered topics related to the Code of Conduct. In 2019, an estimated 16 thousand hours of training were provided on the Code of Conduct to more than 37 thousand Group employees.

The Ethics Committee is the body responsible for impartially and independently monitoring disclosure of and compliance with the Jerónimo Martins Group's Code of Conduct, and an email address is provided to report possible irregularities. In line with the various departments and to safeguard the confidentiality of contacts received, all reports are analysed and investigated, after which action plans are defined with deadlines for implementation.

More information about the Code of Conduct and Ethics Committee is available at www.jeronimomartins.com.

⁷² The turnover rate corresponds to the ratio between exits during 2019 and the total number of employees at the end of the period.

8.2.1. Respect for Human and Workers' Rights

The Group complies with the national and international laws of the different countries where we do business, namely the guidelines of the United Nations Organization and the International Labour Organization, which promote the value placed on diversity, the right to fair remuneration, the right to a safe and healthy environment, the right to privacy and personal/family life, and the right to rest, among others.

Both during the recruitment and selection processes, and regarding professional development and performance appraisals, we prohibit any direct or indirect discriminatory practice or harassment and foster a culture of fairness and meritocracy.

Within the scope of the Group's efforts in terms of equality and non-discrimination, and in accordance with Portuguese law, we disclosed our Gender Equality Plan for 2020.

We ensure the right to freedom of association, trade union activity, the right to collective bargaining which, for now and in Portugal, encompasses more than 90% of employees in this country.

We also prevent the risks of child labour and forced labour within the scope of our activities. The rights of indigenous people are also in no way undermined by the activity of our Companies.

8.3. Talent Attraction, Development and Retention

Low unemployment rates, global opportunities and the challenges inherent in technological and digital development make labour markets especially complex and challenging in terms of attracting and retaining talent. In this sense, the Group has been reinforcing its EVP - Employer Value Proposition, taking into consideration the experience of the candidate and the employee in a long-term journey, involving teams and leaders.

8.3.1. Recruitment

During last year, we recruited 41 thousand external people for the Group's different areas and businesses and expanded the range of communication channels for potential candidates and employees.

Social network [LinkedIn](#) plays an important role in helping us attract talent by both advertising existing opportunities and reinforcing the Group's positioning as a benchmark employer. By the end of 2019, this network had more than 183 thousand followers. We also increased our investment in the showcase page [Young Talent Jerónimo Martins](#), targeted at university students and which, at the end of 2019, had 10,245 followers.

We created the Global Onboarding Policy, an important tool in the induction and integration of new employees and to help employees adapt to new roles in the Group. This Policy reinforces the nature of diversity, inclusion and non-discrimination practices already implemented in the Group.

In Portugal, and to better meet the increasing demand for convenient food solutions, we established partnerships with hospitality schools to recruit staff for the Pingo Doce Central Kitchens and Restaurants.

In Poland, a Recruitment Call Centre was set up for Biedronka's operations to make the application process more agile, simpler and faster. As a result of the investment, Biedronka received the Solid Employer 2019 award. Biedronka's recruitment campaigns were also recognised by daily business and economic newspaper *Puls Biznesu*.

8.3.2. Young Talent Programmes

We launched a new edition of the Management Trainee Programme, the Group's main programme for attracting young talent and preparing future leaders through a combination of training, learning and on-the-job experience. In 2019, we recruited 45 Management Trainees from among the nearly 6,500 applications received, in Portugal, Poland and Colombia.

We continued to invest in the Campus Ambassador Programme, through which we work with university students - Jerónimo Martins Ambassadors – who publicise the young talent programmes and share the Group's values and culture at their respective universities, receiving in return, opportunities for personal development and knowledge about the world of retail. In the 2018/2019 academic year, we had 24 of these ambassadors in Portugal, 20 in Poland and six in Colombia, which held its first edition of the programme.

Launched in 2009, the Student Internship Programme, held during summertime, is one of the most sought-after programmes by students. In 2019, we welcomed 60 students in Portugal, 22 in Poland and 26 in Colombia, who learned from and worked with our teams on specific projects. With more than 390 students participating in the programme since its inception, it has been a fundamental part of the Jerónimo Martins brand strategy for attracting young talent.

Additionally, several of our Companies also have summer internships included in their operations. In Portugal, Pingo Doce and Recheio welcomed 26 and 125 young students, respectively. In Poland, the summer internship "Fruitful Vacations" programme gave 100 students the opportunity to gain professional experience in the Human Resources, Logistics, Supply Chain and Operations departments at Biedronka's regional offices.

To bridge the gap between academia and the retail business, we continued to support the Bachelor's and Master's degrees in Business Management at ESTGA – Águeda School of Technology and Commercial Management, of the University of Aveiro. Through this partnership, besides the investment and the allocation of 15 scholarships, we also arrange visits to our Operations and offer internships.

From among our partnerships in the university world, of note is the fourth edition of the JM Academic Thesis programme, with 7 Master's and Doctoral theses written on topics identified by our Companies and business areas, maintaining the Organisation's close cooperation with the academic world and promoting innovation.

In Colombia, SENA – Servicio Nacional de Aprendizaje – stipulated an internship quota aimed at promoting the development of skills and employment opportunities for students. In 2019, Ara welcomed 412 interns under this programme.

We also established a partnership with one of the official Government employment agencies in Colombia to hire 20 young people, offering them their first job.

8.3.3. Programmes for Inclusion in the Job Market

The goal of the "Incluir" (Include) programme, is to create job opportunities for vulnerable people and for those who have difficulty accessing the job market, such as migrants and refugees, people at risk and the disabled. In 2019, we welcomed 110 people for practical on-the-job training, of which 88 were hired by the Companies in Portugal.

We continued with the around 40 partnerships in place with institutions and organisations specialising in different areas of social inclusion, receiving candidates from all types of disability, such as the Casa Pia Resource Centre in Lisbon, dedicated to deaf people, Associação Salvador, which supports people with reduced mobility, Fundação LIGA, APSA - Associação Portuguesa de Síndrome de Asperger (Portuguese Asperger's Syndrome Association), CERCICA - Cooperativa para a Educação e

Reabilitação de Cidadãos Inadaptados de Cascais (Cooperative for the Education and Rehabilitation of Inadapted Citizens of Cascais), among others.

In Portugal, in the scope of the inclusion programmes targeted for migrants and refugees, we also financed Portuguese language classes for migrants and refugees, together with the Lisbon Project, a non-profit organisation whose mission is to integrate and protect the lives of migrants and refugees in the city.

We also supported the Work Up project, developed in partnership with JRS – Jesuit Refugee Service, which helped build the professional capacity of refugees and migrants through on-the-job experience.

In 2019, we highlight the 2nd edition of Project Search, a programme in partnership with non-profit organisation Cooperativa Focus, which helps young adults with special needs in the transition process towards a working life. Over the course of 10 months, the programme welcomed 10 interns at hypermarket Pingo Doce and at the Recheio Store in Braga. Also of note is that we provided training to 85 people with disabilities and hired an additional 31 disabled people.

In supporting people at risk, we highlight the partnership with the Arco Maior institution, through which we welcome young people excluded from the formal education system, providing them with opportunities to approach the labour market. In Poland, we have maintained the integration of employees from Eastern European countries, particularly Ukraine, supporting their legalisation and living conditions.

8.3.4. Performance Management

We believe that mapping and managing internal talent are key to the sustainability and growth of our businesses. In 2019, we strengthened our overall approach, systematised the methodology adopted for our management, making it more agile when it comes to engaging the main business stakeholders, who are responsible for directly managing our people. Development needs were identified in line with the requirements of the various businesses, and the succession for key positions, thus ensuring the link between the business strategy and the development of our teams.

Our Performance Policy aims at the sustained improvement of employee performance, by aligning individual contributions with the strategic goals of each Company. We therefore endeavour to encourage a merit and results-based culture, promoting the importance of regular feedback hand-in-hand with professional growth. To this end, Performance Appraisal establishes a direct link to other Human Resources processes, in particular, talent management and remuneration policies.

The performance appraisal cycle is a dynamic process and one of continuous management which, throughout the year, entails different periods of assessment, such as defining goals, self-assessment and sharing feedback. For employees, it is important to reflect on their performance, ambitions and development needs, essential to manage expectations. For leadership, it is essential to identify the strengths and the axes of improvement of each employee, challenging them to grow.

All employees in the various Group companies are encompassed by the Performance Management Cycle.

8.3.5. Internal Mobility

Internal mobility is one of the most important tools for the development of our employees. There are three specific approaches to this type of development:

- Career Mobility, which occurs through promotion (vertical mobility) or diversification (horizontal mobility). These typologies are very important to employees as they represent recognition of their work and the value of their professional experience. In 2019, 13,663 employees were promoted, corresponding to a 14% increase compared to 2018;

- Internal recruitment to fill available places, which allows our employees to diversify their career paths and build on their skills;
- International Mobility, as a driving force of our culture and values, is a way to strategically align the needs of a growing business with developing employee competencies. At the end of 2019, 46 employees were in a situation of international mobility.

The investment in the development of our people and in opportunities for professional growth is reflected in a total of 59,605 employees having changed jobs, workplace or company within the Group.

8.3.6. Training

Given the importance of training to the development of our people and, consequently, to the growth of our business, in 2019 the Group provided more than 4.5 million training hours in the countries where it operates, an average of 39 hours per employee, distributed across more than 79 thousand training courses.

	Training Volume*			Training hours per employee			Total no. of training courses		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Group	4,630,703	4,537,030	4,508,901	44	42	39	63,478	66,311	79,646
Portugal	1,284,913	1,545,408	1,611,904	41	48	48	38,589	41,668	44,294
Poland	2,742,952	2,463,308	2,269,550	40	35	31	23,990	23,023	31,863
Colombia	602,839	528,315	627,447	135	94	85	899	1,620	3,536

*Training volume = No. training hours x No. participants in training

In Poland, 2019 was marked by the completion of the last modules of a three-year course for store managers, which explains the decrease in training hours per employee in this country.

Group

We implemented a programme for the Group's managers to improve their leadership, individual management and team management skills. This training was provided by the Center for Creative Leadership (CCL) and, by the end of 2019, 14% of our managers had attended this training, which included cross-cutting methodologies, such as 360° assessment, personalised coaching sessions and accelerated learning processes, peer-to-peer training groups and classroom training sessions. Other leadership programmes were designed locally focusing on more specific skills, such as Strategic Thinking, Effective Communication, Emotional Intelligence, Thinking out of the Box and other skills.

Other training initiatives were also designed to continue addressing the needs of managers and business requirements, such as:

- Negotiation for Value Creation and Action Learning – Booster, both created in partnership with the IMD Business School, focusing on the negotiation skills of employees from sales areas. These two programmes were attended by 24 participants;
- The 7th edition of the Strategic Management Programme, created as a result of a partnership between Universidade Católica Portuguesa and the Kellogg School of Management, in Chicago, attended by 38 participants from the three countries who were given the opportunity to learn about new management concepts and the latest global trends.
- The Digital Executive Education Programme (DEEP), designed to develop the different aspects of digital transformation, attended, for the first time, by 26 managers from all the Group Companies. This programme covers the different aspects of the retail business, focusing on tools that can support our managers in decisions with a view to digital transformation.

We also implemented other tailored-made programmes, such as Discovery, an experiential training programme that reinforces leadership skills to accelerate behavioural development. This training took place aboard the Santa Maria Manuela ship, which provided a metaphorical context of the organisational environment to put leadership skills into practice.

We also offered different Executive Programmes at some of the world's most reputable business schools, such as Harvard, INSEAD and the London Business School, attended by 19 of the Group's senior managers.

Portugal

We held the sixth edition of the *Programa Geral de Gestão no Retalho* (General Retail Management Programme). Developed in partnership with Universidade Católica Portuguesa, 28 employees attended the programme, which aimed at developing management skills and promoting a broader vision of the business by creating projects that address real business challenges.

Recheio and Pingo Doce launched two new editions of the *Programa Geral de Gestão de Loja* (PGGL - General Store Management Programme). This strategic programme is aimed at recruiting and training future Perishables managers (Recheio) and deputy store managers (Pingo Doce), offering them, in the medium-term, the opportunity to grow and take on more responsibilities within the Group. The PGGL is open to all Jerónimo Martins Group employees and to external candidates.

Other management and leadership training programmes included:

- The *Programa de Gestão Administrativa do Recheio* (Recheio Administrative Management Programme), encompassing 25 employees;
- The *Programa de Liderança Funcional para os Gerentes de Loja* (Functional Leadership Programme for Store Managers), developed in partnership with *Escola de Fuzileiros da Marinha Portuguesa* (Portuguese Navy's Marine School), which, compared to 2018, was expanded to include training for Distribution Centre and Logistics Supervisors. More than 150 managers/supervisors attended this programme.

Escola de Formação (Training School) launched a new SAT (Smile, Ask, Thank) service model for all employees working at the Pingo Doce stores. During 2019, more than 32 thousand employees received training on the new model, which aims at improving the in-store customer experience.

Given its strategic importance to the Group, training initiatives continue to focus heavily on Perishables, accounting for 41% of the total training volume. To this end, we have a team of 47 trainers at Pingo Doce and six Supervisors at Recheio. In 2019, this team accompanied a total of 9,562 employees in over 580 thousand hours of practical on-the-job training.

Also with regard to Perishables training, the following courses were of note in 2019:

- The first edition of *Academia de Talho* (Butcher's Academy) at Recheio;
- The *Programa Experiência Única* (Unique Experience Programme) at Pingo Doce, aimed at furthering internal knowledge about Ready-to-Eat Meals, Private Brand and the quality of Perishables, which was attended by 101 employees;
- Preparation of Pingo Doce teams to ensure optimal display in the Perishables sections.

The management teams from Jerónimo Martins Agro-Alimentar attended training courses aimed at consolidating internal alignment, team spirit and the development of key competencies for the Company.

Poland

Training also continued to focus on Perishables, especially in the Fruit and Vegetables, Flowers, Bakery, Butcher's and Fish Counter categories. The Biedronka Perishables School saw 9,600 new employees attend training courses during the year.

Most noteworthy are the various courses for category managers and sales teams:

- Programa de Gestão de Categoria Eficaz (Effective Category Management Programme), aimed at preparing employees for the role of Category Manager and which was attended by 37 employees;
- The Negotiating Programme, with two tiers: Basic (for those starting out in the Category Manager role and for promising experts) and Advanced (for employees with greater seniority), attended by 28 participants;
- Courses for the sales teams held at the Management Academy for Sales and Operations Management and for Perishable Sales Managers, which, in 2019, were attended by 140 and 109 participants, respectively.

We also held the fifth edition of the General Management Programme, in partnership with the Kozminski University, a one-year intensive training programme that aims at furthering knowledge in several technical fields, such as marketing, finance, logistics and other areas. This was attended by 25 participants, both managers and senior managers.

The Biedronkowa Akademia Zarządzania (Biedronka Management Academy) was reopened offering programmes dedicated to the development of leadership and team management skills and achieving results with store management. The academy was attended by 965 store managers and deputy managers.

The year was also marked by implementation of the SAP system at Biedronka stores, a strategic decision aimed at improving operational efficiency. In this regard, 3,320 employees received SAP training, allowing nearly 800 stores to benefit from this digital solution.

The Biedronka Virtual School also continued to offer online training solutions, thus reaching a larger number of employees. Nearly 5,000 people were able to access online content.

The Hebe Business School design the new training model implemented at Hebe stores, offering 234 new training courses for the Company's operations. The courses are designed for the various roles, from consultants to store managers.

Colombia

We created new training courses for our Retail School in order to ensure continuity of business knowledge and to include a larger number of employees.

One example is the new digital programme dedicated to Retail-related content, designed in partnership with EClass Chile, and which was attended by employees from Colombia and Portugal. In addition to this programme, we also held the *Programa Introdutório à Gestão* e o *Programa Geral de Gestão* (Introduction to Management and General Management programmes), which were attended by 73 employees.

We also rolled out the *Crece con Ara* (Growth with Ara) e-learning platform, significantly increasing access to training courses. 46 courses were designed for this platform in areas as diverse as quality, audits, stock management, soft skills and other areas.

8.4. Remuneration

Aware that remuneration is a determining factor for attracting, motivating and retaining talent, we seek to adopt competitive and balanced policies which reflect our values and foster a culture of meritocracy, recognising individual and collective performance.

Our remuneration policy is, thus, built on two key components:

- basic pay, reinforced in 2019 with policies that recognise the dedication of the employees who remain with us, as well as their performance and professionalism;
- variable pay, which aims to reinforce a performance-oriented culture, in line with the business strategy of each of the Companies, as well as the individual needs of our employees. We have continuously reinforced the role of variable remuneration, recognizing performance across all hierarchical levels of the organization. In 2019, the total sum of performance bonuses was 137 million euros, an increase of 24% over the previous year.

To continually diversify the skills and profiles of our people and the equal access to opportunities based on merit, we remain commitment with fair remuneration practices. In 2019, our gender gap ratio was 91%⁷³. We will, therefore, continue to develop policies that promote and ensure non-discrimination based on gender or any other criteria.

8.5. Employee Engagement

8.5.1. Internal Social Responsibility

The Internal Social Responsibility area continues to actively contribute to the continuous improvement of the quality of life of employees and their families. Based on three strategic pillars – Health, Education and Family Well-Being – the various programmes that have been implemented in Portugal and in Poland represent a total investment of 20 million euros⁷⁴.

All measures developed by Internal Social Responsibility (ISR) are communicated to employees through internal communication channels. During 2019, we took the first steps towards creating an ISR area in Colombia, and will start implementing programmes for employees in 2020. In Portugal this area celebrated its 10th anniversary, promoting special initiatives for both the employees and their families.

Health

Health is the area with the biggest investment and in which we develop programmes that seek to complement and, in some cases, provide an answer to the lack of public services offer in the countries where we operate.

The Group has also been focusing on encouraging healthier lifestyles and on designing health prevention initiatives. In 2019, we invested over 1.7 million euros in measures linked to Health.

