

## **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)**

Abel Bernardino Teixeira Mesquita and Tiago Ferreira de Lemos were in office as Chairman and Secretary of the General Shareholders' Meeting, respectively, until 14<sup>th</sup> April 2016.

On 14<sup>th</sup> April 2016, Abel Bernardino Teixeira Mesquita and Nuno de Deus Pinheiro were appointed as Chairman and Secretary of the General Shareholders' Meeting, respectively, for the term 2016-2018.

#### **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 new technologies 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 <http://www.jeronimomartins.pt/?lang=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 of the Commercial Companies Code. 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)**

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.

According to Article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed 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.

There is no specific regulatory provision regarding the appointment and replacement of Members of the Audit Committee, being applicable only what is set forth in law.

### **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 2016, the Board of Directors had the composition indicated below, being currently composed of nine effective members, who were elected at the General Meeting held on 14<sup>th</sup> April 2016 for the term of office 2016-2018:

#### **Pedro Manuel de Castro Soares dos Santos**

- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31<sup>st</sup> March 1995
- Expiry of the term of office on 31<sup>st</sup> December 2018

#### **Andrzej Szlezak**

- Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

#### **António Pedro de Carvalho Viana-Baptista**

- Independent Non-Executive Director
- First appointment on 9<sup>th</sup> April 2010
- Expiry of the term of office on 31<sup>st</sup> December 2018

#### **Artur Stefan Kirsten**

- Non-Executive Director
- First appointment on April 2010 (term of office expired on February 2011)
- New appointment on 9<sup>th</sup> April 2015. Expiry of the term of office on 31<sup>st</sup> December 2018

#### **Clara Christina Streit**

- Independent Non-Executive Director
- First appointment on 9<sup>th</sup> April 2015
- Expiry of the term of office on 31<sup>st</sup> December 2018

#### **Francisco Manuel Seixas da Costa**

- Independent Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

#### **Hans Eggerstedt**

- Non-Executive Director
- First appointment on 29<sup>th</sup> June 2001
- Expiry of the term of office on 31<sup>st</sup> December 2018

**Henrique Manuel da Silveira e Castro Soares dos Santos**

- Non-Executive Director
- First appointment on 9<sup>th</sup> April 2015
- Expiry of the term of office on 31<sup>st</sup> December 2018

**Sérgio Tavares Rebelo**

- Independent Non-Executive Director
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018

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**Alan Johnson**

- Non-Executive Director
- First appointment on 30<sup>th</sup> March 2012
- Expiry of the term of office on 31<sup>st</sup> December 2015. In office until 14<sup>th</sup> April 2016

**Nicolaas Pronk**

- Non-Executive Director
- First appointment on 30<sup>th</sup> March 2007
- Expiry of the term of office on 31<sup>st</sup> December 2015. In office until 14<sup>th</sup> April 2016

**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 15<sup>th</sup> 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, 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 2013 CMVM's Recommendations on Corporate Governance, hereafter referred to as "2013 CMVM's Recommendations", considering the provision of recommendation II.1.7, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-

Baptista, Clara Christina Streit, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit Committee and therefore they are subject further to the independence criteria indicated in paragraph 5 of Article 414 of the Commercial Companies Code. According to these criteria Director Hans Eggerstedt cannot be regarded as independent. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

Being the number of Independent Directors of four, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. (2013 CMVM's Recommendations), also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, half of such Directors).

### **19. Professional Qualifications and Other Relevant Curricular Information of Each Member of the Board of Directors**

Pedro Soares dos Santos 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 31<sup>st</sup> March 1995, and has been Chief Executive Officer since 9<sup>th</sup> April 2010 and Chairman of the Board of Directors of the Company since 18<sup>th</sup> 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 10<sup>th</sup> April 2013.

António Viana-Baptista 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 has been Non-Executive Director of the Company, since 9<sup>th</sup> 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 Westfaelische University in Gelsenkirchen since 2001. He serves as the Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") where he has been a member of the Management Board since 1<sup>st</sup> 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 Non-Executive Director of the Company, since 9<sup>th</sup> 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. 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 and Chairs the Nomination Committee of the Dutch insurance company Delta Lloyd N.V. She is also a member of the Supervisory Board of the German property company Vonovia SE (former "Deutsche Annington SE"). From May 2015, she is 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. She has been Non-Executive Director of the Company, since 9<sup>th</sup> April 2015.

