

6. Sourcing Responsibly

6.1. Introduction

The Group's Companies seek to ensure that their activities stimulate social and economic growth in the regions in which they operate, whilst minimising the impact of its operations on ecosystems.

To enable this, environmental, social and ethical concerns are integrated throughout their value chains, in collaboration with their business partners.

The Sustainable Sourcing Policy of the Group and the Suppliers Code of Conduct are available at www.jeronimomartins.pt, in the "Responsibility" area.

6.2. Commitment: Local Suppliers

The Group, preferably, and under equal commercial terms, chooses local suppliers in order to enhance the socio-economic sustainability of the countries where it operates and to minimise 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 production or the quantity produced in the country is insufficient to guarantee the supply to the chain stores;
- iii. when the quality-price ratio of domestic products does not allow the Group's best price quality commitment to its consumers to be met.

In Portugal, 84% of the products sold were sourced from local suppliers. In Poland, this ratio stood at 93% and at more than 95% in Colombia, meeting the target of ensuring the annual purchase from domestic suppliers of at least 80% of the food products.

The Group prides itself on developing lasting relations and co-operation with its producers. These relationships often result in technical follow-up in terms of quality, support in optimising processes, guarantee of supply and stimulating local economies.

Portugal

- In 2015, Pingo Doce and Recheio explored new growth opportunities in the Portuguese market together with the producers they work with. Varieties underdeveloped in Portugal were sold by the Group's stores, 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;
- We maintained our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey in 2015, 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;

- Regarding fish, the Group maintained a direct relationship with dozens of Portuguese vessels, thereby stimulating local fishing.

The partnership between the Group and a cooperative of fishermen in the area of Sesimbra was maintained, ensuring quality and price competitiveness, and ensuring traditional fishing practices that enables the sustained regeneration of species.

In 2015, Pingo Doce decided once again to extend by 12 months the extraordinary measure of supporting Portuguese producers of fresh products with whom it works and are members of the Confederação dos Agricultores de Portugal (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), and without financial costs to the producer.

Since its implementation in 2012, about 500 producers from the primary sector, particularly fruit, vegetables, meat, fish, cold meat and wine producers have already benefited from this initiative.

Poland

- One of the Perishables categories in which Biedronka has invested most is that of Fruit and Vegetables, trying to continuously respond to consumer demand for traditional Polish varieties and, at the same time, complementing the existing supply in the store.
This strategy implies knowledge of Polish culture and traditions, something that is acquired through long-standing relationships with various business partners, which takes place through regular visits to production locations, and through the sharing of technical knowledge. Throughout 2015 it was possible to find two regional varieties of potato – *Irga* and *Bryza* – in Biedronka stores that usually do not reach the large commercial centres;
- In 2015, Biedronka were pioneers in having the *malinowe* tomato (raspberry tomato) in supermarkets and it was the only banner in Poland to have this variety in its stores throughout the year. This project was a result of close co-operation between Biedronka and its supplier, who believed and invested in this project. This variety of tomato was very well known regionally in traditional stores but had little visibility in modern stores due to insufficient production;
- Inspired by this innovative spirit, Biedronka brought *Antonówka* apples and *Klapsa* pears to its stores after an extended period of testing together with its producers;
- Despite Poland being one of the largest strawberry producers in Europe, these were mainly sold in traditional markets due to their very limited consumption lifetime. For this reason, it was hard to ensure sufficient quantities at good quality for sale in Modern Retailing. In 2015, Biedronka established a network of suppliers to reduce the time between harvesting and making it available in its stores. They sold 300 tonnes of strawberries throughout the season that runs from May to August. One of Biedronka's challenges for 2016 is to increase this network in the regions close to the Distribution Centres (DC), supporting production and ensuring a fresher product for customers;
- Also innovative in the Meat category, Biedronka launched free-range chicken onto the market. Based on the experience gained in Portugal in this area, we tried, in co-operation with Polish suppliers, to address the insufficient volume of

production by using free-range methods for these birds, bringing free-range chicken eggs from Portugal to Poland. Suppliers have adopted a production system that respects the natural and free growth of the animals.

Kuchnia Passionata

"Kuchnia Passionata" or "Passion for Cooking" is a special range of vegetable products developed with the aim of promoting the use of traditional Polish varieties in the preparation of meals.

This range results from co-operation between Biedronka and some producers, in search for solutions for the production of these varieties on a large scale to be sold in stores. The *Irga* and *Bryza* potatoes were the first to be sold in 2015.