Portugal

Launched in 2012, the SOS Dentist Programme was developed to help our employees with oral health problems, but who lack the financial capacity to solve them. In 2019, 3,587 employees managed to complete their treatments. The oral health of our employees' children was also a priority in our strategy and, through the SOS Junior Dentist programme, 45 children and adolescents, between the ages of 7 and 17, completed their treatments.

⁷³ This indicator gauges the salary difference between women and men within the universe of Jerónimo Martins employees, based on comparable realities. It is expressed considering women's average salary as a percentage of men's average salary, being 100% the pay ratio that represents full equality among genders.

⁷⁴ In Poland, 99% of the amount invested in these programmes was supported by the Social Fund, provided for under local law and which stipulates a per capita amount to be allocated to employees by companies.

The Mais Vida (More Life) programme, a partnership with the Champalimaud Foundation and with the Portuguese Red Cross, aims to support and ensure response to cases of oncological disease. Within the scope of this programme and during 2019, we accompanied 42 employees and their family members through second opinion consultations, transport for treatment and home care and psychological support.

Under the *Programa Psicologia Infantil e Juvenil* (Child and Youth Psychology Programme), we offered psychology appointments to the employees' children up to the age of 18 who are still part of the household, by offering specialised professional follow-up. In 2019, we supported 198 children and/or young people.

The protocol with the Lusíadas Group, which allows access to specialty appointments at more competitive prices, was extended to retired employees and to the employees' parents.

Poland

Through the *Razem Zadbajmy o Zdrowie* (Let's Take Care of our Health Together) programme, employees were given the opportunity to have free check-ups and screenings, follow an educational programme and participate in sports activities. We also expanded the range of free medical examinations, such as a thyroid ultrasound for our female employees and a testicular ultrasound for our male employees. In 2019, 3,671 employees benefited from this programme.

The *Mali Bohaterowie* (Little Heroes) programme aims at supporting employees whose children suffer from serious health problems and are incapacitated. Support is provided in two ways: by providing financial aid for purchasing medicines, medical services, personal care products and rehabilitation equipment; and by participating in available rehabilitation camps, depending on their pathologies – autism, physical disability and acute respiratory problems. In 2019, the Group helped 188 employees' sons under this programme.

To promote health and healthy lifestyles, we organised several sports activities. We maintained the men's football championship and the women's volleyball championship, in which more than 800 employees participated. Employees also have access to multiple activities and to over 4,000 gyms and sports facilities across the country, through the Karta Multisport (Multisports Card). About 13 thousand employees benefited from this pre-paid card in 2019.

Education

Support for education is one of the ISR's strategic pillars and is crucial to improving the quality of life of employees and their families in the short, medium and long-term. Besides the family support programmes implemented both in Portugal and in Poland, an ongoing study is being conducted on the reality of these two countries to identify employee needs and, consequently, the Group's most effective response. In 2019, around 1.8 million euros were invested in this strategic pillar.

Portugal

We once again attributed 87 annual scholarships to employees and employees' children who wanted to start or complete a Bachelor's degree but who did not have access to state scholarships. We included 10 Master's scholarships for employees and employees' children who wanted to further their studies.

As part of our Back-to-School programme, and in addition to offering a School Kit to all 1,157 children of employees who started primary school, we also offered 15 thousand discount vouchers for school supplies to children up to the age of 12, amounting to more than 156 thousand euros. This programme also includes the allocation of free textbooks to large families with low incomes.

The Jerónimo Martins holiday camps, besides offering leisure activities, also promote educational initiatives. More than 1,700 children participated in the holiday camps, on a residential and non-residential basis, over Easter and in the summer. In 2019, we implemented new initiatives: the

international holiday camp, in Switzerland, in which 25 young people participated, the Madeira holiday camp (57 participants) and the volunteering holiday camp, a special project that allowed 25 children of employees to actively take part in the construction of a house for an underprivileged family and in other charity activities, such as beach clean ups, activities with the elderly and the disabled, among other activities.

Also of note is the *Aprende e Evoluir* (Learn and Grow) programme which, since 2007 and currently under the state-run *Qualifica* (Qualify) programme, allows our employees to complete the 9th or 12th grade while working, thus helping to increase their self-worth and contributing to their personal and professional development. In 2019, more than 2,700 employees made progress in their education.

Poland

A school kit was offered to all the children of employees who started school. The *Do Szkoły z Biedronką/Hebe* (Back to School with Biedronka/Hebe) programme provides financial support to employees with school-age children and a low income, through a pre-paid card. In 2019, we offered nearly 3,000 school kits and provided pre-paid cards to 6,812 children.

In Poland, the holiday camps are for children from low income families. The *Wakacje z Biedronką/Hebe* (Holidays with Biedronka/Hebe) programme promotes various vocational activities to develop creativity and broaden the interests of children between the ages of 8 and 13. For the older children of our employees, between the ages of 14 and 17, the *Hello Biedronka/Hebe* programme offers a two-week holiday camp where participants attend an English language course taught by native teachers. More than 1,260 children benefited from these holiday camps in Poland.

Family Well-Being

Creating programmes that improve the personal and family well-being of our employees is very important to the Jerónimo Martins Group. As such, we invested 16.5 million euros in what is the third strategic pillar of ISR.

Several initiatives have been implemented to celebrate important moments in the lives of employees and their families, particularly Christmas. In 2019, we offered more than 78 thousand presents to the children of our employees, up to the age of 12.

Portugal

We kept the Social Emergency Fund in place for employees who find themselves in a social emergency situation for different reasons: family, economic, social, professional and other situations. This work is carried out by a team of social workers who make a prior diagnosis of the family, economic, social, professional and educational situation of the employees who need support, aiming to draw up intervention plans that are in line with the households' needs. The intervention entails measures put forward by the Group or which involve joint referral to community and social institutions. In 2019, we supported 971 employees, corresponding to a total investment of more than 930 thousand euros.

With regard to the social problem of domestic violence, we conducted a social study on domestic violence, characterising the profile of employees who are victims of domestic violence and identifying support mechanisms for them. We are currently designing a policy and action plan to intervene in domestic violence cases in the Jerónimo Martins Group.

To celebrate Children's Day, 13,597 children up to the age of 12 received an age-appropriate educational gift.

In 2019, we offered over 1,000 Baby Kits in Portugal and increased their value to 150 euros, a measure aimed at increasing the financial support provided to families who are at a stage in their lives that involves significant expenses.

Poland

Through the *Możesz Liczyć na Biedronkę* (Count on Biedronka) programme, we supported employees in financial difficulties or who have been affected by natural disasters such as fires and floods. In 2019, we supported more than 5,100 employees.

During the Christmas season, Biedronka offered pre-paid cards to 65,529 employees and gave 63,600 presents to their children (up to the age of 18).

To celebrate Children's Day, along with offering over 40 thousand presents to children up to the age of 12, we also ran educational campaigns on children's oral health for children and parents.

We reinforced the *Narodziny z Biedronką* programme, which offers Baby Kits to employees, by including other items. We supported 4,386 employees during 2019.

8.5.2. Internal Communication

Aware of its priority in our people management model, we communicate to all levels of the organisation to anticipate, engage and motivate our employees.

Using new technologies has helped increase proximity, clarity and transparency in information. That is why we continue to invest in the Workplace Going Digital project, which focuses on the implementation of more efficient and collaborative tools.

The *Por Nós* (For Us) and *Dla Nas* digital channels are also of note, which are designed exclusively for the employees of the different Group Companies, in Portugal and Poland, respectively, and where all information on Internal Social Responsibility can be found.

The bimonthly magazine “A Nossa Gente” (Our People), dedicated to the Group's operations in Portugal (with a print-run of 15,000 copies), and the “Razem w JM” magazine, in Poland (print-run of 32,500 copies), are increasingly focused on the daily lives of our employees, their interests and different circumstances.

In Colombia, the digital radio “Hablando Naranja” reaches more than 6 thousand employees from all the stores in the different regions of the country, sharing the most relevant information and business objectives. It is a means of communication that contributes to solidifying the organization's culture by increasing employees' sense of belonging and commitment.

8.5.3. Employee Assistance Services

Consolidated over almost a decade in Portugal and in Poland, and operating in Colombia going on two years, Employee Assistance Services give all our people access to a privileged, confidential, independent and impartial channel of communication.

We ensure that there is a centralised platform to address labour issues, complaints and requests for social support through Employee Assistance Services, and ensure that employees receive fast and efficient responses.

We, therefore, endeavour to maintain healthy working environments and greater employee engagement with the Group.

With the mission of facilitating communication and being a real-time early warning mechanism for the Companies, Employee Assistance Services ensure that employees are safeguarded every day against any retaliation or loss of rights. In 2019, we received the following contacts:

	Employee Assistance Services	
	No. of Contacts/Procedures Initiated	% of Procedures Concluded
Portugal	20,963	99%
Poland	*8,975	96%
Colombia	9,382	89%

*Not including contacts related to payroll/administrative issues and requests for Social Fund support.

In Poland, the Anti-Mobbing and Sexual Harassment Committee aims at resolving complaints of this nature.

Also in Colombia, in accordance with the applicable legislation, the Committee for Labour Coexistence continued to receive and resolve employees' complaints, including cases of possible discrimination.

8.5.4. Organisational Climate Surveys

Measuring the levels of engagement, commitment and motivation of employees and how the Group meets their expectations are key factors to fostering a healthy organisational climate in the short, medium and long-term.

As such, and in accordance with the Employees Opinion Policy disclosed in 2018, our organisational climate survey studies are based on a bi-annual cycle, where the Global Survey is conducted for all employees in the Companies in the first year and, in the second, the Pulse Survey is conducted locally by the Companies to a sample of employees to assess specific areas. These surveys are, therefore, effective yardsticks for assessing internal policies, which may indicate the need to implement important measures for the entire organisation.

In September 2019, we launched the first Global Survey simultaneously conducted for all employees from our three countries. Divided into 12 assessment aspects in line with the Group's strategy, we received 86,634 responses to the survey, corresponding to a 92% participation rate⁷⁵. Such a huge response demonstrates everyone's commitment to sharing their opinion to help build an even better and more prepared Group.

The results reinforce the main challenges the Companies face and also reflect how they manage, support, develop and mobilise their employees. Based on the results and given the specific concerns included in their business strategy, action plans will be drawn up for implementation in 2020, focusing particularly on Communication, Career Development and Rewarding Performance.

The Pulse Surveys will be launched in 2020 using a more tactical and agile approach to enable the levels of employee engagement to be measured, as well as the impact of measures that encourage change.

Defining individual engagement targets in the managers' performance appraisal cycle is one of the corporate measures, implemented in 2017, aimed at focusing on the cooperation and alignment of the teams, reflecting their strategic importance to all Group Companies.

8.6. Health and Safety in the Workplace

The continuous improvement of working conditions is essential to the well-being of employees. That is why we provide safe infrastructures and equipment, implement procedures to improve safety and promote campaigns to prevent behaviours linked to the risks of workplace accidents and occupational diseases.

⁷⁵ Based on employees eligible to participate in the questionnaire. Eligible employees = Total number of employees - (inactive employees + employees with more than 30 days absences + trainees)

Portugal

We continued to focus on prevention and on closer collaboration and engagement with Operations. We accompanied the construction of new infrastructures and the refurbishment of existing ones, always striving to find the best safety and health solutions together with the Technical Department and other functional areas. New machinery and equipment were installed to help improve local working conditions, such as, for example, a fish cutting machine and a machine to cut roast chicken, both with two-handed controls. We also installed better flooring and fish counters with a de-icing system.

Bearing in mind that the majority of workplace accidents occur as a result of risk-taking behaviour, we implemented several initiatives focused on areas with the highest incidence rates, such as short videos to raise the awareness of employees for the safe manual and mechanical handling of loads and safety practices for the Butcher's section. These videos were shared throughout the year to raise the awareness of employees for the need to be more careful when performing their tasks.

At Pingo Doce, a Safety Meeting was held and attended by 200 Security Delegates during which we also kicked off the *Segurança Máxima no Talho e Peixaria* (Maximum Safety at the Butcher's and Fish Counter) programme, aimed at teaching preventive behaviours when handling machinery, cutting tools and good tool hygiene practices, among others.

At Recheio, we implemented the *Segurança em Acção* (Safety in Action) programme to help prepare the internal prevention teams at each workplace, called "*Brigadas da Segurança*" ("Safety Brigades"). These teams also got together for training in the implementation of preventive practices, in particular to:

- brush up on the warm-up exercises they should do at stores every day;
- reiterate the rules associated with the correct handling of loads;
- reinforce how to test store Safety Plans; and
- teach teams how to handle risk situations.

Several initiatives were held at the Distribution Centres to promote health and well-being, in a week dedicated to Health, including check-ups, workshops and some sports activities.

We have also started developing an Occupational Health and Safety Management System for certification according to ISO 45001:2018 (Occupational Health and Safety Management System) for the agribusiness area.

Within the scope of monitoring the Group employees' health, 214 eye tests and 65 hearing tests were performed. We also maintained the nutrition and chiropody programmes, with more than 170 consultations. We also ran another flu vaccination campaign which benefited 446 employees.

Poland

The frequency of workplace accidents was reduced thanks to better preventive behaviours by employees and the implementation of programmes dedicated to preventing the most common causes – Areas of Particular Hazard – such as movement within the store, operating transport cars, handling ovens and cutting objects.

The *Biedronkowa Akademia Zdrowia* (Biedronka Health Academy) holds different initiatives to help prevent occupational disease among employees who work at DC and Central Structures. Periodically, 48 physiotherapists gave training in occupational health and safety, teaching people how to avoid musculoskeletal problems. In the DCs, labour gymnastics exercises are performed prior to carrying out the tasks, and in the offices, employees can receive massages in rooms that are fully equipped for that purpose. Also in this context, employees from the Head Offices can take part in coaching sessions.

Biedronka continues to be the only retail banner in Poland to be certified, since 2016, according to the OHSAS 18001 standard. In 2019, we began the transition to the Occupational Health and Safety Management System according to international standard ISO 45001:2018 (Occupation Health and

Safety Management System) to ensure operating processes are integrated with legal and other requirements related to safety in the workplace.

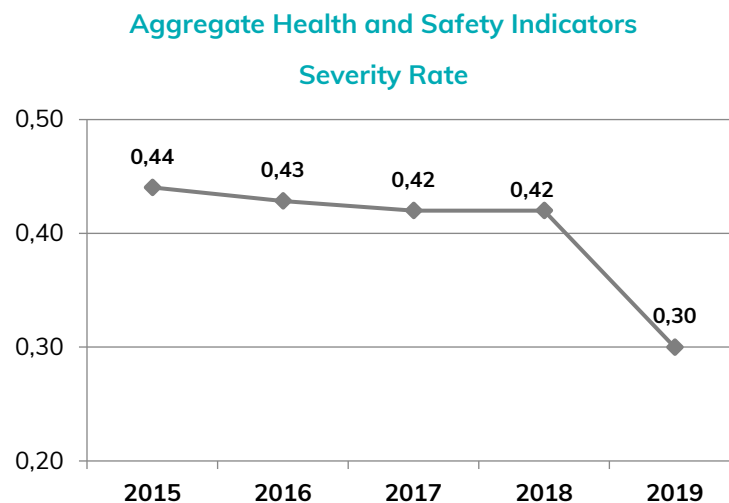
Several events were held at Hebe to promote a culture of safety in the workplace, focusing especially on courses in first aid, fire protection and safety in handling forklifts.

Colombia

The Health and Safety indicators are indicative of a significant improvement in the frequency and severity rates of workplace accidents. Of note is the "Prepare Su Cuerpo" (Get your body ready) programme, which aims at reducing accidents in stores and Distribution Centres, absenteeism as a result of musculoskeletal problems, and to raise awareness of the importance for prevention before, during and after work.

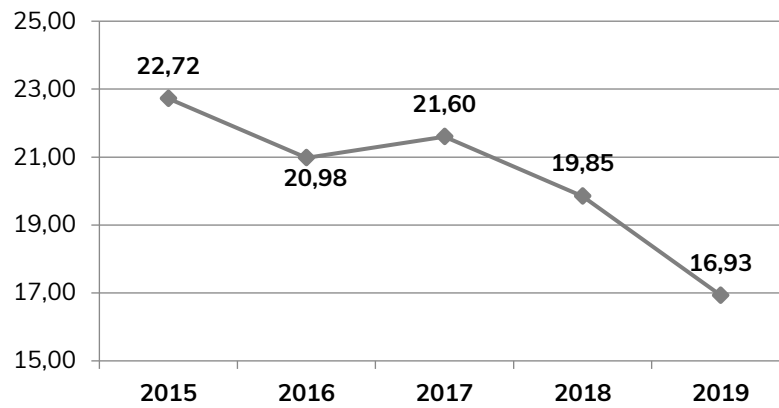
Within the scope of occupational health medical examinations, alcohol and drug tests were performed at several workplaces to prevent the consumption of these substances, increase the safety levels of employees and of others, encourage healthy habits and help employees who are sick.

As in previous years, Ara once again hosted the Health Week, during which it promoted several initiatives, including sharing safety information and road safety simulators that mimic the effect of drugs and alcohol on driving.



Severity Rate = (Total lost days as a result of accidents occurring in the workplace with lost and accepted days by the insurance company / Total Working Hours) x 10³

Frequency Rate



Frequency Rate = (Total number of accidents occurring in the workplace with lost and accepted days by the insurance company + No. of deaths in the workplace) / Total Working Hours x 10⁶

Scope	Training Hours	Emergency drills	Audits
Portugal	14,514	211	594
Poland	37,435	1,564	981
Colombia	17,900	157	97

In addition, 29,899 medical examinations were carried out in Portugal, 85,264 in Poland and 6,963 in Colombia.