Francisco Seixas da Costa 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. 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 10<sup>th</sup> 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 has been Non-Executive Director of Jerónimo Martins, SGPS, S.A., since 29<sup>th</sup> June 2001.

Henrique Soares dos Santos 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 in 2001, the same year he was appointed Chief of Staff to the Chairman of the Board of Directors, a position he held until 2002. He last served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, SGPS, S.A. He is a Member of the Board of Directors of Jerónimo Martins - Serviços, S.A., of Arica Holding BV, of Sindcom – Investimentos, Participações e Gestão, S.A., as well as of Nesfia - Sociedade Imobiliária, S.A. and of Waterventures – Consultoria, Projectos e Investimentos, S.A.. He has been Non-Executive Director of the Company, since 9<sup>th</sup> April 2015.

Sérgio Tavares Rebelo has a degree in Economy 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 Economy 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, as from September 2015. He has been Non-Executive Director of the Company, since 10<sup>th</sup> April 2013.

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Alan Johnson is a British national, with a degree in Finance & Accounting obtained in the UK. He joined Unilever in 1976, where he made his professional career, occupying various financial positions in several countries such as United Kingdom, Brazil, Nigeria, France, Belgium, the Netherlands and Italy. Amongst other positions, he was Senior



Vice President Strategy & Finance for Europe, Senior Vice President Finance & IT and CFO of Unilever Foods Division worldwide. Until March 2011, he was Chief Audit Executive, based in Rotterdam. He was a member of the Market Oversight Committee of the Chartered Association of Certified Accountants, between 2007 and 2013, and has been a member of the Professional Accountants in Business Committee of the International Federation of Accountants based in New York, since 2011. In January 2012, he joined the Jerónimo Martins Group as Chief Financial Officer, having been Director of Jerónimo Martins, SGPS, S.A., from 30<sup>th</sup> March 2012 to 14<sup>th</sup> April 2016.

