



**Corporate Governance**  
**Report** **2008**

## Corporate Governance Report

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## Introduction

The revision of the Portuguese Commercial Companies Code through the entering into effect of Decree-Law 76-A/2006 of 29 March brought about a profound change in the rules regarding corporate governance in Portugal, particularly in reforming the supervision of companies by separating the supervisory functions and those for reviewing accounts, thereby reinforcing the independence and technical responsibilities of the members of the supervisory bodies. Consequently, in the Annual Shareholders' Meeting of 2007 a revision of the By-Laws was resolved, contemplating the changes imposed by that law in this important matter.

The Company therefore adopted the so-called "Anglo-Saxon" model of governance, with the following corporate bodies: the Shareholders' Meeting, the Board of Directors, the Audit Committee and the Chartered Accountant, as a coherent evolution of the previous monist model.

In order to update the By-Laws and to adhere to the most advanced practices in the realm of corporate governance, an effort was also made to adjust the related issues accordingly, such as: regulating votes by post, the possibility of holding Board of Directors meetings using telematic means, as well as establishing the number of absences from meetings without justification accepted by the Board, leading to definitive absence of the Director. With regard to remuneration, the By-Laws established the maximum percentage of profits for the year that may be given to the Directors as variable pay.

With the entry into effect of the Code of Corporate Governance, with the interest of the shareholder and the market in mind, in 2008 Jerónimo Martins sought to adjust its activities in order to continue developing towards adopting best practices, particularly regarding the values of rigour and transparency.

The Company's Board, especially its Audit Committee, pays particular attention to matters related to Corporate Governance and believes that the Group's policy is in line with the market's best practices, and that the operation of its model of government, as recognised by countless stakeholders, is the most appropriate for their interests.

This Report is a pledge to this policy, and the Board of Directors believes that it mirrors the correct operation of the adopted model and current corporate practices.

## Chapter 0 Statement of Compliance

0.1. The Company is subject to the Code of Corporate Governance defined by the Portuguese Securities and Exchange Commission (CMVM), which is published on the CMVM's website at: <http://www.cmvm.pt/NR/exeres/9405C5ED-7D91-4B3A-B97E-47A04EF72B43,frameless.htm>. The Company is also governed by its own Code of Conduct, whose content connects to corporate governance matters, and which may be consulted on the Company's website. All of its corporate bodies are governed by regulations, which are documented and available on the Company's website at [www.jeronimomartins.pt](http://www.jeronimomartins.pt).

0.2. The Company fully complies with the recommendations of the CMVM in the Corporate Governance Code. However, the Company admits that some recommendations were not adopted in full.

The following shows a breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting these recommendations may be checked.

Pursuant to the Annex to its Regulation No. 1/2007, the CMVM considers the recommendations that are not followed in their entirety as not having been adopted. In relation to recommendation II.1.5.1, the only non-compliance of the Company is with sub-section **iii**), which states that remuneration of non-executive directors must be exclusively comprised of a fixed amount, which is justified in the next point of the Report. The Company thus complies with the remaining recommendations in the remaining sub-sections.

<b>RECOMMENDATION</b>	<b>ADOPTED</b>	<b>NOT ADOPTED</b>	<b>N/A</b>
I.1.1	1.1.		
I.1.2	1.1.		
I.2.1	1.2.		
I.2.2	1.2.		
I.3.1	1.3.		
I.3.2	1.3.		
I.3.3	1.2.		
I.4.1		0.3.1.	
I.5.1	3.11.2.		
I.6.1	1.6.		
I.6.2	1.6.		
I.6.3	1.6.		
II.1.1.1	Introduction		
II.1.1.2	2.4.		
II.1.1.3	2.6.		
II.1.2.1	2.9.		
II.1.2.2	2.9.		
II.1.3.1	2.2.2.		
II.1.4.1	2.14.		
II.1.4.2	2.14.		
II.1.5.1		2.11; 2.12; 0.3.2.	
II.1.5.2		0.3.3., 1.5.	
II.1.5.3	2.12.		
II.1.5.4	2.13; 3.9.		
II.1.5.5		0.3.4.; 2.13.	
II.2.1	2.2.1.		
II.2.2	2.2.1; 2.3.1.		
II.2.3			X
II.2.4	2.3.1.		
II.2.5		0.3.5.	
II.3.1	2.3.1.		
II.3.2	2.3.1		
II.3.3	2.3.1.		
II.4.1			X
II.4.2	2.2.2; 3.11.2.		
II.4.3	2.2.2.		
II.4.4	2.2.2.		
II.4.5	2.2.2.		
II.5.1	2.3.1; 2.2.2.		
II.5.2	2.12.		
II.5.3	2.8; 2.12.		
III.1.2	3.11.		
III.1.3	3.11.2.		

0.3. In light of the text of the recommendations, the Company admits that it is possible to interpret the following recommendations, also referenced in the table above, as not being complied with in full.

0.3.1. **Recommendation I.4.1** states that companies should not establish a constitutive or deliberative quorum greater than that indicated in the law. However, according to Article Twenty-Six of the By-Laws, the Shareholders' Meeting may take place at the first summoning as long as more than fifty percent of the Company's

share capital is present or represented. This is a rule that was not altered in the last revision of the By-Laws, which envisaged its adaptation to Decree-Law 76-A/2006 of 29 March, although the said recommendation was issued subsequently. In any case, the Company believes that, according to the nature of its shareholder structure, no situations will occur resulting in any practical impact from failure to adopt the recommendation, which is shown by the history of the Company's Shareholder Meetings.

It should also be noted that the second part of the recommendation is complied with in as far as no special deliberative quorum was established in the By-Laws.

0.3.2. In relation to **Recommendation II.1.5.1 iii)**, it is important to explain that the Remuneration Committee decided that, considering his role according to 2.3.1.1., the Chairman of the Board of Directors, earns fixed remuneration and variable remuneration, to be established on a yearly basis as, according to the Regulation of the Board of Directors, he is equally responsible for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for defining the overall strategy, and for management development. As the Company understands it, these functions allow the Chairman's performance to be remunerated in a different manner, which is why this part of the recommendation is not adhered to.

0.3.3 Regarding **Recommendation II.1.5.2**, it is noted that since last year, a statement on the remuneration policy and the performance appraisal of the Company's managing and supervisory bodies is submitted for approval at the Annual Shareholders' Meeting. However, the Board of Directors decided that it would not make sense to present another statement for the Company's leaders along with the mentioned statement, as the Portuguese corporate tradition never trusted these types of functions to the Shareholders' Meeting, nor the Board sees good reasons to introduce this practice via a recommendation. This stance is reinforced by reasons which relate to the typology of the labour contracts in question and the asymmetry of the evaluation procedures between the management bodies and the Company's leaders. Due to their varied nature, these leaders encompass both purely corporate support personnel, as well as personnel responsible for businesses, making it difficult to find a common policy, which may be assessed, in useful way, by the Shareholders' Meeting.

0.3.4 The Company further accepts that, in light of the text in question, in the section that discusses the individual breakdown of remuneration paid to the members of the Board of Directors in **Recommendation II.1.5.5**, it is possible that it may be interpreted as not being fully complied with.

In this respect, the Company maintains the view that there are other options for verifying the internal distribution of remuneration and assessing the relationship between the performance of each Company sector and the level of remuneration of the members of the Board of Directors who are responsible for supervising these sectors, considering that it is achieved by indicating the overall remuneration of the Executive Directors on the one hand, and the Non-Executives on the other.

In addition, the Board of Directors believes that the internal and external sensitivity that such a disclosure could cause in no way contributes towards improving the performance of its members. Therefore, the recommendation has been adopted as far as remunerations in collective terms are concerned, and by differentiating the amounts paid to Executive Directors (with reference to both the fixed and variable parts) and Non-Executive Directors.

0.3.5. The Company does not comply or agree with the text of **Recommendation II.2.5**, which states that the Board of Directors must promote the rotation of the member who is financial officer, at least at the end of every two terms.

In the first place, the objective of the recommendation is not understood. This is a matter of strategic interest that should be decided upon by the Company and its Shareholders, depending on the specific circumstances of its governance model and its practical application.

The financial function is specific to each type of business, and may not be performed across companies without paying attention to the characteristics of the areas where the companies carry out their activities. Most of the time, this particular experience takes more than one term to acquire. Intending the member who is the financial officer to cease these functions after the integration period is, from the business point of view, an option that may be counterproductive to the Company and its Shareholders.

It is known that Portugal is a small country with a peripheral economy and a labour market that is not very attractive in comparison with other countries in Western Europe. In addition, the system of incompatibilities and independence perceived in the Portuguese Commercial Companies Code is particularly burdensome. The combination of these factors in itself already limits the choice of members of managing and supervisory bodies. In addition, it seems to us that complying with the recommendation in question would prevent a company from having the freedom to be able to choose the best people for certain positions.

On the other hand, the recommendation seems to suggest that, within the Board of Directors, the member who is financial officer will be rotational, i.e. within the same universe of directors. In the specific case of the Company in which the supervisory body – the Audit Committee – comes from the Board of Directors, this solution is even more problematic due to the inherent limitations to the model itself.

The CMVM should therefore adjust this recommendation and adapt it to the type of company in question, and to the practice of domestic companies



## Chapter 1 Shareholders' Meeting

### 1.1. Presiding Members of the Shareholders' Meeting

The Chairman of the Board of the Shareholder's Meeting is Mr. João Vieira de Castro, and the Secretary is Mr. Tiago Ferreira de Lemos.

The current members of the Board of the Shareholders' Meeting were elected on 30 March 2007, for the current term, and will therefore cease functions in 2009.

The Chairman of the Board of the Shareholder's Meeting, Mr. João Vieira de Castro, received an annual payment of five thousand euros. For the only meeting held in 2008, the members had all the human and logistic resources necessary to carry out their functions well. In 2008, in addition to support from the Company's employees, the members also had the help of two lawyers hired specifically for that purpose, and both their preparatory work that for the meeting itself were carried out in an exemplary fashion.

### 1.2. Participation in the Shareholders' Meeting

In accordance with the Company's By-Laws, Shareholders with voting rights may participate in the Shareholders' Meeting provided that their shares are registered under their name in a securities account, or deposited in the Company's safes or those of a credit institution, at least five working days prior to the meeting. In the latter case, there must be proof of this deposit by means of a letter issued by the respective credit institution, which must also reach the Company's Head Office within the same deadline of five working days. The most recent Chairmen of the Board of the Shareholders' Meeting have understood that, considering the questions that are received within the period of receipt of statements of blocking of shares, those that are received by fax or e-mail by the indicated period and confirmed by receipt of the originals until the evening before the Meeting is held, must be accepted.

There are no rules in the By-Laws regarding blocking of shares in the event of suspension of the Shareholders' Meeting. In these cases, the Chairman of the Board of the Shareholders' Meeting, understands that they should not be obligated to block shares during the entire period until the Meeting is resumed, and the regular advance notice required in the first session should be sufficient.

Each share corresponds to one vote, and presence at the Shareholders' Meeting is not restricted to holding a minimum number of shares.

According to Article Twenty-Six of the By-Laws, the Shareholders' Meeting may take place upon the first convocation, as long as more than fifty percent of the Company's capital is present or represented. There is no special rule in the By-Laws regarding deliberative quorums or systems that highlight the rights of equity content.

### 1.3. Postal Vote

According to paragraph 3 of Article Twenty-Five of the By-Laws, postal votes are allowed. Pursuant to the By-Laws, postal votes count for the formation of a constitutive quorum for the Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the Shareholders' Meeting or his substitute to verify their authenticity and regularity, 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 Shareholders' Meeting, the postal vote that was issued is considered to be 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 By-Laws do not state anything on this matter, the Company has established a deadline of 48 hours prior to the Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM in this matter.

### 1.4. Exercise of the Right to Vote by Electronic Means

The Company, recognising that using new technologies encourages Shareholders to exercise their right to vote, in 2006 adopted adequate mechanisms so that Shareholders may vote electronically in Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the President of the Board of the Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website at [www.jeronimomartins.com](http://www.jeronimomartins.com). They subsequently receive a registered letter addressed to the domicile indicated on the statement of the financial intermediary with whom the securities are registered, containing the electronic address to be used to vote, and an identification code to use in the electronic mail, with which the Shareholder may exercise his right to vote.

### 1.5. Involvement of the Shareholders' Meeting regarding the Company's Remuneration Policy

Since 2008, a statement prepared by the Remuneration Committee on the remuneration policy and performance appraisal of the Company's managing and supervisory bodies has been submitted for approval at the Annual Shareholders' Meeting. This statement outlines the main characteristics of that policy – which is better explained in point 2.11 of this Report – with special focus on the relationship between the Company's interests and its performance, and the remuneration earned by the Company's officers.

### 1.6. Defensive Measures

No defensive measures were adopted which automatically cause serious erosion in the Company's equity in the case of change of control or modification in composition of the Board of Directors.

The By-Laws do not provide Shareholders with special rights or predict limits on exercising the right to vote, and 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.

