

**ANNUAL GENERAL MEETING  
JERÓNIMO MARTINS, SGPS, S.A.**

April 16<sup>th</sup>, 2020

**PROPOSAL OF THE BOARD OF DIRECTORS**

**ITEM 1 OF THE AGENDA**

(To resolve on the 2019 financial statements, including the management report, the individual and consolidated accounts, the corporate governance report and other corporate, supervisory and audit information documents)

The Board of Directors of Jerónimo Martins, SGPS, S.A. proposes that Shareholders resolve on the 2019 financial statements, including the management report, the individual and consolidated accounts, the corporate governance report and other corporate, supervisory and audit information documents, as presented.

Lisbon, February 19<sup>th</sup>, 2020.

The Board of Directors

ANNUAL GENERAL MEETING  
JERÓNIMO MARTINS, SGPS, S.A.  
April 16<sup>th</sup>, 2020

**PROPOSAL OF THE BOARD OF DIRECTORS  
ITEM 2 OF THE AGENDA**  
(To resolve on the proposal for application of results)

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

The Board of Directors proposes to Shareholders that the net profits for the year be applied in the following manner:

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

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

Lisbon, February 19<sup>th</sup> 2020.

The Board of Directors

## Declaration on the Company's Corporate Bodies Remuneration Policy

The Remuneration Committee reviewed and gave careful consideration to the principles that govern the remuneration policy of the corporate bodies of the Company. These principles reinforce and highlight those aspects of the remuneration policy that are critical to the sustainability of the Jerónimo Martins business, namely:

- The international landscape should be the foundation of the benchmark for the corporate bodies' competitive remuneration. It is essential to maintain the ability to attract and retain the best talent in a competitive international context;
- The alignment of the remuneration of the Corporate Bodies members to their responsibilities, their availability and their competencies put at the service of the Company;
- The target competitiveness level, encompassing the total remuneration package (Fixed remuneration and Variable payments), should be aligned with the practice of the reference market (vg, European top executives' market) and with internal remuneration policies;
- The importance of rewarding the commitment to the Group's overall strategy and to the shareholders' long-term interests, the achievement of superior results and the demonstration of appropriate attitude and behaviors; and
- The need to safeguard the overall interests of the Company.

The committee decided to propose to maintain the existing policy's principles. The proposal considers the legal framework and the existing recommendations, as well as the organizational model adopted by the Board of Directors.

With respect to the organization of the Board of Directors, the Remuneration Committee has specifically considered the following characteristics:

- The existence of a Chief Executive Officer with delegated duties (who since December 18th 2013, accumulates such duty with that of Chairman of the

Board of Directors) regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;

- The participation of non-executive Directors in Specialized Committees, who are, therefore, called to devote increased time to the Company's affairs.

Given the current organizational model and in accordance with the framework of our compensation principles, the Remuneration Committee considered the following measures:

- To ensure that the remuneration of Directors with executive duties is aligned with international market practices, it is reinforced the importance of keeping the process for defining targets and assessing performance, which should be subject to review and/or update on a regular basis (every three years).
- The **remuneration of the non-executive Directors** shall be a fixed amount exclusively;
- Regarding the **remuneration of Directors with executive duties**, specifically the **Chief Executive Officer (CEO)**, the Remuneration Committee decided to maintain the existence of two remuneration components, fixed and variable:
  - i) Fixed Component: The fixed component of remuneration corresponds to a monthly remuneration paid in 14 monthly installments, the amount of which is determined taking into account the duties and responsibilities attributed to the CEO of the Company, the performance achieved and the benchmark for similar position;
  - ii) Variable Component: the variable component corresponds to an annual amount determined by the Remuneration Committee and is limited to the maximum amount of twice the value of the fixed remuneration. The determination of a final amount is based on an annual individual performance evaluation. The evaluation is based on a framework of key quantitative indicators, in line with the Group business plans approved by the Board of Directors, and qualitative priorities that are key to the sustainability of the business.

- iii) The quantitative key performance indicators account for 50% of the individual performance calculation and reflect the financial performance related to the company's growth and the shareholders' return. The financial performance indicators: 1) sales growth; 2) net earnings; 3) Economic Value Added (EVA), and 4) Gearing.
- iv) The qualitative key performance indicators account for 50% of the individual performance calculation. The committee evaluates real implementation of transversal projects to the Group's Companies to ensure the future business competitiveness and the long-term sustainability. The individual performance indicators are: 1) strategic direction and allocation of resources/investments; 2) organizational health and talent agenda, and 3) multi-stakeholder relations. The performance and results achieved in the multi-stakeholder relations indicator are measured by Environmental Social and Governance (ESG) analysts according to the information disclosed on the policies, practices and KPI's.

These dimensions – quantitative and qualitative - are long-term by nature, critical for the future success of the businesses and, as such, can have a timeline that can exceed a year.