These partnerships aim to ensure the sustainability of old varieties of products, providing consumers with flavours which were only found in regional markets and encouraging the development of business partners.

Colombia

- Since the start of its Operations, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2015, Ara cooperated with 66 local suppliers which catered for more than 409 Private Brand products;
- The 3rd edition of the Ara Private Brand Congress took place in the city of Barranquilla, under the theme "We are Building the Ara Private Brand", which was attended by approximately 100 local suppliers.

Buying Local

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

In Portugal, national products in Perishables are identified by "O Melhor de Portugal Está Aqui" (The Best of Portugal is Here) stickers. The nationally produced Private Brands 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, focused on fruit and vegetables, Biedronka created the website www.jedzcopolskie.biedronka.pl to promote these products, sharing information on local suppliers and recipes. Additionally, some products were marked with the hashtag "#jedzcopolskie" and several customers posted more than 300 pictures of their favourite products on *Instagram*.

A television and radio media campaign was carried out in Poland, and leaflets and posters were used in Biedronka stores to promote the consumption of the *malinowe*

tomato (raspberry tomato), a national product. The campaign also highlighted the co-operative work with one of its suppliers, which resulted in the supply, through a sustainable greenhouse production system, of this variety throughout the year. Biedronka is the Polish chain with the largest market share of this variety of tomato, estimates for which indicate more than 25% of the total market.

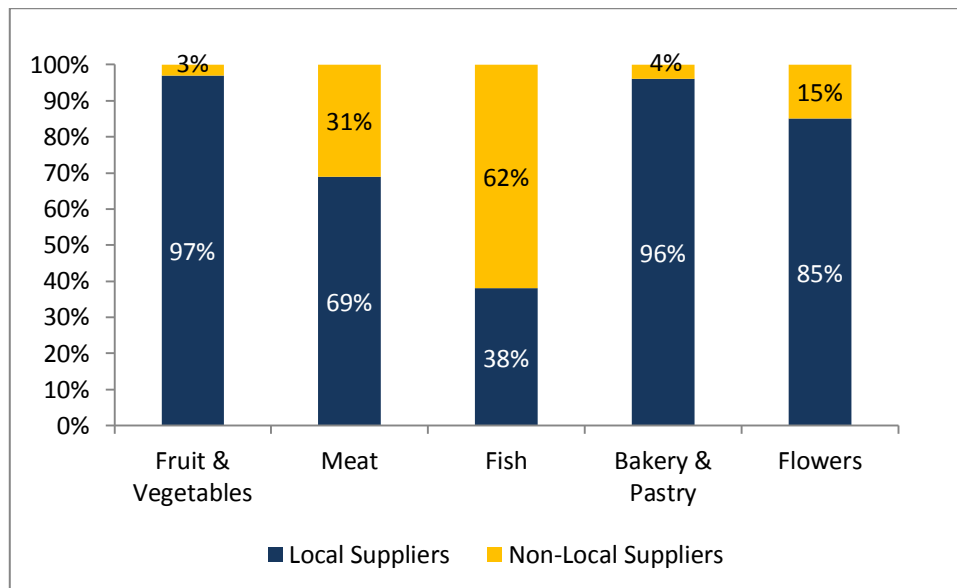
In Colombia, domestic products are marked with the “Hecho en Colombia” (Made in Colombia) sticker and Private Brand products are marked with the “Una Marca de Ara” (An Ara Brand) sticker.