9. Commitments for 2018-2020

Action Pillars	Commitments for 2018-2020	Progress
Promoting Good Health through Food	Further improve the nutritional profile of the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.	Achieved. The nutritional reformulations of Private Brand and Perishables products prevented 1,487 tons of sugar, 300 of saturated fat (including the replacement of ingredients for perishables), 90 of fat, and 14 of salt from entering the market.
	Continue to develop programmes promoting the Mediterranean Diet and healthy nutritional habits based on recommendations by local experts, and those raising consumer awareness about reading food labels.	Achieved. At Pingo Doce, we maintained the principles of the Mediterranean Diet in the development of Private Brand products and meals from Meal Solutions and as a differentiating element in communicating with our audiences. The bimonthly magazine "Sabe Bem" (Tastes Good), with an average circulation of 150,000 copies, remained one of the preferred media on this diet, through the publication of recipes that also encourage the use of surplus food and the fight against food waste. We highlight the launch of the book "À Mesa com o Pingo Doce" (Dining with Pingo Doce), with practical recipes in line with the principles of the Mediterranean Diet, and cooking methods that best respond to the current lifestyles of Portuguese consumers, namely regarding the time available for meals at home. The recipes were approved by the Pingo Doce nutrition team and by cookery experts, with more than 750,000 copies distributed to customers. Biedronka introduced a leaflet based on the Healthy Nutrition and Physical Activity for Adults pyramid for Polish consumers, with a print-run of 1.4 million copies, informing about the five food groups – and the proportion with which they should be consumed daily – as well as the maintenance of physical activity, which contribute to a balanced diet. 56 articles were also published in various media, describing the nutritional profiles, the quality of Biedronka's products as well as their health benefits. There were also 61 articles published (60% more than in 2018) through internal channels addressed to employees.
	Increase the number of references of the lactose-free and gluten-free range by 5% per year compared to 2017, in Private Brand products in Portugal and Poland.	Achieved. Globally, the references without lactose and those without gluten increased, compared to 2018, by 24% and 11%, respectively. Compared to 2017, they increased by 53% and 24%, respectively*. Lactose free: • 2017: 30 (15 in Poland and 15 in Portugal); • 2018: 37 (19 in Poland and 18 in Portugal), an increase of 23% compared to 2017; • 2019: 46 (15 in Poland and 31 in Portugal), an increase of 24% compared to 2018 and 53% compared to 2017. Gluten free: • 2017: 688 (102 in Poland and 586 in Portugal); • 2018: 769 (129 in Poland and 640 in Portugal), an increase of 12% compared to 2017; • 2019: 854 (133 in Poland and 721 in Portugal), an increase of 11% compared to 2018 and 24% compared to 2017. *Baselines for 2017 and 2018 values were corrected.
	In Portugal and in Poland, develop food solutions without any animal protein, aimed at consumers with specific dietary needs/preferences.	Achieved. The offer of products for vegans and vegetarians in Poland and Portugal was reinforced with the launch of, respectively, 13 and 7 references in the new Go Vege range. In Portugal, we should also highlight the launch of products aimed at vegetarian consumers, such as Pingo Doce chicken- and beef-style burgers made only

Action Pillars	Commitments for 2018-2020	Progress
		with peas and cereals (not containing soy), as well as chicken-style nuggets also from Pingo Doce.
	In Portugal and in Poland, ensure that products intended for children have a higher nutritional profile than the benchmark.	Achieved. In Portugal, we highlight the Mozzarella Pingo Doce Cheese Sticks with a high content of vitamin B12, calcium and phosphorus, and being a source of vitamin A. Compared to the market, it has 38% less salt compared to the average value of other snack cheeses (November 2018). Also, the Pingo Doce Children's Cereal Balls contain a lower sugar content than that practiced by the benchmark (-3%) and a greater quantity of cereals (+7%). In Poland, three references from the delicatessen category under the Głodniaki brand were launched aiming to have less impact on the health of young consumers: the dried sausages made from pork, pork and turkey and pork and veal are gluten-free products, without addition of monosodium glutamate, preservatives, phosphates and colouring. These products have 25% less salt and 30% less fat compared to the benchmark.
	In all the countries, continue analysing Private Brand products as to their raw materials, using external laboratories, ensuring their authenticity and fighting food fraud.	Achieved. We carried out around 10,000 internal audits of the Group's infrastructures, complemented by around 110,000 analyses of work surfaces and manipulators, among others, and more than 63,000 analyses of products.
	In all the countries, ensure the use of voluntary "Without GMO" labelling for all references that could contain genetically modified ingredients.	In progress. The adoption of the "Without GMO" symbol for products consisting mainly of only one ingredient that could potentially have been genetically modified, covered 22% of the total references in question.
	In all countries, facilitate responsible consumption through voluntary labelling with regard to nutritional aspects and alcohol information.	In progress. 91% of Private Brand alcoholic beverages in Portugal had a calorie icon, an increase of 2 p.p. compared to 2018*, being in Poland 3% (0.3 p.p. more than in 2018). The adoption of a symbol that discourages pregnant women from drinking alcoholic beverages covered 91% of Private Brand references in Portugal, an increase of 43 p.p. compared to 2018*, and 7% of references in Poland (0.6 p.p. higher than in 2018*). In Poland, we also highlight the symbol of responsible driving, which covered 23% of references (4.4 p.p. higher than in 2018*). * Corrected values.
	In all the countries, make it easier for consumers to manage food products' expiry dates and tackle food waste, by adopting only one expiry date on the product labels, whenever possible considering the legal requirements.	In progress. We provide information on the packaging about the average time of consumption after opening, helping consumers in the management of their products. These are the most perishable products such as mayonnaise, milks and fruit pastries.
Respecting the Environment	Reduce the Group's carbon footprint by 5% in the 2018-2020 three-year period (per €1,000 of sales), compared to 2017.	In progress. In 2019, the Group's carbon footprint was reduced by 34.8% (per €1,000 of sales), compared to 2017.
	Reduce water consumption annually by 2% (per € 1,000 of sales).	Not achieved. Water consumption, per €1,000 of sales, increased 11.2% in 2019, compared to 2018 due to agriculture production, namely crops for cattle feeding. In the Distribution activities, the same indicator decreased 7.5% compared to 2018.
	Reduce electricity consumption annually by 2% (per € 1,000 of sales).	Achieved. Electricity consumption, per €1,000 of sales, was reduced 6.6% compared to 2018.

Action Pillars	Commitments for 2018-2020	Progress
	Reduce the quantity of waste sent to landfill by 5 p.p. during the 2018-2020 three-year period, compared to 2017.	In progress. The waste recovery rate increased by 0.1 p.p., compared to 2017.
	Complete at least 20 ecodesign projects for Private Brand product packaging every year.	Achieved. In 2019, 76 Private Brand ecodesign projects were carried out.
	Reduce the Group's food waste by 10% during the 2018-2020 three-year period, compared to 2016.	Not achieved. In 2019, the Group's food waste increased by 22% compared to 2016. Due to the evolution of this indicator since 2016, for 2020 we are forced to review the objective which will entail limiting food waste to 16.1 kg for each ton of food sold. However, we maintain our reduction commitment of 50% (compared to 2016) by 2025, in line with the Consumer Goods Forum's resolution to fight food waste.
	Increase the number of locations with environmental certification (at least 25).	In progress. In 2019, 20 Distribution Centres were environmentally-certified according to ISO 14001.
Sourcing Responsibly	Guarantee that 80% of the Jerónimo Martins Group's purchases of food products, are sourced from local suppliers.	Achieved. In 2019, about 90% of the food products sold by the Group were purchased from local suppliers contributing to the goal of maintaining this ratio above 80%.
	Continue introducing sustainability certificates (e.g. UTZ, Fairtrade, MSC, ASC, RSPO, EU Ecolabel, EU Organic Label, etc.) for at least 10 Private Brand products and Perishables.	Achieved. In 2019, over 110 references with sustainability certificates were launched: 38 references with organic certification in Poland (32) and Portugal (6); 31 Private Brand references with Forest Stewardship Council (FSC) certification – either in product packaging or paper and timber incorporated in products – in Portugal (22) and Poland (9); 14 references with UTZ certified cocoa as an ingredient in Poland (10) and in Portugal (4); 10 references with Marine Stewardship Council (MSC) certification in Biedronka; 9 Private Brand articles with Programme for the Endorsement of Forest Certification (PEFC) – either in product packaging or paper and timber incorporated in products – in Poland (7) and in Portugal (2); 8 tea references with Rainforest Alliance certification in Biedronka; 2 references of reusable plastic carrier bags with the Blue Angel certification, a label that distinguishes products with a better environmental performance in Biedronka.
	Contribute towards achieving the Zero Net Deforestation goal by 2020, as defined by the Consumer Goods Forum, namely through active management of palm oil, soy, beef, and wood and paper.	In progress. The developments in the consumption of these ingredients in our Private Brand and Perishables products, their origin and sustainable production certification, as well as other initiatives of the Group to fight deforestation are described in subchapter 6. "Sourcing Responsibly", section 6.3. "Promoting More Sustainable Production Practices", subsection 6.3.1. "Fighting Deforestation".
	Carry out at least 50 environmental audits every year on suppliers of Private Brand and Perishables.	Achieved. 55 environmental audits were carried out on Perishables and Private Brand suppliers in Portugal and in Poland. More information is available in subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers", subsection 6.4.1. "Supplier Audits".
	Carry out at least 40 environmental audits every year on service providers.	Achieved. 20 environmental audits on service providers in Portugal and 26 in Poland. More information is available in subchapter 6. "Sourcing Responsibly", section 6.4. "Selection

Action Pillars	Commitments for 2018-2020	Progress
Supporting Surrounding Communities	Monitoring and disclosure of the social impacts resulting from the support offered, according to the London Benchmarking Group (LBG) model.	and Monitoring of Suppliers", subsection 6.4.1. "Supplier Audits". Achieved. The monitoring and disclosure of the impacts resulting from the support offered by the Group, according to this model, is published in this document – subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy on Supporting Surrounding Communities" – and at the corporate website.
	In Portugal, start at least one project of community investment per year, aimed at children, young people or elderly people from vulnerable environments.	Achieved. The Pingo Doce's Bairro Feliz (Happy Neighbourhood) programme supports causes identified by the surrounding population, establishing a link with local communities and contributing to their well-being. 157 local causes were supported in the total of the two editions.
	In Poland, strengthen the involvement in social projects, focused on children, young people and elderly people from vulnerable environments.	Achieved. In addition to the Na Codzienne Zakupy (For Everyday Shopping) programme focused on senior citizens, Biedronka joined the Szlachetna Paczka (Noble Gift) programme, thus enabling the support to more than 14,500 financially-vulnerable families and maintained itself as the main sponsor of the Association Nadzieja Na Mundial (Hope for Mundial), aiming to support the development of institutionalized children through socialization in sports.
	In Poland, expand the programme for direct food donations from the stores to local non-governmental organizations. Reach 1,500 stores by 2020. In partnership with Caritas Polska, launch a programme supporting vulnerable senior citizens, hoping to have an impact on at least 4,000 people every year.	Achieved. The number of stores with a protocol established with local institutions for the delivery of foodstuffs totalled 1,639. Achieved. The Na Codzienne Zakupy programme (For Everyday Shopping), a financial assistance initiative aimed at senior citizens in a situation of vulnerability in the stores' surrounding areas, enabled the support to more than 6,600 elderly people. The investment was 2.3 million euros.
Being a Benchmark Employer	In Colombia, maintain the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia), and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation of foodstuffs.	Achieved. The rounding-up of customer purchases has reverted to Aldeas Infantiles SOS Colombia's (SOS Children's Villages Colombia) programmes, which focus on families at risk of separation, children and young people taken away from their families and also families in the context of violence and emergency. In addition, we redirected more than 34 tons of food to ABACO, which benefited more than 1,300 families each month. Also, the protocol with the Colombian Institute of Bienestar Familiar to support Madres Comunitarias (Community Mothers) nurseries made it possible to support 8,500 children up to five years old, from families and areas with few financial resources, through the offer of oral hygiene and hand hygiene products.
	Continuous improvement to the quality of life of our employees, through internal social responsibility programmes in all the countries where we are present.	Achieved. Investment in support initiatives for employees in the areas of Health, Education and Family Wellbeing was 20 million euros, an increase of approximately 3% compared to 2018. In Poland, under the programme Możesz Liczyć na Biedronkę (You Can Count with Biedronka) we gave financial support to more than 5,100 employees. In Portugal, through the Social Emergency Fund, we supported more than 970 employees.
	Continuous reinforcement of the training and information programmes concerning the Code of Conduct, aimed at all the organization's employees, regardless of their place of work or position, promoting its full compliance.	Achieved. New employees are given a hard copy of the Code of Conduct, and training is also provided about this document and its guidelines during their induction process at the Group. Throughout the year, other training actions are

Action Pillars	Commitments for 2018-2020	Progress
	Foster diversity in talent attraction.	also implemented for employees with program content related to the Code of Conduct. In 2019, we estimate around 16,000 hours of training in Code of Conduct that impacted more than 37,000 employees of the Group. Achieved. We kept investing in the recruitment websites of the different Companies and consolidated our presence on social media, such as LinkedIn, which at the end of 2019 had more than 183,000 followers. We created the Global Onboarding Policy that reinforces the diversity, inclusion and non-discrimination practices already in force in the Group. This policy guides the process of onboarding of new employees, as well as adapting employees who take on new functions. There was also another edition of the "Management Trainee Program", in which more than 6,500 candidates were registered. In 2019, more than 41,000 external recruitments were made. Additionally, we reinforced the work carried out to promote the employability of people in vulnerable situations, who are divided into three strategic groups: migrants or refugees, people exposed to social risk and people with disabilities.

10. Table of Indicators

The following table of indicators follows the methodology of the Global Reporting Initiative Standards.

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
102-1	Name of the organization.	Jerónimo Martins, SGPS, S.A.	---
102-2	Activities, brands, products, and services.	Refer to Chapter I. "The Jerónimo Martins Group".	---
102-3	Location of headquarters.	Rua Actor António Silva n.º 7, 1649-033 Lisboa, Portugal.	---
102-4	Location of operations.	Refer to Chapter I. "The Jerónimo Martins Group".	---
102-5	Ownership and legal form.		
102-6	Markets served.		
102-7	Scale of the organization.		
102-8	Information on employees and other workers.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 8
102-9	Supply chain.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapters 1. "Our Approach" and 6. "Sourcing Responsibly", and to Chapter III. "Consolidated Financial Statements".	---
102-10	Significant changes to the organization and its supply chain.	Non-applicable.	---
102-11	Precautionary Principle or approach.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation", subsection III – "Internal Control and Risk Management", and Chapter V. "Corporate Responsibility in Value Creation".	---
102-12	External initiatives.	See channel "About Us", page "Organisations to Which We Belong" and channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com .	---
102-13	Membership of associations.	Refer to "Message from the Chairman".	---
102-14	Statement from senior decision-maker.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation".	---
102-15	Key impacts, risks, and opportunities.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation".	---
102-16	Values, principles, standards, and norms of behaviour.	See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for Suppliers on the website www.jeronimomartins.com . See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website www.jeronimomartins.com .	Principle 10 16
102-17	Mechanisms for advice and concerns about ethics.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	16
102-18	Governance structure.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	---
102-19	Delegating authority.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A, B and C.	---
102-20	Executive-level responsibility for economic, environmental, and social topics.		
102-21	Consulting stakeholders on economic, environmental, and social topics.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. "Stakeholder Engagement".	16
102-22	Composition of the highest governance body and its committees.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A and B.	5 16
102-23	Chair of the highest governance body.		16
102-24	Nominating and selecting the highest governance body.		5 16
102-25	Conflicts of interest.	See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and Code of Conduct for	16

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
		Suppliers on the website www.jeronimomartins.com . See channel "Investors", page "Corporate Governance", subpage "Specialised Committees" on the website www.jeronimomartins.com .	
102-26	Role of highest governance body in setting purpose, values, and strategy.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, sections A, B and C.	---
102-27	Collective knowledge of highest governance body.	The Group carries out activities (e.g. internal and external training sessions, Sustainability Conference, internal newsletters and progress reports) that enable its management bodies to become more aware of sustainability topics. Refer to Chapter V. "Corporate Responsibility in Value Creation" and Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section B. "Corporate Bodies and Committees", subsection II. "Management and Supervision".	4
102-28	Evaluating the highest governance body's performance.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	---
102-29	Identifying and managing economic, environmental, and social impacts.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C.	16
102-30	Effectiveness of risk management processes.		---
102-31	Review of economic, environmental, and social topics.		---
102-32	Highest governance body's role in sustainability reporting.	The approval of the Corporate Responsibility Report, included in the Annual Report, is a responsibility of the Shareholders' General Meeting.	---
102-33	Communicating critical concerns.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	---
102-35	Remuneration policies.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D.	---
102-36	Process for determining remuneration.		---
102-37	Stakeholders' involvement in remuneration.		16
102-38	Annual total compensation ratio.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D. "Remuneration", subsection IV – "Remuneration Disclosure".	---
102-40	List of stakeholder groups.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com .	---
102-41	Collective bargaining agreements.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values", subsection 8.2.1. "Respect for Human and Workers' Rights".	Principle 3 8 10
102-42	Identifying and selecting stakeholders.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy", subpage "Stakeholder Engagement" on the website www.jeronimomartins.com .	---
102-43	Approach to stakeholder engagement.		
102-44	Key topics and concerns raised.		
102-45	Entities included in the consolidated financial statements.	Refer to Chapter I. "The Jerónimo Martins Group", Chapter III. "Consolidated Financial Statements" and Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance.	---
102-46	Defining report content and topic boundaries.	Refer to Chapters I. "The Jerónimo Martins Group", III. "Consolidated Financial Statements" and V. "Corporate Responsibility in Value Creation".	---
102-47	List of material topics.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 1. "Our Approach" and subchapter 2. "Stakeholder Engagement".	---
102-50	Reporting period.	This Jerónimo Martins Group's Annual Report covers the activities carried out between January 1 st and December 31 st 2019.	---

