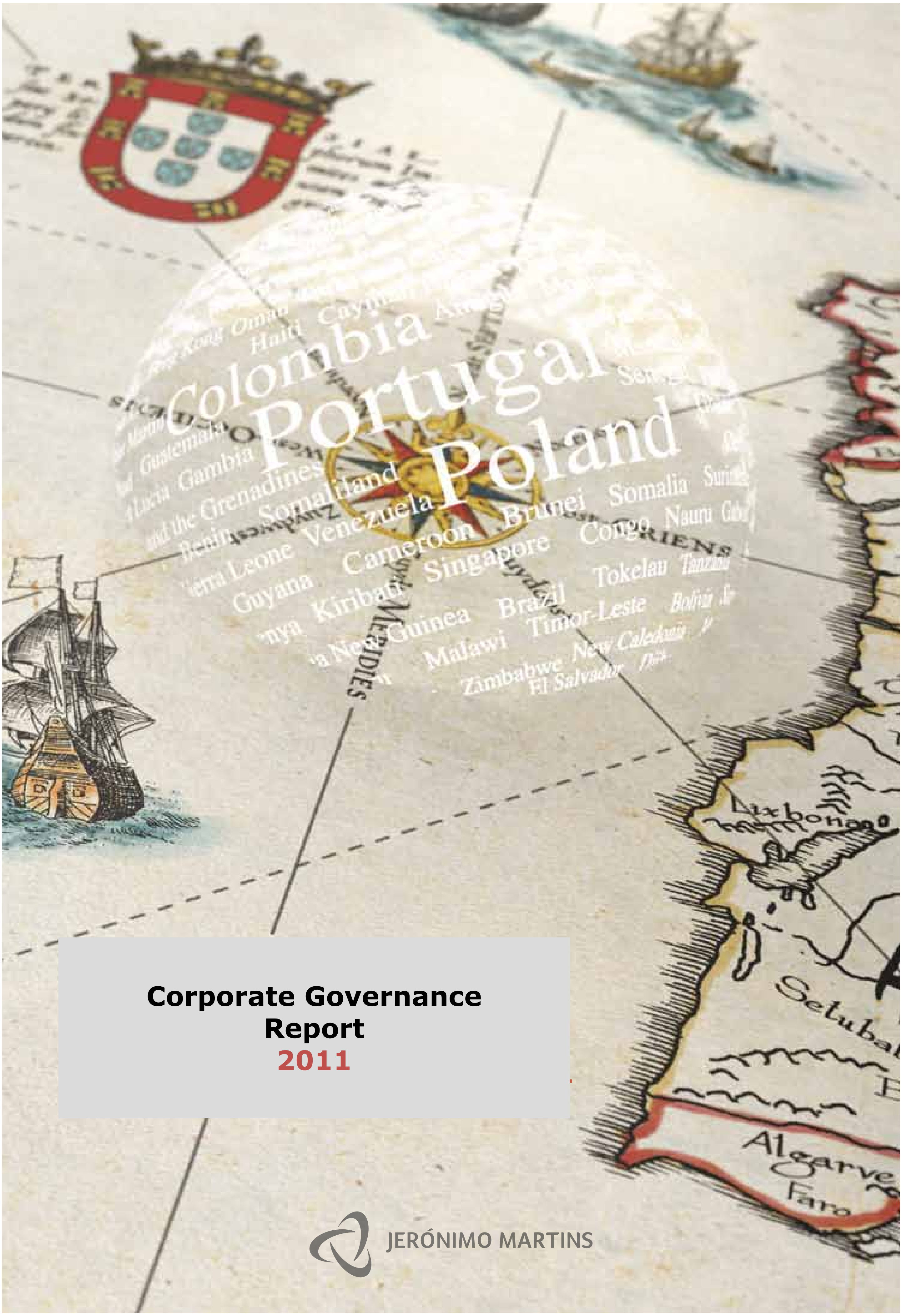


Corporate Governance Report
2011

JERÓNIMO MARTINS

Corporate Governance

Introduction

In 2007, following the revision of the Portuguese Commercial Companies Code occured in 2006 and in what the Company considered a coherent evolution of its previous model of governance – the monist model - Jerónimo Martins adopted the so-called "Anglo-Saxon" model, with the following corporate bodies: the General Shareholders' Meeting, the Board of Directors, the Audit Committee, the Chartered Accountant and the Company's Secretary.

This model of governance, completed through the internal organisation structure chosen by each Board of Directors, has enabled the Company to more efficientelly solve its organisation needs while respecting governance best practices.

With the entry into force in 2010 of CMVM Regulation no. 1/2010 on Corporate Governance of Listed Companies (CMVM Regulation no. 1/2010) and the amendments to the Corporate Governance Code of the Portuguese Securities Market Commission (CMVM), Jerónimo Martins sought, always bearing in mind the interests of shareholders and of the market, to adjust its practices in order to continue to adopt the best standards of the market, particularly in relation to rigour and transparency.

Consequently, the Board of Directors has adopted an internal organisation strucutre characterised by the delegation of the day-to-day management of corporate business to a Chief Executive Officer (CEO) and by the setting up of specialised committees intended to monitor and supervise certain areas.

In view of its commitment to the Shareholders and other stakeholders, the Company's Board continues paying particular attention to matters related to Corporate Governance and considers the Group's policy to be consistent with the best market practices and the operation of its governance model to be the most appropriate to the interests of all its stakeholders.

The Corporate Governance Report (Report) included in this Chapter continues to be a pledge to this policy, and the Board of Directors considers 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 of the CMVM which is published on the CMVM's web site at http://www.cmvm.pt/CMVM/Recomendacao/Recomendacoes/Pages/default.aspx. The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on its website. All of its corporate bodies are governed by regulations, which are documented and available on the Company's website at www.jeronimomartins.pt.

0.2. The Company complies in its essence with the recommendations of the CMVM in the Corporate Governance Code. It is accepted, however, that there are some recommendations that were not adopted in their entirety or regarding which, it is not unquestionable as to their being fully adopted.

The following shows the 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. 1/2010, the CMVM considers recommendations that are not followed in their entirety as not having been adopted.

