

- regular publication of articles against food waste and promoting environmental and social best practices in the “Sabe Bem” (Tastes Good, bi-monthly circulation of 100-150 thousand copies), “Notícias Recheio” (Recheio News, bi-monthly circulation of 50 thousand copies) and “Kropka TV” (weekly circulation of around 210 thousand copies) magazines, aimed at Pingo Doce, Recheio and Biedronka customers, respectively;
- in Portugal, of note we highlight the awareness campaigns on used cooking oils in Pingo Doce and Recheio and the reuse of checkout bags at Pingo Doce.

5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity:

Institution	Project	Amount	Support started in	Further information at
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	100,000 €	2003	www.oceanario.pt
World Wildlife Fund (WWF)	“Green Heart of Cork”	10,000 €	2013	www.wwf.pt
Nature Protection League	ECOs-Locais	10,000 €	2011	www.lpn.pt
Quercus	“SOS Pollinators” Campaign	5,000 €	2014	www.quercus.pt
European Recycling Platform (ERP) - Portugal	“Geração Depositário” Project	5,000 €	2013	www.geracaodepositario.abae.pt
Lisbon Zoo	Sponsorship of the Ring-tailed lemur	4,800 €	2015	www.zoo.pt

In January 2016, the Group awarded, as part of the Green Project Awards Portugal, the “Jerónimo Martins-Green Project Awards Prize for Research and Development”, with a value of 20 thousand euros, the project “Detergentes Verdes” (Green Detergents). This project studies the use of vegetable waste in the development of cleaning products which have less impact on water and biodiversity.

Sourcing Responsibly

In Poland, 92% of the products sold were sourced from local suppliers. In Portugal, this ratio stood at 84% and in Colombia over 95%.

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6.1. Introduction

Partnerships are crucial for promoting the social and economic development of the regions where the Group is present, as well as strengthening the value of propositions of its brands and banners. Within these partnerships - with suppliers and service providers -, the Group seeks to integrate environmental, social and ethical criteria aiming at the gradual and sustained improvement of the impacts of its activity on present and future generations.

The Sustainable Sourcing Policy of the Group and the Suppliers Code of Conduct, both available at www.jeronimomartins.pt, in the "Responsibility" area, define the strategic areas of operation in this matter.

6.2. Commitment: Local Suppliers

The Group, under equal commercial terms, preferably chooses local suppliers in order to enhance the socio-economic sustainability of the countries where it operates and to minimize the carbon footprint of the products sold.

Importing essentially occurs in the following cases:

- i. products are scarce, due to production seasonality, common in the Fruit and Vegetables area;

- ii. when there is no local product or the quantity produced is insufficient to guarantee the supply to the chain stores;
- iii. when the quality-price ratio of domestic products does not allow the Group to keep its best price quality commitment to its consumers.

In Poland, 92% of the products sold were sourced from local suppliers. In Portugal, this ratio stood at 84% and in Colombia over 95%.