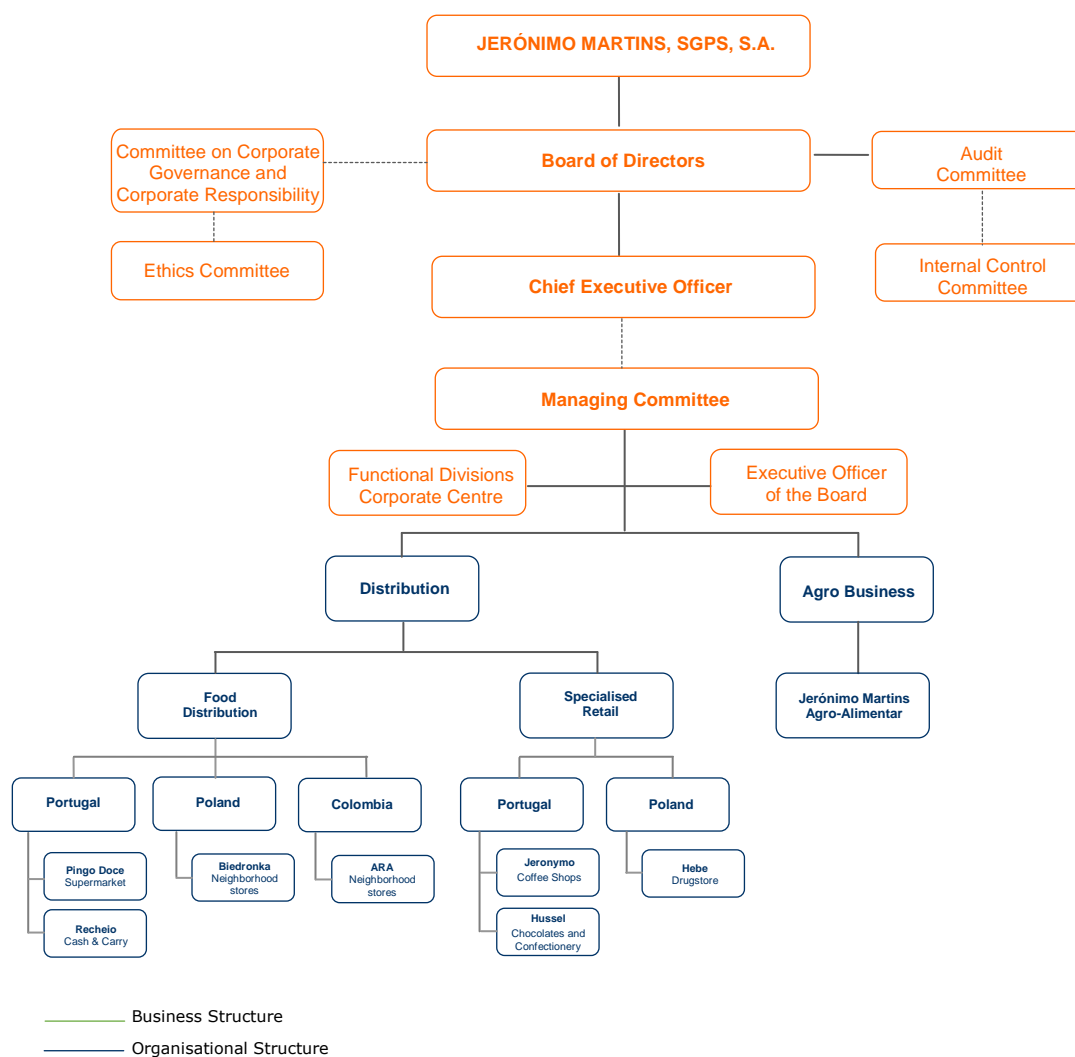
Nicolaas Pronk is a Dutch national and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989, he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989, he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and disinvestments and defining Corporate Governance. Since 1999, he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He was Non-Executive Director of the Company, from 30<sup>th</sup> March 2007 to 14<sup>th</sup> April 2016.

## **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**

| <b>Member of the Board of Directors</b> | <b>Type of Relationship</b> | <b>Shareholder with Qualifying Holding</b>  |
|---|-----------------------------|---|
| Artur Stefan Kirsten                    | Director                    | Sociedade Francisco Manuel dos Santos, B.V. |
| Nicolaas Pronk <sup>1</sup>             | Director                    | Asteck, S.A.                                |

<sup>1</sup> Expiry of the term of office on 14th April, 2016.

## 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 2016, 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.

The matters referred to in Article 407(4) of the Commercial Companies Code 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 2016 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, complying with recommendation II.1.10 of CMVM's Recommendations 2013.

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 of the Commercial Companies Code, 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 of the Commercial Companies Code, 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 three business segments: i. Food Distribution, ii. Specialised Retail and iii. Agro Business, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – is organised into Geographical Areas and Operating Areas (under different brands). The Agro Business segment serves, 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 and Food Safety** – Responsible for defining the strategy, policies and procedures to be implemented within the areas under its responsibility across all the countries where the Jerónimo Martins Group is present.

Concerning the environment, Jerónimo Martins has defined the principle of establishing strategies, processes, projects, goals and targets, as part of the value chain, in order to minimise the direct and indirect impacts caused by its operations, especially those linked to the consumption of energy and water, to ensure the proper use of materials, to implement correct waste management and to protect biodiversity. The main actions and results implemented in 2016 can be found in the Chapter V of the Annual Report.

A crucial activity at Jerónimo Martins is Food Safety. Management continues to reinforce the customer information component, thus contributing to maintain the freshness and quality of our products until the moment of consumption.

There was a strong bet on the on-the-job training and on accompanying the introduction of legislation concerning the information provided and food safety for the consumer.

**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 2016, 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 project of internationalisation 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.

**Corporate Communications and Responsibility** – It is responsible for the strategic management of the Jerónimo Martins brand, by enhancing relations with the various non-financial stakeholders and promoting and strengthening the integration of environmental, social and ethical issues in the value chain, preserving and developing the Group's reputation capital. It acts as an agent of inter-departmental integration, promoting the alignment of messages and practices with the values and goals of the Group.