RECOMMENDATION	ADOPTED	NOT ADOPTED	N/A
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.	1.2.		
I.5.	1.5.; 3.11.2.		
I.6.1			X
I.6.2	1.9.		
II.1.1.1	Introduction		
II.1.1.2	2.5..		
II.1.1.3	2.5.; 2.21.2.		
II.1.1.4	2.5.; 2.8.		
II.1.1.5	2.6.		
II.1.2.1	2.7.; 2.13.		
II.1.2.2	2.7.; 2.13.		
II.1.2.3	2.13.		
II.1.3.1		0.3.0.; 2.21.2.	
II.1.3.2	2.14.		
II.1.4.1	2.20.		
II.1.4.2	2.20.		
II.1.5.1		0.3.1.; 2.18.; 2.19.	
II.1.5.2		0.3.2.	
II.1.5.3		0.3.3.	
II.1.5.4	1.7.; 1.8.; 2.19.; 3.9.		
II.1.5.6	1.6.		
II.2.1	2.3.1.; 2.21.1.		
II.2.2	2.3.1.		
II.2.3			X
II.2.4	2.15.		
II.2.5			X
II.3.1	2.12.		
II.3.2			X
II.3.3			X
II.4.1			X
II.4.2	2.4.; 3.11.2.		
II.4.3	2.4.		
II.4.4	2.21.2.		
II.4.5	2.21.2.		
II.4.6	2.21.2.; 2.21.6.		
II.5.1	2.7.; 2.21.4.; 2.21.5.		
II.5.2	2.21.8.		
II.5.3	2.21.8.		
II.5.4	2.11.; 2.21.1.; 2.21.3.; 2.21.4; 2.21.5; 2.21.6; 2.21.8.		
III.1.1	3.11.		
III.1.2	3.11.2.		
III.1.3	2.21.2.; 3.13.		
III.1.4	3.13.		
III.1.5		0.3.4.; 3.12.	
IV.1	3.10.		
IV.1.2	3.10.		

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. The corresponding explanations are detailed below.

0.3.0. Regarding **recommendation II.1.3.1.** it is hereby clarified that the Audit Committee saw fit to appoint as its Chairman the Director that undertook that role during the previous mandate, despite the fact that this Director no longer fulfilled the independence criteria defined in Subparagraph b of Paragraph 5 of article 414 of the Commercial Companies Code. Through that appointment the Committee sought to guarantee continuity to its work, during the process of integration of the two new Committee members. In a first mandate characterized by the said integration in the Company, the Audit Committee deemed this to be the best way to ensure continuity is given to the auditing work performed, benefiting the company itself and its shareholders.

0.3.1. With respect to paragraph **(ii)** of **recommendation II.1.5.1.** it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, since it understands that the manner in which the remuneration of Executive Directors is structured ensures full alignment of their interests with those of the Company in the long term.

In relation to paragraph **(iii)** of **recommendation II.1.5.1.** it should be noted that the Company's remuneration policy does not provide for the deferred payment of all or part of the variable component of remuneration, and the Remuneration Committee believes that it has found, thus far, the mechanisms that allow the alignment of the interests of the Executive Directors with the long-term interests of the Company and the Shareholders, enabling the sustained growth of the Company's business and the corresponding value creation for the Shareholders.

0.3.2. With respect to paragraph **(i)** of **recommendation II.1.5.2.** it is hereby clarified that the statement on the remuneration policy of the management and supervisory bodies of the Company, including its optional contents, depends exclusively on the Remuneration Committee, which is a corporate body originated from the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, since it deems unnecessary the recourse and indentification of benchmark to determine the remuneration. Nevertheless, the Committee considers that the remuneration policies of the Company are aligned with the best practices of the similar companies within the PSI-20.

0.3.3. Regarding **recommendation II.1.5.3.** it is noted that, since 2008, a statement on the remuneration policy and the performance appraisal of the Company's management and supervisory bodies has been submitted for approval at the Annual General Shareholders' Meeting. However, the Board of Directors decided that it would not make sense to present another statement for the Company's leaders, within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code, along with the mentioned statement, as the Portuguese corporate tradition never entrusted these types of functions to the General Shareholders' Meeting, nor does the Board see good reasons to introduce this practice via a recommendation. In the opinion of the Board of Directors, 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 impossible to find a common policy that is considered to be useful by the General Shareholders' Meeting.

0.3.4. As regards **recommendation III.1.5.** it is important to explain that in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the external auditor. These rules determine: i. the possibility of contracting those services, if the auditor's independence is assured; and ii. the obligation to obtain prior approval of the Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% is not capable of compromising auditor's independence. Furthermore, the Committee considers this solution as the most appropriate to the Group's geographical multilocalization and to the specific needs of its subsidiaries set up in other jurisdictions.

Chapter 1
General Shareholders' Meeting

1.1. Presiding Members of the General Shareholders' Meeting

The Board of the General Shareholder's Meeting is chaired by João Vieira de Castro, the secretary being Tiago Ferreira de Lemos.

The current members of the Board of the General Shareholders' Meeting were elected on 9 April 2010 for the current term, which terminates in 2012.

The Chairman of the Board of the General Shareholder's Meeting received an annual payment of 5,000 Euros. For the meeting held in 2011, the members had all the resources considered necessary to carry out their roles properly, and both the preparatory work and that of the meeting itself, were exemplary.

1.2. Participation in the General Shareholders' Meeting

Following the entry into force of Decree-Law No. 49/2010 of 19 May, which amended the rules regarding the participation of the shareholders in the general shareholder's meeting, including those related to the blocking of shares, the Articles of Association of the Company were also amended in the 2011 General Shareholder's Meeting.

Despite this amendment was only in force to subsequent general shareholder's meetings, the 2011 General Shareholder's Meeting fully complied with the legislation on this subject, which coincides with that currently prescribed on Article Twenty-Three of the Company's Articles of Association.

Thus, shareholders complying with the following conditions could attend and vote at the meeting:

i) On the Record Date, corresponding to 00:00 am (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;
ii) By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;
iii) By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that Shareholder's name on the Record Date.

Despite the rules of the Articles of Associtation regarding the blocking of the shares, adopted under the previous legislation, were still in force by the date the General Shareholder's Meeting was held, the Company has also followed in this respect the provisions of the new legislation, which do not require such blocking.

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

Each share has the right to one vote. Attending the Shareholders' Meeting is not subject to holding a minimum number of shares, nor are there rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

1.3. Postal Vote

According to paragraph 3 of Article Twenty-Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the 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 General 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 Articles of Association do not state anything on this matter, the Company has established a deadline of 48 hours prior to the General Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM 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, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, Shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at www.jeronimomartins.pt. In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

1.5. Minutes and Information on Decisions

The Company makes available on its website, at www.jeronimomartins.pt, besides the information identified in section 3.11. hereinafter, extracts of minutes of meetings of the General Shareholders' Meeting within five days of their completion, and a record of the attendance lists, agendas and the resolutions passed by the General Shareholders' Meeting in the previous three years.

1.6. Remuneration Committee Representative Attending General Shareholders' Meetings

At the General Shareholders' Meeting held in 2011, Mr. Arlindo do Amaral was present as the representative of the Remuneration Committee.

1.7. Intervention by the General Shareholders' Meeting regarding the Company's Remuneration Policy and the proposal on the Share Allocation or Stock Options Plans

Since 2008, a statement, prepared by the Remuneration Committee, on the remuneration policy and performance appraisal of the Company's management and supervisory bodies has been submitted for approval to the Annual General Shareholders' Meeting. This statement outlines the main characteristics of that policy – which is better explained in section 2.18 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.

The Company continues not to have any type of share allocation and/or stock options plan, or plan based on share price change for the members of the management and supervisory bodies and other directors, within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code.