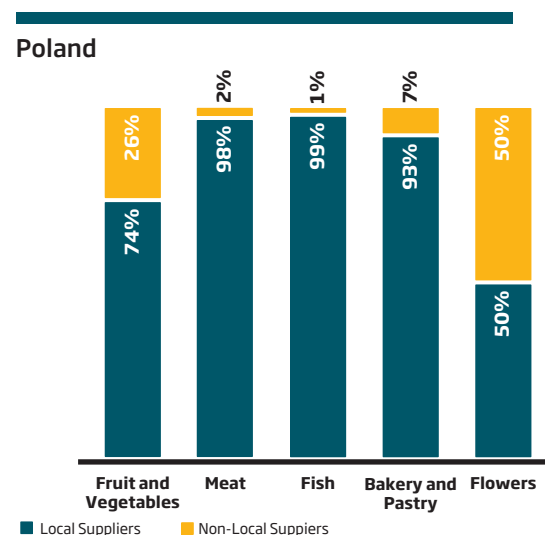
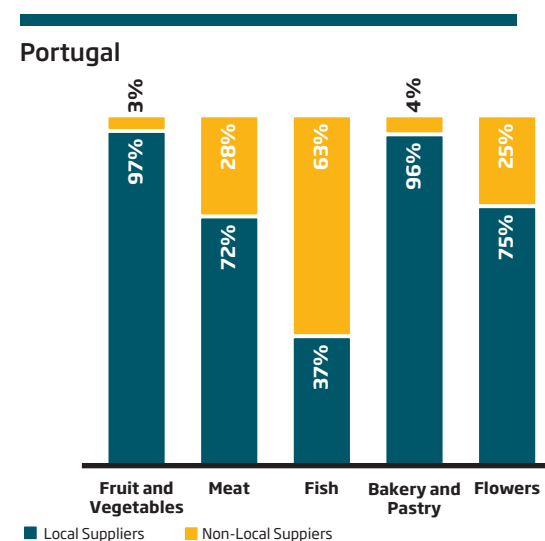
6.2.1. Perishables and Private Brand

Regarding Private Brand, most of the products were purchased from local suppliers: more than 95% in Colombia, 93% in Poland, and between 59% (Pingo Doce) and 65% (Recheio) in Portugal.

The Perishables area shows the same trend, with 69% of products in Portugal being sourced from local suppliers, while this figure reaches 88% in Poland. In Colombia, this ratio was above 95%.

The Group's Companies carry out awareness campaigns with consumers promoting preference for locally sourced products.

In Portugal, national Perishables are identified by "O Melhor de Portugal Está Aqui" (The Best of Portugal is Here) stickers. The nationally produced Private Brand products are identified by "Produzido em Portugal" (Made in Portugal) and "Fruta 100% Portuguesa" (100% Portuguese Fruit).



In Poland, domestic products are identified by the “Polski Produkt” (Polish Product) sticker or by the “#jedzcopolskie” (Eat what is Polish) sticker. In the latter case, Biedronka’s website www.jedzcopolskie.biedronka.pl continued to promote fruit and vegetables and share information on local suppliers with whom it works as well as suggesting recipes.

In Colombia, domestic products are marked with the “Hecho en Colombia” (Made in Colombia) sticker and Private Brand products are marked with the “Una Marca de Ara” (An Ara Brand) sticker.

6.2.2. Supplier Engagement

The Group seeks to develop long-lasting relationships of cooperation with its producers, which often result in technical follow-ups in terms of quality, support in optimising processes, guarantee of product disposal and stimulation of local economies. In this context, the following initiatives are worth highlighting:

Portugal

- In 2016, Pingo Doce and Recheio continued to sell, in cooperation with their suppliers, varieties underdeveloped in Portugal, giving customers access to a varied assortment of vegetables and, at the same time, stimulating the development of new skills among producers. Products included in this project were round, scratched and yellow *courgette*, scratched eggplant, sweet cucumber and *bimi*, a variety of broccoli;

- our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey was maintained, promoting the use of cereal-based feed, advising on more efficient management and distribution methods. The lamb sold by Pingo Doce is from animals grazing on natural pastures, in accordance with the assumptions of High Natural Value agriculture and animal husbandry. This concept assumes that low intensity production systems with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented;
- the partnership with a cooperative of fishermen in the area of Sesimbra was maintained, ensuring quality and price competitiveness, as well as ensuring traditional fishing practices that enable the sustained regeneration of species;
- in 2016, Pingo Doce continued the extraordinary measure of supporting Portuguese producers of Fresh Produce with whom it works and who are members of the Confederação dos Agricultores de Portugal - CAP (Portuguese Farmers’ Confederation). This measure consists of Pingo Doce anticipating payment terms to an average of 10 days (instead of the 30 days established by law), without financial costs to the producer. Since its implementation in 2012, approximately 500 producers in the categories of Fruit, Vegetables, Meat, Fish, Cold Meat and Wine have already benefited from this initiative.