### **1.7. Significant Agreements to which the Company is a Party and that Take Effect, are Altered, or Cease in the Case of Change in Control of the Company**

Since it leads a group that includes various partnerships with national and international groups, it is understood that certain arrangements in the joint venture contracts entered into within this scope may include arrangements for changing the Company's control, although not of automatic nature. The Board of Directors has understood that, as their interpretation is not completely unanimous, in particular because they deal with somewhat dated instruments, if released would not allow the Shareholders to be better informed about their real impacts, and even so, that release would be harmful to the interests of the Company and its Shareholders.

### **1.8. Agreements between the Company and Officers and Members of the Board of Directors**

There are no agreements between the Company and officers of the managing bodies, directors or employees that foresee indemnity payments in the event of resignation, dismissal without just cause, or termination of the labour relationship as a consequence of change in Company control.

## Chapter 2 Managing and Supervisory Bodies of the Company

### 2.1. Identification and Composition of the Corporate Bodies

The Board of Directors is comprised of Mr. Elísio Alexandre Soares dos Santos (President), Rui Manuel de Medeiros d'Espiney Patrício, António Mendo Castel-Branco Borges, Hans Eggerstedt, Artur Santos Silva, Nicolaas Pronk, Luís Maria Viana Palha da Silva, Pedro Manuel de Castro Soares dos Santos, and José Manuel da Silveira e Castro Soares dos Santos.

The following managers comprise the Audit Committee: Rui Manuel de Medeiros d'Espiney Patrício, António Mendo Castel-Branco Borges and Hans Eggerstedt.

The Chartered Accountant the company PriceWaterhouseCoopers & Associados, SROC, Lda., represented by Mr. Jorge Santos Costa and the alternative is Mr. José Manuel Henriques Bernardo.

The Company Secretary is Mr. Henrique Soares dos Santos.

### 2.2. Other Committees Formed with Responsibility in Company Management or Supervision

#### 2.2.1. Executive Committee

The Corporate Executive Committee is formed by Mr. Luís Maria Viana Palha da Silva (President), Pedro Manuel de Castro Soares dos Santos and José Manuel da Silveira e Castro Soares dos Santos, notwithstanding the special responsibilities of the Chairman of the Board of Directors, and its main objective is to support the Board of Directors in carrying out its management functions. As a corporate body delegated by the Board of Directors, and in accordance with its regulations, the Executive Committee is responsible for the following functions:

- Monitoring implementation by the Group's Companies of the strategic guidelines and policies outlined by the Board of Directors;
- Financial and accounting control of the Group and its Companies;
- Top-level coordination of the operational activities under the responsibility of the Group's various Companies, whether or not integrated into Business Areas;
- Supervision of new businesses during their launch phase and while the respective Companies are not integrated into a business area;
- Implementation of the Human Resources management policy outlined for executives of all the Companies.

To carry out the above-referred functions, the Board of Directors delegated the following responsibilities to the Executive Committee:

- To manage businesses and carry out operations related to the Company purpose included in the scope of its current management, as an equity management company;
- To represent the Company, in court and outside of court, to propose and contest any lawsuits, settle and withdraw from lawsuits, and bind the Company in arbitration; for that purpose it may appoint one or more representatives;

- Contract loans in the domestic or foreign financial markets, and accept the supervision of building societies up to 50,000,000 euros;
- Make decisions regarding the Company providing technical and financial support, providing loans to companies in which it holds shares, quotas or social shares, in whole or in part;
- Decide on the transfer of real estate, as well as shares, portions, quotas and obligations;
- Decide on the acquisition of any goods or real estate, and in general on making any investments projected in the Annual Plan;
- After consulting the Chairman of the Board of Directors, designate the people to propose to the Companies' Shareholders' Meetings, to fill positions in the respective corporate bodies, indicating those who will be responsible for performing executive functions;
- To propose annually to the Board of Directors the financial goals to be met by the Company and by the Companies in the Group in the following accounting year, for that purpose consulting with the Chairman of the Board of Directors;
- To evaluate Jerónimo Martins' monthly consolidated accounts and those of each of its Companies;
- To approve the human resources policies to be followed by the Group, after consultation with the Chairman of the Board of Directors;
- To approve the expansion plans regarding the activities of each business area, as well as the Companies in the Group that are not included in business areas;
- To approve any investments projected in approved plans, with acquisitions of fixed assets up to 50,000,000 euros;
- To approve any disinvestments projected in approved plans, with sales of fixed assets up to 50,000,000 euros;
- In conjunction with the Audit Committee, to negotiate and contract the provision of external auditing services;
- To approve the organic structure of the Group's Companies.

The Executive Committee meets at the Company's Head Office or at any other location. The Chairman is responsible for convening and running the meetings, setting the respective date, time and agenda.

### 2.2.2 Audit Committee

The Audit Committee, which has three Non-Executive Directors as members, includes Mr. Hans Eggerstedt (President), Mr. António Borges and Mr. Rui Patrício, all of whom are independent according to legal criteria, paid particular attention in 2008 to matters of Corporate Governance, financial risk management, and the execution of the measures proposed by Internal Audit.

The Chairman of the Audit Committee, Mr. Hans Eggerstedt, is recognised internationally as one of the best managers of his generation, having worked, over the course of his long career, in positions of great responsibility in various countries. His solid academic training and professional experience in areas of management and control ensure a special ability to act as the president of the Company's supervisory board.

Since the alteration of the By-Laws, approved in the 2007 Annual Shareholders' Meeting, the Audit Committee is a statutory body, which is a result of changes to the Code of Commercial Companies imposed by Decree-Law 76-A/2006 of 29 March. Thus, as voted on in the mentioned Shareholders' Meeting, and arising from the Board of Directors, the Audit Committee is responsible for supervising Company management and assessing corporate structure and governance.

It should be noted that this function, established in its Internal Regulation, has been actively performed by the Audit Committee, which has sought at every turn to assess the status of Corporate Governance, proposing adjustments when necessary, and exerting particular effort on adopted structures and practices, both from the theoretical and practical points of view.

The vast experience of the member of the Committee in positions required by the By-Laws, as well as their special technical merit in this particular matter, have created special added value for the Company, and have strongly contributed towards this matter becoming a central point in the Company's life.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is particularly responsible for the following: assessing the process of preparing and releasing financial information, the effectiveness of internal control systems, internal audit and risk management, regularly evaluating external audits, as well as approving activity plans within the scope of risk management and monitoring their execution, particularly evaluating the recommendations resulting from internal and external audit activities (being the first body to receive the respective reports), and reviewing the procedures put into place.

In relation to performing these functions, it is noted that the choice of an external auditor, as proposed by the Executive Committee, was the responsibility of the Audit Committee which submitted to that body the results of the tender that it conducted and that involved all the most highly credentialed international firms offering this type of service, which responded to strict specifications. Considering the proposals presented, the Audit Committee decided on the firm that it thought most appropriate for the interests of Jerónimo Martins, verifying and evaluating the activities of the external auditor in each accounting year, ensuring that the Company provided it with the best conditions to perform its services, and that quality and transparent information is presented in a timely manner. The Annual Report includes a description of the supervisory activities performed by the Audit Committee, which is available on the Company's web page.

### **2.2.3 Ethics Committee**

The Ethics Committee of Jerónimo Martins is currently comprised of Ms. Ana Vidal (Director of Communication) presiding, Mr. Hugo Cunha (Director of Human Resources of Recheio), Mr. António Neto Alves (Director of the Company's Legal Department), Professor Lesław Kanski (Director of the Legal Department of Jeronimo Martins Dystrybucja), and by Ms. Ewa Micinska (Director of Labour Relations of Jeronimo Martins Dystrybucja). Reporting to the Chairman of the Board of Directors of the Company, its mission is to provide independent supervision of the disclosure of and compliance with the Code of Conduct of all the Companies in the Group.

In performing its duties, the Ethics Committee: i) establishes channels of communication with the targets of the Group's Code of Conduct and gathers information sent for this purpose; ii) administers a suitable internal control system for compliance with the Code of Conduct and assesses the recommendations arising from these controls; iii) evaluates questions that, also in compliance with this Code of Conduct, may be submitted to it by the Board of Directors of Jerónimo Martins and by the Audit Committee, and impartially analyses any questions raised by employees, customers or business partners through the system to communicate alleged irregularities; and, finally iv) submits to the Company's Board of Directors any measures it considers appropriate for adoption in this area, including the review of internal procedures, as well as proposals for changing the Code of Conduct.

The Ethics Committee met twelve times during 2008 and examined various questions submitted to it by the Executive Committee, the Group's employees and third parties. This year special note is given to the scope and reliability of the bottom-up communication system for reporting possible irregularities.

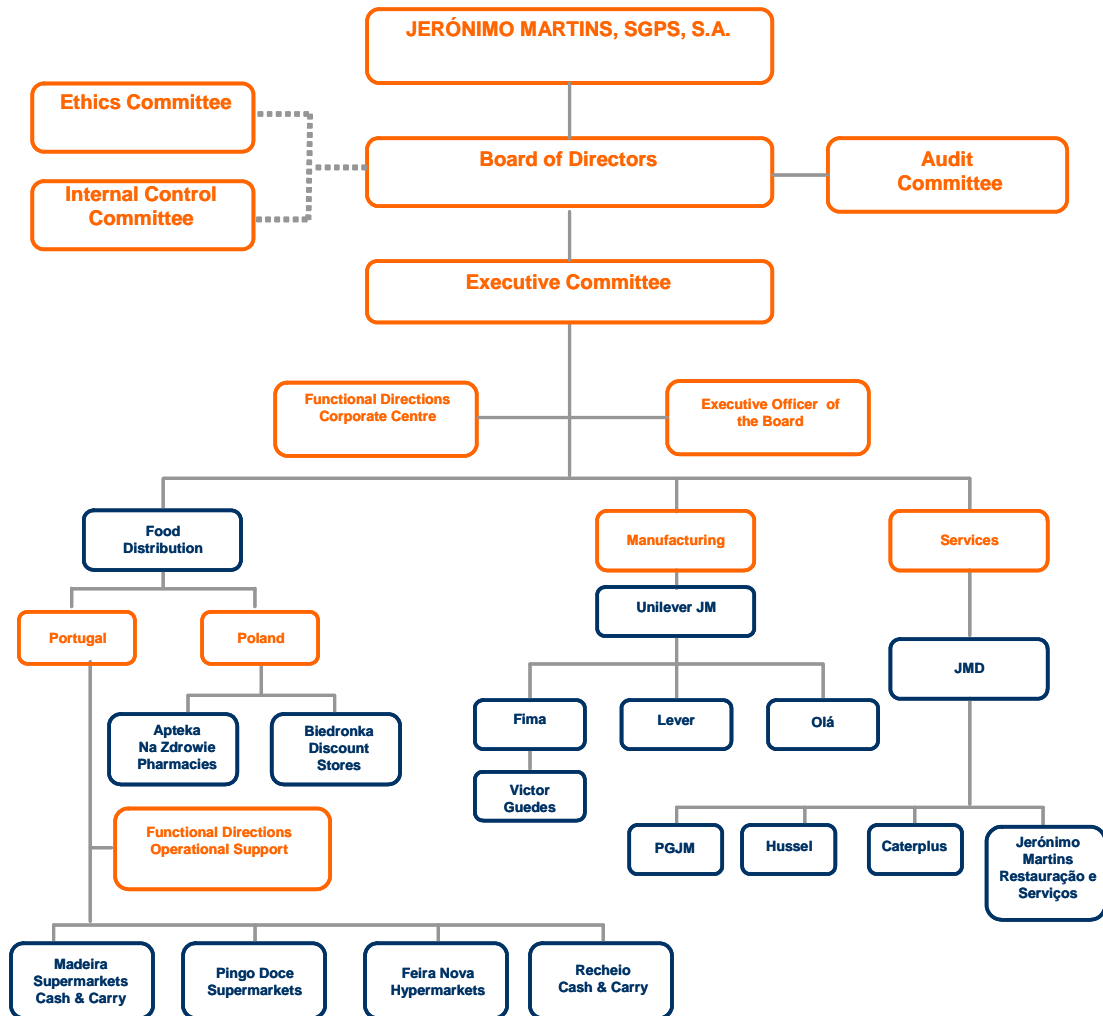
#### **2.2.4 The Internal Control Committee**

The Internal Control Committee, appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for assessing the quality and reliability of the internal control system and the process of preparing financial statements, as well as assessing the quality of the monitoring process being used in Jerónimo Martins' Companies, with a view to assuring compliance with the laws and regulations to which they are subjected. In performing its tasks of assessing the quality of the monitoring process being used in the Companies, the Internal Control Committee must obtain regular information on the legal and fiscal contingencies that affect the Companies.

The Internal Control Committee meets monthly and is comprised of a President (Mr. David Duarte) and three members (Mr. José Gomes Miguel, Ms. Catarina Oliveira and Mr. Henrique Santos), none of whom are Company Board Members.

In 2008, the Internal Control Committee continued its activities of supervision and assessment of risks and critical processes, reviewing the reports prepared by the Internal Audit Department. When 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.