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
102-51	Date of most recent report.	The previous Jerónimo Martins Group's Annual Report referred to 2018.	---
102-52	Reporting cycle.	The Corporate Responsibility Report (included in the Annual Report) has an annual periodicity.	---
102-53	Contact point for questions regarding the report.	comunicacao@jeronimo-martins.com	---
102-54	Claims of reporting in accordance with the Standards.	 This report has been prepared in accordance with the Standards: Core option.	---
102-55	GRI content index.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 10. "Table of Indicators".	---
102-56	External assurance.	 The information contained and marked in this table has been verified by an external third party – PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.	---
MATERIAL ASPECTS			
103-1	Explanation of the material topic and its Boundary.	 List of the Jerónimo Martins Group material aspects: Food quality and safety; Reduction of packaging materials and use of sustainable materials; Ethics and transparency; Fighting food waste; Respect for Human and Workers rights; Affordable product offering; Respect for Human and Labour rights in the supply chain; Mission, vision and strategy; Support to social projects; Integration of circular economy principles. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 2. "Stakeholder Engagement". See channel "Responsibility", page "Our Responsibility Strategy" on the website www.jeronimomartins.com .	---
103-2	The management approach and its components.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapters 4 to 8 and see channel "Responsibility", page "Our Responsibility Strategy" on the website www.jeronimomartins.com .	
103-3	Evaluation of the management approach.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 9. "Our Commitments 2018-2020" and see channel "Responsibility", page "Our Commitments and Progress" on the website www.jeronimomartins.com .	---
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed.	Refer to Chapter III. "Consolidated Financial Statements" and indicator 203-1.	
201-2	Financial implications and other risks and opportunities due to climate change.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section C. "Internal Organisation", subsection III – "Internal Control and Risk Management", 53. "Details and Description of the Major Economic, Financial and Legal Risks to which the Company is Exposed in Pursuing Its Business Activity".	Principle 6 
201-3	Defined benefit plan obligations and other retirement plans.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section D. "Remuneration". Refer to Chapter III. "Consolidated Financial Statements".	---
201-4	Financial assistance received from government.	No financial incentives were received in Poland and Colombia. In Portugal, the benefits granted by official entities, as tax credits, aimed at compensating investments made under the program SIFIDE II - Tax Incentive System for Business Research & Development. This program consists of a deduction from income tax collection, of part of the amounts incurred with personnel expenses, operating expenses, expenses with hiring Research and Development and expenses with the acquisition of fixed assets to support the R&D activity, which are certified by an external and independent entity. The aforementioned expenses, incurred in 2018, resulted in a tax credit in the amount of Euro 2,494,415.47, which was determined during the year 2019. The amount of the tax credit resulting from the expenses incurred in 2019, carried out within the scope of this program, will be determined during the year 2020.	---
MARKET PRESENCE			
202-2	Proportion of senior management hired from the local community.	 85% of employees with senior positions are hired locally.	Principle 6 

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy on Supporting Communities". See channel "Responsibility", page "Supporting Surrounding Communities" on the website www.jeronimomartins.com .	2 5 7 9 11
203-2	Significant indirect economic impacts.		1 2 3 8 10 17
PROCUREMENT PRACTICES			
204-1	Proportion of spending on local suppliers.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly".	---
ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption.	Refer to Chapter IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation Corporate Governance, section C. "Internal Organisation" and section E. "Related Party Transactions".	Principle 10 16
205-2	Communication and training about anti-corruption policies and procedures.	The Group conducts training sessions on its Code of Conduct in its Companies which includes the prevention of corruption theme. See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct and the channel "Investors", page "Corporate Governance", subpage "Specialized Committees" for information about the Ethics Committee, on the website www.jeronimomartins.com .	Principle 10 16
MATERIALS			
301-1	Materials used by weight or volume.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Main Consumption of Materials and Waste Management".	Principles 7 and 8 8 12
301-2	Recycled input materials used.		8 12
301-3	Reclaimed products and their packaging materials.	This aspect is not material. Nevertheless, the Group promotes the collection of customer waste in its stores for recovery. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	Principle 8 8 12
ENERGY			
302-1	Energy consumption within the organization.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 7 8 12 13
302-2	Energy consumption outside of the organization.	This indicator is disclosed as CO ₂ e, concerning the calculation of the Group's Carbon Footprint - scope 3 emissions. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change". It includes flight travel fuel consumption, energy consumed by franchised stores and fuel consumed transporting goods between Distribution Centres and stores.	7 8 12 13
302-3	Energy intensity.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 8 7 8 12 13
302-4	Reduction of energy consumption.		Principles 8 and 9 7 8 12 13
302-5	Reductions in energy requirements of products and services.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change" and section 5.4. "Materials Consumption and Waste Management".	Principles 8 and 9 7 8 12 13
WATER			
303-1	Water withdrawal by source.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 6
303-2	Water sources significantly affected by withdrawal of water	Non-applicable. More than 95% of the total water consumed by the Group comes from the municipal network or private supply systems. Regarding less demanding operations in terms of water quality. (irrigation and cooling systems, for example), the Group holds the necessary licenses. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	6
303-3	Water recycled and reused.	Less than 2%. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 8 6 8 12

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
BIODIVERSITY			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	The Jerónimo Martins Group infrastructures comply with legal requirements concerning environmental matters and are mostly built within the urban network. Particularly regarding Agribusiness, the Group owns some properties close to the National Ecological Network, collaborating with governmental entities to ensure its conservation.	Principle 8 6 14 15
304-2	Significant impacts of activities, products, and services on biodiversity.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity" and subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	Principle 8 6 14 15
304-3	Habitats protected or restored.	Non-applicable to the Group's activities in 2019. Nevertheless, the Group collaborates with a number of habitat and ecosystem conservation initiatives such as the preservation of macaws (ProAves), the Green Heart of Cork (WWF), Eco-Locais and beach cleanup initiatives (LPN) and SOS Polinizadores (Quercus). Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.5. "Awareness Campaigns and Support".	Principle 8 6 14 15
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity" and subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	6 14 15
EMISSIONS			
305-1	Direct (Scope 1) GHG emissions.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principles 7 and 8 3 12 13 14 15
305-2	Energy indirect (Scope 2) GHG emissions.		Principles 7 and 8 3 12 13 14 15
305-3	Other indirect (Scope 3) GHG emissions.		Principles 7 and 8 3 12 13 14 15
305-4	GHG emissions intensity.		Principle 8 13 14 15
305-5	Reduction of GHG emissions.		Principles 8 and 9 13 14 15
305-6	Emissions of ozone-depleting substances (ODS).	In 2019, an emission of 0.8 kg of CFC-11 eq., associated to the use of gas R22, was verified in air conditioning equipment in Colombia, which is part of the fixed assets of the acquired stores. These represent <0.1% of the total of this type of equipment used in the Group's Companies.	Principles 7 and 8 3 12 13
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions.	This aspect is not material. Small quantities are emitted from fossil fuels combustion (on-site fuel usage for equipment operation, emergency and heating generators and light fleet vehicle companies).	Principles 7 and 8 3 12 13 14 15
EFFLUENTS AND WASTE			
306-1	Water discharge by quality and destination.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change" and 5.4. "Materials Consumption and Waste Management".	Principle 8 3 6 12 14
306-2	Waste by type and disposal method.		Principle 8 3 6 12 14
306-3	Significant spills.	In 2019, there were no spills with significant environmental impacts.	Principle 8 3 6 12 14 15
306-5	Water bodies affected by water discharges and/or runoff.	This aspect is not material. It has a residual expression in the Group's activities (around 2.5%). See Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	6 14 15
SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using	In 2019, the Group audited 292 new suppliers and 97% of these were screened using environmental criteria. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 8

GRI No.	Description		Evidence	United Nations Global Compact Principles / Sustainable Development Goals																					
	environmental criteria.																								
308-2	Negative environmental impacts in the supply chain and actions taken.		Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.2. "Biodiversity" and subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	---																					
EMPLOYMENT																									
401-1*	New employee hires and employee turnover.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 4 5 8																					
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.		All benefits are applied to employees, regardless of their contract.	8 10																					
401-3	Parental leave.	✔	<table><thead><tr><th rowspan="3"></th><th colspan="3">2019</th></tr><tr><th colspan="2">Gender</th><th rowspan="2">Total</th></tr><tr><th>Women</th><th>Men</th></tr></thead><tbody><tr><td>Employees entitled to parental leave</td><td>4,108</td><td>1,116</td><td>5,224</td></tr><tr><td>Employees who have taken parental leave</td><td>4,103</td><td>846</td><td>4,949</td></tr><tr><td>Retention rate of employees who have taken parental leave**</td><td>81%</td><td>78%</td><td>79%</td></tr></tbody></table> **Percentage of employees who returned from parental leave in 2018 and continue working for the Group 12 months later.		2019			Gender		Total	Women	Men	Employees entitled to parental leave	4,108	1,116	5,224	Employees who have taken parental leave	4,103	846	4,949	Retention rate of employees who have taken parental leave**	81%	78%	79%	Principle 6 5 8
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Retention rate of employees who have taken parental leave**	81%	78%	79%																						
LABOUR/MANAGEMENT RELATIONS																									
402-1	Minimum notice periods regarding operational changes.	✔	We follow the notice periods established by the law in what regards changes of an operational nature.	8 10																					
OCCUPATIONAL HEALTH AND SAFETY																									
403-1	Workers representation in formal joint management-worker health and safety committees.		Despite the participation of Employees in Health and Safety, there are no formal joint management-worker health and safety committees.	8																					
403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	✔	Aggregate occupational health and safety indicators for frequency and severity are available in Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.6. "Health and Safety at Work".	Principle 1 3 8 10																					
403-3	Workers with high incidence or high risk of diseases related to their occupation.		Not applicable.	3 8																					
403-4	Health and safety topics covered in formal agreements with trade unions.		Not applicable.	8																					
TRAINING AND EDUCATION																									
404-1	Average hours of training per year per employee.	✔	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.3. "Attraction, Development and Talent Retention ", subsection 8.3.5. "Training".	Principle 6 4 5 8																					
404-2	Programs for upgrading employee skills and transition	✔		8																					

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	assistance programs.		
404-3	Percentage of employees receiving regular performance and career development reviews.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.3. "Attraction, Development and Talent Retention", subsection 8.3.4. "Performance Management". All employees are covered by the performance assessment system according to internally defined criteria. We are improving the information systems to report the respective overall percentage.	Principle 6 5 8
DIVERSITY AND EQUAL OPPORTUNITY			
405-1*	Diversity of governance bodies and employees.	 The Jerónimo Martins' team is described in chapters IV. "Corporate Governance", PART I – Information on Shareholder Structure, Organisation and Corporate Governance, section B. "Corporate Bodies and Committees", and V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.1. "Our People".	Principle 6 5 8 10
405-2	Ratio of basic salary and remuneration of women to men.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.4. "Remuneration".	Principle 6 5 8 10
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 3 8
CHILD LABOUR			
408-1	Operations and suppliers at significant risk for incidents of child labour.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 5 8 16
FORCED OR COMPULSORY LABOUR			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values" and subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 4 8
SECURITY PRACTICES			
410-1	Security personnel trained in human rights policies or procedures.	We are improving our information systems so that we can report this indicator.	16
HUMAN RIGHTS ASSESSMENT			
412-1	Operations that have been subject to human rights reviews or impact assessments.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values", subsection 8.2.1. "Respect for Human and Workers' Rights".	Principle 1
412-2	Employee training on human rights policies or procedures.	 We have developed training courses on this subject in the context of the Code of Conduct, the labour legislation applicable and the Labour Fundamental Guidelines, whose creation was reported in 2018. See the "Responsibility" channel, page "Corporate Responsibility Publications" to consult the Code of Conduct on the website www.jeronimomartins.com and Chapter V. "Corporate Responsibility in Value Creation", subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values", subsection 8.2.1. "Respect for Human and Workers' Rights".	Principle 1 8 10
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	The contracts signed with new suppliers imply knowledge and acceptance to the Jerónimo Martins Group's Code of Conduct for Suppliers. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 2
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy on Supporting Communities".	Principle 1

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria.	 In 2019, the Group audited 292 new Private Brand and Perishable suppliers and all of them were also evaluated concerning labour practices (e.g. existence and/or use of appropriate clothing, hand washing equipment, conduct and personal hygiene rules, existence and conditions of social areas, locker rooms and sanitary facilities for employees and the control of training administration appropriate to the exercise of the function). Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 8 5 8 16
414-2	Negative social impacts in the supply chain and actions taken.	 In 2019, 1,763 Private Brand and Perishable suppliers* were audited. Of these, 15 (less than 1%) were identified as having labour practices with negative impacts (e.g. lack of and/or misuse of appropriate clothing, hand washing equipment, non-compliance with rules of conduct and personal hygiene, among others), in which 3 (20% of nonconformities) committed to implement corrective measures. Of the remaining 12 (80% of nonconformities), the Group terminated its business relationship due to non-compliance with several aspects, which also included those related to labour. Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers". * The same supplier may have more than one location. In these cases, each location is treated independently and counted as such. Therefore, even if a production unit fails, and it is suspended/rejected until corrective actions are implemented, the supplier may keep supplying the Group from the remaining production units, when these have received positive evaluation.	5 8 16
PUBLIC POLICY			
415-1	Political contributions.	The companies of the Jerónimo Martins Group do not support any political parties or their representatives, nor do they contribute financially to groups that support party interests. See channel "Responsibility", page "Corporate Responsibility Publications" to consult the Code of Conduct on the website www.jeronimomartins.com.	16
CUSTOMER HEALTH AND SAFETY			
416-1	Assessment of the health and safety impacts of product and service categories.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food" and subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	---
MARKETING AND LABELING			
417-1	Requirements for product and service information and labelling.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.2. "Quality and Diversity" and subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	12 16
JERÓNIMO MARTINS INDICATORS			
---	Further improve the nutritional profile of Private Brand products and Meal Solutions, through product innovation and reformulation.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.2. "Quality and Diversity".	2 3 10 12
---	Increase the number of references of the lactose-free and gluten-free range by 5% per year compared to 2017, in Private Brand products in Portugal and Poland.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 9. "Commitments 2018-2020".	3 10 12

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
---	Calculation of the consumption of deforestation commodities (palm oil, soy, beef and paper and wood) in Private Brand products and Perishables.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	Principle 7 12 13 15
---	Monitoring and disclosure of the social impacts resulting from the support offered, according to the London Benchmarking Group (LBG) model.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.2. "Managing the Policy on Supporting Communities". See channel "Responsibility", page "Supporting Surrounding Communities" on the website www.jeronimomartins.com/en	2 3 4 10 17
---	Food waste generated in Group operations (kg/tonnes of product sold).	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	Principle 7 2 12 13
---	Reduce the Group's food waste by 10% during the 2018-2020 three-year period, compared to 2016.		Principle 7 2 12 13
---	Reduce water consumption annually by 2% (per €1,000 of sales).	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 7 12 13 14
---	Reduce electricity consumption annually by 2% (per €1,000 of sales).		Principle 7 7 12 13
---	Energy and water savings from the Let's Go Green Project	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.3. "Climate Change".	Principle 7 7 12 13
---	Complete at least 20 ecodesign projects for Private Brand product packaging every year.	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	12 13
---	Ecodesign projects savings in material and environmental benefits	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	12 13
---	Presence of plastic in the Private Brand packaging and in single-use plastics	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.4. "Materials Consumption and Waste Management".	12 13
---	Number of locations with environmental	Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 5. "Respecting the Environment", section 5.1. "Introduction".	Principle 8 7 12 13

GRI No.	Description	Evidence	United Nations Global Compact Principles / Sustainable Development Goals
	certification (at least 25 by 2020).		
---	Continue introducing sustainability certificates (e.g., UTZ, Fairtrade, MSC, ASC, RSPO, EU Ecolabel, EU Organic Label, etc.) for at least 10 Private Brand products and Perishables.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	Principle 8 
---	Carry out at least 50 environmental audits every year on suppliers of Private Brand and Perishables.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.4. "Selection and Monitoring of Suppliers".	Principle 8   
---	Carry out at least 40 environmental audits every year on service providers.		Principle 8   
---	Verify compliance to the Group's Sustainable Fishing Strategy.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 6. "Sourcing Responsibly", section 6.3. "Promotion of More Sustainable Production Practices".	 
---	In Poland, expand the programme for direct food donations from the stores to local non-governmental organizations. Reach 1,500 stores by 2020.	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 7. "Supporting Surrounding Communities", section 7.3. "Direct Support".	   
---	Employee training on Hygiene and Food Safety	 Refer to Chapter V. "Corporate Responsibility in Value Creation", subchapter 4. "Promoting Good Health through Food", section 4.3. "Quality and Food Safety".	 

Table caption:



Indicator verified by an independent external third party.

* Indicator partially reported. Verified by an independent external third party.