1.8. Intervention by the General Shareholders' Meeting in the Approval of the Main Features of the Retirement Benefits Scheme

The 2005 Annual General Shareholders' Meeting approved a Retirement Pension Plan. The main features of that Plan are best explained in section 2.19. herein.

1.9. Defensive Measures

No special rights for Shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association. 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.

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

1.10. Significant Agreements to which the Company is a Party and that Take Effect, Are Altered, or Cease in Case of Change in Control of the Company

Since it leads a group that includes various partnerships with international groups, the Company understands that certain provisions of joint venture contracts entered into may include arrangements for the change in control of the Company, although not of an automatic nature. The Board of Directors has understood that, as their interpretation is not completely unequivocal, in particular because they are somewhat dated instruments, if disclosed it would not allow the Shareholders to be better informed of their real impacts and, furthermore, that their disclosure would even be harmful to the interests of the Company and its Shareholders.

1.11. 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 due cause, or termination of the labour relationship as a consequence of change in the Company's control.

Chapter 2
Management and Supervisory Bodies of the Company

Section 1
General Matters

2.1. Identification and Composition of the Corporate Bodies

The Board of Directors comprises Elísio Alexandre Soares dos Santos (Chairman), António Pedro de Carvalho Viana Baptista, Artur Eduardo Brochado dos Santos Silva, Hans Eggerstedt, José Manuel da Silveira e Castro Soares dos Santos, Luís Maria Viana Palha da Silva, Marcel Lucien Corstjens, Nicolaas Pronk and Pedro Manuel de Castro Soares dos Santos.

The Audit Committee comprises Hans Eggerstedt, who chairs it, António Pedro de Carvalho Viana Baptista and Artur Eduardo Brochado dos Santos Silva.

The position of Company Secretary is held by Henrique Soares dos Santos, and that of alternate by Carlos Martins Ferreira.

The Chartered Accountant is the company Pricewaterhousecoopers & Associados, SROC, Lda., represented by Abdul Nasser Abdul Sattar, ROC, and the position of alternate is held by José Manuel Henriques Bernardo.

2.2. Identification of the Specialised Committees Formed with Responsibility in Company Management or Supervision

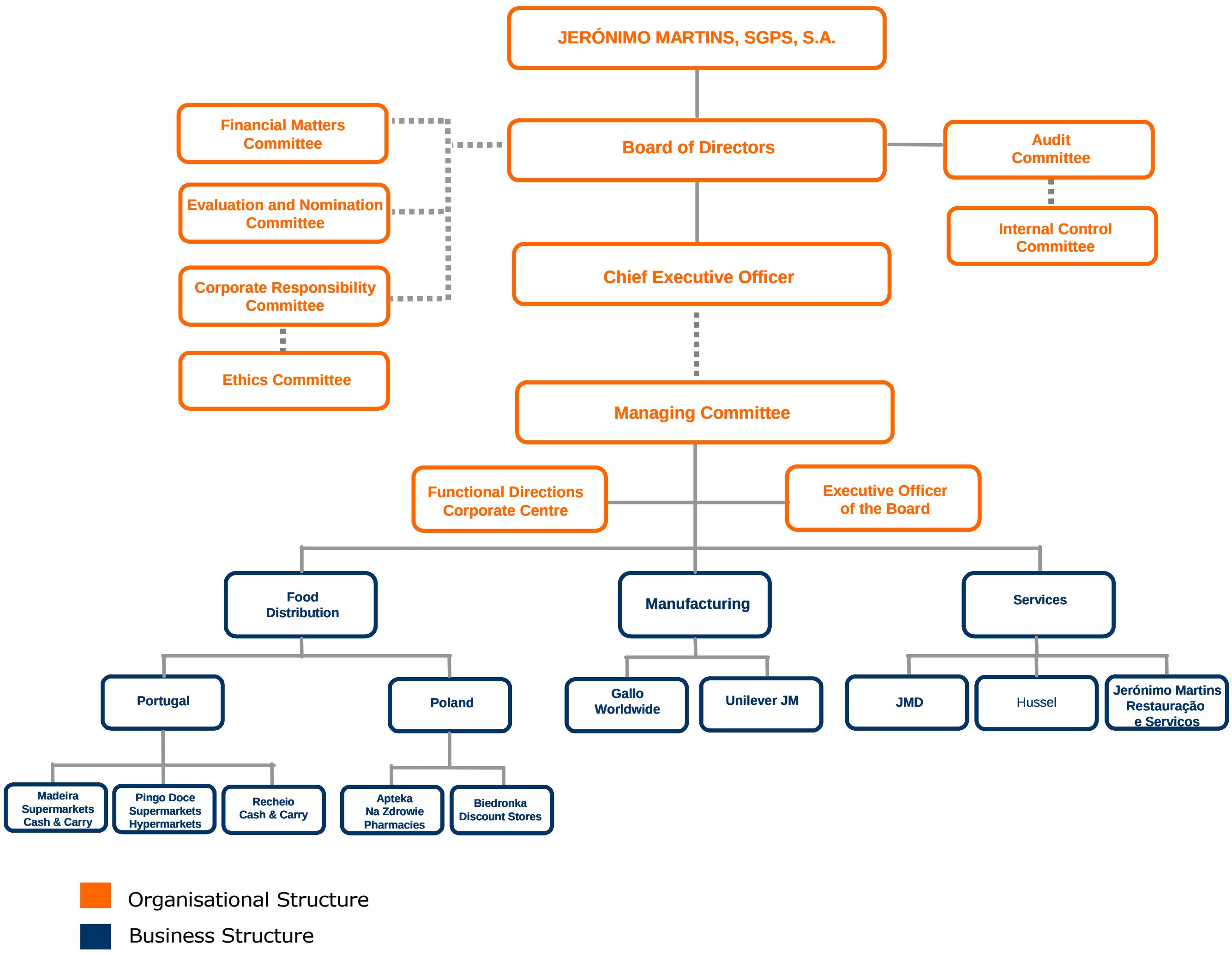
In addition to the Audit Committee, which is the supervisory body of the Company, the structure of the Board of Directors includes the Chief Executive Officer and specialised committees intended to monitor and supervise certain areas. Until the end of 2011, this strucutre comprised the Financial Matters Committee (FMC) (which ceased its functions on Decemebr 31, 2011), the Committee on Corporate Responsibility (CCR) and the Evaluation and Nominations Committee (ENC).

In order to assist the Chief Executive Director in carrying out his role, the Board of Directors appointed the Managing Committee, an *ad-hoc* body chaired by the Chief Executive Officer.

The Ethics Committee and the Internal Control Committee (CCI) retain their functions as bodies supporting the Board of Directors and Audit Committee.

The composition, powers, number of meetings and identification of the members of the Committees referred to in the preceding paragraphs are detailed in section 2.21 of this Chapter.