## 2.3. Structure and Operation of the Board of Directors and Distribution of Responsibilities



■ Organisational Structure

■ Business Structure

### 2.3.1 The Board of Directors

According to the By-Laws, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members. At present, the Board of Directors consists of nine members, of which three are members of the Executive Committee.

Since the Board of Directors has Independent Members and Non-Executive Members, it is endowed with a range of skills that enriches the management of the Company, reflecting a desire and an interest in bringing together a wide range of technical skills, contact networks and connections with national and international bodies, which optimises the Group's management from the standpoint of creating value for its Shareholders.



The selection of this model represents yet another step towards ensuring adequate defence of the interests of all Shareholders. For this same purpose, since election of the Board of Directors for the preceding three-year period, there has been an increase in the number of Independent Members, at present totalling four of the nine members. Furthermore, Corporate Governance practices have been reinforced and the Chairmanship of the Board of Directors (Mr. Elísio Alexandre Soares dos Santos) has been separated from the Chairmanship of the Executive Committee (Mr. Luís Palha da Silva).

The Board of Directors meets at least four times a year, and another member, by means of a letter addressed to the Chairman, may represent any member at the Board meetings.

Unless otherwise provided, decisions are carried by a majority vote of the members present or represented, and of those who vote by post. In the event of a tie, the Chairman has the casting vote.

The duties of the Board of Directors are described in Article 13 of the Company's Articles of Association. The Executive Committee does not discuss the matters referred to in Article 407, Paragraph 4 of the Portuguese Commercial Companies Code.

It also states that it is the responsibility of the Chairman of the Board of Directors and of the Non-Executive Members of the Board of Directors to evaluate the performance of the members that comprise the Executive Committee and the other existing committees. They meet at least once per year in *ad-hoc* meetings specifically dedicated to this matter, without the presence of the Executive Members, and in which the performance of the Executive Committee and its influence on Jerónimo Martins' businesses is heavily debated, assessing the impact of its activity and adherence to the medium- and long-term interests of the Company. The same procedure is used to analyse the performance of the various committees that exist within Jerónimo Martins.

The annual management report includes a description of the activities performed by Non-Executive Members.

As set down in specific regulations, the Board of Directors has delegated several duties to the Executive Committee, including management of corporate business within the scope of the day-to-day running of the Company, including representing the Company and financial management of the Group, among others.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors, and in particular its Chairman, retains authority over strategic matters of Company management, in particular those regarding the corporate structure, and to those that, due to their importance and special nature, may significantly impact their activity, exercising effective control on directing corporate life, always seeking to be duly informed and assuring supervision of Company management.

To this end, the Board of Directors has at its disposal the minutes of the Executive Committee meetings in which the matters discussed and the decisions taken are recorded. The President of the Executive Committee also sends the summonses and the minutes of the respective meetings to the Chairman of the Board of Directors and to the President of the Audit Committee via the Company Secretary. Additionally, at each Board meeting the Executive Committee reports on Company activity since the last meeting, and is ready to provide any further clarification that the Non-Executive

Members may require. All information requested by the Non-Executive Members was complete and provided in a timely manner by the Executive Committee.

### 2.3.1.1. President of the Board of Directors

The title of Chairman of the Board of Directors is represented by Mr. Alexandre Soares dos Santos. Despite not having a permanent participation in the meetings of the Executive Committee, the Chairman of the Board of Directors, in compliance with the Board of Directors' Regulations and apart from the role of institutional representation of the Corporate Bodies, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for defining the overall strategy and for management development.

### 2.3.2 Responsibilities of the Members of the Executive Committee

While their functions are carried out collectively, each member of the Executive Committee holds supervisory responsibilities in certain specific areas, as follows:

**Luís Palha da Silva (President):** Development and Strategy, Financial Area, Reporting and Operational Control, Investor Relations, Legal Affairs, Tax Matters, Human Resources and Communication.

**Pedro Soares dos Santos:** Food Distribution Operations, including Sourcing, Logistics, Quality Control, Human Resources, Security and Information Technologies.

**José Soares dos Santos:** Manufacturing Operations, Marketing Services, Representations and Restaurants.

### 2.3.3. Organisational Structure and Distribution of Responsibilities

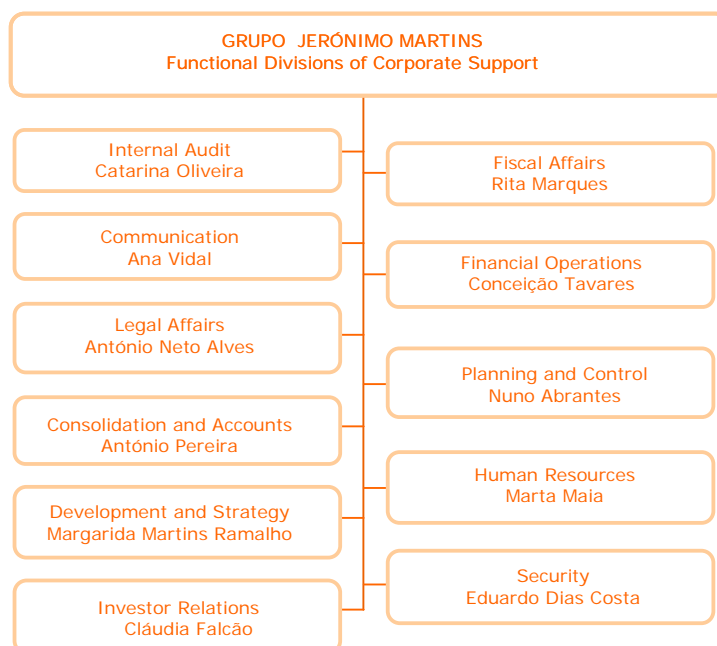
Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines of the various businesses, as well as for ensuring consistency between the established objectives and the available resources. The Holding Company is made up of a group of Functional Divisions which provide both support to the Corporate Centre and services to the Functional and Operating Divisions of the Group's Companies.

In operational terms, Jerónimo Martins is organised into three business areas: i) Food Distribution, ii) Manufacturing, and iii) Marketing, Services, Representations and Restaurant Services. The first area is organised into Geographical Areas and Operating Divisions.

#### 2.3.3.1. 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 global objectives; iii) defining and controlling financial policies; and iv) defining Human Resources Policy, with direct responsibility for implementing the Management Development Policy.

The Functional Divisions of the Holding Company are organised as follows:



**Internal Audit** – Assesses the quality and efficiency of systems (both operational and non-operational) of internal control and risk control established by the Board of Directors, ensuring compliance with the Group's Manual of Procedures. The Division also guarantees full compliance with the procedures laid out in the Operations Manual of each Business Unit, and ensures compliance with the legislation and regulations applicable to the respective operations.

The activities carried out by this Functional Division can be found in detail later in this chapter.

**Communication** – Proposes and implements the communication strategy of the areas under its influence, seeking to provide rigorous, clear and complete information on Jerónimo Martins, its current performance and its future perspectives. Included in its scope of responsibility are the Media Relations for the Holding Company and its subsidiaries, Institutional Communications Instruments, Patronage, Communication in matters of Social Responsibility, as well as brand management and managing the institutional image of Jerónimo Martins.

In 2008, the development of innovative communications solutions continued, some of which were recognised by the market, as in the case of the 2007 Annual Report, which, for the third time, received the award "Best Annual Report in the Non-Financial Sector" (Investor Relations and Governance Awards of 2008).

The other institutional communication instruments, whether internal or external, have been actualised in order to better inform all the Group's stakeholders. The Jerónimo Martins official Internet site registered an average monthly number of visitors that exceeded 40,000, and throughout 2008 the internal information portal, "My.JM", recorded a growth in the number of visits of around 25%.

In Media Relations, in addition to daily clarifications, interviews with business managers, and preparation of various press releases, six events were held with Social Communication and members of the Board of Directors, providing opportunities to receive clarification directly from the Group's top management.

**Legal Affairs** – Responsible for supervising the Group's corporate affairs and for ensuring strict compliance by all its Companies with legal obligations. Legal Affairs assists in preparing and negotiating contracts to which Jerónimo Martins is a party, and it heads the development and implementation of strategies for the protection of the Group's interests in the case of legal disputes, and management of external counsel.

In 2008, the Division focused on overseeing compliance with company obligations pursuant to the Corporate Governance Code, and in monitoring the conclusion of the operation to acquire the Tengelmann Group, the Plus Companies in Portugal and Poland, and the subsequent corporate reorganisation operations.

**Consolidation and Accounting** – Prepares consolidated financial information in order to comply with legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Board that are common to all the Companies of the Group. The Division also verifies compliance with obligations stated in the By-Laws.

In 2008, activity was centred on supervising conformance with the accounting standards adopted by the Group, supporting the Companies in the accounting assessment of all one-off transactions, as well as in Jerónimo Martins' restructuring and expansion activities.

**Development and Strategy** – Guarantees continuous assessment of the markets, identification of the risks, opportunities and major contingencies of the Group's activity in the short-, medium- and long-term, and analysis of activity plans for the different business areas. Contributes with perspectives on strategic debates that lead to value-creating projects, both in the current portfolio and in new business areas, and to strengthening organisational development. Ensures mechanisms of inclusion regarding the priorities that arise from strategic debate and mechanisms of communication to Managers, encouraging simple and objective language.

In 2008, the Division continued to provide analytical support to the Board of Directors' annual debate on the strategic plan. With the strategy in the consolidation phase, it urged analysing the strategy considering the most recent events in the external environment to identify the major short-term questions and revalidate medium- to long-term trends. Thus, the risks, opportunities, contingencies and uncertainties were scrutinised, and the competitive position of the businesses, the solidity of the portfolio and the strength of the balance sheet were evaluated. The exercise led to revalidation of the medium- to long-term goals, and clear definition of the priorities in the strategic plan for the 2009-2011 three-year period, which were presented to the Organisation in the December Managers' Meeting.

The study of expansion opportunities into new markets remained among the Group's priorities, to which the Division contributed with analytical work.

The in-depth study of some market consolidation scenarios and other contingencies with relevant impacts on the Group's businesses was also part of this Division's activities, which evaluated several alternatives for involvement.

The Division also evaluated several domestic and international studies on sustainability and the Social Responsibility of companies, some of which included Jerónimo Martins. In parallel, it continued to follow sustainability initiatives in the food sector, and it encouraged communication of an integrated vision of sustainability and value creation, which is included in this Annual Report.

**Investor Relations** - This Division is the interface with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price.

It is also the responsibility of the Investor Relations Department to coordinate all matters related to the Securities and Exchange Commission.

The activities carried out by this Functional Division can be found in detail later in this chapter.

**Fiscal Affairs** – Provides all Companies with assistance in tax matters, ensuring compliance with current legislation, as well as optimising the business units' management activities from a tax viewpoint. The Division also manages the Group's tax disputes and its relations with attorneys and external consultants, and also with the Tax Authorities.

In the course of its work in 2008, the Fiscal Affairs Department provided assistance to the Company's acquisition and restructuring operations.

Furthermore, special work was carried out with regard to the different taxes in order to unify the policies adopted by Jerónimo Martins' different Companies.

Finally, during 2008, the Fiscal Affairs Department collaborated on filing several procedures to better defend the Group's interests before the Tax Authorities.

**Financial Operations** – This Division includes two distinct areas: Risk Management and Treasury Management. Activity of the Risk Management area is discussed in detail later in this chapter.

Treasury Management is responsible for managing relations with the financial institutions that have or intend to have business dealings with Jerónimo Martins, establishing the criteria that these bodies must fulfil.

The Treasury Management is also in charge of planning the most suitable financial sources according to need for all of Jerónimo Martins' Companies. The type of funding, corresponding terms, cost and back-up documentation must comply with the criteria established by Management. Likewise, the Treasury is responsible for conducting business with financial institutions, optimising factors so that the best possible conditions may be obtained at all times.

A large part of the treasury activities of Jerónimo Martins is centralised in the Holding Company, which is a structure that provides services to the rest of the Companies of the Group. The Distribution Companies in Portugal are completely centralised, while the Polish Distribution and the Representation and Restaurant areas work independently in relation to processing payments to third parties. It is also Treasury's responsibility to elaborate and comply with the treasury budget that is based on the activity plans of the Group's Companies.

**Planning and Control** – Planning and control is responsible for defining and implementing processes, policies and procedures in the planning and control area (plans, budgets and investments), and coordinating and supporting M&A activities of companies or businesses, and Company restructuring operations.

During 2008, the acquisition of the Plus Companies in Portugal and in Poland from the Tengelmann Group was finalised, pursuant to the Purchase and Sale Agreement entered into on 21 December 2007. The process of approving these transactions by the Competition Authority in Portugal and the corresponding body in Poland (UOKIK) was followed up. In addition, the activities of the different internal multi-disciplinary teams involved in integrating the respective Companies into the Jerónimo Martins universe and external bodies involved in financial, tax and legal auditing of the transfer process, were coordinated. Both processes were formally concluded during 2008.