United Nations Sustainable Development Goals

1 No Poverty	10 Reduced Inequalities
2 Zero Hunger	11 Sustainable Cities and Communities
3 Good Health and Well-being	12 Responsible Consumption and Production
4 Quality Education	13 Climate Action
5 Gender Equality	14 Life Below Water
6 Clean Water and Sanitation	15 Life on Land
7 Affordable and Clean Energy	16 Peace, Justice and Strong Institutions
8 Decent Work and Economic Growth	17 Partnerships for the Goals
9 Industry, Innovation and Infrastructure	

United Nations Global Compact Principles

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Jerónimo Martins



INDIVIDUAL FINANCIAL STATEMENTS

Jerónimo Martins, SGPS, S.A. Public Company

Registered at the Commercial Registry Office and Tax Number: 500 100 144
Share Capital: EUR 629,293,220 • Rua Actor António Silva, N.º 7 1649 - 033 LISBOA

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**INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

Euro thousand

	Notes	2019	2018
Services rendered	27	17,649	16,732
Cost of the services rendered	3	(16,416)	(14,444)
Gross profit		1,233	2,288
Other operating revenues	3	479	413
Administrative costs	3	(20,896)	(18,242)
Other operating costs	3	(30,304)	(20,420)
Operating profit		(49,488)	(35,961)
Net financial costs	5	(1,232)	(2,042)
Gains (losses) in subsidiaries	8	796,305	781,892
Gains (losses) in other investments	9	199	197
Profit (loss) before taxes		745,784	744,086
Income taxes	7.1	8,611	15,399
Net profit (loss)		754,395	759,485
Basic and diluted earnings per share – euros	19	1.200	1.209

To be read with the attached notes to the Individual Financial Statements

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

Euro thousand

	Notes	2019	2018
Net profit (loss)		754,395	759,485
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	4.2	1,893	98
Related tax	7.3	(426)	(22)
		1,467	76
Items that may be reclassified to profit or loss			
		-	-
Other comprehensive income, net of taxes		1,467	76
Total comprehensive income for the year		755,862	759,561

To be read with the attached notes to the Individual Financial Statements

BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

Euro thousand

	Notes	2019	2018
Assets			
Tangible assets	10	1,952	1,101
Intangible assets	11	5,516	5,241
Investment property	12	2,470	2,470
Right-of-use assets	6.1	631	-
Investments in subsidiaries	13	665,066	665,016
Loans to subsidiaries	14	1,575,145	1,468,145
Deferred tax assets	7.3	12,598	7,637
Other debtors	15	19,476	19,440
Total non-current assets		2,282,854	2,169,050
Loans to subsidiaries	14	119,740	116,980
Trade debtors, accrued income and deferred costs	15	18,005	18,478
Cash and cash equivalents	16	93,460	559
Total current assets		231,205	136,017
Total assets		2,514,059	2,305,067
Shareholders' equity and liabilities			
Share capital	18.1	629,293	629,293
Share premium	18.1	22,452	22,452
Own shares	18.2	(6,060)	(6,060)
Retained earnings	18.3	1,829,805	1,278,184
Total shareholders' equity		2,475,490	1,923,869
Lease liabilities	6.2	296	-
Employees benefits	4.2	14,291	17,212
Provisions for risks and contingencies	21	6,593	21,506
Deferred tax liabilities	7.3	165	169
Total non-current liabilities		21,345	38,887
Borrowings	20	-	327,500
Lease liabilities	6.2	338	-
Trade creditors, accrued costs and deferred income	22	15,891	13,756
Income tax payable	7.4	995	1,055
Total current liabilities		17,224	342,311
Total shareholders' equity and liabilities		2,514,059	2,305,067

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Euro thousand

	Notes	Share capital	Share premium	Own shares	Retained earnings	Shareholders' equity
Balance as at 1 January 2018		629,293	22,452	(6,060)	903,853	1,549,538
Remeasurements of post-employment benefit obligations						
- Gross amount	4.2				98	98
- Deferred tax	7.3				(22)	(22)
Other comprehensive income		-	-	-	76	76
Net Profit in 2018					759,485	759,485
Total comprehensive income		-	-	-	759,561	759,561
Dividend payment	18.4				(385,230)	(385,230)
Balance as at 31 December 2018		629,293	22,452	(6,060)	1,278,184	1,923,869
Remeasurements of post-employment benefit obligations						
- Gross amount	4.2				1,893	1,893
- Deferred tax	7.3				(426)	(426)
Other comprehensive income		-	-	-	1,467	1,467
Net profit in 2019					754,395	754,395
Total comprehensive income		-	-	-	755,862	755,862
Dividend payment	18.4				(204,241)	(204,241)
Balance as at 31 December 2019		629,293	22,452	(6,060)	1,829,805	2,475,490

To be read with the attached notes to the Individual Financial Statements

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Euro thousand

	Notes	2019	2018*
Operating activities			
Cash received from customers and other debtors		21,856	22,912
Cash paid to suppliers and other creditors		(24,395)	(27,044)
Cash paid related with employees		(59,556)	(17,108)
Cash generated from operations	17	(62,095)	(21,240)
Income taxes		4,686	5,404
Cash flow from operating activities		(57,409)	(15,836)
Investment activities			
Repayment of loans and capital contributions from subsidiaries	14	58,710	140,480
Disposal of tangible assets	10	24	-
Interest received	8	1,320	1,947
Dividends received	8	794,950	780,000
Loans and capital contributions given to subsidiaries	14	(168,470)	(880,355)
Acquisition of tangible assets	10	(1,092)	(209)
Acquisition of intangible assets	11	(1,711)	(1,556)
Acquisition and capital increase in subsidiaries	13	(50)	-
Cash flow from investment activities		683,681	40,307
Financing activities			
Loans interest and other similar costs paid	5	(1,572)	(1,977)
Leases interest paid	6.3	(15)	-
Net changes in loans	20	(327,500)	327,499
Leases paid	6.2	(401)	-
Interest and similar income received	5	358	345
Dividends paid	18.4	(204,241)	(385,230)
Cash flow from financing activities		(533,371)	(59,363)
Net changes in cash and cash equivalents		92,901	(34,892)
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		559	35,451
Net changes in cash and cash equivalents		92,901	(34,892)
Cash and cash equivalents at the end of the year	16	93,460	559

To be read with the attached notes to the Individual Financial Statements

* As allowed by IAS 7, par. 31-33, the information regarding 2018 was restated, with the transfer of the line "Loans interest and other similar costs paid" from operating activities to financing activities. This reclassification ensures an alignment between external and internal reporting of JMH, considering the Group non-financial nature, where the payment of loans interests is seen as being part of financing activities.

1. Activity

Jerónimo Martins, SGPS, S.A. (JMH) is the parent Company of Jerónimo Martins Group (Group). Its activity consists mostly of managing its investment portfolio. The activities of the Group and its performance during the year 2019 are detailed in Chapter II of this Annual Report.

Head Office: Rua Actor António Silva, n.º 7, 1649-033 Lisboa.

Share Capital: 629,293,220 euros.

Registered at the Commercial Registry Office and Tax Number: 500100144.

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Individual Financial Statements on 19 February 2020.

2. Accounting policies

The most significant accounting policies are described in the notes to these Individual Financial Statements. The accounting policies identified in this note are applied across the preparation of the Financial Statements. These policies were consistently applied in comparative periods, except where otherwise stated.

2.1 Basis for preparation

All amounts are shown in thousand euros (EUR thousand) unless otherwise stated.

The Individual Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), as at 31 December 2019.

The Financial Statements were prepared in accordance with the historical cost principle, except for investment property and financial assets at fair value through profit or loss, which were measured at fair value.

The preparation of Financial Statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. However, Management firmly believes that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.8).

Change in accounting policy and basis for presentation

2.1.1 New standards, amendments and interpretations adopted by JMH

Between November 2017 and March 2019, the EU issued the following Regulations, which were adopted by JMH from 1 January 2019:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1986/2017	IFRS 16 Leases (new)	January 2016	1 January 2019
Regulation no. 498/2018	IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (amendments)	October 2017	1 January 2019
Regulation no. 1595/2018	IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019
Regulation no. 237/2019	IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (amendments)	October 2017	1 January 2019
Regulation no. 402/2019	IAS 19: Employee Benefits: Plan Amendment, Curtailment or Settlement (amendments)	February 2018	1 January 2019
Regulation no. 412/2019	Annual Improvements to IFRS's 2015–2017 Cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IAS 23 Borrowing Costs (amendments)	December 2017	1 January 2019

JMH adopted the amendments and new interpretation with no significant impact on its Individual Financial Statements, except for the adoption of the new standard IFRS 16 Leases.

JMH adopted for the first time the new standard IFRS 16 Leases, with no restatement of the comparative Financial Statements. As required by the standards, the nature and effect of these changes are the following:

IFRS 16 Leases

The new standard IFRS 16 eliminated the classification of leases as either operating leases or finance leases for lessees, as it was required by IAS 17 and, instead, introduced a single accounting model, very similar to the previous treatment that was given to finance leases in lessee accounts.

This single accounting model provides for the lessee the recognition of: i. assets and liabilities in the Balance Sheet for all leases with a term of more than 12 months, unless the underlying asset is of low value, regardless of the lease term; and ii. depreciation of lease assets separately from interest on lease liabilities in the Income Statement.

JMH adopted the new standard from 1 January 2019, using the modified retrospective approach in its individual accounts, under the transitional provisions of the standard, with no restatement of the 2018 comparative accounts and no impact on JMH's Shareholder Equity at transition date.

The JMH's leases relate mostly to personal vehicle rent contracts. In respect to its previous commitments regarding operating leases, on transition, JMH recognised at 1 January 2019 in the Balance Sheet right-of-use assets and lease liabilities in the amount of EUR 746 thousand.

When measuring lease liabilities, JMH discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 2.52%, based on the features of the agreement (underlying asset and guarantees, currency and term).

In applying IFRS 16 for the first time, JMH has used the following practical expedients permitted by the standard:

- i) the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ii) the accounting for operating leases with a remaining lease term of less than 12 months at transition date as short-term leases;
- iii) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- iv) the use of hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The reconciliation between the amount of the JMH's operating lease commitments as disclosed in the previous year's individual financial statements and the amount of lease liabilities recognised on the date of initial application is as follows:

Operating lease commitments disclosed as at 31 December 2018	814
Add/(less): other adjustments relating to first time application of IFRS 16	(47)
Undiscounted lease liability recognised as at 1 January 2019	767
Discounted using the group's incremental borrowing rate (average 2.52%)	(21)
Lease liability recognised as at 1 January 2019	746

The impact of the adoption of the new standard IFRS 16 in the opening balances at 1 January 2019 was as presented below:

			Euro thousand
	31/12/2018	Transition Adj. IFRS 16	01/01/2019
Assets			
Tangible assets	1,101	-	1,101
Intangible assets	5,241	-	5,241
Investment property	2,470	-	2,470
Right-of-use assets	-	746	746
Investments in subsidiaries	665,016	-	665,016
Loans to subsidiaries	1,468,145	-	1,468,145
Deferred tax assets	7,637	-	7,637
Other debtors	19,440	-	19,440
Total non-current assets	2,169,050	746	2,169,796
Loans to subsidiaries	116,980	-	116,980
Trade debtors, accrued income and deferred costs	18,478	-	18,478
Cash and cash equivalents	559	-	559
Total current assets	136,017	-	136,017
Total assets	2,305,067	746	2,305,813
Shareholders' equity and liabilities			
Share capital	629,293	-	629,293
Share premium	22,452	-	22,452
Own shares	(6,060)	-	(6,060)
Retained earnings	1,278,184	-	1,278,184
Total shareholders' equity	1,923,869	-	1,923,869
Lease liabilities	-	362	362
Employees benefits	17,212	-	17,212
Provisions for risks and contingencies	21,506	-	21,506
Deferred tax liabilities	169	-	169
Total non-current liabilities	38,887	362	39,249
Borrowings	327,500	-	327,500
Lease liabilities	-	384	384
Trade creditors, accrued costs and deferred income	13,756	-	13,756
Income tax payable	1,055	-	1,055
Total current liabilities	342,311	384	342,695
Total shareholders' equity and liabilities	2,305,067	746	2,305,813

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2019 and not early adopted

The EU endorsed, between November 2019 and January 2020, several amendments, issued by the International Accounting Standards Board (IASB), to be applied in subsequent periods:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 2075/2019	Amendments to References to the Conceptual Framework in IFRS Standards (amendments)	March 2018	1 January 2020
Regulation no. 2104/2019	Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)	October 2018	1 January 2020
Regulation no. 34/2020	Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020

These amendments are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these Individual Financial Statements. None of these changes are expected to have a significant impact on the JMH's Individual Financial Statements.

2.1.3 New standards, amendments and interpretations issued by IASB and IFRIC, but not yet endorsed by EU

IASB issued between May 2017 and October 2018 the following standard and amendments that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Mandatory for financial years beginning on or after
IFRS 17 Insurance Contracts (new)	May 2017	1 January 2021
IFRS 3 Business Combinations: Definition of a Business (amendments)	October 2018	1 January 2020

The Management is currently evaluating the impact of adopting these new standard and amendments to standards already in place, and so far does not expect a significant impact on the JMH's Individual Financial Statements.

2.1.4 Change of accounting policies

Except as disclosed above, JMH has not changed its accounting policies during 2019, nor were any errors identified regarding previous years, which would require the restatement of Financial Statements.

2.2 Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency (euro) at the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date, and exchange differences arising from this conversion are recognised in the income statement, except when qualifying as cash flow hedges, for which the exchange differences are deferred in equity or when classified as other financial investments, which are equity instruments.

2.3 Investments and loans to subsidiaries

Subsidiaries are all entities over which JMH has control. JMH controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and when it has the ability to affect those returns through its power over the entity.

Investments and loans to subsidiaries are stated at cost. When so justified, adjustments for impairment losses are set up, namely when the financial shareholdings register significant deterioration in their financial position and the impairment tests performed by JMH conclude that it is necessary to recognise impairment losses in respect of investments and other net assets (note 2.5).

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are offset, and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), fair value through profit or loss (FVTPL), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the JMH's model adopted for managing them. With the exception of trade receivables, JMH initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The model adopted by JMH for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The model adopted determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

i. Financial assets at amortised cost

JMH measures financial assets at amortised cost if held within the adopted model, with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment tests. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

JMH's financial assets at amortised cost includes mostly loans to subsidiaries and trade receivables.

ii. Financial assets at fair value through OCI

JMH measures financial assets at fair value through OCI if held within the adopted model, with the objective of both holding to collect contractual cash flows and selling, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

JMH does not have any financial assets under this category.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, JMH can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets previously recognized in OCI are never recycled to profit or loss. Dividends are recognised as financial income in the income statement when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

JMH does not have any financial assets under this category.

iv. Financial assets at fair value through profit or loss

This category corresponds to the financial assets that do not meet the criteria for amortised cost or fair value through OCI and include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the adopted model. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement.

This category includes the contributions to public Work Compensation Fund (FCT – “Fundo de Compensação do Trabalho”).

Derecognition

Financial assets are derecognised when: i. JMH's contractual rights to receive their cash flows expire; ii. JMH has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but not substantially all the risks and rewards of ownership, JMH has transferred control over the assets.

2.4.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

JMH's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by JMH that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the income statement.

ii. Financial liabilities at amortised cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 12) and deferred tax assets (note 7.3), all other JMH assets, essentially investments in subsidiaries, are analysed at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

In the impairment tests for investments in subsidiaries, the inputs of these valuations for calculation of the value in use are determined by past performance and the expectation of market development for each business area. Based on future cash flow projections, for a five-year period, and on medium and long-term plans approved by the Board of Directors.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment is recognised in the income statement of the year.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

Value in use of an asset is calculated as the present value of estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

The recoverable amount of assets that do not generate independent cash flow is determined together with the cash-generating unit to which these assets belong.

Reversal of impairment losses

Impairment losses are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed to the extent of the amount, net of amortisation or depreciation, which would have been determined for the asset if no impairment loss was recognised.

2.5.2 Impairment of financial assets

Loans to subsidiaries

The impairment test for loans to subsidiaries is held simultaneously with the impairment test to investments in subsidiaries. The investment considered for comparison with the calculated value in use considers the historical cost of the subsidiary and the loans. An impairment loss on loans to subsidiaries will only be recognised after the total investment in the subsidiary is fully covered by an impairment loss.

Customers, debtors and other financial assets

JMH recognises an impairment for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that JMH expects to receive, discounted base on estimation of the original effective interest rate. The estimated cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, JMH applies a simplified approach in calculating ECLs, not tracking changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. When performing the loss allowance assessment, JMH takes into consideration the historical credit loss experience, adjusted to forward looking factors specific to the debtors or the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.6 Revenue recognition

Services rendered

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date.

2.7 Segment information

Given that JMH's main activity consists of the management of equity holdings, it does not make sense to report the operating segments related information in these Individual Financial Statements. Detailed information is presented in the Group Consolidated Financial Statements.

2.8 Critical accounting estimates and judgments made in preparation of Financial Statements

Tangible and intangible assets and investment property

Determining the fair value of investment properties, as well as the useful life of assets, is based on Management estimates. Determining impairment losses of tangible or intangible assets also involves the use of estimates. The value in use or the fair value of these assets is normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

Leases – Estimating the incremental borrowing rate

JMH cannot readily determine the interest rate implicit in most leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that JMH would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. JMH estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The average IBR used by JMH to discount the initial lease liabilities was 2.52%.

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

Impairment in investments and loans to subsidiaries

As a rule, according to IFRS an investment is recorded as impaired when the carrying amount of the investment exceeds the present value of future cash flows. Calculating the present value of estimated cash flows and the decision to consider an asset as impaired involves judgment and substantially relies on Management analysis of the future development of its subsidiaries. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the subsidiaries. JMH considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the subsidiary, the economic environment, and the status of the sector.

Deferred taxes

Recognising deferred taxes assumes the existence of results and future taxable income. Deferred tax assets and liabilities were determined based on tax legislation currently effective or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

If the rates used to recognise deferred taxes increase by 1 p.p., the impact in JMH accounts would be the following:

	Impact on JMH accounts	
	Income statement	Other comprehensive income
Rate increase of 1 p.p.	510	43

A positive amount means a gain in JMH accounts.

Impairment losses of clients and debtors

Whenever there is impairment losses risk on clients and debtors, Management maintains impairment losses, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the reasonability of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history, changes in the client's payment terms and forward-looking factors specific to the debtors and the economic environment. If the client or debtor's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and responsibilities of the defined benefit plans.

In determining the appropriate discount rate, Management considers the interest rates of corporate bonds with an 'AA' rating or above, as set by an internationally acknowledged rating agency. These rates are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The definition of the criteria to select the corporate bonds to include in the population from which the yield curve is derived requires judgement, the most significant being the selection of the size of the sample, the bond issue size, the quality of the bonds, and identification of outlier data to exclude.

Considering the information available from Bloomberg and some necessary estimation to derive the yield curve, JMH defined the following ranges:

- Narrow range [0.35% - 0.75%]
- Extended range [0.15% - 0.95%]

Based on these results, JMH has decided to decrease its discount rate from 1.40% to 0.55%.