2.3. Organisational Charts, Delegation of Powers and Division of Responsibilities



2.3.1. Delegation of Powers

The Board of Directors, by resolution, delegated various duties to the Chief Executive Officer regarding the day-to-day management of the Company, which are identified in more detail in Section 2.21.1 of this Report.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors and, in particular, its Chairman retain authority over strategic matters of management of the Group, in particular those regarding the corporate structure and those that, due to their importance and special nature, may significantly impact on the business activity of the latter. The Board of Directors and its Chairmany have, by these means, effective control over the Company's affairs through supervision of the Company's management.

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Pursuant to Article 407(1) of the Commercial Companies Code, the Board of Directors also allocated to the Chairman of CAMF, inherently to the duties performed on that Committee, the monitoring of investor relations (this special duty ceased on December 31, 2011) and to the Director José Soares dos Santos the monitoring of the joint venture with Unilever Jerónimo Martins, Lda., and the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins – Restauração e Serviços, S.A.

2.3.2. Organisational Structure and Division of Responsibilities

Jerónimo Martins SGPS, S.A. is the Holding Company of the Group, and as such is responsible for the main guidelines for the various business areas, as well as for ensuring consistency between the established objectives and available resources. The Holding Company's services include a set of Functional Divisions which provide support for Corporate Centre and services to the Operating Areas of the Group's Companies, in the different geographical areas in which they operate.

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

2.3.2.1. 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 the global objectives; iii. Defining and controlling financial policies; and iv. Defining human resources policy, with direct responsibility for implementing the Management Development Policy.

The Holding Company's Functional Divisions are organised as follows:

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 the Board of Directors 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 by managing external counsel.

In 2011, this Division focused on monitoring the evolution of the corporate rules and recommendations in the Group’s various reorganization operations and on supporting the Board of Directors and other functional divisions in the project of internationalisation of the Group to a new geography.

It also had an important role regarding the prevention of legal disputes, through legal counselling and internal training.

Internal Audit – Evaluates the quality and effectiveness of the systems (both operational and non-operational) of internal control and risk control established by the Board of Directors, ensuring their compliance with the Group's Procedures Manual. It 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.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are detailed further in this Report.

Corporate Responsibility and Communication – In 2011, focus was placed on integrating the coordination of the area of Corporate Responsibility in the Communication Division, which resulted in redesignating the latter as the Corporate Responsibility and Communication Division. This Division reports directly to the CEO. The area of Corporate Communication is responsible for coordinating the strategic management of the brand and the corporate reputation among the different key non-financial audiences. It operates as an agent fostering inter-departmental integration with the aim of ensuring the consistency of internal and external communications and alignment with the values and objectives of the Group. It manages the digital communication channels and coordinates event organisation and management. It is the quintessential point of interaction with journalists, providing support to the various Companies and Functional Divisions on media relations, event communication and organisation. It produces publications and contents internally and externally-oriented in various formats and media. The area of Corporate Responsibility aims to ensure that the business units' balanced growth in sales and profitability incorporates social and environmental concerns throughout the value chain. Its objective is to promote social and economic well-being in the regions where the Group carries out its business.

Within the scope of Corporate Responsibility, 2011 saw the start of strategic alignment with the Food Quality and Safety Divisions, Environmental Divisions and Commercial Divisions of the Group's Companies. A Policy for Supporting the Surrounding Communities was drawn up and a Policy for Sustainable Procurement was implemented. Within Communications, the internal magazine "A Nossa Gente" (Our People) was restructured, resulting in re-styling it to a new format with new graphics, as well as a change in its frequency and a new distribution process. A new, monthly, internal means of communication was launched "Carta Aberta" (Open Letter), which aims to bring the Group's decision centres closer to all the employees in Portugal. The new institutional website at www.jeronimomartins.pt was restructured and launched, presenting more information, more functions and improved browsing.

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 Articles of Associations.

Last year was marked by an update of the tools used to support financial consolidation and reporting, as well as by the strict cooperation with the other Group divisions in the work for entering a new geographic region.

Its activity was also focused on supervising the financial reporting of the different Group companies to ensure its conformity with the accounting standards adopted by Jerónimo Martins, on supporting the Companies in the accounting assessment of all non-recurrent transactions, as well as in the Group's restructuring and expansion activities.

Strategy and Planning – Co-ordinates and supports the process of creating and maintaining Jeronimo Martins's Strategic Plans and respective budgeting.

In addition, it has a control function, monitoring the performance of the different Business Units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

2011 was dedicated to optimising the reporting process, through which this Division ensured that a series of reports were issued that quickly became essential tools for identifying and anticipating changes in trends in the different businesses and made it possible to monitor even more closely the Group's business areas. Within this area, also of note was the permanent monitoring of the macroeconomic indicators in the regions where Jerónimo Martins operates, which were constantly volatile in 2011, enabling us to act proactively, thereby anticipating any contingencies.

Last year, with regard to assessing any new business opportunities and new geographic markets, a series of markets were analysed and various models developed to assess potential business opportunities.

International Expansion – Created in 2011, it is responsible for identifying and assessing any growth opportunities for the Jerónimo Martins Group in new geographical areas, using for this purpose the guidelines laid down by the Board of Directors. The analytical process, which covers political, economic and social issues and those relating to the market, culminates in writing investment recommendations, which include the strategies for entering and obtaining growth in the selected new markets, as well as the business model to be adopted.

Hierarchically, this Functional Division reports to the Chief Executive Officer.

In 2011, after analysing opportunities in various geographic regions, an investment in Colombia was recommended, which was approved by the Board of Directors in October. This Functional Division then took on the management of the project, outlining and supporting the implementation of the investment plan, which involved coordinating the different functional areas and involving key personnel from the various Group companies, both in Portugal and Poland.

Fiscal Affairs – Provides all Group's Companies with assistance in tax matters, by ensuring compliance with legislation in force and the optimisation of the business units' management activities from a tax viewpoint. The Division also manages the Group's tax disputes and its relations with external consultants and Tax Authorities.

In 2011, within its scope of activity the Fiscal Affairs Division carried out the following: i. provided support to the Group's various internationalisation and restructuring operations; ii. carried out special work in order to standardise the policies adopted (or to be adopted) by the different Group Companies; and iii. followed up the preparation of various applications for tax benefits within the scope of "SIFIDE" (System of Tax Incentives in Corporate R&D).

Finally, during 2011 the Fiscal Affairs Division drew up several documents intended to defend the Group's best interests before the Tax Authorities.

Financial Operations – This Division includes two distinct areas: Risk Management and Treasury Management. The activity of the first area is discussed in detail later in this Report.

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 entities must fulfil. It also performs treasury planning with the aim of selecting the most suitable financial sources according to individual need, for all the Companies of the Group. The type of funding, corresponding terms, cost and back-up documentation must comply with the criteria established by the Board. 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 all other Companies of the Group. The Distribution Companies in Portugal are completely centralised, while the areas of Distribution in Poland, Industry and Services still 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.

In compliance with the above-described activities, several loans and commercial paper programmes were restructured during the year in question and a new debt was issued, with the main objective of increasing the maturity of the overall debt and ensuring that credit lines are available should they become necessary.