Poland

- Biedronka continued to invest in the Fruit and Vegetables category to respond to the demand for

Polish native varieties. This strategy implies knowledge of Polish culture and traditions, which also results from the long-standing relationships with various business partners, which take place through regular visits to production locations, and in the sharing of technical knowledge. In 2016, Biedronka strengthened its use of traditional varieties developed in 2015 and increased the volumes sold. Examples are *Irga* and *Bryza* potatoes, the production of which almost quadrupled, and *Antonówka* apples and *Klapsa* pears, the sales of which – in quantity – doubled compared to 2015;

- Poland is one of the largest producers of strawberries in Europe. However, due to their limited consumption lifetime, these were mainly sold in traditional markets. Biedronka established a network of suppliers located in regions close to the DCs, to ensure sufficient quality and quantities of strawberries for sale in its stores. This network reduces the time between harvesting and making the product available in its stores. In the first year of the project – 2014 – 74 tonnes were sold between July and September. In 2016, and as a result of consolidating this initiative, it was possible to sell 650 tonnes in the same period. In 2017, Biedronka is aiming to reach 1,000 tonnes;
- Biedronka was pioneer in selling the *Malinowe* tomato (raspberry tomato) in its stores and it was the only banner in Poland to have this variety available throughout 2015. In 2016, sales of this variety doubled, reaching 13,750 tonnes;

- equally innovative in the Meat category, Biedronka doubled the sale of free-range chicken, respecting the natural growth of the animals, and ensuring their sale in all stores. This project started in 2015 with Polish suppliers and, to date, is unique in Poland.

Colombia

- Since the start of its Operations, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2016, Ara cooperated with 85 local suppliers which provided more than 500 Private Brand products;
- the 4th edition of the Ara Private Brand Congress took place in the city of Barranquilla, under the theme “We are Building New Paths Together”, which was attended by approximately 140 local suppliers.

6.3. Commitment: Human and Workers’ Rights

In accordance with the Sustainable Sourcing Policy, the Group only works with suppliers who commit to practices and activities that comply with the law and any applicable national and international agreements on Human and Workers’ Rights.

The Group is committed to terminating business relations with suppliers whenever it learns that they and/or their suppliers violate Human, Children’s and/or

Workers’ Rights and/or if they do not incorporate ethical and environmental concerns when conducting their business, and/or when they are not willing to draw up and implement a remedy plan.

Additionally, and as part of its participation in The Consumer Goods Forum, the Group committed to contribute to eradicate forced labour – as defined by the International Labour Organization – throughout its supply chain and continue to ensure its absence in its own operations.

6.4. Commitment: Promotion of More Sustainable Production Practices

Along with the social and ethical aspects already mentioned, environmental aspects are also considered in the relations the Group has with its suppliers, preferring production methods with less consumption of natural resources and fewer impacts on ecosystems.

The Retail sector is being challenged by various stakeholders to fight the social and environmental impacts linked to deforestation commodities (palm oil, soya, beef, wood and paper) to reduce GHG emissions linked to forest destruction, conserving biodiversity in these ecosystems and eliminating Human Rights violations of Children and/or Workers which have been reported.

In order to assess the impacts of these commodities, in 2016, the Jerónimo Martins Group continued to map the presence of these ingredients in the Private Brand and Perishables sold in Portugal, Poland and Colombia. Additionally, the Group’s suppliers, who had products where these ingredients were identified, were asked about their respective origin and the existence of certification. Since 2014, the results of this work have been publicly reported in the Group’s annual response to the CDP Forests. Our goal is to progressively ensure the sustainable origin of these raw materials, in line with the commitment to “Zero Net Deforestation by 2020” made under the participation of Jerónimo Martins in The Consumer Goods Forum¹¹.