It also coordinated and supported other smaller-scale merger and acquisition operations by different business areas in the Group, in Portugal and in Poland. Among the latter is the sale of the Lipton business in the Unilever-Jerónimo Martins joint venture in January 2008.

Regarding the Planning process, considering the impact of the Plus acquisitions and the volatility of some macroeconomic indicators in the geographical markets in which Jerónimo Martins operates, a more dynamic budgeting calendar was prepared in order to allow continuous tracking of financial performance in different economic environments.

The Group's organic expansion was also monitored and controlled, which meant the analysis and assessment of all Capital Disbursement Proposals, the scope of which is discussed in a separate chapter in the Management Report.

**Human Resources** – In a "Business for People, made by People", this area ensures initiatives across the Group that are indispensable for completely solidifying the mission of Jerónimo Martins. The strategic objectives of the Human Resources area are wide and ambitious, on one side making it desirable to be employed by Jerónimo Martins, and on the other side making it possible to retain excellent employees in the various Companies.

The Human Resources Department of Jerónimo Martins works in an integrated manner, pursuant to the global policies and strategies defined for the entire Organisation, guaranteeing compliance with the various procedures in this area, namely at the level of Recruitment, Training, Development and Administrative Support areas.

**Security** – This area defines and controls procedures in terms of protecting the security of Jerónimo Martins' people and assets, getting involved whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees. In particular, the Security Department supervises the strategies and performance of contracted security/monitoring companies, follows matters involving police or legal authorities, and supports audits, safety systems and risk prevention.

The activities carried out by this Functional Division in 2008 are detailed in this chapter in the section on the Risk Control System.

### 2.3.3.2 Operational Divisions

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating geographical areas and Operational Divisions, thus guaranteeing the required proximity to the different markets.

As mentioned, the Food Distribution business is divided into Geographical Areas, and currently there are four Operational Divisions in Portugal: Pingo Doce (supermarkets), Feira Nova (hypermarkets), Recheio (cash & carries) and Madeira (supermarkets and cash & carries), and an Operational Division in Poland that includes Biedronka food stores and "Apteka Na Zdrowie" pharmacies in partnership with Associação Nacional de Farmácias (The Portuguese National Association of Pharmacies).

Manufacturing operates through a partnership with Unilever in the Company Unilever Jerónimo Martins, Lda., which runs the food, personal hygiene and domestic care, and ice-cream businesses.

Within the Group's portfolio there is also a business area dedicated to Marketing, Services, Representations and Restaurant Services, which includes: i) Jerónimo Martins Distribuição, which represents important, widely consumed food products and premium and mass market cosmetic brands under international brands in Portugal, including Caterplus, a specialist in the trade and distribution of specific products for Food Service; ii) Hussel, a retail chain specialised in chocolates and confectionary; and iii) Jerónimo Martins Restauração e Serviços, with the chain of Jeronymo coffee shops, Ben & Jerry's and Olá ice cream stores and Chili's restaurant.

### 2.3.3.3. Operational Support Functional Divisions

The Functional Divisions at the operating level ensure that Group synergies are maximised through the sharing of resources and functions across the main markets, in order to optimise the efficiency of the Organisation and the sharing of relevant skills and know-how.

The Operational Support Functional Divisions include: Sourcing, Logistics, Quality and Environmental Control, Financial and Information Technologies. These Functional Divisions are responsible for providing services to the various distribution Operational Divisions in Portugal, in accordance with the guidelines provided by the Group's Holding Company. They are also responsible for ensuring policy standards and internal procedures.

## 2.4. Risk Management and Internal Control Systems Implemented in the Company

### 2.4.1 Risk Management

The Company, and in particular its Board of Directors, dedicate a great deal of attention to the risks affecting the business. Business continuity is critically dependent on the elimination or control of risks that may materially affect its assets (people, information, equipment, facilities), thereby jeopardising the strategic objectives they have set. The Group's Risk Management Policy formalises this concern.

Because of the size and geographical dispersion of Jerónimo Martins' activities, successful risk management depends on the participation of all employees, who should

assume this concern as an integral part of their jobs, particularly through the identification and reporting of risks associated with their area. All activities must be carried out with an understanding of what risk is and an awareness of the potential impact of unexpected events on the Company and its reputation.

#### 2.4.1.1 Risk Management Objectives

Within the Group, Risk Management aims to meet the following objectives:

- To promote the identification, evaluation, handling and monitoring of risks, in accordance with a methodology common to all the Companies in the Group;
- To regularly assess the strengths and weaknesses of key value drivers;
- To develop and implement programmes to handle and prevent risk;
- To integrate Risk Management into business planning;
- To promote the awareness of the workforce with regard to risks, and the positive and negative effects of all processes that influence operations and that are sources of value creation;
- To improve decision-making and priority-setting processes through the structured understanding of Jerónimo Martins' business processes, their volatility, opportunities and threats.

#### 2.4.1.2. The Risk Management Process (RMP)

In the first place, risk evaluation seeks to distinguish what is irrelevant from what is material. This requires active management and involves consideration of sources of risk, probability of occurrence, and the consequences of their manifestation within the context of the control environment. Controls may encompass both the likelihood of occurrence of an event and the extent of its consequences.

The RMP is cyclical in nature, considering: i) risk identification and evaluation; ii) definition of management strategies; iii) implementation of control processes; and iv) process monitoring.

The RMP of the Group complies with standards of the Federation of European Risk Management Associations (FERMA), which are seen as a model of best practices.

The objectives defined during the strategic and operational planning process are the departure point of the RMP. At this time internal and external factors that may compromise fulfilment of the established goals are being identified and assessed.

This approach is based on the concept of Economic Value Added (EVA). It begins with the analysis of the key value drivers of both the operating profit and the cost of capital, in an attempt to identify the factors of uncertainty that may negatively influence the generation of value.

In this manner, a systematised, interconnected perspective of the risks inherent to processes, functions and organisational Divisions is developed.

#### 2.4.1.3. Organisation of Risk Control

The risk areas where management must be assumed by specific departments are as follows:



### Quality and Food Safety

Management of this risk area is the responsibility of the Quality Departments of the different Companies, and it focuses on prevention, monitoring and training, encouraging minimisation of food risks (impacting the health of the consumer).

Prevention is supported by audits to select, assess and track suppliers' proposals for improvements. In addition, inspections are performed in the receiving area of the Distribution Centres, in an effort to control the sensory characteristics of Perishables in light of internal specifications.

Monitoring is based on regular internal audits, seeking to evaluate compliance with best practices, fulfilling certification requirements, and tracking the product throughout the entire logistical circuit. Also included in this area is the performance of periodic simulations that recreate a crisis scenario, and that allow assessing the adequacy of existing procedures, and the efficacy of collecting products from the market that are not in compliance.

The activities developed by the Quality and Environmental Departments are detailed in the chapter Sustainability in Value Creation.

### Occupational Hygiene and Safety

In the Food Distribution area in Portugal, coordinating the management process of this risk area is the responsibility of the Director of the Environment and Occupational Safety. In Poland, this responsibility is decentralised among the various regions of the Biedronka operation. Regarding Manufacturing, the risk area in Occupational Safety and Hygiene is centrally managed, covering all the Companies involved. Risk management of this area involves performing activities to increase employee awareness and provide employee training, audits performed on stores, preparation of assessment of risks of all the establishments, performing emergency simulations, and releasing work rules and instructions as well as preparing articles on this area, which are published in internal magazines.

The activities performed during 2008 are described in more detail in chapter Sustainability in Value Creation.

### Security of People and Property

The Security Department is responsible for ensuring that conditions exist to guarantee the physical integrity of people and facilities, intervening in cases of theft and robbery, as well as fraud and other illegal and/or violent activities perpetrated in the facilities or against the Group's employees.

Among the responsibilities of the Security Department are: i) definition and control of procedures in terms of prevention, and safety of the Group's personnel and property, including supervision of the performance and strategies of the security/surveillance firms hired; ii) follow-up, when deemed necessary, of events involving the police or legal authorities; and iii) providing support to security system and risk prevention audits.

The Security Department is one of the Functional Divisions that comprise the Holding Company of the Group and it reports directly to a member of the Executive Committee.

In the scope of its activities, the Department is in close contact with the Operations, Legal Affairs, Internal Audit and Risk Management Departments.

### Facilities and Equipment

The Companies' Technical Teams, in collaboration with the respective Operational Departments, are responsible for: i) guaranteeing the definition and execution of programmes for regular facility maintenance in order to meet operational needs, and ii) managing the process that aims to ensure the lowest level of negative impacts on operations that may arise from equipment maintenance and repair.

In this risk area, Technical Managers are also involved in supervising the status of electrical equipment, managing means of protection and detecting fires, as well as storing flammable material.

### Financial Risks

#### Risk Factors

Jerónimo Martins is exposed to various financial risks, namely: market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

Risk management focuses on the unpredictability of the financial markets and seeks to minimise its adverse effects on the Company's financial performance.

For certain types of exposure, risks are hedged with financial derivative instruments.

Financial risk management is carried out by the Financial Operating Department, under policies approved by the Executive Committee. The Risk Management Department is responsible for identifying, assessing and hedging financial risks following the guidelines defined by Management.

#### a) Market Risk

##### a.1.) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Management of this risk is guided by principles defined at the Executive Committee level, consisting of coverage of a percentage of net investment in Poland, as well as coverage of a percentage of monthly sales expected in the next 24 months.

At 31 December 2008, and ignoring contracted hedge operations, the negative impact on net investment of an adverse variation in the Euro/Zloty exchange rate on the order of 10%, keeping everything else constant, would be –34 million euros (compared with –28 million euros in 2007). Incorporating the effect of contracted hedge operations, the impact would be –25 million euros (compared with –18 million euros in 2007). These impacts would be reflected in the Equity. Jerónimo Martins' sensitivity to this risk increased during 2008, due to the higher value of the net investment in Poland.

The other source of relevant exposure to exchange rate risk comes from debt issued in US dollars in 2004, with the following characteristics:

Financing	Amount	Maturity
Private Placement #1	\$84,000,000.00	23-06-2011
Private Placement #2	\$96,000,000.00	23-06-2014

Two cross currency swaps were contracted to hedge this risk, exactly replicating the terms of the financing:

Financing	Amount	Counter-amount	Maturity
Swap #1	\$84,000,000.00	€70,469,798.66	23-06-2011
Swap #2	\$96,000,000.00	€80,536,912.75	23-06-2014

Thus, net exposure to the Euro/US Dollar exchange rate resulting from these transactions is null, and there were no changes from 2007 to 2008.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, Jerónimo Martins acquires merchandise that is denominated in foreign currency, mainly US dollars. As a general rule, these transactions involve low amounts, and are very short dated. Managing the exchange rate risk from these transactions is analysed case by case, and there is no fixed rule that is applied on all occasions.

Management of the Operational Companies' exchange rate risk is centralised in the Holding Company's Financial Operations Department. Whenever possible, Jerónimo Martins seeks to manage exposure through natural hedges, namely through loans denominated in local currency. When this is not possible, structured operations are contracted at more or less zero cost, such as: swaps, forwards or options.

The Group's exposure to foreign exchange risk in recognised financial instruments included and not included in the balance sheet at 31 December 2008, was as follows:

	(€'000)			
As at December 31st, 2008	Euro	Zloty	Dollar	Total
<b>Assets</b>				
Cash and cash equivalents	118,648	108,484	0	227,132
Available-for-sale financial investments	7,470	0	0	7,470
Debtors and deferred costs	128,016	34,410	0	162,426
Derivative financial instruments	0	2,064	0	2,064
<b>Total financial assets</b>	<b>254,134</b>	<b>144,958</b>	<b>0</b>	<b>399,092</b>
<b>Liabilities</b>				
Borrowings	741,014	164,816	141,847	1,047,677
Derivative financial instruments	10,504	0	9,160	19,664
Creditors and accrued costs	836,924	661,694	0	1,498,618
<b>Total financial liabilities</b>	<b>1,588,442</b>	<b>826,510</b>	<b>151,007</b>	<b>2,565,959</b>
<b>Net financial position in the balance sheet</b>	<b>-1,334,308</b>	<b>-681,552</b>	<b>-151,007</b>	<b>-2,166,867</b>
<b>As at December 31<sup>st</sup>, 2007</b>				
Total financial assets	226,100	198,248	0	424,348
Total financial liabilities	1,215,053	719,079	151,007	2,085,139
<b>Net financial position in the balance sheet</b>	<b>-988,953</b>	<b>-520,831</b>	<b>-151,007</b>	<b>-1,660,791</b>

### a.2.) Price Risk

Because of its investment in Banco Comercial Português, Jerónimo Martins is exposed to share float price risk. At 31 December 2008, a negative 10% variation in the trading price of BCP shares would have a negative effect of 159,000 euros. At 31 December 2007, a negative 10% variation in the trading price of BCP shares would have a negative effect of 438,000 euros. The significant reduction in the sensitivity to price changes is mainly due to the drop in the stock price over the last 12 months.