Food Quality and Safety– Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules along the whole food chain, in order to ensure the use of the best and most up-to-date practices in this field. This responsibility extends to the various geographic regions where Jerónimo Martins operates and where there must be common harmonisation and consistency of the methods and procedures used, thereby ensuring the same overall activity across the Group.

The main activities carried out in 2011 were focused on effectively harmonising processes, methodologies, policies and practices in Portugal and Poland, with the objective of having a common *modus operandi* and establishing a single culture within the two countries in terms of food quality and safety and the development of new products. Equally, a common nutritional policy was defined for the two regions, which will enable us to have an overall action plan in the future regarding product launches and reformulations and for defining the assortment. We also continued to develop the new IT system for quality management.

This Division also carried out the following during the year: i. it successfully finalised the certification process of the central kitchens in accordance with the *Codex Alimentarius,* within the scope of "Preparing and Cooking Food"; ii. reviewed and adjusted the internal training process, using more modern technologies and updating content; iii. actively participated in the logistics redesign project in Portugal; and iv. continued with its research on agriculture together with the Group's partners, namely suppliers and universities, in order to find the right tools and products to help the Company to improve the quality of its offer to the consumers.

Human Resources – Founded on the Culture, Values and Principles of Jerónimo Martins, this area is responsible for defining and implementing the global strategy and policies of Human Resources. This Division, which acts across the Group as a whole, is responsible for ensuring compliance with the policies, standards, procedures and good practices as regards the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits - while respecting the individual nature of the different Companies and the uniqueness of the different geographical areas in which Jerónimo Martins operates.

The activities that this Functional Division carried out can be found in detail in Section 7 - Being a Benchmark Employer, of Chapter V - Corporate Responsibility - Creating Value, of the Annual Report of which this Corporate Governance Report is a part.

Investor Relations - This Division is the preferred interface with investors – shareholders or not, 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 Office to co-ordinate all matters related to the CMVM.

The activities carried out by this Functional Division can be found in detail in section 3.11. hereinafter.

Security – This area defines and controls procedures in terms of protecting the security of the Group's people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees of the Group.

Information Security – This division is responsible for implementing and maintaining an information security management system which ensures the confidentiality, integrity and availability of information that is critical for the business and assures system recovery in the event of any disruption to the operations.

The core objective of this Functional Division is to protect the Group's information from a wide range of threats in order to guarantee business continuity, minimising the risk and maximising the automation of security processes. The Information Security Officers (ISO) in each country ensure compliance with the Information Security Policy, in which the rules for applying, using and maintaining Jerónimo Martins information assets are defined.

In 2011, technical solutions were implemented for protecting confidential information and detecting any vulnerabilities in the critical IT systems. A Corporate Information Security Manual was also drawn up, which contemplates the standards and processes in line with the Information Security Policy approved in both countries.

Information Technology – Defined in 2010 as a transversal corporate area, its mission is to harmonise the information systems of the Group and define common policies, procedures and processes for managing IT, as well as outlining a strategic IT plan aligned with the strategy of Jerónimo Martins.

It is responsible in particular for providing and supporting information and communication technology services that create the conditions for the business to achieve its goals and objectives. It is also responsible for defining and providing support to the architecture, communications, hardware and software infrastructure, design and development of appropriate applications that are necessary for the processes of the organisation.

This Division is also responsible for guaranteeing an adequate level of security of the Company's information systems, developing and implementing the right tools for that purpose, defining and testing the Disaster Recovery Plan, as well as providing support and appropriate training to users in relation to all new features and systems.

2011 was marked by the following: i. definition of the strategy and management models for the IT systems in the new geographical region; ii. development of common projects for Portugal and Poland, with a view to streamlining contracts between the main suppliers of technology and creating corporate-level applications, mainly for Human Resources; and iii. various programmes for technical convergence.

2.3.2.2 Operational Areas

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

Hence, the Food Distribution business is divided into Geographical Areas, Portugal and Poland, and then further divided within those areas into Operational Areas. In Portugal there are three Operational Areas: Pingo Doce (supermarkets and hypermarkets), Recheio (Cash & Carry) and Madeira (supermarkets and Cash & Carry). In Poland there are two Operational Areas: Biedronka (food stores), and another one that includes "Apteka Na Zdrowie" (pharmacies) and Hebe (drugstores).

In the manufacturing segment Jeronimo Martins operates in partnership with Unilever, through the company Unilever Jerónimo Martins, Lda., which conducts the businesses of the food, personal care and home care products and ice creams, and through the company Gallo Worldwide, Lda., which produces and sells olive oil and cooking oils.

Within the Group's portfolio there is also a business segment devoted to Marketing Services, Representations and Restaurant Services, which includes: i. Jerónimo Martins Distribuição de Produtos de Consumo, which represents in Portugal major international brands of widely consumed food products and premium cosmetic brands, and which includes 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, which owns the chain of Jeronymo coffee shops, Olá ice cream stores, and Chili's and Oliva restaurants.

Information about the organisation model is provided in Chapter 1 – Management Structure, of the Annual Report of which the present Corporate Governance Report is part.

2.4. Audit Committee Annual Report and Opinion

The annual report on the activities undertaken by the Audit Committee includes a description of the supervisory activities carried out and it has been published on the corporate website of Jerónimo Martins, together with the financial statements.

2.5. Risk Management and Internal Control Systems

2.5.1. Risk Management

The Company, and in particular, its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives. Success in this field depends on the ability to identify, understand and handle exposure to events, which, whether or not under the direct control of the management team, may materially affect the physical, financial and/or organizational assets of the Company. This concern is materialized in the Group's Risk Management Policy, which aims to stimulate and reinforce the behaviour necessary for that success.

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

2.5.1.1. 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 also to the positive and negative effects of all processes that influence operations and 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.

2.5.1.2. The Risk Management Process

Risk evaluation seeks mainly to distinguish what is irrelevant from what is material and requires active management, therefore involving the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of their manifestation within the context of the control environment. The controls focus both on the probability of occurrence of a certain event and on the extent of its consequences.

The Risk Management Process (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 the organisational divisions' processes, functions and activity is developed.

2.5.1.3. Organisation of Risk Management

Risk management is organized around three categories:

- Strategic Risks;
- Operating Risks;
- Financial Risks.

In the first category, attention is focused on the uncertainty which affects the viability of the business model and strategy. The other categories encompass the uncertainty affecting the implementation of the defined business model and strategy. The operating risks category also includes uncertainty regarding the relevance and quality of the information used for decision-making.

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 Entity responsible for the strategy of Jerónimo Martins, has the following objectives and responsibilities:

- To understand the most significant risks affecting the Group;
- To ensure that Jerónimo Martins possesses appropriate levels of knowledge of the risks affecting its 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 Audit Department’s activity plan, which defines the scope of the audits to be carried out, allows the control processes to be evaluated. These processes are directed at fulfilling the Internal Control System’s objectives, namely those for ensuring the efficiency of the operations, the reliability of the financial and operational reports, and compliance with 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 are made available by the Internal Audit Department to the Audit Committee, the Internal Control Committee and the Managing Committee of the Group on a quarterly basis.