In 2016, it was responsible for the leadership of the conception, development and implementation project for a new corporate Intranet with the OUR JM brand.

Also in the digital area, it conceived, defined, developed and implemented the strategy and the contents for the launch of the Jerónimo Martins corporate channel on YouTube, which can be accessed on [www.youtube.com/channel/UCvNmrfc3d5IBPVQs-6Ij2Rw](http://www.youtube.com/channel/UCvNmrfc3d5IBPVQs-6Ij2Rw).

As the manager of the LinkedIn corporate page, in partnership with Human Resources, this Department kept on managing this channel. It can be accessed on [www.linkedin.com/company/jeronimo-martins](http://www.linkedin.com/company/jeronimo-martins).

It also organised the 5<sup>th</sup> Sustainability Conference, addressed to both its top management and strategic partners, which was also attended by Government and Non-Government Organisations, as well as other agents in the Food Distribution industry.

Finally, it launched the Group's multi-stakeholder external corporate magazine – "Feed" – with the objective of sharing new perspectives on the big issues that influence the societies where Jerónimo Martins develops its businesses. "Feed" is published every six months, with limited circulation, having an online version, which can be accessed on <http://feed.jeronimomartins.com>.

**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 Jerónimo Martins 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 investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins 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 subsequent follow-up.

In 2016, it focused its activity on several ownership structure restructuring projects, M&A operations and Divestments. It also supported and monitored the performance of the business units, with special focus on the new businesses, and supported the development of the medium and long-term strategic plans of the Group.

**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.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and evaluate opportunities for the Group to expand and increase its value, focusing its activity on markets and businesses that can support the development of new and relevant business units for the Jerónimo Martins portfolio.

With regard to strategic projects, it holds the responsibility to lead or support both corporate group-wide projects and strategic projects that are specific to individual Group Companies.

During 2016, it led and supported several strategic projects across the Group's geographies 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 2016, it gave the necessary technical support in all ownership restructuring operations, M&A and Divestments. It monitored the implementation in the Group of the European legislation related with the Base Erosion and Profit Shifting (BEPS). Through the associations 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.

**Marketing & Consumer Office** - Office 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 2016, this Office produced a strategic vision for Digital in the Group, prioritising key activities. Additionally it supported the Companies in several Marketing, Communication and Digital activities.

**Financial Operations** – This Division includes Financial Risk Management, as well as 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 have or intend to have in the future a business relationship with Jerónimo Martins in terms of financing, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions may be obtained at all times. 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. In compliance with the above-described activities, during 2016, new debt was issued to finance the investments in Colombia.

**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 2016, the main activities carried out focused on:

- i. carrying out the defined product and supplier control activities;
- ii. continuous improvement of Private Brand products by reformulating existing products;
- iii. increasing anti-fraud controls;
- iv. maintaining the certifications in Quality and Food Safety;
- v. rolling-out of the QMS (Quality Management System) for all geographies;
- vi. conclusion of the Corporate Guidelines for Private Brand - Non-Food Products.

**Human Resources** – Founded on the culture and values of Jerónimo Martins, this Corporate area is responsible for defining and implementing the strategy and global policies of Human Resources with regard to the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits – promoting its compliance, 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 2016 can be found in detail in Chapter V, Section 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** – This area defines and controls procedures in terms of protecting the security of the Group'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.

**Information Security** – Responsible for planning, implementing and maintaining an information security and cybersecurity management system to ensure the confidentiality, integrity and availability of information in all Group Companies and for supporting systems recovery in the event of any disruption to the operations. This Division reports to the Chairman of the Board of Directors.

Information Security Officers (ISO) in each country, who report to this Division, ensure local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2016, Information Security assessed and mitigated information risks in applications, websites and loyalty programmes. An information security awareness programme was launched and the Group Passwords Policy was reviewed to improve security on technology systems.

**Information Technology** – The mission of the IT function is to support growth of the business in a sustainable way, by leading change through relevant IT innovation in every Company of the Group.