- v) The attribution of the annual variable component is determined considering the following criteria: a) if after review, the individual performance does not meet 100% of the set targets, there will be no annual variable remuneration payment; b) if the individual performance equals or is above 100% of the targets, the variable remuneration payment may range from 50% to 100% of the maximum variable amount;
- vi) The process for the CEO performance review includes an annual performance assessment with quarterly periodic reviews which are made available to the Remuneration Committee. The assessment and reviews are based on evidence, and on a regular monitoring of the degree of achievement of the targets. In accordance with the established procedure, the annual performance cycle is concluded with the award of the variable incentive component in the first quarter of the year following the

performance period after the calculation of the full year results. The payment is made during the first semester.

- vii) Together, the fixed and variable components should ensure a competitive remuneration in the international market and drive individual and collective performance, through the setting and achievement of ambitious goals of accelerated growth and appropriate shareholder return. Furthermore, the Committee considers that the Remuneration Policy of the Company is also aligned with the remuneration practices of comparable publicly traded peers, operating in the global arena. Given the pressures in the marketplace for executive capabilities, the Remuneration Committee analyzes the competitiveness of Jerónimo Martins in this matter from time to time based on appropriate and reliable benchmark studies provided by independent and credible entities.

Bearing in mind the contribution of the countries and business areas where the Group operates, the Remuneration Committee considers adequate that the payment of fixed and variable components of remuneration to Directors with executive duties be split between the Company and its subsidiary companies where such Directors are also members of the management body, in a proportion determined by this Committee.

The Remuneration Committee considers that the remuneration of Directors with executive duties is adequate and allows a strong alignment of their interests with the interests of the Company to the long-term. The alignment with the long-term interests of the Company is reinforced by the circumstance that the current Chairman of the Board of Directors and Chief Executive Officer is a member of the family who is the majority shareholder of the Company.

For this reason, the Remuneration Committee believes it is unnecessary to have a deferral on the variable remuneration. For the same reason, the Remuneration Committee deems unnecessary to determine the maximum potential amount of the remuneration, in aggregate and/or for any individual, to be paid to members of Corporate Bodies (with no prejudice to the above

mentioned regarding the proportion between the fixed and the variable remuneration of the executive directors). Finally, and for these same reasons, it also finds unnecessary the inclusion of a claw back mechanism related to variable remuneration.

The Company also offers a Retirement Pension Plan for Directors with Executive Duties as approved by shareholders at the General Meeting. It is a Defined Contribution Pension Plan, in which the contribution rate is fixed in advance and the value of the benefits will vary depending on the actual earnings.

The retirement age is reached in accordance with the rules for establishing the normal retirement age under the General Social Security Scheme.

A Participant will be in a state of total and permanent invalidity if recognized as such by the Portuguese Social Security. The pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration.

The remuneration committee believes this benefit decided by the shareholders should be maintained. However it is of the opinion that the shareholders should consider and adopt some amendments in order to improve the current rules of the Pension Plan.

The first of those improvements should consist in amending the definition of pensionable salary in order to accommodate the situation of those Participants that, despite continuing to devote their full time to the Company, are not eligible for variable remuneration under the remuneration policy in force. Hence, to the said definition should be added that, whenever the Participant starts to perform a function that, under the Remuneration Policy in force, does not confer the right to variable remuneration, to the annual base salary will be added an amount equal to the last variable remuneration earned, updated in the same proportion as the fixed remuneration.

The second change should allow the remuneration committee to decide on extraordinary contributions by the Company on behalf of the participants,

including through the repayment of life insurance policies, which could, inter alia, give more flexibility when dealing with short contributory careers or contributory careers not aligned with the benchmark.

Finally, and for the sake of doubt, the rules should be amended in order to render clear that, without prejudice of acquired rights, the Pension Plan revokes and substitutes, as from the date of its approval, on the 30<sup>th</sup> of March 2005, the complementary retirement plan that already existed in the Company.

As established by the Remuneration Committee in 2010, life and health insurance fringe benefits for Directors with executive duties shall continue unchanged.

The remuneration of **members of the Audit Committee** as well as the remuneration of **Directors with non-executive duties** will continue to comprise a fixed component only.

The amount paid to **Directors with non-executive duties** may be differentiated for those **who have been assigned functions in Specialized Committees or Supervisory Boards of subsidiaries**. With respect to those, the Remuneration Committee considers it appropriate to award a fee per meeting, due to the fact that the duties performed on behalf of these Committees and Supervisory Boards demand additional availability from the respective committee members. An additional fixed remuneration may also be paid to those non-executive directors who are in charge of specific tasks.

The **Chairman and secretary of the Shareholders General meeting** will keep a per meeting fee.

The **Statutory Auditor** will be remunerated in accordance with the auditing services agreement signed with the Jerónimo Martins Group, which covers almost all its subsidiaries. This remuneration shall be in line with market practices.

The amounts of the Managing and Supervisory Bodies' remunerations are set out in the Company's Report and Accounts for 2019 and reflect in their entirety decisions taken by the Remuneration Committee on this matter.

The Remuneration Committee wishes to point out that:

- the Company does not have any type of plan for attribution of shares or share purchase options to Directors;
- in 2019, there was no remuneration paid in the form of profit sharing.

Finally, the committee wants to make clear that in 2019 there was no compensation paid to former Directors, whether executive or not, related to the termination of their appointment. Further, the committee confirms that the Company did not adopt any legal instruments so that the termination of a director's time in office before its term results, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law.

The Remuneration Committee

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