The table below shows the impacts on the obligations with defined benefit plans of JMH, resulting from changes in the following assumptions:

	Assumption used	Impact on defined benefit obligations		
		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.55%	0.50%	(529)	565
Salary growth rate	3.00%	0.50%	37	(34)
Pension growth rate	3.00%	0.50%	527	(494)
Life expectancy	TV 88/90	1 year	981	(915)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

JMH exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful or to record a liability. Provisions are recognised when JMH expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, real losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Changes to estimates of potential losses on proceedings under way may affect future results.

2.9 Fair value of financial instruments

To determine the fair value of a financial asset or liability, the market price is applied, if such a market exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions.

JMH applies valuation techniques for unlisted financial instruments, such as derivatives and fair value financial instruments through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility. For derivatives valuation JMH also uses the valuations provided by the counterparties.

In the case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market and for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals

These financial instruments include mainly short-term financial assets and, for that reason, their accounting value at the reporting date is considered approximately its fair value.

Borrowings

The fair value of borrowings is achieved from the discounted cash flow of all expected payments. The expected cash flows are discounted using actual market interest rates. At the reporting date the accounting value is approximately its fair value.

Creditors and accruals

These financial instruments include mainly short-term financial liabilities, and for that reason their accounting value at the reporting date is considered approximately their fair value.

2.10 Fair value hierarchy

The following table shows JMH's financial assets and liabilities that are measured at fair value as at 31 December, according to the following fair value hierarchy levels:

- Level 1: the fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date;
- Level 2: the fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, involving other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data;
- Level 3: the fair value is not based on quoted prices obtained in active markets but determined by using valuation models and main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts, using in their valuations inputs that are not directly observable in the market.

	2019	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	2,470	-	-	2,470
Total assets	2,470	-	-	2,470
Liabilities measured at fair value				
Total liabilities	-	-	-	-

	2018	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	2,470	-	-	2,470
Total assets	2,470	-	-	2,470
Liabilities measured at fair value				
Total liabilities	-	-	-	-

2.11 Financial instruments by category

	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Total financial assets and liabilities	Other non financial assets or liabilities	Total assets and liabilities
2019						
Assets						
Cash and cash equivalents	93,460	-	-	93,460	-	93,460
Loans to subsidiaries	1,694,885	-	-	1,694,885	-	1,694,885
Trade debtors, accrued income and deferred costs	35,136	109	-	35,245	2,236	37,481
Other non-financial assets	-	-	-	-	688,233	688,233
Total assets	1,823,481	109	-	1,823,590	690,469	2,514,059
Liabilities						
Lease liabilities	-	-	634	634	-	634
Trade creditors, accrued costs and deferred income	-	-	8,224	8,224	7,667	15,891
Other non-financial liabilities	-	-	-	-	22,044	22,044
Total liabilities	-	-	8,858	8,858	29,711	38,569
2018						
Assets						
Cash and cash equivalents	559	-	-	559	-	559
Loans to subsidiaries	1,585,125	-	-	1,585,125	-	1,585,125
Trade debtors, accrued income and deferred costs	36,327	73	-	36,400	1,518	37,918
Other non-financial assets	-	-	-	-	681,465	681,465
Total assets	1,622,011	73	-	1,622,084	682,983	2,305,067
Liabilities						
Borrowings	-	-	327,500	327,500	-	327,500
Trade creditors, accrued costs and deferred income	-	-	6,887	6,887	6,869	13,756
Other non-financial liabilities	-	-	-	-	39,942	39,942
Total liabilities	-	-	334,387	334,387	46,811	381,198

3. Operating costs

Costs of services rendered

The costs of services rendered correspond to the costs incurred by each one of JMH departments in rendering technical and specialised services to its subsidiaries.

Administrative costs

The administrative costs shown in the income statement include, among others, the costs incurred by each of the departments of JMH not corresponding to services rendered, as well as the non-deductible VAT arising from the application of the effective allocation method.

Other operational costs

Other operational costs include the costs not related with the services rendered to its subsidiaries and the costs not related with the role as Holding of the Group.

Operational costs by nature

	2019	2018
Supplies and services	18,799	18,381
Rents	822	1,232
Staff costs	44,441	31,137
Depreciation and amortisation of tangibles and intangibles assets	1,535	1,052
Depreciation of right-of-use assets	405	-
Gain/loss with tangible and intangible assets	(24)	-
Gain/loss with right-of-use assets	(1)	-
Other operational gains or losses	1,160	891
Total	67,137	52,693

4. Employees

4.1 Staff costs

	2019	2018
Wages and salaries	13,332	11,607
Social security	2,500	2,065
Employee benefits (see note 4.2)	25,910	15,351
Other staff costs	2,699	2,114
Total	44,441	31,137

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities, among others.

The comparative figures of 2018 were reclassified, with the amount of EUR 15,000 thousand being transferred from Other staff costs to Employee benefits, considering the conclusion in 2019 of the implementation of a defined contribution post-employment compensation plan, for employees of the Group. The referred amount is related with the contributions for the year 2018. The contribution for 2019 was EUR 24,945 thousand.

The number of employees at the end of 2019 was 185 (2018 was 159). The average number of employees during the year was 174 (151 in 2018).

4.2 Employees benefits

Post-employment benefits (retirement)

Defined contribution plans

Defined contribution plans are pension plans for which JMH makes defined contributions to independent entities (funds), and for which it has no legal or constructive obligation to pay any additional contribution at the time when the employees come into use of those benefits.

The contributions are based on a percentage of the fixed and variable remuneration of the employees included in the plan, which is defined in the respective Regulation and only changes according to the seniority of the beneficiaries.

JMH encourages the employees to participate in their own pension scheme. Therefore, the funds are open to employee private contributions, with no guarantees given by JMH over those contributions.

JMH contributions to defined contribution plans are recognised as expenses at the time they are due.

Defined benefit plans

Defined benefit plans are pension plans where JMH guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by JMH.

The liability recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using life annuity method, considering that the plans include only retired employees.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

No service costs are recognised since the current defined benefit plans only include retired employees. The net interest is recognised in the income statement on a yearly basis.

Remeasurements (actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

At the time of plan amendments in defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Post-employment benefits (Compensation plan to Group employees)

JMH concluded in 2019 the implementation of a post-employment compensation plan for employees of the Group, which consists of an annual contribution to a foundation that guarantees its independent management by third parties. These contributions have the characteristics of a defined contribution plan, given that JMH has no responsibility for making contributions, in addition to the annual amount defined by the Board of Directors. Additionally, JMH does not assume any risk, namely on the value of the assets in which its contributions are invested, nor on the final value of the benefits to be attributed, with this risk falling entirely on the plan participants.

Seniority awards

The programme of seniority awards existing in JMH comprises a component of defined contribution and a defined benefit.

The defined contribution component consists in a life insurance granted to the employees covered by this programme, starting from a specific number of years of service. This benefit is awarded only when employees reach the age defined in the programme and the costs related to this component are recognised in the year to which they relate.

The component of defined benefit consists of an award in the year that employees complete a number of years of service. Accordingly, the liabilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

The costs of current services, net interest as well remeasurements (actuarial gains or losses) are recognised as costs of the year.

Amounts of employee benefits in the balance sheet:

	2019	2018
Retirement benefits - Defined benefit plan paid for by the Company	13,520	16,576
Seniority awards - Defined benefit plan	771	636
Post-employment compensation - Defined contribution plan	-	-
Total	14,291	17,212

Amounts recognised in the income statement in staff costs and remeasurements reflected in other comprehensive income:

	Income statement		Other comprehensive income	
	2019	2018	2019	2018
Retirement benefits - Defined contribution plan	573	457	-	-
Retirement benefits - Defined benefit plan paid for by the Company	222	223	(1,893)	(98)
Seniority awards - Defined benefit plan	170	(329)	-	-
Post-employment compensation - Defined contribution plan	24,945	15,000	-	-
Total	25,910	15,351	(1,893)	(98)

The changes in each plan are detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long-term benefits granted to employees	
	2019	2018	2019	2018	2019	2018
Balance as at 1 January	15,000	-	16,576	17,927	636	972
Interest costs	-	-	222	223	10	14
Current service cost	25,518	15,457	-	-	84	74
Actuarial (gains) losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	822	(127)	58	(6)
Changes in experience	-	-	(2,715)	29	18	(411)
Contributions or retirement pensions paid	(40,518)	(457)	(1,385)	(1,476)	(35)	(7)
Balance as at 31 December	-	15,000	13,520	16,576	771	636

Actuarial assumptions used in the calculation of the responsibilities for defined benefit plans and other long-term benefits:

	2019	2018
Mortality table	TV 88/90	TV 88/90
Discount rate	0.55%	1.40%
Pension and salaries growth rate	3.00%	3.00%

The mortality assumptions used are those most commonly adopted in Portugal and are based on actuarial advice in accordance with published statistics. The sensitivity analyses made to the assumptions is stated in note 2.8.

Expected future payments

The expected maturity for the next ten years for the liabilities associated with defined benefit plans is as follows:

	1 year	1 to 5 years	5 to 10 years
Retirement benefits - Defined benefit plan paid for by the Company	1,228	4,098	3,290
Seniority awards - Defined benefit plan	25	179	454
Total	1,253	4,277	3,744

5. Net financial costs

Net financial costs represent the interest on borrowings, the interest on investments made, foreign exchange gains and losses in financial operations, gains and losses resulting from changes of financial assets measured at fair value through profit and loss, cost of issuing and maintaining bank guarantees and other costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

	2019	2018
Interest expense with loans	(590)	(1,572)
Interest expense with leases	(15)	-
Interest received	161	149
Other financial costs and gains	(788)	(619)
Net financial costs	(1,232)	(2,042)

Interest expenses includes the interest related with loans measured at amortised cost. Other financial costs include, namely, stamp tax on credit lines opening, issuing and maintaining bank guarantees and issuance costs related to non-current debt recognised in the income statement for the loan's term.

6. Leases

JMH assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use and a corresponding liability at the date at which the leased asset is available for use by JMH. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. When the split information is available, JMH has elected to separate lease and non-lease components included in lease payments for all leases.

At the commencement date, lease liabilities measurement is mainly composed by the present value of lease payments to be made over the lease term, which includes fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate.

In calculating the present value of lease payments, JMH used its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments). The weighted-average rate applied is 2.52%, based on the features of the agreement (underlying asset and guarantees, currency and lease term).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of initial lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

JMH applies the short-term lease recognition exemption to its short-term leases (lease term of 12 months or less) and it also applies the lease of low-value assets recognition exemption to leases considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

JMH's leases relate mostly to vehicles rent contracts, with initial terms between 3 and 4 years. The lease agreements do not impose any covenants.

Right-of-use assets are also subject to impairment tests, as referred in note 2.5.1.

The new standard IFRS 16 was adopted by JMH from 1 January 2019, using the modified retrospective approach, with no restatement of the 2018 comparative accounts. In transition, both right-of-use assets and lease liabilities were measured at same amount.

6.1 Right-of-use assets

2019	Transport equipment	Total
Gross asset		
Opening balance	-	-
Changes in accounting policies (see note 2.1.1)	746	746
New contracts	275	275
Contracts updates	40	40
Contracts cancellation	(82)	(82)
Closing balance	979	979
Depreciations and impairment losses		
Opening balance	-	-
Increases	405	405
Contracts cancellation	(57)	(57)
Closing balance	348	348
Net book value		
In 31 December 2018	-	-
In 31 December 2019	631	631

6.2 Lease liabilities

2019	Current	Non-current	Total
Opening balance	-	-	-
Changes in accounting policies (see note 2.1.1)	384	362	746
New contracts	77	198	275
Payments	(401)	-	(401)
Contracts updates	16	24	40
Contracts cancellation	(13)	(13)	(26)
Transfers	275	(275)	-
Closing balance	338	296	634

6.3 Expenses recognised in the income statement

The income statement includes the expenses referred below related with leases:

	2019
Depreciation of right-of-use assets	
Transport equipment	405
Subtotal	405
Lease liabilities interests	15
Gains/losses with contract cancellation	(1)
Rents (note 3)	
Expense related with short term leases	570
Expense related with low value assets leases	44
Expenses related with non-lease component included in payments	208
Subtotal	822
Total	1,241

The total cash outflow for leases in 2019 was EUR 1,238 thousand.

7. Taxes

Income tax includes current and deferred taxes. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in the same heading.

Tax on current income is calculated in accordance with tax criteria prevailing as of the balance sheet date.

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be used. Deferred tax assets are revised on an annual basis and derecognised when it is no longer probable that they may be used.

For transactions with uncertainty regarding their tax treatment, JMH considers the effects of that uncertainty in the income tax estimations, whenever the tax authorities are not likely to accept the tax treatment given by JMH. Assets and liabilities related to uncertain tax positions are presented as deferred tax assets or liabilities.

For tax litigation and for all situations in which the position of the tax authorities is already known, an assessment is made on the probability of outcome, setting up provisions for the amounts estimated to represent future disbursements (when the probability of outcome is above 50%), or, proceeding with the payment, whenever it is considered to be the best way to protect the JMH's interest.

7.1 Income tax

	2019	2018
Current tax		
Current tax of the year	3,033	4,600
Adjustment to prior year estimation	254	27
	3,287	4,627
Deferred tax		
Temporary differences originated or reversed in the year	5,391	4,063
	5,391	4,063
Other Gains (losses) related with taxes		
Impact of changes in estimates for tax litigations	(67)	6,709
	(67)	6,709
Total income tax	8,611	15,399

As in previous years all tax litigation lawsuits were reassessed in detail. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made, in 2018, in the amount of EUR 6,826 thousand.

7.2 Reconciliation of effective tax rate

	2019	2018
Profit/loss before taxes	745,784	744,086
Income tax 22.5% rate	(167,801)	(167,419)
Tax effect from:		
Non-taxable or non-recoverable results	177,151	176,915
Changes in estimates for tax litigations	(67)	6,709
Non-deductible expenses	(474)	(564)
Change in income tax rate	-	-
Adjustment to prior year estimation	254	27
Results subject to special taxation	(452)	(269)
Income tax for the year	8,611	15,399
Effective tax rate	(1.15%)	(2.07%)

In 2019 and 2018, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21%. For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 9%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively.

JMH's effective tax rate is significantly influenced by the fiscal effect of the dividend income received from subsidiaries. This income is not subject to taxation according with the current tax legislation, as it has already been considered for Income Tax purposes in the companies which generated them.

7.3 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

	2019	2018
Deferred tax assets	12,598	7,637
Deferred tax liabilities	(165)	(169)
Total	12,433	7,468

JMH did not recognized any amounts in deferred taxes regarding uncertain tax positions.

	01/01/2019	Impact on results	Impact on equity	31/12/2019
Deferred tax assets				
Employee benefits	3,873	8,756	(426)	12,203
Provisions and adjustments above tax limits	3,764	(3,371)	-	393
Effects of the application of leases standard	-	2	-	2
	7,637	5,387	(426)	12,598
Deferred tax liabilities				
Update of assets to fair value	(169)	4	-	(165)
	(169)	4	-	(165)
Net change in deferred tax	7,468	5,391	(426)	12,433

	01/01/2018	Impact on results	Impact on equity	31/12/2018
Deferred tax assets				
Employee benefits	4,252	(357)	(22)	3,873
Provisions and adjustments above tax limits	425	3,339	-	3,764
	4,677	2,982	(22)	7,637
Deferred tax liabilities				
Update of assets to fair value	(175)	6	-	(169)
Other temporary differences	(1,075)	1,075	-	-
	(1,250)	1,081	-	(169)
Net change in deferred tax	3,427	4,063	(22)	7,468

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

	2019	2018
Income tax payable	(995)	(1,055)
Total	(995)	(1,055)

Since 1 January 2014, JMH has integrated a group of companies taxed according with the Special Group Taxation Regime (RETGS), as the dominant Company of the group. In addition to JMH, the taxation group is currently composed of the following companies:

- Recheio, SGPS, S.A.
- Recheio - Cash & Carry, S.A.
- Imocash – Imobiliário de Distribuição, S.A.
- Lantigo – Sociedade de Construções, S.A.
- Masterchef, S.A.
- Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Serviços, S.A.
- Desimo – Desenvolvimento e Gestão Imobiliária, Lda.
- Jerónimo Martins – Agro-Alimentar, S.A.
- Terra Alegre Lacticínios, S.A.
- Best-Farmer – Actividades Agro-pecuárias, S.A.
- Seaculture – Aquicultura, S.A.
- João Gomes Camacho, S.A.
- Jerónimo Martins – Restauração e Serviços, S.A.

7.5 Unrecognised deferred taxes on tax losses

JMH did not recognise deferred tax assets related to tax losses in respect of which, with reasonable accuracy, no sufficient future taxable profits are expected to guarantee the recovery of deferred tax assets in the short and/or medium-term. Total unrecognised deferred tax asset is presented below:

Tax losses expiring date	2019	2018
2022	818	746
2024	1,455	-
Total	2,273	746

8. Gains (losses) in subsidiaries

	2019	2018
Dividends received	794,950	780,000
Interest from loans granted	1,355	1,892
Total	796,305	781,892

9. Gains (losses) in other investments

Rents received for the lease of investment property are recognised as gains in other investments in the income statement in the period to which they relate.

	2019	2018
Rents from investment property	199	197
Total	199	197

10. Tangible assets

Tangible assets are recognised at historical cost net of accumulated depreciation and impairment losses.

Historical cost includes the purchase price and any other expenditure that is directly attributable to the acquisition of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating profit.

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated by the straight-line method, on a monthly basis on acquisition cost according to the useful life estimated for each class of asset. The most important annual depreciation rates, in percentage, are as follows:

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible assets	10

Whenever considered necessary, the estimated useful life of assets is reviewed and adjusted at the balance sheet date. Residual values are not taken into consideration, as it is JMH's intention to use the assets until the end of their economic life.