The Division is responsible for defining and implementing the Global Information Technology Strategy for the Group, for promoting technology-based innovation and for aligning IT systems, policies and processes.

The key priorities for 2016 have been along the direction of:

- 1) growing efficient: supporting the organic and geographical expansion of the Group, via the implementation of system that leverage our scale, reducing unit cost;

- 2) digital: creating new capabilities to dematerialize paper, selling online in our cash and carry business, and new communication platform for the Group;
- 3) consumer relevant: focusing on the improvement of our assortment and a simpler customer experience.

In addition, major progress was made towards the implementation of stronger internal processes, like Enterprise Architecture, Portfolio Management and Project Management.

### **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 Hypermarkets) 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 in Poland the operational area Hebe (drugstores) which includes Apteka Na Zdrowie (pharmacies).

In the last two years, the Group implemented the first 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.

## **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 2016, the Board of Directors met seven times. The respective minutes were prepared for all meetings.

The Directors who have not personally attended Board Meetings have, in general, appointed 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% |
| Alan Johnson <sup>1</sup>               | 100% |
| Andrzej Szlezak                         | 100% |
| António Viana-Baptista                  | 100% |
| Francisco Seixas da Costa               | 100% |
| Hans Eggerstedt                         | 100% |
| Nicolaas Pronk <sup>1 2</sup>           | 0%   |
| Sérgio Rebelo                           | 100% |
| Henrique Soares dos Santos <sup>3</sup> | 86%  |
| Clara Streit                            | 100% |
| Artur Stefan Kirsten <sup>3</sup>       | 86%  |

<sup>1</sup> Only the meetings of the Board of Directors held until 14<sup>th</sup> April, 2016, date when the appointment to the Board of Directors ceased, were taken into account.

<sup>2</sup> In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

<sup>3</sup> Absence to meeting of the Board of Directors was due to statement of conflict of interests presented, under Art. 410.º (6) of the Commercial Companies Code.

## 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.

## 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 said 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, SAS\*  
Director of Recheio, SGPS, S.A.\*  
Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.\*  
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.\*  
Director of Jerónimo Martins – Agro-Alimentar, 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 of Semapa, SGPS, S.A.  
Director of Arica Holding B.V.

### **Artur Stefan Kirsten**

Member of the Executive Committee and Chief Financial Officer of Vonovia SE  
President of the Supervisory Board of Vonovia Finance B.V.  
Member of the Supervisory Board of AVW Versicherungsmakler GmbH  
Director of Sociedade Francisco Manuel dos Santos, B.V.

### **Clara Christina Streit**

Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)  
Member of the Supervisory Board of Delta Lloyd N.V.  
Member of the Supervisory Board of Vonovia SE  
Director (Non-Executive) of Unicredit SpA

### **Francisco Seixas da Costa**

Member of the Consultive Board of Faculdade de Economia da Universidade de Coimbra  
Member of the Consultive Board of Faculdade de Ciências Sociais e Humanas da Universidade Nova de Lisboa  
Chairman of the Consultive Board of Fundação Calouste Gulbenkian  
Member of the Strategic Committee of Mota-Engil, 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.

**Hans Eggerstedt**

Director of Arica Holding B.V.  
Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)

**Henrique Soares dos Santos**

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 Waterventures – Consultoria, Projectos e Investimentos, S.A.

**Sérgio Tavares Rebelo**

Member of the Advisory Council to the Global Markets Institute at Goldman Sachs  
Director (Non-Executive) of Integrated DNA Technologies, Inc.  
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.\*  
Member of the Supervisory Board of New World Investments B.V.\*