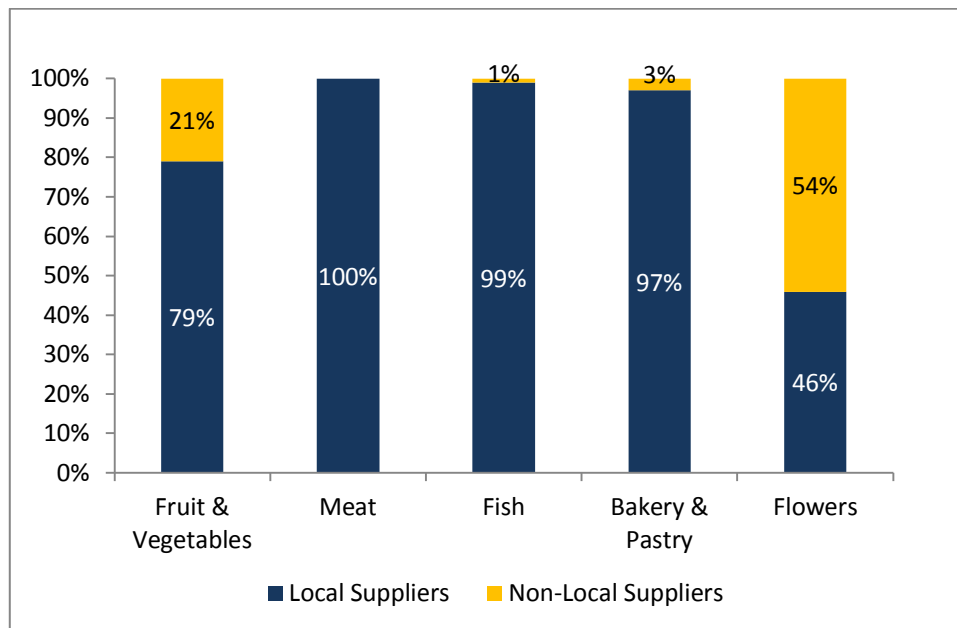
Perishables and Private Brand

Regarding Private Brand, most of the products were purchased from local suppliers, with more than 95% in Colombia, 93% in Poland and between 60% (Pingo Doce) and 72% (Recheio) in Portugal.

The Perishables area shows the same trend, with 68% of products in Portugal being sourced from local suppliers, while this figure reaches 89% in Poland. In Colombia, this ratio is above 95%.

Portugal



Poland


6.3. Commitment: Human and Workers' Rights

In accordance with our Sustainable Sourcing Policy, available at www.jeronimomartins.pt, the Group only uses suppliers who commit to practices and activities that wholly comply with the law and any applicable national and international agreements on Human and Workers' Rights.

The Group is committed to terminate 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 a remedy plan.

6.4. Commitment: Promotion of More Sustainable Production Practices

The Group's Companies choose suppliers which resort to less harmful methods for the Environment, with production methods which aim to minimise the use of chemical products such as fertilisers, herbicides and insecticides, and which also aim to ensure the preservation and improvement of the quality of the soil in the case of agricultural crops.

In order to assess the impacts of deforestation commodities, Jerónimo Martins mapped the presence of these ingredients in the Private Brand and Perishables products sold in Portugal, Poland and Colombia in 2014.

Additionally, the Group's suppliers, for which these ingredients have been identified, have been asked to report on the existence of certification and the origin of these products. The results are reported in the annual response of the Group to the Carbon Disclosure Project (CDP) Forests. The purpose of the Group is to progressively ensure the sustainable origin of these raw materials, in line with the commitment made under

the Group's participation in The Consumer Goods Forum. For further details on the Group's actions in this area, see www.cdp.net.

In September 2015, Jeronimo Martins Polska, which combines the Group's businesses in Poland, became 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 will be relaunched in Poland with the GreenPalm designation.

"Sustainability in The Supply Chain" - 4th Sustainability Conference of the Group

The sustainability conferences of the Group aim to raise awareness amongst the managers and strategic suppliers of the three geographical areas regarding the environmental and social issues throughout the value chain.

At 2015 event, which brought together approximately 170 participants, for the first time the Group had some of its suppliers as speakers. They shared both their vision for a more responsible future, and their investments in innovative projects which have resulted in efficiency in resource utilisation.

It also illustrated that it is possible to translate the triple bottom line into a business strategy which creates value for the Group, for its suppliers and for its customers, while respecting ecosystems and contributing to the social development of local communities.

Certified Products

In Portugal, in addition to maintaining the tuna loin and frozen sardines and the Vietnamese clam packed with the Marine Stewardship Council (MSC) certification, Pingo Doce also has cod (*Gadus morhua*) from Norway with MSC certification. In addition, 68.8% of the frozen hake that Pingo Doce sells was caught in South African waters by vessels which act in accordance with the standards of this certification. Pingo Doce's canned tuna includes the Dolphin Safe labelling that ensures that there was no accidental capture of dolphins during the fishing process, thereby preserving dolphin sustainability. In 2015, Pingo Doce launched another article with the Dolphin Safe label.

In an effort towards the continuous improvement of the sustainability of the products sold, in 2015 Biedronka launched a fresh cod loin with the exclusive brand Polarica, a product certified with the seal of the MSC.