The processes for managing stock management, cash collection, supplementary income, payroll and information systems risks were all audited in accordance with the established Activity Plan, the updated Operating Risk models and critical business processes applying to each Company in the Group. In the area of risks relating to information for decision-making, accounting audits were carried out to gauge compliance with accounting principles.

2.5.2. Main Risks

Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends; the evolution of consumers’ preferences; the businesses’ life cycle; the dynamics of the markets (financial, employment, natural and energetic resources); the competition’s activity; technological innovation; availability of resources; and legal and regulatory changes.

The management team uses this information to understand if the analysis of the identified needs is still up to date and if it is viable to develop a unique value proposition, which adequately meets those needs. That information is also used to know if there is a large enough market of customers who are willing and able to pay the price offered and to see if the Company has enough exclusive, lasting and sustainable competitive advantages to obtain a return that is adequate with the risks involved.

In this way, the management team tries to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future market conditions.

These issues are assessed at the Management Committees meetings and discussed during various internal forums throughout the year.

Operating Risks

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

The operational risks class covers risks related to sourcing, supply chain, stock management, cash management, investments, efficiency in the use of resources, business interruption and fraud.

Food Safety Risks

The following areas are the responsibility of the Quality and Food Safety Department of the different Companies: i. prevention, through selection, assessment, and follow-up audits on suppliers; ii. monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii. training, by carrying out periodic simulations and awareness initiatives.

Environment Risks

In the different Companies, the departments that manage environmental matters have the following responsibilities: i. minimizing the environmental impacts of the activities, products and services; ii. monitoring the establishments to assess their compliance with best practice and legal and certification requirements; iii. training employees to adopt environmental best practice; and iv. co-operating with internal department and external entities, with a view to obtaining process eco-efficiency.

Physical Security and People Risks

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities, intervening against theft and robbery, as well as fraud and other illegal and/or violent activities perpetrated in the facilities or against the Group's employees. Its tasks are based on defining and controlling procedures for preventing the security and protection of the property, and also on providing support to the audits carried out on the security and risk prevention systems.

It is the Technical Departments' responsibility, in co-operation with the respective Operational Departments, to define and carry out the regular maintenance plans on the facilities. Of note within its area of activity are supervising the status of electrical equipment, managing means of protection and detecting fires, as well as storing flammable material.

In the Food Distribution area in Portugal, coordinating the management of Hygiene and Safety 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 Health and Safety in the Workplace is centrally managed, covering all the Companies involved.

Risk management in this field involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessments in all establishments, and performing emergency simulations.

Information Systems Risks

The risks associated to Information Technologies are analysed considering the different components: planning and organization of information technologies, development of information technologies, operations management, information security and continuity. The component of Information Security is the responsibility of the Information Security Department and 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.

Regulation Risks

Compliance with legislation is provided by the Legal Departments of the Group Companies. With regard to the Holding Company, the Legal Department guarantees the coordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside counseling.

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, as well as manages their tax proceedings.

Financial Risks

Risk Factors

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

The management of this risk category is focused on the unpredictable nature of the financial markets and tries to minimize its adverse effects on the Company's financial performance.

On this level, certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Managing Committee. The Risk Management Department is responsible for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in April 2009 by the Board of Directors.

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to the Audit Committee.

a) Market Risk

a.1) Foreign Exchange Risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland.

At 31 December 2011, a depreciation of the zloty against the euro of around 10% would have a negative impact on the net investment of 61 million euros. The Company's vulnerability to this risk increased during 2011 for two reasons:

- Increase in the value of the net investment in Poland;
- Maturity of all existing hedging operations for this risk, at the end of 2009.

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

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

It should be noted that during the year of 2011 it was paid a debt issued in USD, in the amount of $84,000,000. This reduction in the outstanding US dollar debt reduced the Group’s portfolio of swaps, which is now composed of only one swap that exactly replicates the terms of the financing.

Financing	Amount	Counter-amount	Maturity
Swap #2	$96,000,000.00	€80,536,912.75	23-06-2014

Thus, net exposure to the US Dollar, as a result of these transactions is nil, with no changes occurring from 2010 to 2011.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Company acquires merchandise that is denominated in foreign currency, mainly zloty and US Dollars. As a general rule, these transactions involve low amounts, and are very short dated. Notwithstanding when the cash flow of one commercial transaction exceeds €1,000,000 the Group policy is to cover 100% of its value.

Management of the Operational Companies' exchange rate risk is centralized in the Financial Operations Department of the Group's Holding Company. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, zero cost structures are contracted using instruments such as: swaps, forwards or options.

The Group's exposure to foreign exchange risk in recognised financial instruments in and off the balance sheet at 31 December 2011 was as follows:

(€'000)

As at December 31st, 2011	Euro	Zloty	Dollar	Colombian Peso	Total
Assets					
Cash and cash equivalents	285,826	244,249		80	530,155
Available-for-sale financial investments	6,157	-		-	6,157
Debtors and deferred costs	114,093	68,223		-	182,316
Derivative financial instruments	-	10	-	-	10
Total financial assets	**406,076**	**312,482**	**-**	**80**	**718,638**
Liabilities					
Borrowings	603,352	57,075	79,798	-	740,225
Derivative financial instruments	11,991	152	680	-	12,823
Creditors and accrued costs	889,972	1,037,180	59	24	1,927,235
Total financial liabilities	**1,505,315**	**1,094,407**	**80,537**	**24**	**2,680,283**
Net financial position in the balance sheet	**(1,099,239)**	**(781,925)**	**(80,537)**	**56**	**(1,961,645)**
As at December 31st, 2010					
Total financial assets	324,327	157,470	-	-	481,797
Total financial liabilities	1,522,308	1,020,448	151,007	-	2,693,763
Net financial position in the balance sheet	**(1,197,981)**	**(862,978)**	**(151,007)**	**-**	**(2,211,966)**

a.2) Price Risk

Because of its investment in Banco Comercial Português, the Company is exposed to the risk of share price fluctuation. At 31 December 2011, a negative 10% variation in the trading price of BCP shares would have a negative effect of 27,700 euros. At 31 December 2010, a similar variation would have a negative effect of 113,000 euros.

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

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes Jerónimo Martins to cash flow risk. A given portion of this risk is hedged through interest rate swaps, thus the Company is also exposed to fair value risk. Currently, according to the Board of Directors decision, 100% of all new Debt should be either issued at, or swapped into, fixed rate.

Exposure to interest rate risk is monitored dynamically. In addition to evaluating future interest costs based on forward rates, sensitivity tests to variations in interest rate levels are performed. The Company is essentially exposed to the euro and the zloty interest rate curves. 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 the yield 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 derivate financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2011, and ignoring the effect of interest rate derivatives, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a negative impact of 1.1 million euros (compared to 2.8 million euros at the end of 2010). Incorporating the effect of interest rate derivatives, the net impact would be a positive 1.7 million euros. These effects would be reflected in the earnings for the year.