\*\*\*

**Alan Johnson (until 14<sup>th</sup> April 2016)**

Does not hold any position in other companies

**Nicolaas Pronk (until 14<sup>th</sup> April 2016)**

Director of Antillian Holding Company N.V.  
Director of Aquamondo Insurance N.V.  
Director of Asteck S.A.  
Director of Cellotek Finance Luxembourg S.à.r.l.  
Director of Cellotek Holding (Luxembourg) S.A.  
Director of Epcote S.A.  
Director of Heavy Transport Group, Inc.  
Director of Heavy Transport Holding Denmark ApS  
Director of Heerema Engineering & Project Services, Inc.  
Director of Heerema Engineering and Project Services (Luxembourg) S.à.r.l.  
Director of Heerema Engineering Holding (Luxembourg) S.A.  
Director of Heerema Fabrication Finance (Luxembourg) S.A.  
Director of Heerema Fabrication Holding S.E.  
Director of Heerema Group Services S.A.  
Director of Heerema Holding Services (Antilles) N.V.  
Director of Heerema International Group Services Holding S.A.  
Director of Heerema International Group Services S.A.  
Director of Heerema Marine Contractors Finance (Luxembourg) S.A.  
Director of Heerema Marine Contractors Holding, S.E.  
Director of Heerema Transport Finance (Luxembourg) S.à.r.l.  
Director of Heerema Transport Finance II (Luxembourg) 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.

## 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, there are no committees in the Company composed exclusively by Directors, 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").

However, some committees were 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

#### 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, Javier van Engelen (the Group's Chief Financial Officer), Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. 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 2016, the Managing Committee held meetings for the exercise of its competences times, 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.

## **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, with the other Members of the Committee being Andrzej Szlezak, Francisco Sá Carneiro, Francisco Seixas da Costa, Henrique Soares dos Santos, José Joaquim Gomes Canotilho, José Soares dos Santos, Ludo van der Heyden and Sara Miranda.

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 on 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.

### **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. Currently, it is composed by Susana Correia de Campos, Agata Wojcik-Ryszawa, Patrícia Farinha and Adriana Olarte. 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, having held meetings for the exercise of its competences in 2016, of which were drawn up the respective minutes.

### **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 (David Duarte, Francisco Martins, Madalena Mena and Henrique Soares dos Santos). None of the members is an Executive Director of the Company.

In 2016, 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, the Audit Committee, in performing its activities, is responsible in 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 previous year, the Audit Committee paid particular attention to the financial risk management 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**

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, elected by the General Shareholder's Meeting to terms of three years.

With regard to changes in the composition of the Audit Committee throughout 2016, it is to note that, in the General Meeting held on 14<sup>th</sup> April 2016, it was decided to appoint the members of this body for the term of office 2016-2018.

Therefore, due to the applicable legal provisions, the members appointed for the term of office 2013-2015 were in office until 14<sup>th</sup> April 2016.

The composition of the Audit Committee, during 2016, was the following:

#### **Sérgio Tavares Rebelo**

- Chairman of the Audit Committee
- First appointment on 10<sup>th</sup> April 2013
- Expiry of the term of office on 31<sup>st</sup> December 2018



**Clara Streit**

- First appointment on 14<sup>th</sup> April 2016
- Expiry of the term of office on 31<sup>st</sup> December 2018

**Hans Eggerstedt**

- First appointment on 30<sup>th</sup> March 2007
- Expiry of the term of office on 31<sup>st</sup> December 2018

\*\*\*

**António Viana-Baptista**

- First appointment on 9<sup>th</sup> April 2010
- Expiry of the term of office on 31<sup>st</sup> December 2015. In office until 14<sup>th</sup> April 2016

**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 of the Commercial Companies Code, except that provided for in sub-paragraph b). Sérgio Tavares Rebelo and Clara Streit comply with the independence criteria foreseen in Article 414, number 5 of the Commercial Companies Code. See point 18 concerning Hans Eggerstedt.

**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 on 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 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 2016, the Audit Committee met seven times and all meetings were duly minuted.

The attendance of each Director at the meetings during the exercise of the respective duties, measured in terms of personal attendance, was as follows:

|                                     |      |
|-------------------------------------|------|
| Hans Eggerstedt                     | 100% |
| António Viana-Baptista <sup>1</sup> | 100% |
| Sérgio Rebelo                       | 100% |
| Clara Streit <sup>2</sup>           | 100% |

<sup>1</sup> Only the meetings held until 14<sup>th</sup> April 2016 were taken into account.

<sup>2</sup> Only the meetings held from 14<sup>th</sup> April 2016 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 2016, 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 ("Positions that the Members of the Board of Directors Hold in Other Companies").