The range of Pingo Doce organic products accounts for a total of 47 Stock Keeping Unit (SKUs) from the Fruit and Vegetables category. All Pingo Doce's organic products are developed by respecting organic production rules, they are certified by an independent external entity (Ecocert) and they show the logo of the European Union, which ensures compliance with the Community Regulation for Organic Farming. In

turn, in its Private Brand range, Biedronka launched organic smoked salmon certified by Biocert¹¹ regarding the Community Regulation No. 834/2007 for Organic Production and Labelling of Organic Products.

Biedronka created a project among horticulturists in Portugal and Poland, in order to be able to offer a variety of traditional Polish garlic - the garlic *harnas* - in its stores, throughout the year, which is much appreciated in that country. The project is certified by SGS to ensure both the origins and the packaged variety.

In 2015, Pingo Doce launched three new cleaning detergent references with EU-Ecolabel certification, adding to the three references launched in 2014.

Pingo Doce still maintained five references for "Class A" energy-saving light bulbs, branded Home 7. Seven product references to Pingo Doce were also launched, which have Sustainable Forestry Initiative certification (SFI), mainly personal hygiene articles, bringing their number to 26.

Biedronka launched "Podpalka w tubie" wood shavings for the fire that come from forests managed in a responsible manner, a product certified by the Forest Stewardship Council (FSC). The "Queen" toilet paper has also been certified by the World Wildlife Fund For Nature (WWF).

UTZ Certified

For the first time in the Jerónimo Martins Group, five references were launched with UTZ certified cocoa. A UTZ product seeks to demonstrate, through a certification programme, that the raw material (in this case cocoa) was obtained using a sustainable agricultural model.

The UTZ programme allows farmers to implement good agricultural practices while at the same time guaranteeing them an improvement in their working conditions and quality of life, as well as protecting the natural resources on which they depend.

Three references (biscuits with "Kruszynki" chocolate, and "Sottile Gusto" tiramisu and profiteroles) were launched in Poland and two in Portugal (strawberries covered in white Belgian chocolate and strawberries covered in Belgian milk chocolate).

6.5. Supplier Audits

Quality and Food Safety

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

¹¹ www.biocertinternational.com/

The supplier evaluations cover a set of 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.

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 (GFSI), 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 internal criteria of the Jerónimo Martins Group. In the case of suppliers who are not located in the three countries where the Group operates, 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.

Distinguished Non-Food Products

In 2015, some non-food products were distinguished in Poland because of their quality or innovation including recognition for the Dada Private Brand skin cosmetics for children in the “Superprodukt Mam Dziecko” (Superproduct for Mothers and Children) magazine for parents.

The entire range, which includes nappies, is also tested by the Instytut Matki i Dziecka (Institute of Mother and Child).

Audits to Perishables and Private Brand Suppliers*

	2015	2014	Δ 2015/2014
Portugal			
Perishables	802	895	-10%
Private Brand – Food and Non-Food	239	191	+25%
Poland			
Perishables	1,550	1,573	-2%
Private Brand – Food and Non-Food	426**	390***	+9%
Colombia			
Perishables	48	12	+300%
Private Brand – Food and Non-Food	121	81	+49%

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

** In 2015 a further 2,691 inspections on non-food Private Brand products were also carried out.

*** In 2014 a further 2,502 inspections on non-food Private Brand products were also carried out.

Environment

The Group carried out 37 environmental audits on service providers in Portugal and four in Poland, which aimed at complying with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-compliances.

In 2015, the level of environmental performance was distributed as follows (for service providers in Portugal): 5% achieved a "High" performance, 92% "Basic" and 3% "Below basic". 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 Group reserves the right to suspend its collaboration with suppliers who do not comply with its corrective action plan, and its aim is to carry out a minimum of 40 audits of its service providers annually.

6.6. Supplier Training

In Portugal and Poland, various seminars took place, which were focused on issues of Quality and Food Safety, deepening the co-operation work with the Group's business partners, especially with regard to discussing areas of improvement and development of innovative products.

In the area of Environment, in 2015, the review of the technical standard on "Environmental Management for Sales and Service Providers" was assured, in order to adapt to evolving legislation. At the same time, a simplified technical standard for very small businesses (a maximum of 10 employees), and/or businesses with low complexity processes, was developed.

In 2015, a project was promoted which involved 77 suppliers from the Fish, Meat and Fruit and Vegetables categories, promoting self-assessment of compliance with the requirements listed in the technical standard. This project also sought to collect information for the definition of a medium/long-term action plan.

In addition, four workshops on this standard took place in Portugal, attended by 68 participants from service providers.