10.1 Changes occurred during the year

2019	Buildings and other constructions	Transport equipment	Tools and utensils	Office equipment	Other tangible assets	Tangible assets in progress	Total
Gross assets							
Opening balance	664	88	2	3,003	392	97	4,246
Increases	11	87	-	89	20	885	1,092
Disposals	-	(74)	-	(1)	-	-	(75)
Transfers and write-offs	-	-	-	-	-	-	-
Closing balance	675	101	2	3,091	412	982	5,263
Accumulated depreciation and impairment							
Opening balance	233	88	2	2,496	326	-	3,145
Increases	64	9	-	167	1	-	241
Disposals	-	(74)	-	(1)	-	-	(75)
Transfers and write-offs	-	-	-	-	-	-	-
Closing balance	297	23	2	2,662	327	-	3,311
Net book value							
In 1 January 2019	431	-	-	507	66	97	1,101
In 31 December 2019	378	78	-	429	85	982	1,952

10.2 Changes occurred in the previous year

2018	Buildings and other constructions	Transport equipment	Tools and utensils	Office equipment	Other tangible assets	Tangible assets in progress	Total
Gross assets							
Opening balance	622	88	2	2,932	392	-	4,036
Increases	42	-	-	70	-	97	209
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	-	-	1	-	-	1
Closing balance	664	88	2	3,033	392	97	4,246
Accumulated depreciation and impairment							
Opening balance	171	77	2	2,323	326	-	2,899
Increases	62	11	-	173	-	-	246
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-	-
Closing balance	233	88	2	2,496	326	-	3,145
Net book value							
In 1 January 2018	451	11	-	609	66	-	1,137
In 31 December 2018	431	-	-	507	66	97	1,101

10.3 Guarantees

No assets have been pledged as security for the fulfilment of bank or other obligations.

11. Intangible assets

Intangible assets are stated at historical cost net of accumulated amortisation and impairment losses.

Research and development expenditure

Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and JMH has the intention and capacity to complete its development and start trading or using it.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, being amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred, except if those costs are directly associated with development projects that will probably generate future economic benefits (reliably measured), they are recognised as development expenditure in intangible assets.

Amortisations

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33

Whenever considered necessary, the estimated useful life of assets is reviewed and adjusted, at the balance sheet date.

Intangible assets are made up of development expenses and include expenses incurred with the implementation of information system platforms.

11.1 Changes occurred during the year

2019	Development expenses	Intangible assets in progress	Total
Gross assets			
Opening balance	6,355	1,365	7,720
Increases	60	1,508	1,568
Disposals	-	-	-
Transfers and write-offs	504	(503)	1
Closing balance	6,919	2,370	9,289
Accumulated amortisation and impairment			
Opening balance	2,479	-	2,479
Increases	1,294	-	1,294
Disposals	-	-	-
Transfers and write-offs	-	-	-
Closing balance	3,773	-	3,773
Net book value			
In 1 January 2019	3,876	1,365	5,241
In 31 December 2019	3,146	2,370	5,516

11.2 Changes occurred in the previous year

2018	Development expenses	Intangible assets in progress	Total
Gross assets			
Opening balance	2,399	3,621	6,020
Increases	1,205	496	1,701
Disposals	-	-	-
Transfers and write-offs	2,751	(2,752)	(1)
Closing balance	6,355	1,365	7,720
Accumulated amortisation and impairment			
Opening balance	1,673	-	1,673
Increases	806	-	806
Disposals	-	-	-
Transfers and write-offs	-	-	-
Closing balance	2,479	-	2,479
Net book value			
In 1 January 2018	726	3,621	4,347
In 31 December 2018	3,876	1,365	5,241

12. Investment property

Investment property are land and buildings that are accounted at fair value, determined by specialised independent entities, with appropriate recognised professional qualifications and experience in valuing assets of this nature.

The fair value is based on market values, being the amount at which two independent willing parties would be interested in making a transaction of the asset.

The methodology adopted in the valuation and determination of fair value consists of applying the market's comparative method, in which the asset under valuation is compared with other similar assets that perform the same function, negotiated recently in the same location or in comparable zones. The known transaction values are adjusted to make a proper comparison, and the variables of size, location, existing infrastructure, state of conservation and other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which comparison with transactions that have occurred is difficult, an income approach is used. It is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself.

Changes to fair value of investment property are recognised in the income statement, in gains/(losses) in other investments, since it is related with assets owned for appreciation.

JMH owns a property, which was partially rented to a Group company generating profits in the amount of EUR 199 thousand (2018: EUR 197 thousand). This property is valued at its market value, according to an independent valuation, regularly confirmed with the application of income method and is recorded at EUR 2,470 thousand (2018: EUR 2,470 thousand).

In 2019, JMH incurred expenses regarding this property in the amount of EUR 4 thousand (2018: EUR 4 thousand), recognised in results in other operating costs.

13. Investments in subsidiaries

The equity holdings in subsidiaries corresponds to investments in the acquisition of shareholdings in the companies listed in note 25.

	2019	2018
Net value as at 1 January	665,016	665,016
Increases	50	-
Decreases	-	-
Net value as at 31 December	665,066	665,016

In December 2019, it was incorporated the subsidiary Jerónimo Martins Inovação, S.A..

14. Loans to subsidiaries

Non-current loans	2019	2018
Net value as at 1 January	1,468,145	652,370
Increases	145,000	878,575
Decreases	(38,000)	(62,800)
Net value as at 31 December	1,575,145	1,468,145

Non-current loans are granted as supplementary capital contributions (which do not bear interest).

Current loans	2019	2018
Net value as at 1 January	116,980	192,880
Increases	23,470	1,780
Decreases	(20,710)	(77,680)
Net value as at 31 December	119,740	116,980

Current loans are granted as treasury operations (remunerated at normal market rates).

15. Trade debtors, accrued income and deferred costs

Subsidiaries and debtor balances are amounts to be received regarding services rendered by JMH in the ordinary course of business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses (notes 2.4.1 and 2.5.2).

	2019	2018
Non current		
Other debtors (work compensation fund - FCT)	109	73
Other debtors (collateral deposits)	19,367	19,367
Total	19,476	19,440
Current		
Subsidiaries	10,639	10,474
Other debtors	618	1,598
Taxes receivable	1,225	1,103
Accrued income	4,449	4,212
Deferred costs	1,074	1,091
Total	18,005	18,478

JMH has EUR 19,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions. These deposits are being used as a collateral guarantee for financial loans to its subsidiary Jerónimo Martins Colombia, S.A.S.. These deposits will be released on loans repayment date.

Amounts recognised in subsidiaries refers mainly to invoices issued to Group companies relating to various services provided, in the amount of EUR 1,138 thousand (2018: EUR 695 thousand), as well as the allocation of Corporate Income Tax (CIT) between JMH Group companies, which is taxed by the Special Group Taxation Regime (RETGS), in the amount of EUR 9,384 thousand (2018: EUR 9,697 thousand).

Accrued income refers mainly to EUR 4,339 thousand (2018: EUR 4,059 thousand) regarding the rendering of technical and administrative services to subsidiaries not yet invoiced and EUR 72 thousand (2018: EUR 70 thousand) of interest receivable.

Deferred costs include EUR 63 thousand (2018: EUR 7 thousand) of issuance costs of commercial paper and bank guarantees and EUR 1,011 thousand (2018: EUR 1,084 thousand) of other costs relating to future periods, paid in 2019 or when not paid, already charged by the competent entities.

16. Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

	2019	2018
Bank deposits	93,445	547
Cash and cash equivalents	15	12
Total	93,460	559

17. Cash generated from operations

	2019	2018
Net results	754,395	759,485
Adjustments for:		
Income tax	(8,611)	(15,399)
Depreciation and amortization	1,940	1,052
Net financial costs	1,232	2,042
(Gains) losses with tangible and intangible assets	(24)	-
(Gains) losses with right-of-use assets	(1)	-
(Gains) losses on subsidiaries	(796,305)	(781,892)
(Gains) losses on other investments	(199)	(197)
	(47,573)	(34,909)
Changes in working capital:		
Trade debtors, accrued income and deferred costs	211	1,509
Trade creditors, accrued costs and deferred income	1,694	(1,064)
Provisions and employee benefits	(16,427)	13,224
Cash generated from operations	(62,095)	(21,240)

18. Capital and reserves

Share capital

Share capital corresponds to the nominal value of the ordinary shares issued.

Share premium is recognised when the issued share price exceeds its nominal value. Costs incurred with the issuance of new shares are recognised directly in this heading, net of respective taxes.

Own shares purchased are shown at cost as a deduction in equity. When they are disposed, the amount received, net of costs related with the transaction and taxes, is recognised directly in equity.

Payable and receivable dividends

Payable dividends are recognised as a liability in JMH financial statements in the period in which they are approved by the shareholders for distribution.

Receivable dividends are recognised as revenues when the right to receive payment is established.

18.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2018: 629,293,220), each with a nominal value of one euro.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the General Shareholder's Meeting and have the right to one vote for each share owned. There are no preferential shares. Rights relating to own shares are suspended until they are placed on the market.

During the year 2019, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2018.

18.2 Own shares

At 31 December 2019, JMH held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2019.

18.3 Retained earnings

As at 31 December 2019 the total amount of retained earnings was EUR 1,829,805 thousand (2018: EUR 1,278,184 thousand), resulting from profit generated in the financial year and previous years.

Of this amount EUR 317,290 thousand (2018: EUR 315,823 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

18.4 Dividends

According with the decision made at the 11 April 2019 General Shareholders Meeting, the amount of EUR 204,241 thousand was distributed to Jerónimo Martins shareholders in May 2019. According with the decision made at the 12 April 2018 General Shareholders Meeting, the amount of EUR 385,230 thousand was distributed to Jerónimo Martins shareholders in May 2018.

In accordance with the results appropriation proposal described in point 8 included in the Management Report chapter, which is integrated in the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount EUR 216,810 thousand, which corresponds to a dividend per share of EUR 0.345 (excluding own shares in the portfolio).

19. Earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders divided by the weighted average of outstanding ordinary shares.

19.1 Basic and diluted earnings per share

	2019	2018
Ordinary shares issued at the beginning of year	629,293,220	629,293,220
Own shares at the beginning of year	(859,000)	(859,000)
Own shares acquired during the year	-	-
Ordinary shares issued during the year	-	-
Weighted average outstanding shares (equal to diluted)	628,434,220	628,434,220
Net results of the year attributable to ordinary shares (equal to diluted)	754,395	759,485
Basic and diluted earnings per share – euros	1.200	1.209

20. Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred, and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method (note 2.4.2).

Borrowings are classified as current liabilities, unless JMH has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the Company's exposure to interest rates see note 28.

20.1 Current and non-current loans

2019	Opening balance	Cash Flows	Closing balance
Non-current loans			
Bank loans – commercial paper	-	-	-
Total	-	-	-
Current loans			
Loans from Group companies	327,500	(327,500)	-
Bank loans – commercial paper	-	-	-
Bank loans	-	-	-
Total	327,500	(327,500)	-

2018	Opening balance	Cash Flows	Closing balance
Non-current loans			
Bank loans – commercial paper	-	-	-
Total	-	-	-
Current loans			
Loans from Group companies	-	327,500	327,500
Bank loans – commercial paper	-	-	-
Bank loans	1	(1)	-
Total	1	327,499	327,500

20.2 Loan terms and maturities

	Average rate	2019	Payable in less than 1 year	Payable between 1 and 5 years
Loans from Group companies		-	-	-
Bank loans		-	-	-
Bank loans – commercial paper		-	-	-
Total	0.67%	-	-	-

	Average rate	2018	Payable in less than 1 year	Payable between 1 and 5 years
Loans from Group companies		327,500	327,500	-
Bank loans		-	-	-
Bank loans – commercial paper		-	-	-
Total	0.71%	327,500	327,500	-

JMH uses, with other Group companies, grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one company. The amount of credit lines granted to JMH which are not being used amount to EUR 114,750 thousand (2018: EUR 114,750 thousand).

20.3 Bank loans: commercial paper

There are several issued bank loans in the form of a commercial paper programme, in the global amount of EUR 185,000 thousand (2018: EUR 155,000 thousand), with variable interest rate. At the end of 2019 and 2018, no amount of these credit lines was being used.

20.4 Financial net debt

	2019	2018
Current loans	-	327,500
Interest accruals and deferrals	(72)	133
Bank deposits	(93,445)	(547)
Total	(93,517)	327,086

21. Provisions

Provisions are recognised in the balance sheet whenever JMH has a present obligation (legal or implicit) as a result of a past event and it is probable that a reasonably estimated outflow of resources embodying economic benefits will be required to settle the obligation.

Restructuring provision

Provisions for restructuring costs are set up whenever a formal restructuring plan has been approved by JMH and the restructuring has started to be implemented or has been announced publicly.

Provisions for restructuring include all liabilities to be paid with the implementation of the plan, including employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Provision for other risks and contingencies (Legal claims)

Provisions related with litigation against JMH are set up in accordance with risk assessments carried out by JMH, with the support and advice of its legal advisors.

2019	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Other risks and contingencies	21,506	108	(15,021)	6,593
Total provisions	21,506	108	(15,021)	6,593

2018	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Other risks and contingencies	13,403	15,000	(6,897)	21,506
Total provisions	13,403	15,000	(6,897)	21,506

The heading other risks and contingencies consists of provisions for possible compensation to be paid by JMH regarding guarantees provided in business sales agreements entered into over the last few years and provisions for litigation processes where there are no prospects for resolution in less than one year.

In 2018, a provision for other risks and contingencies was set up, in the amount of EUR 15,000 thousand, regarding a post-employment compensation plan for employees of the Group, which were in the implementation phase. With the conclusion of the plan implementation in 2019, the provision was fully used.

As in previous years, in 2018, all tax litigation lawsuits were reassessed. Considering the decisions pronounced in the meantime by the Courts in similar cases or in relation to the same facts, a reduction of provisions was made in 2018, in the amount of EUR 6,826 thousand.

22. Trade creditors, accrued costs and deferred income

Suppliers and other creditors' balances are obligations to pay services that have been acquired by JMH in the ordinary course of the business. They are initially recognised at the fair value and subsequently at the amortised cost, in accordance with the effective interest rate method (note 2.4.2).

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

	2019	2018
Subsidiaries	4,024	3,016
Other trade creditors	2,250	1,678
Other non-trade creditors	71	18
Taxes payable	659	514
Accrued costs	8,870	8,513
Deferred income	17	17
Total	15,891	13,756

The heading accrued costs includes salaries and wages payable in the amount of EUR 6,991 thousand (2018: EUR 6,338 thousand), and EUR 1,879 thousand (2018: EUR 2,175 thousand) regarding various costs (utilities, insurances, consultants, rents, among others), relating to 2019 and not invoiced by the respective entities prior to the end of the year.

23. Guarantees

The bank guarantees are as follows:

	2019	2018
Guarantees for the Tax Authority	14,348	14,404
Financing bank guarantees	266,020	231,350
Other guarantees provided	1,669	1,367
Total	282,037	247,121

The financing bank guarantees respect to financial loans obtained by the subsidiary Jerónimo Martins Colombia, S.A.S.. These guarantees will be released following the guaranteed loans reimbursement.

24. Contingencies, contingent assets and contingent liabilities

Contingent assets are potential JMH assets that result from past events, but whose recognition depends on the occurrence or not of one or more future events that are not under its control.

Disclosure is made in the notes when it becomes probable that future economic benefits will be received by JMH. It is recognized in the Individual Financial Statements when it becomes virtually certain to be received.

Contingent liabilities correspond to potential obligations as result of past events and whose recognition depends on the occurrence or not of one or more uncertain future events not wholly within the control of JMH. They may also represent present obligations as result of past events, which are not recognized in the Financial Statements, because its payment is not probable, or it is not possible to obtain a reliable value estimation.

JMH discloses in the notes whenever the probability of future disbursement is not considered remote. It is recognized, or a provision is set up, when it becomes probable that economic benefits will be paid, and its value can be estimated with some degree of reliability.

Contingent liabilities

There are several relevant disputes pending resolution. With respect to these issues, the Board of Directors, supported by the opinion of its tax and legal advisors considers that there is enough ground for its appeal in court, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur a provision is taken (note 21):

- The Portuguese Tax Authorities have informed JMH, to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;

- The Portuguese Tax Authorities have claimed EUR 989 thousand from JMH in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Board of Directors does not consider the report of the Tax Authorities to have a legal basis or validity, and has challenged it;
- The Portuguese Tax Authorities have informed JMH that they do not accept the capital losses associated with a liquidation of one company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses regarding 2007, and an amount of tax estimated of EUR 6,800 thousand. In 2019, the Lisbon Tax Court ruled in favour of JMH, however the Tax Authorities have appealed the said decision to a higher court;
- The Portuguese Tax Authorities assessed, regarding 2016, JMH (as the head of the Tax Group in which Recheio SGPS is included), in the amount of EUR 12,608 thousand, related to the taxation in CIT of ¼ of the results generated in internal operations of the Tax Group. As explained in the 2018 Group Consolidated Annual Report (and previous years), this assessment results from the application of the transitional rule included in the Portuguese State Budget of 2016. Based on the assessment of our legal and fiscal advisors, we firmly believe that there are sufficient grounds to oppose the said rules. Therefore, no provisions have been made for the amount assessed and which is expected to be further assessed from the application of the 2016, 2017, 2018 and 2019 transitory rules - c. EUR 50,000 thousand in income taxes.

25. Subsidiaries

The direct investments owned by JMH, as at 31 December 2019, are as follows:

Company	Notes	Head office	% Owned	Stake held directly	Total assets	Shareholder's equity	Net profit/loss
Investments in subsidiaries							
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	a)	Lisbon	100.00%	50	181	165	56
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	8,017	655	221
Jerónimo Martins Inovação, S.A.	a)	Lisbon	100.00%	50	50	50	-
Eva – Soc. Invest. Mobiliários e Imobiliários, Lda.	a)	Funchal	5.61%	28	2,139	2,118	2
Friedman – Soc. Invest. Mobiliários e Imobiliários, Lda.	a)	Funchal	100.00%	5	182	169	7
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	1,373,191	1,370,561	454,536
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	422,673	422,602	388,969
New World Investments B.V.	a)	Amsterdam	100.00%	18	494,788	494,748	7,260
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	115,100	115,096	(20)

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.