### a.3.) Cash Flow and Fair Value Interest Rate Risk

As at 31 December 2008, Jerónimo Martins had some investments in securities issued by the Portuguese and German Treasuries in its portfolio.

For Jerónimo Martins SGPS, S.A.:

Securities	Notional
OT	10,000,000
Bund	20,000,000

For JMR - Gestão de Empresas de Retalho, SGPS, S.A.:

Securities	Notional
Bund	25,000,000

These positions resulted from application of funds raised with the intent of satisfying short-term cash obligations. However, the main source of exposure to interest rate risk comes from the liability side.

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes Jerónimo Martins to cash flow risk. A portion of this risk is hedged through interest rate swaps, which exposes Jerónimo Martins to fair value risk.

Exposure to interest rate risk is analysed dynamically. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed. Jerónimo Martins is basically exposed to the interest rate curve of the Euro and the Zloty. The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on variable financial instruments;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the end of the year.

For each analysis, whatever the currency, the same changes to exchange rate curves are used. The analyses are carried out for the net debt, i.e., deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivative financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2008, and ignoring the effect of interest rate derivatives and investments in treasury bonds, a drop of 50 basis points in the interest rate would have a negative impact, with everything else remaining constant, of 4.5 million euros. Incorporating the effect of interest rate derivatives, the net impact would be a positive 3.2 million euros, of which 2.9 million are related to interest rate derivatives associated with the Euro/Zloty exchange rate swap, 2.7 are related to interest rate derivatives associated with medium- and long-term debt, and 2.1 million are related to interest rate derivatives associated with Euro/US Dollar exchange rate swaps. These effects would be reflected in the results of the year. These simulations are run a minimum of one time per quarter, but they are reviewed whenever there are relevant changes, such as: debt issuance, debt repayment or restructuring, significant variations in reference rates and in the slope of the interest rate curve.

Interest rate risk is managed through operations involving financial derivatives contracted at zero cost.

#### b) Credit Risk

Credit risk is centrally managed. The main sources of credit risk are: i) bank deposits, short-term investments and derivatives contracted with financial institutions; and ii) customers.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from independent rating agencies. The minimum acceptable rating is "A-".

In relation to customers, risk is mainly related to Recheio Cash & Carry and Manufacturing and Services businesses, since the other businesses operate based on cash sales or with bankcards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance and by imposing credit limits, which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows a summary of the quality of credit deposits, short-term investments and derivate financial instruments with positive fair value, as at 31 December 2008 and 2007:

(€'000)

	31 Dec 2008	31 Dec 2007
<b>Rating</b>	<b>Balance</b>	<b>Balance</b>
AAA	47.354	-
[AA- : AA+]	43.738	-
[A- : A+]	133.429	196.543
Not available	1.164	68.963

The ratings shown correspond to the ratings given by Standard and Poor's. When these are not available, Fitch's ratings are used or Moody's ratings are used.

The following table shows an analysis of the credit quality of the amounts receivable from customers without non-payment or impairment.

(€'000)

Credit quality of the financial assets		
	31 Dec 2008	31 Dec 2007
	Balance	Balance
New customer balances (less than six months)	2,168	788
Balances of customers without a history of non-payment	79,214	76,786
Balances of customers with a history of non-payment	14,850	12,575
Balances of other debtors with the provision of guarantees	16,522	1,180
Balances of other debtors without the provision of guarantees	48,641	56,963
	<b>161,395</b>	<b>148,292</b>

The following table shows an analysis of the concentration of credit risk from amounts receivable from customers, taking into account its exposure for the Group:

(€'000)

Concentration of the credit risk from the financial assets				
	31 Dec 2008		31 Dec 2007	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 Euros	19	38,389	19	31,151
Customers with a balance between 250,000 and 1,000,000 Euros	67	15,911	110	15,009
Customers with a balance below 250,000 Euros	11,395	40,451	7,153	34,333
Other Debtors with a balance above 250,000 Euros	37	31,179	59	28,446
Other Debtors with a balance below 250,000 Euros	3,775	35,465	1,983	39,353
	<b>15,293</b>	<b>161,395</b>	<b>9,324</b>	<b>148,292</b>

During the reporting period, no credit limits were exceeded and it is not expected that losses will be sustained from defaults by these counterparties.

The maximum exposure to credit risk as at 31 December 2008 and 2007, is the respective amount of the balance of financial assets.

### c) Liquidity Risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only allow the regular development of Jerónimo Martins' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

To manage this risk, Jerónimo Martins uses, for example, credit derivatives in order to minimise the impact of widening credit spreads that are the result of impacts beyond the control of Jerónimo Martins.

Treasury needs are managed based on short-term planning (executed on a daily basis) resulting from the annual plans, which are reviewed at least twice a year.

The following table shows Jerónimo Martins' liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flows. In addition, it should be noted that all the derivative financial instruments that Jerónimo Martins contracts are settled at net value.

(€'000)

Exposure to liquidity risk			
2008	Less than 1 year	1 to 5 years	+ 5 years
<b>Borrowings</b>			
Financial Leasing	38,173	71,157	1,826
Loans	331,116	704,981	85,241
Derivative Financial Instruments	1,718	10,230	507
Creditors	1,399,507	-	-
Operational Lease Liabilities	132,608	415,600	506,002
<b>2007</b>			
<b>Borrowings</b>			
Financial Leasing	27,903	58,467	490
Loans	97,794	680,789	89,432
Derivative Financial Instruments	1,518	5,476	1,236
Creditors	1,148,179	-	-
Operational Lease Liabilities	86,134	251,988	209,615

### Capital Risk Management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures its ability to develop and continue as a going concern, but also to provide adequate returns to its Shareholders and to optimise the cost of capital.

The capital structure balance is monitored based on the financial leverage ratio (gearing), calculated according to the following formula: Net Debt / Shareholder Funds. The Executive Committee established a gearing ratio between 90-110% as a target for 2008, consistent with an investment grade rating.

The gearing ratios at 31 December 2007 and 2008, were the following:

(€'000)	2008	2007
Capital Invested	1,776,975	1,443,471
Net Debt	845,850	579,266
Shareholder's Funds	931,125	864,205
Gearing	90.8%	67.0%

### **Information Security**

The mission of the Information Security Department consists of implementing and maintaining an information security management system that ensures confidentiality, integrity and availability of critical business information, and recovery of the systems in the event of interruption in the operations.

The Information Security Officer (ISO) acts pursuant to the Information Security Policy (ISP), which defines the usage and maintenance rules for Jerónimo Martins' information assets.

In 2008, the recovery plan for information systems (Disaster Recovery) was finalised, and it was integrated with the Business Continuity Plan for the Distribution area.

With the objective of reinforcing the information safety environment, a new content-filtering solution for Internet access for all employees was implemented, the remote

access platform was retooled to have rigid authentication, and the user-management process regarding system access was optimised. An external audit was performed on access profiles to the SAP system.

### **Legal Compliance**

Compliance with legal obligations is ensured by the Legal Departments at the Companies. At the Holding Company level, the Legal Department guarantees the coordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also provides outside counsel.

In order to ensure the fulfilment of tax obligations and also to mitigate risk due to inadequate checks and balances, the Holding Company's Fiscal Affairs Department advises all the Group's Companies, and also manages their tax proceedings.

The materially relevant fiscal and legal proceedings under way are detailed in the notes to the consolidated financial statements.

### **Process Risks**

The model used in managing Process Risks includes Operating Risks, Human Resources, Information Technologies and Information for Decision-Making. Given the critical nature of some of the risks considered in each of these areas, their management is shared by different functional areas of the Companies.

The type of Operational Risks that comprise the risk management model include risks related to: sourcing, supply chain, transport, stock losses, obsolescence, disruption, level of service of suppliers and from the distribution centres to the stores, customer satisfaction, price maintenance, cash collection, investments, safeguarding assets, efficiency in the use of resources, business interruption and fraud. Among the risks related to Human Resources are risks associated with payroll, authorisation levels and ethical behaviour. Risks to Information for Decision-Making include accounting and financial reporting risks.

### **Communication, Reporting and Monitoring of the Risk Management Process**

Risk Management process monitoring involves the Board of Directors of the Company, the Operating Divisions, the Functional Divisions of the Operation, the Audit Committee and members of Risk Management and Internal Audit.

Specifically, the Board of Directors, as the body responsible for the strategy of Jerónimo Martins, has the following objectives and responsibilities:

- To know about the most significant risks affecting Jerónimo Martins;
- To ensure that Jerónimo Martins possesses appropriate levels of knowledge of the risks affecting operations, and how to manage them;
- To ensure that Jerónimo Martins' Risk Management strategy is released at all hierarchical levels;
- To ensure that the Group is able to minimise the probability and impact of risks to the business;
- To ensure that Jerónimo Martins can react to crisis situations;
- To ensure that the Risk Management process is adequate and that it strictly monitors those risks that have the highest probability of occurrence or impact on Jerónimo Martins' activities.



Those responsible for critical processes of the business, along with members of the Risk Management Department, develop and implement the risk control mechanisms. In turn, the Group's Internal Audit team evaluates the efficiency of these mechanisms.

### **Evaluation of the Internal Control System**

The Internal Control Committee approves the Internal Audit Department activity plan on an annual basis, which defines the nature of the audits to be performed, for evaluating the quality of the control processes that aim to achieve the Internal Control System objectives, particularly those that ensure the efficiency of operations, the integrity of financial and operating reports and respect for laws and regulations.

To this end, process and conformance audits were performed, as well as financial audits and information technology audits whose associated risks presented a higher probability of occurrence and/or potential impact on operations.

This approach helps make the internal auditing process more efficient and contributes to increasing the awareness of those responsible for the prompt implementation of scheduled recommendations.

The results of these consultations and the evaluation of Operating Risks are made available by the Internal Audit Department to the Audit Committee, to the Internal Control Committee and to the Executive Committee via a quarterly Audit Letter.

In 2008, the Internal Audit Department evaluated to what extent the Internal Control System of the Companies of Jerónimo Martins in Portugal and Poland mitigate the effect of identified risks.

This evaluation of the control processes allowed a database of risks that affect or that may affect the Group's Companies to be updated.

In accordance with the Activity Plan, and also in light of updating the Operating Risk models and critical business processes applicable to each Company in the Group, audits were performed on processes related to the risk of stock damage and obsolescence, cash collection, transport, investments, safeguarding assets and control of accounts payable and accounts receivable.

In the Information Technology area, tracking the activities developed by the Information Safety Department was assured, namely integration of the Systems Recovery Plan with the Business Continuity Plan, and review of access profiles.

### **2.5. Powers of the Board of Directors, Namely in Relation to Deliberations on Capital Increases**

Any capital increase is subject to prior deliberation by the Shareholders' Meeting.

### **2.6. Code of Conduct and Internal Regulations**

The Company complies with current legislation and the rules of behaviour appropriate to its activity, adopting codes of conduct and internal regulations whenever the issues involved call for them.

Jerónimo Martins has always acted upon principles of absolute respect for the rules of good conduct in managing conflicts of interest, incompatibilities, confidentiality, and ensuring that Members of the Board of Directors and Managers do not use insider information. To this end the Company has a regularly updated list of people who may have access to insider information.

Although the existing instruments and practices have proved adequate in regulating these matters, it was decided that a code should be drawn up for the existing rules concerning the aforementioned issues, as well as others that are specifically related to the activities of the Jerónimo Martins' Companies. The aim of this code is to formalise commitments that require a high standard of conduct from everyone within the Group and provide a tool for optimising management.

Thus, and in addition to the Code of Conduct, currently there are Regulations for the Board of Directors, the Executive Committee, the Audit Committee, the Ethics Committee and the Internal Control Committee in effect that regulate the responsibilities and functioning of the mentioned bodies, as well as Company Share Transactions Regulations applicable to Jerónimo Martins' Board Members and Senior Management.

These Codes and Regulations may be consulted on the Company's website at [www.jeronimomartins.pt](http://www.jeronimomartins.pt), or requested from the Investor Relations Office. In addition to the abovementioned documents and applicable legal provisions with which the Company complies, there are no other internal regulations regarding incompatibilities and the maximum number of corporate positions that may be accumulated.

## **2.7. Rules Regarding Designation and Substitution of Members of the Board of Directors and the Supervisory Board**

The Company's Board of Directors currently does not have an alternate member, although the Articles of Association allow it. The first article of the Regulations of the Company's Board of Directors foresees that this body has a composition that will be deliberated in the Shareholders' Meeting pursuant to the terms indicated in number 1 of Article Twelve of the Articles of Association, and it will be presided over by the respective President, chosen during the Shareholders' Meeting.

Number 3 of Article Eight of the same Regulations foresees that in the case of death, resignation or impediment, whether temporary or definitive, of any Member of the Board of Directors, the Board will agree on a substitute, and if appointment of the substitute does not occur within sixty days from the death of that Member, the Audit Committee will be responsible for the appointment.

