

## **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, 2016, 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, and in all cases received their full co-operation.

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Company's individual and consolidated financial information, from whom 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 tax proceedings and litigation involving group companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies to which is exposed.

Obtained from several departments of the Company, namely those responsible for the financial area, the risk management, the information security, 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 2017 as well as the necessary resources allocation.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, 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 External Auditors and 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 subsidiaries, 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, as well as the amounts involved, 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.

Also in the year of 2016, the Audit Committee has assessed all material transactions between related parties, issuing a favourable prior opinion, within the terms of paragraph 2 of article 397 of the Portuguese Commercial Companies Code, concerning the sale of the Company's subsidiary, Monterroio - Industry & Investments B.V., to Sociedade Francisco Manuel dos Santos B.V., as well as the buyback by the Group of Jerónimo Martins Restauração e Serviços, S.A. and of 51% of the share capital of Hussel Ibérica - Chocolates e Confeitarias, S.A., considering that such transactions would be carried out under normal market conditions and would be in the best interest of the Company.

In view of the rotation of the Statutory Auditor, following the understanding of the Portuguese Securities Market Commission that the current one cannot be maintained beyond 2016, the Audit Committee has conducted, during the year, a selection procedure, under the terms established in article 16 of the Regulation (EU) no. 537/2014, of the European Parliament and of the Council of 16 April 2014, which will give rise to the proposal for the election of a new Statutory Auditor which the Audit Committee will present to the Shareholders in the Annual General Meeting of 2017.

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 6<sup>th</sup>, 2017

Sérgio Tavares Rebelo  
(Chairman of the Audit Committee)

Clara Christina Streit  
(Member)

Hans Eggerstedt  
(Member)