These simulations are carried out at least once a quarter, but 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: bank deposits, short-term investments and derivatives contracted with financial institutions and customers.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent, benchmark rating agencies. The minimum acceptable rating is "A-" by Standard & Poor's or equivalent.

With regard to customers, the risk is mainly limited to Recheio Cash & Carry and to Manufacturing and Services businesses, since the other businesses operate based on sales paid with cash or 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 2011 and 2010:

(€'000)

		2011	2010
Rating Company	**Rating**	**Balance**	**Balance**
Standard & Poor's	[AA- : AA]	81,413	21,776
Standard & Poor's	[A- : A+]	254,721	196,175
Standard & Poor's	[BBB- : BBB+]	2,416	43,731
Standard & Poor's	[BB : BB+]	80,893	-
Standard & Poor's	B	4	-
Moody's	[A- : A+]	60,352	-
Fitch's	[A- : A+]	47,289	29,384
	Not available	9	10,017
	Total	**527,097**	**301,083**

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available Moody's notations are used instead.

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		
	2011	**2010**
	Balance	**Balance**
New customer balances (less than six months)	5,216	3,536
Balances of customers without a history of non-payment	73,456	64,221
Balances of customers with a history of non-payment	15,522	19,605
Balances of other debtors with the provision of guarantees	1,348	432
Balances of other debtors without the provision of guarantees	61,723	55,140
	157,265	**142,934**

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				
	2011		**2010**	
	No.	**Balance**	**No.**	**Balance**
Customers with a balance above 1,000,000 euros	19	35,753	19	34,219
Customers with a balance between 250,000 and 1,000,000 euros	55	15,884	63	16,593
Customers with a balance below 250,000 euros	8,145	41,818	7,711	37,541
Other Debtors with a balance above 250,000 euros	34	31,353	129	30,564
Other Debtors with a balance below 250,000 euros	1,925	32,457	2,332	24,017
	10,178	**157,265**	**10,254**	**142,934**

The maximum exposure to credit risk as at 31 December 2011 and 2010 is the financial assets accounting value.

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, the Company uses, for example, credit derivatives, in order to minimise the impact of credit spreads increase, which result from external shocks beyond the control of the Jerónimo Martins.

Treasury needs are managed based on short-term planning (executed on a daily basis) which derives from the annual plans that 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 flow. In addition, it should be noted that all the derivative financial instruments that the Group contracts are settled at net value.

(€'000)

Exposure to liquidity risk			
2011	**Less than 1 year**	**1 to 5 years**	**> 5 years**
Borrowings			
Financial Leasing	21,844	18,237	30
Loans	361,418	398,898	-
Derivative Financial Instruments	6,887	5,082	-
Creditors	1,795,649	-	-
Operational Lease Liabilities	192,710	661,549	778,035
2010			
Borrowings			
Financial Leasing	33,968	40,545	95
Loans	217,707	640,368	-
Derivative Financial Instruments	8,683	7,449	-
Creditors	1,687,005	-	-
Operational Lease Liabilities	168,982	570,415	710,098

Capital Risk Management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its Shareholders and to optimise the cost of capital.

Balance of the capital structure is monitored based on the financial leverage ratio (gearing), calculated according to the following formula: Net Debt / Shareholder Funds. The Board of Directors established a gearing ratio below 70% as a target for 2011, consistent with an investment grade rating.

The gearing ratios at 31 December 2011 and 2010 were as follows:

(€'000)

	2011	**2010**
Capital Invested	1,649,500	1,709,343
Net Debt	227,715	577,532
Shareholder´s Funds	1,421,685	1,131,812
Gearing	**16.0%**	**51.0%**

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 Group 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 in force, there are in effect Regulations for the Board of Directors, the Managing Committee, the Audit Committee, the MFC (until December 31, 2011, day on which this committee ceased its functions), the CCR, the ENC, the Ethics Committee and the ICC, which regulate the responsibilities and functioning of the mentioned bodies. There is also the Company Share Transactions Regulations, applying to Jerónimo Martins' Board Members and Senior Management.

These Codes and Regulations may be viewed on the Jerónimo Martins website or by request addressed to 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.

Section 2
The Board of Directors

2.7. The Board of Directors

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members. Currently, the Board of Directors has nine members, one of whom is the Chief Executive Officer.

The inclusion of Independent Directors and Non-Executive Directors on the Board of Directors provides for the integration of a wide range of technical skills, contact networks and connections with national and international bodies, which enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its shareholders.

Accordingly, the Company has three Independent Directors out of a total of nine Directors.

The Board of Directors, whose duties are described in Article Thirteen of the Company's Articles of Association, meets at least four times a year, and any of its members may be represented at the Board meetings by another member, by means of a letter addressed to the Chairman.

Unless otherwise provided for, decisions will be 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.

It should also be mentioned that it is the responsibility of the Chairman of the Board of Directors and of the other Non-Executive Members of that Board to evaluate the performance of the Executive Directors and of the various existing committees. They meet at least once per year in ad-hoc meetings specifically devoted to this matter, without the presence of the Executive Directors. At such meetings the performance of the Executive Directors and their influence on Jerónimo Martins' businesses is debated in depth, including an assessment of the impact of their activity and of the alignment with the medium- and long-term interests of the Company. The same procedure is used to analyse the performance of the various committees existing within the Group.

2.7.1. Chairman of the Board of Directors

The role of Chairman of the Board of Directors is performed by E. Alexandre Soares dos Santos. The Chairman of the Board of Directors, according to the Board of Directors' Regulations, and in addition to the institutional representation of the Company, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for taking part in the meetings of other committees set up by the Board of Directors and for defining the overall strategy of the Company. The Chairman is also Chairman of the ENC, through which he closely and systematically monitors the matters under the jurisdiction of this Committee, with particular emphasis on management development.

2.8. Main Economic, Financial and Legal Risks

The identification and handling of economic, financial and legal risks inherent to the activity of Jerónimo Martins is addressed in section 2.5. of this Report.

2.9. Powers of the Board of Directors, namely in Relation to Deliberations on Capital Increases

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

2.10. Information on the Rotation of Responsibilities Policy and Rules on the Appointment and Replacement of Members of the Board of Directors and of the Supervisory Board

2.10.1. Responsibilities of the Members of the Board of Directors

According to the structure currently adopted by the Board of Directors there are no responsibilities being allocated among its members.

This structure has, as mentioned above, a Chief Executive Officer with the powers detailed in section 2.21.1. of this Report, and specialised committees that have been established with the aim of working with the Board of Directors to carry out its functions, tracking certain specific matters.