Jerónimo Martins Polska continued to be a member of GreenPalm, an organisation which ensures, along with the certifying body Roundtable on Sustainable Palm Oil (RSPO), that the equivalent volume of palm oil used by the producer in the development of a reference is acquired from sustainably managed sources. In 2016, all the soaps in the “Linda” range were relaunched in Poland, with the GreenPalm logo. In total, approximately 800 tonnes of palm oil obtained this certification.

¹¹ For further details on our actions in this area, please see www.cdp.net

In the context of the Group's sustainable fishing strategy, and as a result of the studies which have been carried out in this area¹², action lines were defined to reduce pressure on threatened species¹³. These include: i) banning the purchase and sale of species classified as "Critically Endangered" for which there are no extraordinary licences; ii) looking for alternatives from aquaculture for species classified as "Endangered", and not carrying out promotional activities involving fish from wild populations that have not come from sustainably managed stocks and/or that do not have a sustainability certificate; and iii) limit promotional actions for species classified as "Vulnerable" whenever they do not come from aquaculture and/or have not come from sustainably managed stocks and/or that do not have a sustainability certificate.

The Group has also developed partnerships with its Fruit and Vegetables suppliers seeking to reduce the environmental impacts associated with their sale. This is the case of the production of mangoes in Senegal. This partnership has production characteristics similar to those of the mangoes produced in Brazil, but has allowed the distance travelled to be reduced by more than 5,000 km and substitute air by sea transport, leading to a significant reduction in CO₂ emissions. This partnership also ensures a product of higher quality, since the reduction in distance makes it

Jerónimo Martins Group achieves an "A-" and "B" scores in the CDP Forests 2016

Jerónimo Martins obtained an overall "A-" score for palm oil, positioning the Group at the "Leadership" level. The soya, paper and wood and beef commodities obtained a classification of "B", corresponding to the level of "Management".

The CDP "Forests" programme assesses the performance of the Group in terms of its strategy for deforestation commodities, including its transparency in the reporting of information and risk management.

possible to harvest the mango when it is more mature. Biedronka has joined the "Charter for Sustainable Cleaning" initiative, promoted by AISE - International Association for Soaps, Detergents and Maintenance Products, which promotes performance improvement of products in the Hygiene and Cleaning category according to a set of criteria: such as toxicity, eco-efficiency and consumption of raw materials, among others.

6.4.1. Certified Products

In an effort to continuously improve the sustainability of fishing products, in 2016, Biedronka launched a campaign for Private Brand products with Marine

Stewardship Council (MSC) certification, which involved eight products: seven fresh and one frozen.

In Portugal, more than 90% of codfish (*Gadus morhua*) comes from Norway and around 50% of the frozen fish sold by Pingo Doce was caught in South African waters. In both cases, fishing was carried out by vessels which meet the standards of MSC certification. Pingo Doce maintained its assortment of six canned tuna products with the Dolphin Safe label.

In 2016, the range of Pingo Doce organic products accounted for a total of 52 SKUs from the Fruit and Vegetables category. These products are developed according to organic production rules, certified by an independent external entity (Ecocert) and show the logo of the European Union, which ensures compliance with the Community Regulation for Organic Farming.

In 2016, Pingo Doce added a new product reference with EU-Ecolabel certification, which joined the six existing references. In the same period, Pingo Doce increased the number of references with Sustainable Forestry Initiative (SFI) certification to 30 and maintained the seven references with the Programme for the Endorsement of Forest Certification (PEFC). Recheio ended the year with eight SFI and five PEFC references. In both cases, certifications are mainly associated with articles from the Personal Care category.

¹² To find out more about the actions carried out by the Group in this area, see subchapter 5. "Respecting the Environment" in this chapter.

¹³ Based on the classification of the International Union for Conservation of Nature and Natural Resources (IUCN) and the Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES).

Cocoa, tea and sustainable coffee in Private Brand products

In 2016, four tea product references were launched with “Rainforest Alliance” certification, ensuring that the black tea contained in the product comes from sustainable agriculture and that it meets the environmental and social criteria defined by that entity. The percentage of certified tea varies between 40% (two references) and 80% (two references) of the total tea composition.