According to Article One of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is comprised of three Members of the Board of Directors, one of whom will be its President. The Members of the Audit Committee are appointed simultaneously with the Members of the Board of Directors, and the lists proposed for the latter body must list the Members that are intended to form the Audit Committee, and these Members cannot be part of the Company's Executive Committee.

There is no specific regulatory prevision regarding the appointment and replacement of Members of the Audit Committee, thus what is set forth in law is applied.

## 2.8. Number of Meetings of the Board of Directors and Supervisory Board, and Other Committees

During 2008 the Board of Directors met five times, the Executive Committee met thirty-one times, and the Audit Committee had four meetings. In addition, the Ethics Committee met thirteen times, and the Internal Control Committee had eleven meetings. The respective minutes were prepared for these meetings.

## 2.9. Description and Identification of the Board of Directors

Since its election at the Shareholders' Meeting on 30 March 2007, the Company's Board of Directors has been comprised of nine Members, three of whom form the Executive Committee – Mr. Luís Palha da Silva, Mr. Pedro Soares dos Santos and Mr. José Soares dos Santos – being the outstanding six Mr. Elísio Alexandre Soares dos Santos (Chairman of the Board), Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt, Mr. Artur Santos Silva and Mr. Nicolaas Pronk.

Of the Non-Executive Members, three of them – Prof. António Borges, Mr. Rui Patrício, Mr. Hans Eggerstedt – comprise the Audit Committee, complying with the rules of incompatibility indicated in No. 1 of Article 414-A of the Code of Commercial Companies, with the exception of what is stated in subsection (b).

However, in accordance with the principles by which the Company is run, all Board Members are accountable to all Shareholders equally. However, 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 independence criteria indicated in No. 5 of Article 414 of the Code of Commercial Companies, the Independent Members are António Borges, Rui Patrício, Artur Santos Silva and Hans Eggerstedt.

The current Chairman of the Board of Directors, Elísio Alexandre Soares dos Santos, began his professional career in 1957, when he joined Unilever. From 1964 to 1967, he acted as Marketing Director for Unilever Brasil. In 1968, he joined the Board of Directors of Jerónimo Martins as a Deputy Director, a post he combined with that of Jerónimo Martin's representative in the joint venture with Unilever. He has been President of the Group since February 1996 and his current mandate expires in 2009.

Luís Palha da Silva, President of the Executive Committee, has a degree in Company Management from Universidade Católica Portuguesa and another in Economics from Instituto Superior de Economia e Gestão. He was an Assistant at Universidade Católica between 1985 and 1992. From 1987 on, he assumed Director's functions at various companies, including Covina, SEFIS, EGF, CELBI, SOGEFI and IPE. He was Secretary of State for Trade between 1992 and 1995, and Director of Cimpor between 1998 and 2001. He has been an Executive Director of the Company since 29 June 2001, and President of the Executive Committee since 2004. His current mandate expires in 2009.

Executive Director 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 Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and Brazil. In 2001, he also assumed responsibility for the Operations area for Food Distribution in Portugal. He has

been Executive Director of Jerónimo Martins SGPS, S.A. since 31 March 1995. His current mandate expires in 2009.

Executive Director José Soares dos Santos, who holds a Biology Degree from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, prior to going to work for Url Colwort laboratory in March 1987. In 1988, he joined the Human Resources Department of FimaVG – Distribuição de Produtos Alimentares, Lda., and in 1990 he was named Product Manager. Between 1992 and 1995 he worked for Brooke Bond Foods. He was Executive Director of Jerónimo Martins SGPS, S.A. between 31 March 1995, and 29 June 2001, and was reappointed on 15 April 2004. His present mandate expires in 2009.

António Borges, who has a degree in Economics from Universidade Técnica de Lisboa and a PhD in Economics from Stanford University, attended INSEAD in 1980. In 1990 he was nominated Vice Governor of Banco de Portugal, and in 1995 he was named Dean of INSEAD. He was also a Lecturer at Universidade Católica and Stanford University, and a Consultant for the Treasury Department of the United States of America, the OCDE and the Portuguese Government. He has held various administrative posts, including at Citibank Portugal, Petrogal, Vista Alegre, Paribas and SONAE. He was a Vice President at Goldman Sachs from 2000 to 2008. He has been a Non-Executive Director of the Company since 29 June 2001, and his current mandate expires in 2009.

Hans Eggerstedt has 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. He has been Non-Executive Director of Jerónimo Martins SGPS, S.A. since 29 June 2001, and his current mandate expires in 2009.

Rui Patrício has a Law degree from the Law School of Universidade de Lisboa, where he was an Assistant from 1958 to 1963. In 1965 he was named Sub-Secretary of State for Foreign Development. He was the Minister of Foreign Affairs from 1970 to 1974. He was Vice President of the Monteiro Aranha Group between 1976 and 1991, at which point he assumed administrative functions at several Brazilian companies, including Monteiro Aranha, Masa-Alsthom, Hochtief, Ericsson, Telesp Celular, and Axa Seguros. He was also a Consultant for Grupo Espírito Santo. He has been a Non-Executive Director of the Company since 29 June 2001, and his current mandate expires in 2009.

Artur Santos Silva holds a Law degree from Universidade de Coimbra. He was Director of Banco Português do Atlântico from 1968 to 1975, and Treasury Secretary of State between 1975 and 1976. From 1977 to 1978, he was Vice Governor of Banco de Portugal. He has been President of Grupo BPI since 1981, a Member of the Board of Directors of the Calouste Gulbenkian Foundation since 2002, member of the Consulting Committee of the Portuguese Technological Plan, a member of the Consulting Committee of the CMVM, and Non-Executive Director of the Company since 15 April 2004. His current mandate expires in 2009.

Nicolaas Pronk is Dutch, and has a Masters 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 divestitures, defining Corporate Governance and implementing EVA. Since 1999 he

has been the Financial Director for the Heerema Group, including the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to the respective President. He is currently acting in his first mandate as Non-Executive Director of the Company, which expires in 2009.

The number of Company shares that are held by officers are indicated in the point concerning the Annex to the Consolidated Management Report.

## 2.10. Functions that the Members of the Board of Directors Perform in Other Companies

The Members of the Board of Directors also hold positions in other companies, namely:

### **Elísio Alexandre Soares dos Santos**

Member of the Supervisory Board of Banco Comercial Português, S.A.  
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.  
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.

### **Luís Palha da Silva**

Director of Jerónimo Martins Serviços, S.A.\*  
Director of JMR - Gestão de Empresas de Retalho, SGPS, S.A.\*  
Director of Lidosol II - Distribuição de Produtos Alimentares, S.A.\*  
Director of Funchalgest - Sociedade Gestora de Participações Sociais, S.A.\*  
Director of Lidinvest - Gestão de Imóveis, S.A.\*  
Director of João Gomes Camacho, S.A.\*  
Manager of Desimo - Desenvolvimento e Gestão Imobiliária, Lda.\*  
Manager of EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Manager of Friedman - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Manager of Hermes - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Manager of PSQ - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Director of Fima - Produtos Alimentares, S.A.\*  
Director of Victor Guedes – Indústria e Comércio, S.A.\*  
Director of Indústrias Lever Portuguesa, S.A.\*  
Director of Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.\*  
Manager of Unilever Jerónimo Martins, Lda.\*

### **Pedro Soares dos Santos**

Director of Jerónimo Martins Serviços, S.A.\*  
Director of Imocash - Imobiliário de Distribuição, S.A.\*  
Director of Recheio Cash & Carry, S.A.\*  
Director of Recheio, SGPS, S.A.\*  
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.  
Director of Lidosol II - Distribuição de Produtos Alimentares, S.A.\*  
Director of Funchalgest - Sociedade Gestora de Participações Sociais, S.A.\*  
Director of Lidinvest - Gestão de Imóveis, S.A.\*  
Director of Larantigo - Sociedade de Construções, S.A.\*  
Director of João Gomes Camacho, S.A.\*  
Director of JMR - Gestão de Empresas de Retalho, SGPS, S.A.\*

\* Companies that are part of Jerónimo Martins Group.

Director of Feira Nova - Hipermercados, S.A.\*  
Director of Comespa - Gestão de Espaços Comerciais, S.A.\*  
Director of JMR – Prestação de Serviços para a Distribuição, S.A.\*  
Director of Supertur - Imobiliária, Comércio e Turismo, S.A.\*  
Director of Imoretalho - Gestão de Imóveis, S.A.\*  
Director of Cunha & Branco - Distribuição Alimentar, S.A.\*  
Director of SCGR, Comércio por Grosso e a Retalho S.A.\*  
Director of Pingo Doce - Distribuição Alimentar, S.A.\*  
Director of Casal de S. Pedro - Administração de Bens, S.A.\*  
Director of Masterchef, S.A.\*  
Director of Escola de Formação Jerónimo Martins Serviços, S.A.\*  
Manager of Friedman - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Manager of Hermes - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.\*  
Manager of Servicompra - Consultores de Aprovisionamento, Lda.\*

### **José Soares dos Santos**

Director of Fima - Produtos Alimentares, S.A.\*  
Director of Victor Guedes – Indústria e Comércio, S.A.\*  
Director of Indústrias Lever Portuguesa, S.A.\*  
Director of Olá - Produção de Gelados e Outros Produtos Alimentares, S.A.  
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.  
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.  
Manager of SFMS – Imobiliária, Sociedade Unipessoal, Lda.  
Manager of Unilever Jerónimo Martins, Lda.\*  
Manager of Transportadora Central do Infante, Lda.

### **António Borges**

Chairman of the Supervisory Board of Banco Santander de Negócios Portugal  
Member of the Board of Directors of Heidrick & Struggles (USA)  
Member of the Board of Directors of CNP Assurances (France)  
Member of the Board of Directors of SCOR (France)

### **Rui Patrício**

Member of the Board of Directors of Monteiro Aranha, S.A. (Brazil)  
Member of the Board of Directors of Klabin, S.A. (Brazil)  
Member of the Board of Directors of Espírito Santo International Holding  
Member of the Board of Directors of Vivo Participações (Brazil)

### **Hans Eggerstedt**

Member of the Supervisory Board of Unilever Deutschland GmbH (Germany)  
Non-Executive Director of Colt Telecom Group, Plc. (United Kingdom)  
Member of the Advisory Board of Amsterdam Institute of Finance (The Netherlands)

### **Artur Santos Silva**

Chairman of the Board of Directors of Banco BPI, S.A.  
Member of the Board of Directors of the Calouste Gulbenkian Foundation  
Member of the Board of Directors of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.  
Member of the Board of Directors of Partex Oil and Gas (Holding Company)  
President of Cotec Portugal - Business Association for Innovation

\* Companies that are part of Jerónimo Martins Group.

**Nicolaas Pronk**

Member of the Board of Directors of Heerema Holding Construction, Inc.  
Member of the Board of Directors of Heerema Offshore Construction Group, Inc.  
Member of the Board of Directors of Heerema Fabrication Group, Inc.  
Member of the Board of Directors of Heavy Transport Group, Inc.  
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.  
Member of the Board of Directors of RegEnergys, Inc.  
Member of the Board of Directors of RegEnergys Investment I, Inc.  
Member of the Board of Directors of RegEnergys Investment II, Inc.  
Member of the Board of Directors of RegEnergys Investment III, Inc.  
Member of the Board of Directors of Heerema Infrastructure, Inc.  
Member of the Board of Directors of RegEnergys Investment I Ltd.  
Member of the Board of Directors of RegEnergys Investment II Ltd.  
Member of the Board of Directors of RegEnergys Investment III Ltd.  
Member of the Board of Directors of RegEnergys Investment IV Ltd.  
Member of the Board of Directors of Heerema Holding Services (Antilles) N.V.  
Member of the Board of Directors of Antillian Holding Company, N.V.  
Member of the Board of Directors of Heerema Bouw - & Infrastructure N.V.  
Member of the Board of Directors of Aquamondo Insurance N.V.  
Member of the Board of Directors of Heavy Transport Holding Denmark ApS  
Member of the Board of Directors of Aquamondo Insurance Company Ltd.  
Member of the Board of Directors of RegEnergys (Bermuda) Ltd.  
Member of the Board of Directors of Heerema Fabrication Finance (Luxembourg) S.A.  
Member of the Board of Directors of Heavy Transport Finance (Luxembourg) S.A.  
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.A.  
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.a.r.L.  
Member of the Board of Directors of Heerema Transport Finance II (Luxembourg) S.A.  
Member of the Board of Directors of Heerema Group Services S.A.  
Member of the Board of Directors of Asteck S.A.  
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.A.  
Member of the Board of Directors of Heerema Engineering Holding (Luxembourg) S.A.  
Member of the Board of Directors of 360 Family Equity S.A.  
Member of the Board of Directors of RegEnergys Holding (Luxembourg) S.A.  
Member of the Board of Directors of RegEnergys Finance (Luxembourg) S.a.r.L.  
Member of the Board of Directors of RegEnergys, Holding B.V.

**2.11. Board of Directors Remuneration Policy**

According to its responsibilities, the Remuneration Committee established the remuneration parameters of the Executive Committee based on a fixed component and a variable component, seeking to make it more competitive in the market. It will also serve as a motivating element for high individual and collective performance, allowing ambitious targets for rapid growth to be established and achieved, and adequate remuneration of its Shareholders.