## **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**

In the terms of Law no. 148/2015, of 9<sup>th</sup> 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 PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333 or by António Joaquim Brochado Correia, ROC no. 1076.

### **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 carries out duties with the Company for 28 years.

The Statutory Auditor was nominated for the first time during 2005, although, for calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins is taken into account.

### **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 is made reference 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 PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333, or by António Joaquim Brochado Correia, ROC no. 1076.

During 2016, 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**

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. has been carrying out the role of External Auditor to the Company for 28 years, taking into account, in calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins.

The partner that represents the External Auditor has been carrying out that role for the Company since 14<sup>th</sup> April 2016.

#### **44. Rotation Policy and Schedule of the External Auditor and the Respective Partner That Represents Said Auditor in Carrying Out Such Duties**

With regard to the rotation of the External Auditor, until the entry into force of the new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of 7<sup>th</sup> September, the Company did not set any external auditor rotation policy based on a pre-defined number of years, taking into account the fact that disadvantages have been identified for the auditing role when approaching the end of the pre-defined period of performance of duties.

Alternatively, bearing in mind that the Audit Committee is the body responsible for determining the conditions for maintaining, rotating or replacing the External Auditor, this body performed an annual assessment of the External Auditor, checked the independence necessary for it to remain in office and carried out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

The entry into force of the new Legal Regime of Portuguese Statutory Auditors, on 1<sup>st</sup> January 2016 foresees a new regime which is applicable to the rotation of statutory auditors of public-interest entities, having the Securities Exchange Commission (CMVM) expressed the understanding that, under said Law nr. 140/2015, the Company's current Statutory Auditor had reached the maximum duration period of engagement with the Company.

Considering that Portuguese law does not foresee a transition period long enough to allow companies to adopt the necessary changes without eventual disruptions,

particularly in what concerns the elimination of prohibited services so that to guarantee a larger number of Statutory Auditors to participate in a tender, the Company asked CMVM for authorization to reappoint the current Statutory Auditor for the maximum period of one financial year, in order to complete, during 2016, the selection process for a new Statutory Auditor to be proposed by the Audit Committee to be voted by the shareholders in a General Meeting.

Under the terms of article 17, paragraph 6 of Regulation (EU) No. 537/2014, CMVM decided to grant an extension to reappoint the current Statutory Auditor referred in point 42, for a further engagement for 2016, without prejudice of it staying in office until the designation of a new Statutory Auditor and of fulfilling its duties to certify the accounts for 2016.

Following the decision of CMVM, the Audit Committee, having previously assessed the respective performance and independence, found that the conditions that allowed the Statutory Auditor and External Auditor to be reinstated for the 2016 financial year were met. Nonetheless, it was carried out by the Audit Committee, during 2016, a selection process for the election of a new Statutory Auditor at the 2017 Annual General Meeting.

#### **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. The Committee discussed and considered the costs and advantages of maintaining the External Auditor, as well as the independence shown in that role, having decided to give a favourable opinion for its maintenance for the year 2016.

#### **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**

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network, totalling 91,450 euros, reference is made to those concerning access to a tax database, audit reliability services under applicable laws in the countries where the Group operates, support services in the field of human resources and certification of the carbon footprint calculation.

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 during 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 2016, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 847,037 euros.

In percentage terms, the amount referred to is divided as follows:

|  | <b>Amount</b> | <b>%</b> |
|--|---------------|----------|
| By the Company                                       |               |          |
| Amount for statutory auditing services (€)           | 95,390        | 11.3%    |
| Amount for audit reliability services (€)            | -             | -        |
| Amount for tax consulting services (€)               | -             | -        |
| Amount for other non-statutory auditing services (€) | 33,350        | 3.9%     |
| By entities comprising the Group                     |               |          |
| Amount for statutory auditing services (€)           | 660,197       | 78.0%    |
| Amount for audit reliability services (€)            | 21,300        | 2.5%     |
| Amount for tax consulting services (€)               | -             | -        |
| Amount for other non-statutory auditing services (€) | 36,800        | 4.3%     |