In the same period, Pingo Doce launched the first coffee product reference with 100% Fairtrade certification. The certification ensures compliance with social, environmental and economic criteria, supporting small suppliers through payment of a guaranteed minimum value for production.

The Jerónimo Martins Group also maintained its investment in UTZ certification for cocoa products, and in 2016 reached a total of 18 products: 15 in Biedronka and three in Pingo Doce. An UTZ product seeks to demonstrate, through a certification programme, that the raw material was obtained using a sustainable agricultural model.

These certifications promote good agricultural practices while guaranteeing farmers an improvement in their working conditions and quality of life, as well as protecting the natural resources on which they depend.



6.5. Supplier Audits

6.5.1. Quality and Food Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-up in terms of management and control processes, implemented quality system, product formulation and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in territories where the Group operates.

The assessment of suppliers also covers environmental requirements, which have a 5% weight in the assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances.

Each supplier is reassessed at predefined intervals based on the score they obtained.

Audits to Perishables and Private Brand Suppliers*

	2016	2015	Δ 2016/2015
Portugal			
Perishables	847	802	+6%
Private Brand - Food and Non-Food	244	239	+2%
Poland			
Perishables	1,454	1,550	-6%
Private Brand - Food and Non-Food***	451	425**	+6%
Colombia			
Perishables	56	48	+17%
Private Brand - Food and Non-Food	165	121	+36%

* The audits include the following topics: selection, control and follow-up.

** Corrected figure compared to 2015.

*** In 2016, a further 3,074 inspections on Non-Food Private Brand products were also carried out and in 2015 a further 2,691.

In Colombia the significant increase in the number of audits is associated with the increment in the number Ara's Perishables and Private Brand suppliers.

Certification

As regards to certifications, the Group favours and requires, in the case of foreign suppliers not covered by our internal audit system a relationship with suppliers who have a Food Safety certification recognised by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/*Codex Alimentarius* or also ISO.

All potential new Biedronka Private Brand products suppliers must be audited in accordance with the Group's internal criteria, common to the three countries in which operations are carried out. In the case of suppliers who are not located in these countries, they must be certified according to the food standards of the BRC, the International Featured Standards (IFS) or the Food Safety System Certification (FSSC) 22000.

6.5.2. Environment

The Group carried out 33 environmental audits on service providers in Portugal, four in Poland and one in Colombia. These seek to ensure compliance with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-compliances. The level of environmental performance (for all service providers in Portugal audited since 2009) was as follows: 13% achieved an "Excellent" performance, 8% "High", 78% "Basic" and 1% "Below basic".

With the same objectives, in Portugal the Group started a pilot auditing project exclusively dedicated to environmental issues and carried out on sales providers by an external entity, which involved 15 Perishables suppliers.

All the suppliers audited and classified with a "Below basic" level have received a corrective action plan which must be addressed within a maximum of six months. The aim of the Group is to annually carry out at least 35 environmental audits on its service providers and - from 2017 - at least 50 on its Perishables suppliers. We reserve the right to suspend collaboration with business partners who do not comply with the defined corrective action plan.

6.6. Supplier Training

In Portugal and Poland, over 220 actions, involving more than 220 participants, took place, both of which were focused on issues of Quality and Food Safety, deepening the cooperation work with business partners, especially with regard to discussing areas of improvement and development of innovative products.

In the area of Environment, in 2016, the review of the technical standard on "Environmental Management for Products and Service Providers" was assured, in order to adapt to evolving legislation. In addition, workshops on this standard took place in Portugal, attended by 18 participants from service providers, and two workshops on the Sustainable Agriculture Manual, involving 33 participants, representative of Fruit and Vegetables suppliers.

Supporting Surrounding Communities

Direct support in money and in kind attributed to the surrounding communities by all the Group's Companies amounted to around 18 million euros, which represents an increase of 3% compared to 2015.