The variable component is approved annually, at the proposal of the Chairman of the Board of Directors, by the Remuneration Committee, which will consider the contribution of the Executive Committee to evolution of the businesses from the shareholder's perspective (EVA) and the Company's share price during the prior accounting year, and further, to the degree that projects forming part of Jerónimo Martins' Strategic Scorecard were realised. The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, at the proposal of the Chairman of the Board of Directors, bearing in mind the degree to which personal and Company objectives have been met.

This remuneration policy was subject to discussion at the annual Shareholders' Meeting held last year.

There is no type of agreement or defined policy in place for the possible compensation of Company Directors in the case of breaking or terminating contracts, and such a situation has, in fact, never arisen.

## **2.12. Remuneration Committee**

The Shareholders' Meeting in 2007 elected a Remuneration Committee, which is comprised of the following Shareholders: Mr. António Sousa Gomes, Mr. José Queirós Lopes Raimundo and Mr. Arlindo do Amaral, none of whom are Members of the Board of Directors of the Company, or have a spouse or relatives in that position, nor do they have relationships with the Members of the Board of Directors that may affect their impartiality in performing their functions. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2008, the Remuneration Committee met twice, and the respective minutes were prepared.

Last year at the Company's Annual Shareholders' Meeting, this Committee submitted a statement on the policy of remuneration of the Company's administrative and fiscal bodies. It is Jerónimo Martins' policy to request the presence of representatives of the Remuneration Committee in Shareholders' Meetings so that, if necessary, they can participate in matters within their sphere, particularly the mentioned policy statement. In 2008, despite having verified the absence, due to impediment, of the representative of the Remuneration Committee, the Company's support services were prepared to receive any question from Shareholders that could have been answered later by the Committee. However, during the course of analysis of the statement submitted by the Remuneration Committee, as well as during the remaining discussions of these matters throughout the meeting, it was not necessary for the Remuneration Committee to participate.

## **2.13. Remuneration of the Members of the Board**

The remuneration paid to the Members of the Board in 2008 was 2,999,219.04 Euros, with the members of Executive being paid 1,869,137.84 Euros (1,352,907.84 Euros as fixed payment and 516,230.00 Euros as variable payment) and the outstanding Directors received 1,130,081.20 Euros (884,007.20 Euros as fixed payment and 246,074.00 Euros as variable payment).



The criteria for attributing the variable part of the remuneration to the Members of the Board were referred to above. In concrete terms, the Remuneration Committee decided to award the above amounts based on results obtained, the profitability of the businesses from the shareholder's perspective (EVA), the share performance, the work carried out during the year, the success of developed projects, bearing in mind previously defined targets, and the criteria applied to the attribution of variable payments to the Company's Senior Management.

In particular, the Remuneration Committee, following a current practice of the Company in recent terms, has sought to define a policy that pays the Executive Directors for the Company's long-term performance and for satisfying the interests of the Company and Shareholders within this period. Therefore, the variable component that is approved on an annual basis by the Remuneration Committee considers the contribution of the Executive Committee to conducting business through: i) solidifying EVA objectives included in the Medium- and Long-Term Plan approved by the Board of Directors; ii) share price performance; and iii) implementation of a group of projects across the Companies in the Group which, having been identified by the Board of Directors as being essential to ensuring the future competitiveness of the businesses, are scheduled so that one calendar year may be exceeded, and the Executive Committee is responsible for each phase of fulfilment.

No plan is in place to attribute shares, or provide options to purchase shares, to the Directors. In the same way, no remuneration was paid as profit-sharing, nor was any compensation paid to former Directors, Executive or otherwise, related to the cessation of duties, and the Company has no outstanding debt in this respect. The Company's Directors did not receive any other amount from any Company in a parent/subsidiary or Group related to the Company.

At the Annual Shareholders' Meeting in 2005, an Alternative Pension Plan was approved. It is a fixed-contribution Pension Plan with a pre-determined contribution amount, with the value of benefits depending on earnings received. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan participants include the Executive Directors of the Company, and those who opted for the current Pension Plan will forego eligibility for the Alternative Pension Plan, expressly and irretrievably waiving it.

The retirement date is defined as either the actual day or the first day of the month following the natural age of retirement as established by the General Social Security System (currently 65 years old). A Participant will be considered to be in a state of total and permanent disability if the Portuguese Social Security Authorities acknowledge this.

Pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. At the end of the calendar year, a variable amount made up of all variable payments received is added to this monthly amount. The annual amount of the variable payments in question is a maximum of 20% of the gross base monthly salary, based on the final month of the year, multiplied by 14.

As for the complementary pension or retirement systems, under the terms of current Regulations, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: i) are over 60 years old; ii) have performed executive functions; and iii) have performed the role of a Director for more than ten years. This complement was established in the Annual Shareholders' Meeting in 1996, but none of the Members of the Executive Committee will make use of this plan, since all of them opted for the Alternate Pension Plan mentioned above.

Non-pecuniary benefits are not considered as remuneration not attained in the above situations.

There is no payment obligation whatsoever, in individual terms, in the event of termination of functions during the term of the Board of Directors.

#### **2.14. Communications Policy for Alleged Irregularities Occurring within the Company (Whistleblower Procedure)**

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee at every level has access to communication channels to contact recipients who are recognised within the Company regarding information on possible irregularities occurring within the Group, and that they can make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Ethics.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official bodies, among other matters.

The Ethics Committee released a message to all Jerónimo Martins employees to the effect that, if necessary, they could communicate with the Committee via: i) letter; or ii) internal or external e-mail with a dedicated address. Interested parties may also request from the respective General Manager or Functional Director any clarification of the rules in force and their application, or they may provide them with information regarding any relevant situation.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

## Chapter 3 Information

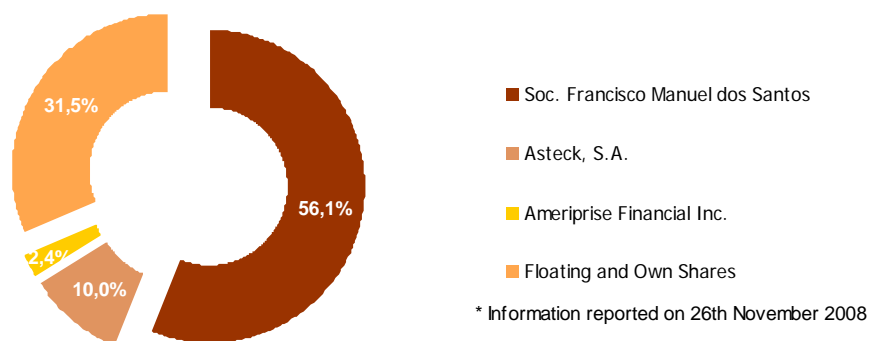
### 3.1. The Company's Capital Structure

The Company's capital is 629,293,220 euros. It is fully subscribed and paid in, and it is divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with nominal value of one Euro each. There are no other share categories. All shares were admitted for trading, and the Company maintained 859,000 shares in its own portfolio (corresponding to 171,800 shares before the restatement of company capital in May 2007), acquired in 1999 at the average price of 7.06 euros per share (price adjusted by the restatement of capital) and representing 0.14% of the Company's capital. In 2008, there was no movement whatsoever of own shares.

### 3.2. Shareholder Structure

The Companies whose rights to vote under the terms of Paragraph No. 1 of Article 20 of the Securities and Exchange Code, must be attributed to Ameriprise Financial Inc. They are identified in the note that refers the List of Qualified Shareholders as at 31 December 2008, included in the Annex to the Consolidated Management Report of this Report. Other qualified Shareholders are Sociedade Francisco Manuel dos Santos SGPS, S.A., and Asteck, S.A.

**Shareholder Structure**



\*Source: Shareholder communications.

Special rights are not attributed to Shareholders in the By-Laws.

### **3.3. Restrictions Regarding Transferability of Shares, Shareholder Agreements and Rules Applicable to Altering the Company's By-Laws**

All issued shares are ordinary and there are no restrictions concerning their tradability.

The By-Laws do not set limits on exercising the right to vote. The Board of Directors knows of no Shareholder agreements.

The By-Laws do not define any rules applicable to alteration of the Company's By-Laws, therefore the terms defined by the Law apply to these matters.

### **3.4. System for Employees' Participation in the Company's Capital**

There are no foreseen control mechanisms in a system by which employees may participate in the Company's capital.

### **3.5. Share Price Performance**

In 2008, the main Portuguese stock market index – the PSI-20 – devalued 51.3%, reflecting the worst year since World War II in the financial markets.

The sharp drop in the national index during 2008, although it was the largest among the European indices, followed the downward trend of the stock markets, which were affected by various factors of instability, particularly noting the various takeovers, both in the United States and in Europe, by reorganisation of the banking model (investment banks that became commercial banks), and due to the consolidation movement caused by nationalisations and bankruptcies. In Portugal, one bank was also nationalised, and aid to the banking industry in general was provided.

In addition, the decrease reported in companies' results, increased debt and the outlook for worse results in the future, combined with weak Mergers and Acquisitions, did not allow the markets to maintain the interesting growth rates they had experienced in previous years.

The year 2008 was a year of reversal for stock markets in terms of performance, volatility and uncertainty, and most outlooks for 2009 foresee a very conservative scenario.

In particular, the Portuguese stock market was marked by the general decline in share prices, some of them significant, especially the poor performance of shares in the banking and construction areas.

With a decline of 26.5% in comparison with the prior year, Jerónimo Martins was the second-best performer on the PSI-20. No listed company had positive performance.

The PSI-20 Index continued its downward trend throughout the year, with the fourth quarter registering the worst performance (-21.1%), dropping to a value close to 5,800 points, the lowest amount for the year, on 27 October.

### 3.6. Performance of Jerónimo Martins Shares

JM shares description			
<i>Jerónimo Martins, SGPS, S.A.</i>			
Shares Trade: Euronext Lisboa			
Stock market admission: November 1989			
<b>Euronext Codes:</b>			
Description	Type	ISIN Codes	Symbol
J. Martins - Out/03	Bonds	PTJMTEOE0008	JMTEOE
Jerónimo Martins- SGPS	Shares	PTJMTOAE0001	JMT
<b>Codes:</b>			
Reuters RIC		JMT.LS	
Bloomberg		JMAR.PL	
<b>Shares</b>			
Share Capital:		629,293,220	Euro
Shares nominal value:		1.00	Euro
Number of shares:		629,293,220	

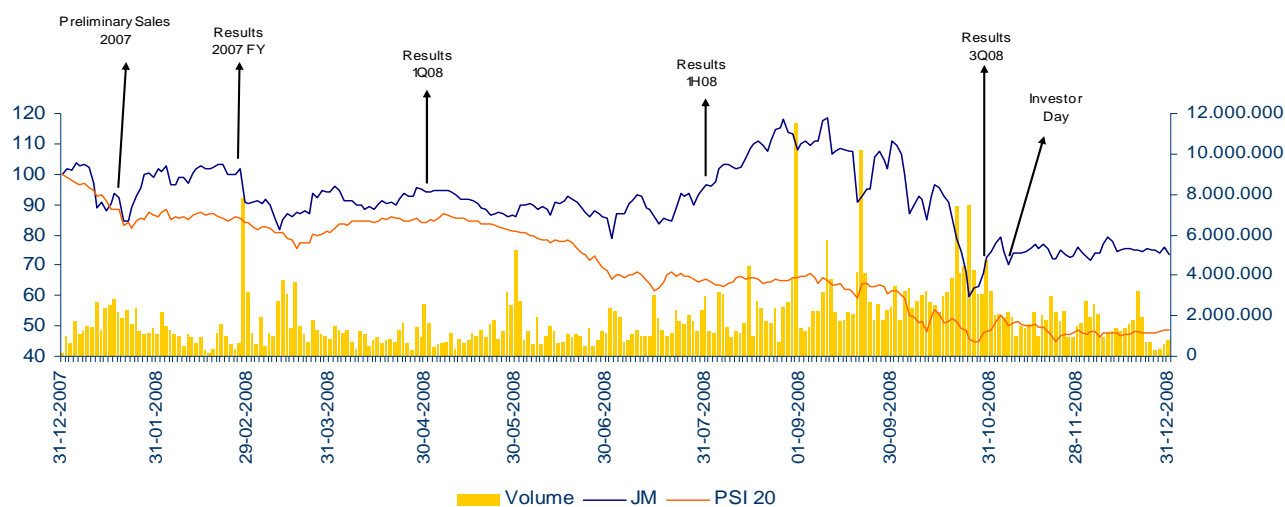
In the first months of 2008, the trend of Jerónimo Martins' share price was downward, following the devaluation of the PSI-20 Index, however the performance of Jerónimo Martins' shares has exceeded the Portuguese Index since the start of the year. The lowest of the year was on 22 October (3.22 euros), and the highest was on 9 September (6.40 euros).