26. Subsidiaries, joint ventures and associates – interests held directly and indirectly

The companies held directly and indirectly by Jerónimo Martins, SGPS, S.A., as at 31 December 2019 are those mentioned in notes 26 and 28 of Chapter III of the Group Consolidated Annual Report.

27. Related parties

A related party is a person or entity that is related to JMH, including those that have, or are subject to, the influence or control of JMH.

Transactions with related parties are always carried out at market prices.

27.1 Transactions with related parties (shareholders)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos B.V.. There were no direct transactions between this company and JMH in 2019, nor are there any open amounts between them as at 31 December 2019.

27.2 Transactions with other related parties

27.2.1 Technical and administrative services provided

As the Group's Holding Company and Corporate Center, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration, Environment, Legal Affairs, Internal Audit, Commercial, Corporate Communications and Responsibility, Financial Control, Business Development, International Expansion and Strategy, Fiscal Affairs, Risk Management, Logistics and Supply Chain, Marketing and Consumer, Financial Operations, Quality and Private Brand Development, Operations Quality and Food Safety, Human Resources, Investor Relations, Security, Information Security and Information Technology. The turnover from these services in 2019 was EUR 15,861 thousand (2018: EUR 14,683 thousand).

27.2.2 Financial services

The JMH Financial Operations Department centralises part of the Group companies' financial management.

This management includes acting on behalf of the companies in the negotiation and contracting of debt conditions and application of funds with banks and other financial institutions. The purpose of this centralised management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated for this service, which amounted to EUR 1,327 thousand in 2019 (2018: EUR 1,551 thousand).

This management includes also the centralised treasury operations, responsible for payments to suppliers, employees and other entities, as well as daily cash flow management. This management is also remunerated for this service, which amounted to EUR 461 thousand in 2019 (2018: EUR 498 thousand).

27.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented in 2019 costs of EUR 484 thousand (2018: EUR 483 thousand).

As mentioned in note 12, JMH owns a property which is partially rented out to a Group company, and generated profits in 2019 in the amount of EUR 199 thousand (2018: EUR 197 thousand).

27.2.4 Treasury operations (current loans)

JMH granted treasury operations to subsidiaries, which generated interest in 2019 in the amount of EUR 1,355 thousand (2017: EUR 1,892 thousand).

27.2.5 Staff related costs

As a Group, Jerónimo Martins takes advantage of the synergies existing between various companies, and frequently transfers staff from one company to another according to the needs of the various businesses. In 2019, total costs incurred with services rendered by personnel from other companies amounted to EUR 8,200 thousand (2018: EUR 8,077 thousand).

27.2.6 Open balances as at 31 December 2019

Company	Current loans granted	Non-current loans granted	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary companies							
Best-Farmer - Actividades Agro-Pecuárias, S.A.	8,515	-	7	11	-	661	-
Caterplus – Com. Dist. Produtos Consumo, Lda.	-	-	159	1	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	14	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	1	1	-	2	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	938	5	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	34	-	39	-
João Gomes Camacho, S.A.	-	-	253	2	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	3,055	-	39	5	-	193	-
Jeronimo Martins Colombia, S.A.S.	-	-	12	-	-	-	-
Jeronimo Martins Drogerie i Famacja Sp. z o.o.	-	-	23	-	-	-	-
Jeronimo Martins Polska S.A.	-	-	341	1,811	-	98	-
Jerónimo Martins – Restauração e Serviços, S.A.	2,905	-	101	3	-	1	-
Jerónimo Martins Serviços, S.A.	-	500	56	-	-	3	2,990
JMR – Gestão Empresas Retalho, SGPS, S.A.	68,090	-	71	129	-	-	-
JMR - Prestação Serviços para a Distribuição, S.A.	-	-	199	36	-	43	-
Larantigo - Sociedade de Construções, S.A.	-	-	-	-	-	49	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	1	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	34	7	-	-	-
Masterchef, S.A.	-	-	-	-	-	10	-
New World Investments B.V.	-	543,450	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	115,195	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	316	1,636	-	96	-
Recheio - Cash & Carry, S.A.	-	-	7,584	608	17	2	-
Recheio, SGPS, S.A.	13,110	-	443	17	-	-	-
Seaculture - Aquicultura, S.A.	2,700	-	3	4	-	333	-
Tagus - Retail & Services Investments B.V.	-	1,950	-	-	-	-	-
Terra Alegre - Lacticínios, S.A.	21,365	-	45	28	-	2,494	-
Warta - Retail & Services Investments B.V.	-	913,880	-	-	-	-	-
Subtotal	119,740	1,575,145	10,639	4,339	17	4,024	2,990
Other related parties							
JMDB - Repr. e Distribuição Marcas, Lda.	-	-	1	-	-	-	-
Unilever Fima, Lda	-	-	-	-	-	5	-
Subtotal	-	-	1	-	-	5	-
Total	119,740	1,575,145	10,640	4,339	17	4,029	2,990

27.2.7 Open balances as at 31 December 2018

Company	Current loans granted	Non-current loans granted	Current loans received	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary companies								
Best-Farmer - Actividades Agro-Pecuárias, S.A.	4,655	-	-	5	7	-	474	-
Caterplus – Com. Dist. Produtos Consumo, Lda.	-	-	-	43	1	-	-	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	-	30	-	-	-	-
Escola de Formação Jerónimo Martins, S.A.	-	-	-	1	-	-	-	-
EVA - Soc. Invest. Mobiliário Imobiliários, Lda.	-	-	-	1	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	1	-	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	-	1,069	-	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	-	2	48	-	36	-
João Gomes Camacho, S.A.	-	-	-	5	4	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	2,460	-	-	82	3	-	165	-
Jerónimo Martins Colombia, S.A.S.	-	-	-	4	-	-	-	-
Jerónimo Martins Polska S.A.	-	-	-	76	1,667	-	59	-
Jerónimo Martins – Restauração e Serviços, S.A.	2,500	-	-	33	2	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	70	-	-	-	2,941
JMR – Gestão Empresas Retalho, SGPS, S.A.	88,105	-	-	57	156	-	-	-
JMR - Prestação Serviços para a Distribuição, S.A.	-	-	-	162	21	-	58	-
Larantigo - Sociedade de Construções, S.A.	-	-	-	1	-	-	39	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	-	1	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	-	47	9	-	-	-
Masterchef, S.A.	-	-	-	-	-	-	10	-
New World Investments B.V.	-	423,450	-	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	91,195	-	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	-	140	1,669	-	57	-
Recheio - Cash & Carry, S.A.	-	-	327,500	7,241	437	17	209	-
Recheio, SGPS, S.A.	-	-	-	1,354	-	-	-	-
Seaculture - Aquicultura, S.A.	3,395	-	-	3	4	-	231	-
Tagus - Retail & Services Investments B.V.	-	950	-	-	-	-	-	-
Terra Alegre - Lactícios, S.A.	15,865	-	-	45	23	-	1,678	-
Warta - Retail & Services Investments B.V.	-	951,880	-	-	-	-	-	-
Subtotal	116,980	1,468,145	327,500	10,474	4,059	17	3,016	2,941
Other related parties								
JMDB - Repr. e Distribuição Marcas, Lda.	-	-	-	-	-	-	1	-
Marismar Aquicultura Marinha S.A.	-	-	-	6	-	-	-	-
Unilever Fima, Lda	-	-	-	-	-	-	5	-
Subtotal	-	-	-	6	-	-	6	-
Total	116,980	1,468,145	327,500	10,480	4,059	17	3,022	2,941

27.2.8 Remuneration paid to Directors

	2019	2018
Salaries and cash awards	1,441	1,320
Retirement benefits	306	284
	1,747	1,604

The Board of Directors of the Company consists of 10 Members. The remuneration shown includes the amounts paid to the members of the Board of Directors that work on the Audit committee, which annual amount was of EUR 60 thousand (2018: EUR 60 thousand).

The remuneration of the Members of the Board of Directors and of the Supervisory Board is stated in the Consolidated Annual Report, under the Corporate Governance Chapter.

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 4.2.

28. Financial risks

JMH is exposed to various financial risks, namely market risk (which includes interest rate risk), liquidity risk and credit risk.

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. It is responsible, with the cooperation of the financial areas of the Group's companies, for identifying and assessing risks and for executing the hedging of financial risks, by following the guidelines set out in the Financial Risk Management Policy.

28.1 Interest rate risk

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes JMH to cash flow risk. A given portion of this risk is hedged through fixed interest rate swaps, thus Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

28.2 Credit risk

Credit risk is managed centrally. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions.

The financial institutions that JMH chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

The following table shows a summary of credit quality of bank deposits and short-term investments, as at 31 December 2019 and 2018:

Rating company	Rating	2019	2018
		Balance	Balance
Standard & Poor's	[A+ : AA]	73	-
Standard & Poor's	[BBB+ : A]	37,125	172
Standard & Poor's	[BB+ : BBB]	34,168	302
Standard & Poor's	[B+ : BB]	21	10
Moody's	[Caa2 : Caa1]	15	46
Fitch	[A- : A+]	22,013	-
Fitch	[BB+ : BBB]	30	-
Fitch	[B- : BB]	-	17
Total		93,445	547

The ratings shown correspond to those given by Standard and Poor's, Moody's and Fitch. The maximum exposure to credit risk at 31 December 2019 and 2018 is the financial assets carrying value.

28.3 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to mitigate the impact of credit spreads increase that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning, executed on a daily basis, which it derives from the annual financial plans which are reviewed at least twice a year.

The following table shows JMH's liabilities by ranges of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow.

Exposure to Liquidity Risk			
2019	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Commercial paper	8	15	-
Creditors	6,345	-	-
Lease liabilities	385	312	-
Total	6,738	327	-
2018	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Loans granted by Group companies	328,205	-	-
Commercial paper	33	115	25
Creditors	4,712	-	-
Operational lease liabilities	407	407	-
Total	333,357	522	25

The cash flows presented for commercial paper programs include fixed expenses incurred with these programs, whether they are being used or not.

29. Additional information requested by law

In accordance with article 66-A of the Portuguese Commercial Companies Code, we hereby inform of the following:

- In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the balance sheet or in these notes;
- The total remuneration paid to the External Auditor and Statutory Auditor in 2019 was EUR 119 thousand, of which EUR 109 thousand correspond to statutory audit of the accounts, while the remaining EUR 10 thousand are related to human resources support services;
- Note 27 of the Notes to the Financial Statements include all the related parties' disclosures, in accordance with the International Accounting Standards.
- During 2018, JMH incurred in expenses with Research and Development ("R&D") activities, which are, in your understanding, likely to be eligible for the purposes of Entrepreneurial R&D Tax Incentives System ("Sistema de Incentivos Fiscais em I&D Empresarial II – SIFIDE II").

Hence, related with the abovementioned period, JMH is still waiting for the decision from the Technical Committee with power delegated by the Agência Nacional de Inovação, S.A.. JMH has requested a tax credit of EUR 309 thousand as a result of investments related with R&D activities in the total amount of EUR 373 thousand, consisting of human resources expenses amounting to EUR 245 thousand and operating expenses amounting to EUR 128 thousand.

Lastly, taking into consideration the investments made in 2019 in this particular area, JMH is also preparing an application to this Tax Incentive (SIFIDE II), within the legally stipulated deadline.

30. Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the financial statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

At the conclusion of this Report there were no relevant events to highlight that are not disclosed in the Financial Statements.

Lisbon, 19 February 2020

The Certified Accountant

The Board of Directors

(Translation from the original document in the Portuguese language. In event of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Jerónimo Martins, S.G.P.S., S.A. (the Entity), which comprise the Balance Sheet as at 31 December 2019 (showing a total of 2.514.059 thousand euros and total equity of 2.475.490 thousand euros, including a net profit for the year of 754.395 thousand euros), the Statement of Income by Functions, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Jerónimo Martins, S.G.P.S., S.A. as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Investments in subsidiaries and loans to subsidiaries

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The total amount of investments in subsidiaries and loans to subsidiaries recognized in the separate financial statements of Jerónimo Martins, S.G.P.S., S.A., as at 31 December 2019, amounts to 2.240.211 thousand euros. As disclosed in the Notes 2.3 to the financial statements, the investments in subsidiaries	Our audit procedures included: ▶ Understanding and evaluating controls over the investments in subsidiaries and loans to subsidiaries process; ▶ Obtaining impairment tests performed by management to the investments in subsidiaries and loans to subsidiaries and confirmation of the assumptions used with the business plans approved by the Board;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
and loans to subsidiaries are recorded at cost and are analysed at each balance sheet date in order to identify any indicators of possible impairment losses. When indicators are identified, the recoverable amount of the assets is tested by the management, using the discounted cash flow method. The valuation data used to calculate the value in use, is supported by past performance and market development expectations for each of the investments, in accordance with the discounted cash flow projections, discount rates and perpetuity growth rates. Due to the relevance of the amounts involved, as well as the complexity and judgment inherent in the model adopted for the impairment assessment, we consider that the valuation of investments in subsidiaries and loans to subsidiaries was a material matter for the purposes of our audit.	▶ Performing analyses, with the support of internal specialists, of the assumptions and methodologies used by the management, namely the impairment testing model, the discount rates and perpetuity growth rates; ▶ Performing substantive procedures regarding impairment indicators on investments in subsidiaries and loans to subsidiaries, namely by comparing the equity of the subsidiaries or the value in use obtained through the models prepared by the Management with the amounts recorded in the financial statements; and ▶ Review of the amounts of impairment losses recognized by the Entity regarding investments in subsidiaries and loans to subsidiaries and assessment of its reasonableness. We have also verified the adequacy of the disclosures presented in the financial statements.

Responsibilities of Management and the Audit Committee for the financial statements

Management is responsible for:

- ▶ the preparation of financial statements that presents a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

The Audit Committee is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance, including the Audit Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated to those charged with governance, including the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under N° 4 and N° 5 of article 451 of the Commercial Companies Code and the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, N° 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements.

On the non-financial information set out in article 66-B of the Commercial Companies Code

Pursuant to article 451, N° 6 of the Commercial Companies Code, we inform that the Entity included in the Management Report the non-financial information of the set out in article 66-B of the Commercial Companies Code.

On the Corporate Governance Report

Pursuant to article 451, N° 4 of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to be provided by the Entity as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) N° 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of the Jerónimo Martins, S.G.P.S., S.A. (Group's Parent Entity) for the first time at the shareholders' general meeting held on 6 April 2017 for the mandate from 2017 to 2018, and reappointed for the mandate from 2019 to 2021 at the shareholders' general meeting held on 11 April 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred with a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement to the financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the Audit Committee of the Entity on February 18, 2020; and
- ▶ We declare that we have not provided any prohibited services as described in article 77, N° 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 04 March 2020

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves (ROC nº 896)
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Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors of Jerónimo Martins, S.G.P.S., S.A.,

Introduction

We were engaged by the Board of Directors of Jerónimo Martins, S.G.P.S., S.A. (“Jerónimo Martins” or “Company”) to perform a limited assurance engagement on the indicators identified below in the section “Responsibilities of the auditor”, which integrate the sustainability information included in Chapter V. “Corporate Responsibility in Value Creation” of the Annual Report 2019 (“Report”), for the year ended in December 31, 2019, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to prepare the indicators identified below in the section “Responsibilities of the auditor”, included in Chapter V. “Corporate Responsibility in Value Creation” of the Annual Report 2019, in accordance with the sustainability reporting guidelines Global Reporting Initiative, GRI Standards, for the option “In accordance – Core” and with the instructions and criteria disclosed in Chapter V. “Corporate Responsibility in Value Creation” of the Annual Report 2019, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

Responsibilities of the auditor

Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Our work was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance engagements other than audits or reviews of historical financial information”, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and we have fulfilled other technical standards and recommendations issued by the Institute of Statutory Auditors. These standards require that we plan and perform our work to obtain limited assurance about whether the GRI and specific indicators, identified in the subchapter 10. “Table of Indicators”, of Chapter V. “Corporate Responsibility in Value Creation” of the Annual Report 2019, as “✓ Indicator verified by an independent external third party” are free from material misstatement.

Our limited assurance engagement also consisted in carrying out procedures with the objective of obtaining a limited level of assurance as to whether the Company applied, in the sustainability information included in the Annual Report 2019, the GRI Standards guidelines.

For this purpose the above mentioned work included:

- (i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

- (ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
- (iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
- (iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
- (v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
- (vi) Comparison of financial and economic data included in the sustainability information with the data audited by the external auditor, in the scope of the audit of Jerónimo Martins' financial statements for the year ended in December 31, 2018;
- (vii) Verification that sustainability information included in the Report complies with the requirements of GRI Standards, for the option "In Accordance - Core".

The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality control and independence

We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the indicators identified above in the section "Responsibilities of the auditor", included in Chapter V. "Corporate Responsibility in Value Creation" of the Annual Report 2019, relating to the year ended in December 31, 2019, were not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that the Company has not applied, in the sustainability information included in the Report, the GRI Standards guidelines, for the option "In accordance – Core".

Restriction on use

This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating its annual sustainability performance in the Chapter V. "Corporate Responsibility in Value Creation" of the Annual Report 2019 and should not be used for any other purpose. We will not assume any responsibility to third parties other than Jerónimo Martins by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2019.

March 5, 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Brochado Correia, R.O.C.

(This is a translation, not to be signed)

Jerónimo Martins 2019
Rua Actor António Silva, n.º 7
1649-033 Lisboa
Phone: +351 21 753 20 00
Fax: +351 21 752 61 74
www.jeronimomartins.com