The greatest jump in the share price coincided with the release of first half results (August and September), caused by higher-than-expected sales performance, mainly at Pingo Doce and Biedronka, and by the excellent operational performance of Biedronka, which exceeded financial market estimates.

The greatest drop coincided with the fourth quarter of the year, when the Zloty devalued to 15.7% of the average exchange rate in 2008, which led to lowering the estimated target share price, and increased investor apprehension regarding the exchange rate.

In terms of liquidity, it is important to note that liquidity records were attained. During the year, the daily trading volume of Jerónimo Martins' shares was 18,310,324, nearly 69.5% higher than the volume recorded in 2007.

No shares or other securities were issued, and the shares are not divided into different categories, therefore dividend payments were not affected.



### JM SHARES DESCRIPTION

	2008	2007	2006	2005	2004
Share Capital	629.293.220	629.293.220	629.293.220	629.293.220	629.293.220
Number of ordinary shares	629.293.220	629.293.220	125.858.644	125.858.644	125.858.644
Own Shares	859.000	859.000	171.800	171.800	171.800
EPS (Eur)	0,26	0,21	0,92	0,88	0,83
Cash Flow per share (Eur)	0,55	0,42	2,05	1,96	2,23
Dividend per share (Eur)*	0,10	0,44	0,42	0,36	0,00
Stock market Performance **					
High (Eur)	6,4	5,59	3,52	2,57	2,00
Low (Eur)	3,22	3,43	2,55	1,97	1,54
Average (Closing) (Eur)	4,92	4,37	2,85	2,35	1,76
Closing (End of year) (Eur)	3,97	5,40	3,40	2,54	1,94
Market Capitalisation (31/12) (Eur's 000,000)	2.498	3.398	2.140	1.598	1.221
Transactions					
Volume (1.000 shares) **	468.826	275.512	189.430	173.135	144.815
Annual Growth					
PSI 20	-51,3%	16,3%	29,9%	13,4%	12,2%
Jerónimo Martins	-26,5%	58,8%	33,9%	30,9%	5,0%

\*2008 dividend per share, related to 2007, discloses the stock split of May 2007

\*\* data for the years 2004 to 2006 was adjusted by the stock split of May 2007

### 3.7. Publication of Market Results

Throughout the year, the Investor Relations Office published Jerónimo Martins' quarterly results, and it released all relevant information on performance of the Company's business areas in order to keep analysts and investors informed as to the development of Jerónimo Martins' operational and financial activities.

In addition to the documents published, all financial analysts and investors who contacted the Investor Relations Office were provided with information.

The financial statements were released to the market on the following dates:

<b>16 January</b>	<b>Preliminary Turnover 2007</b>
<b>27 February</b>	<b>2007 Year-End Results</b>
<b>30 April</b>	<b>Results 1<sup>st</sup> Quarter 2008</b>
<b>30 July</b>	<b>Results 1<sup>st</sup> Half 2008</b>
<b>30 October</b>	<b>Results 3<sup>rd</sup> Quarter 2008</b>

The following table shows the performance of Jerónimo Martins' shares, considering the announcement of results and material information during 2008.

Event	Date	Price	Price variations JM		
			5 days before	1 day after	5 days after
Trading Sales 2007	16 January	4.88	-0.7%	3.7%	-1.7%
Results year end 2007	27 February	5.50	0.8%	-10.7%	-10.9%
Results 1 <sup>st</sup> Quarter 2008	30 April	5.14	0.2%	-1.1%	-0.7%
Results 1 <sup>st</sup> Half 2008	30 July	5.10	1.9%	2.2%	4.9%
Plus Poland	24 September	5.70	10.1%	2.1%	1.3%
Results 3 <sup>rd</sup> Quarter 2008	30 October	3.63	13.3%	7.8%	12.3%

### 3.8. Dividend Distribution Policy

The Company's Board of Directors maintained a policy of dividend distribution based on the following rules:

- The value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- If, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

In relation to fiscal year 2005, the gross dividend paid to Shareholders was 0.42 euros per share, in comparison to 2006, which was 0.44 euros per share, and relative to 2007 it was 0.096 euros per share (corresponding to 0.48 euros adjusted by the stock split in 2007), always according to the abovementioned directives.

In view of the net results of fiscal year 2008 and the established policy, at the Shareholders' Meeting the Board of Directors will propose the distribution of a gross dividend of 0.11 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 14.6 % over the dividend paid in the prior year, corresponding to a dividend yield of 2.2 % on the average share price in 2008, which was 4.92 euros.

### 3.9. Stock Options Plan

The Company does not have any plan in force to attribute shares or options to acquire shares. Although it is possible that adoption of a plan of this type may be studied, the

Board of Directors believes that it has found instruments that allow a fairer and more effective system of management by objectives, based on analysis of indicators of profitability, business growth and generation of value for Shareholders.

### **3.10. Business between the Company and the Members of the Board, Holders of Qualified Stakes and Companies in a Parent-Subsidiary or Group Relationship**

During 2008, no significant financial business or operations were carried out between the Company and members of its Management or Supervisory Bodies, or holders of Qualified Stakes. Regarding the Companies in a Parent-Subsidiary or Group relationship, the business carried out with the Company was conducted in the normal operation of its business and pursuant to arms-length conditions.

### **3.11. Investor Relations Department**

#### **3.11.1. Communication Policy of Jerónimo Martins**

The Communication Policy of Jerónimo Martins seeks to ensure availability of relevant information – historic description, current performance and future outlook - to all its stakeholders so that they will have clear and complete knowledge about Jerónimo Martins.

The communication strategy outlined for each year is based on the principles of transparency, rigour and consistency, which define the Communication Policy of Jerónimo Martins and ensure that all relevant information is available in a non-discriminatory manner to its stakeholders, being transmitted clearly, completely and consistently.

#### **3.11.2. Activities of the Investor Relations Office**

The Investor Relations Office of Jerónimo Martins is the interface with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding the Company.

The Investor Relations Office is also responsible for matters related to the Securities and Exchange Commission, and the Legal Representative is the responsible person within the Investor Relations Office for Market Relations.

The Office prepares a Communication Plan with the Financial Market on an annual basis. This Plan, duly included in the global communication strategy of Jerónimo Martins, is based on the principles of transparency, rigour and consistency that define the Communication Policy of Jerónimo Martins.

With the objective of transmitting an updated and clear vision of the strategies of the different Business Areas of Jerónimo Martins to the market, in terms of operational performance and outlook, within the scope of the Communication Plan, the Investor Relations Office organises a series of events so that investors can learn about the Group's various businesses, its strategies and future outlook, and it simultaneously follows development of activities during the year, clarifying any doubts.



During 2008, the Investor Relations Office put on events that allowed the financial markets to have dialogue not only with the Investor Relations Office, but also with Jerónimo Martins' management team. The following events were highlights:

- Meetings with financial analysts and investors;
- Answering questions sent by e-mail to the Department;
- Telephone calls;
- Release of announcements to the market through the CMVM (Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon web sites, and mass mailings sent to all the Company's investors and financial analysts listed in the database that was created and is updated by the Office;
- Presentations to the financial community: presentation of results, roadshows, conferences, Shareholders' Meeting and Investor Day.

Within the scope of information sent to the market, in 2008 the following communications were published:

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**Privileged Information**

December 18, 2008	Financial Calendar Plan for 2009
November 6, 2008	Investor's Day Presentation
October 30, 2008	Release - 3rd Quarter 2008 Results
October 1, 2008	Plus Acquisition in Poland - Conclusion of the Agreement
September 24, 2008	Plus Acquisition in Poland - Anti Trust Authority Approval
July 30, 2008	1st Half 2008 Presentation
July 30, 2008	Release - 1st Half 08 Results
July 8, 2008	Update on Financial Calendar Plan for 2008
April 30, 2008	Plus Acquisition in Portugal - Conclusion of the Agreement
April 30, 2008	Release - 1st Quarter 2008 Results
April 29, 2008	Plus Acquisition in Portugal - Anti Trust Authority Approval
February 28, 2008	Presentation 2007
February 27, 2008	Annual Report 2007 to be approved in the General Meeting
February 27, 2008	Release - FY 2007 Results
February 12, 2008	Update on Financial Calendar Plan for 2008
January 31, 2008	Update on Financial Calendar Plan for 2008
January 16, 2008	Release - Preliminary Sales 2007

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**Financial Information**

November 25, 2008	3rd Quarter 08 Consolidated Results
May 15, 2008	Accounts 1st Quarter 2008
August 27, 2008	Accounts 1st Half 2008
March 14, 2008	Approval of Annual Report 2007
February 29, 2008	Accounts 2007 to be approved in the Shareholders Meeting 2008 Issues 1, 2, 3 and 4 of the Agenda

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**Corporate Governance**

March 14, 2008	Corporate Governance Report - 2007
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**Dividends, Interests, Redemptions and Exercise of Other Rights**

March 14, 2008	Dividends Payment for 2007
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**Notice of Meetings**

February 11, 2008	Notice - General Shareholders Meeting 2008
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**Qualifying Holdings and Shareholders Agreements**

November 26, 2008	Reduction of Qualified Participation - T. Rowe Price Associates
November 10, 2008	Qualified Participation - T. Rowe Price Associates
October 27, 2008	Qualified Participation - Threadneedle
October 27, 2008	Reduction of Qualified Participation - Artio Global Management
October 7, 2008	Reduction of Qualified Participation - Threadneedle
May 26, 2008	Reduction of Qualified Participation - Morgan Stanley
April 8, 2008	Qualified Participation - Morgan Stanley

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**Annual Summary of Information Disclosed**

March 14, 2008	Annual Summary of Information Disclosed on 2007
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The Office may be contacted through the Market Relations representative and the Investor Relations Office Manager, Ms. Cláudia Falcão – and at the e-mail address [investor.relations@jeronimo-martins.pt](mailto:investor.relations@jeronimo-martins.pt).

The communications issued regularly by the Office are available in full on the institutional site of Jerónimo Martins at [www.jeronimomartins.com](http://www.jeronimomartins.com), in order to make information available for all those interested. The site provides not only the mandatory information that is stipulated in Article 4 of CMVM Regulation No. 1/2007, but also general information about the Group and its Companies, in addition to other information considered relevant, namely:

- Announcements to the market regarding material information;
- Annual, six-month and quarterly reports of Jerónimo Martins, including the annual report on the activities performed by the Audit Committee;
- Economic and financial indicators and statistical data, updated every six or twelve months, according to the Company or Business Area;
- Annual Reports of the Group's Companies with listed securities;
- The Group's most recent presentation to the financial community;
- Information about share performance on the stock market;
- The annual calendar of Company events, released at the beginning of every year, including, among others, Shareholders' Meetings, the disclosure of annual, half-year and, if applicable, quarterly results;
- Information regarding the Shareholders' Meeting;
- Information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company By-Laws;
- Current Internal Regulations;
- Minutes of Shareholders' Meetings;
- Historical lists of attendees, agendas, and decisions taken at the Shareholders' Meetings held over the three previous years;
- Customer Ombudsman.

A significant part of the information on the webpage – specifically what is recommended by the CMVM – is in the English language, and the Company is also a pioneer in providing information to the blind, using a tool that allows them to access the information on the web page.

The site also has a contact/information request form, which allows rapid interaction via e-mail with the Company, and inclusion on the mailing list for information that is periodically sent.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n° 7, 14° andar, 1600-404, Lisbon, Portugal

Telephone: +351 21 752 61 05

Fax: +351 21 752 61 65

E-mail: [investor.relations@jeronimo-martins.pt](mailto:investor.relations@jeronimo-martins.pt)

It is also the responsibility of the Office to produce the Annual Report, which is well known as a fundamental document for communicating with financial markets. The Office strives to publish transparent and comprehensive information regarding the various Business Areas of Jerónimo Martins in the annual report, seeking to clearly, completely and consistently transmit the progress of the different activities during the year.

The effort of the entire Jerónimo Martins team in preparation of this document resulted in the Group receiving the award for Best Annual Report for the third time, in the category of Non-Financial Companies, awarded at the Investor Relations Awards '08 ceremony organised by Deloitte, in partnership with the newspapers Semanário Económico and Diário Económico.

### 3.12. Yearly Remuneration Paid to the External Auditor

In 2008, total remuneration paid to the External Auditor and other individuals or companies belonging to the same network was 1,178,147 euros, not including expenses related to travel and other costs paid by the Group's Companies.

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

- Legal accounts audit services: 59%;
- Other services (not legal accounts audits or external audits): 41%.

The services not included in the legal account certification, a total of 485,191 euros, relate to support for internal reorganisation processes and business acquisitions, access to a tax database, technical consulting on a project for conversion to accounting standards, and certification of subsidiary accounts as a part of commercial transactions with third parties and training activities. During 2008, it is particularly noted that a significant part of the work provided within this scope (more than 90%) was related to due diligence work performed on companies within the Tengelman Group, which were acquired by Jerónimo Martins in Portugal and Poland. All these services are marginal to the work of the auditors and are carried out by employees who do not participate in any auditing work for the Group.