These committees, with the composition and functions described in the sections below - namely 2.21.3., 2.21.4. and 2.21.5. –, were focused, until December 31, 2011, on the following subjects:

- **Financial Matters Committee** (which ceased its functions on December 31, 2011) – Strategic investments; Capital allocation and structure; Investor relations; Communication with financial markets; Monitoring and supervision of financial policies adopted by the Group;
- **Committee on Corporate Responsibility** – Corporate Governance; Social Responsibility, Environment and Ethics; Sustainability; Conflicts of Interest;
- **Evaluation and Nominations Committee** –Assessment of the performance of the members of the statutory bodies of the Relevant Subsidiary Companies; nomination and succession of members of the statutory bodies of Relevant Subsidiaries; Management development and talent management policies for the Group, by identifying potential candidates for senior positions.

Since there is no division of responsibilities among the members of the Board of Directors, the Company cannot follow the guideline for the rotation of responsibilities on the Board of Directors, in particular the rotation of responsibility for financial matters.

2.10.2. Rules Applying to the Appointment and Replacement of Members of the Board of Directors and of the Supervisory Board

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 General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of article eight of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within sixty days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

According to article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed simultaneously with the members of the Board of Directors, and the lists of proposed members of the latter body must indicate those that are intended to form the Audit Committee. The members of the Audit Committee cannot perform executive roles in the Company.

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

2.11. Number of Meetings of the Management and Supervisory Bodies, and Other Committees

During 2011, the Board of Directors met five times; the Managing Committee met 13 times; and the Audit Committee held four meetings. Likewise, the FMC met six times, the CCR four times, and the ENC one time. The Ethics Committee met six times, and the ICC held 11 meetings. The respective minutes were prepared for all meetings.

2.12. Minutes of the Executive Committee and Information for the Members of the Corporate Bodies

The Board of Directors and its Chairman, in particular, have, apart from the powers on strategic matters of management of the Group, effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management.

To this end, the Board of Directors has at its disposal the minutes of the Managing Committee, the ad-hoc body chaired by the Chief Executive Officer. These minutes contain the matters discussed and decisions taken in the meetings, and they are sent, via the CEO’s Chief of Staff, to the Chairman of the Board of Directors and the Company Secretary.

Moreover, at each Board of Directors meeting the Chief Executive Officer reports on Company activity since the last meeting and provides any further clarification that the Non-Executive Directors may require. All information requested by the Non-Executive Directors in 2011 was provided in full and in a timely manner by the Chief Executive Officer.

2.13. Description and Identification of the Management Body

The Board of Directors has nine members, one of whom is the Chief Executive Officer - Pedro Soares dos Santos, and the remaining eight members are: E. Alexandre Soares dos Santos (Chairman of the Board of Directors), António Viana Baptista, Artur Santos Silva, Hans Eggerstedt, José Soares dos Santos, Luís Palha da Silva, Marcel Corstjens and Nicolaas Pronk.

Of the Non-Executive Directors - E. Alexandre Soares dos Santos, Marcel Corstjens, Nicolaas Pronk, Hans Eggerstedt, António Viana Baptista and Artur Santos Silva – the last three comprise the Audit Committee, complying with the rules of incompatibility indicated in paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

In accordance with the principles by which the Company is run, although all Board Members are accountable to all Shareholders equally, the independence of the Board of Directors in relation to the Shareholders is further reinforced by the existence of Independent Board Members.

Pursuant to the independence criteria indicated in paragraph 5 of article 414 of the Commercial Companies Code, Artur Santos Silva, Marcel Corstjens and António Viana Baptista qualify as Independent Directors. Each of them also complies with the rules of incompatibility laid down in the above-mentioned paragraph 1 of article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). The Company thus complies with the recommendation that the assessment of independence made by the management body takes into account the legal rules and regulations on independence requirements and the rules governing incompatibilities.

However, the Company once again expresses its disagreement with this recommendation for two reasons: i. it further accentuates the limitations arising from the application of the current statutory scheme on independence as provided for in the Commercial Companies Code, in a market of limited size, such as Portugal, where the number of people who may meet these requirements is increasingly reduced, ii. it submits the evaluation of the independence of the members of the management body to incompatibility criteria that are designed and exclusively adjusted to the exercise of supervisory functions.

Thus, it is the Company's opinion that the CMVM should adjust this recommendation to the size of the Portuguese market, review its adequacy to the shareholder structure of companies and distinguish the applicability of the concepts of independence and incompatibility according to the members of the corporate bodies in question.

2.14. Rules of the Selection Process of Candidates for Non-Executive Directors

As referred to in section 2.10.2 of this Report, 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 General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association.

The shareholders of the Company are thus primarily responsible for submitting to the General Shareholders' Meeting for approval proposals with candidates for positions on the Board of Directors, with the whole process conducted and supervised by the Chairman of the General Shareholders' Meeting, who guarantees its legality. The selection of candidates for Non-Executive Directors is, therefore, a process that depends entirely on the Shareholders, without interference from Executive Directors.

2.15. Inclusion in the Annual Management Report of the Description of the Activities Performed by Non-Executive Members

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

2.16. Professional Qualifications of the Members of the Board of Directors

The current Chairman of the Board of Directors, E. 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 Chief Executive Officer, a post he combined with that of Representative of Jerónimo Martins' in the joint venture with Unilever. He has been the Group's Chairman since February 1996.

The Chief Executive Officer 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 in Brazil. In 2001, he also assumed responsibility for the operations area for Food Distribution in Portugal. He has been a Director of Jerónimo Martins SGPS, S.A. since 31 March 1995, and has been Chief Executive Officer since 9 April 2010.

Luís Palha da Silva 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 from 1992 to 1995, and Director of Cimpor between 1998 and 2001. He has been a Director of the Company since 29 June 2001, and was Chairman of the Executive Committee from 2004 to 9 April 2010.

José Soares dos Santos holds a Degree in Biology from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden, in 1985, before going to work for the URL Colworth 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 a Director of Jerónimo Martins SGPS, S.A. between 31 March 1995 and 29 June 2001, and was reappointed on 15 April 2004 to the present day.

Hans Eggerstedt is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director, and Information and Technology Director of Unilever. He was nominated to the Board of Directors of Unilever N.V. and Unilever PLC in 1985, a position he held until 1999. He has been Non-Executive Director of Jerónimo Martins SGPS, S.A. since 29 June 2001

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 the Portuguese Central Bank. 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 for the Portuguese Technological Plan, member of the Consulting Committee to the CMVM, and Non-Executive Director of the Company since 15 April 2004.

Nicolaas Pronk is a Dutch national, 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 disinvestments and defining Corporate Governance. Since 1999 he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He has been a Non-Executive Director of the Company since 30 March 2007.

Marcel Corstjens is a Belgian national, with a PhD in Business Administration, majoring in Marketing from the University of Berkeley. Between 1978 and 1981 he was an Assistant Professor at INSEAD in Fontainebleau, where he returned as Professor in 1985 and has been a Full Professor of Marketing since 1999. Since 1994, he has also been a Visiting Professor at Stanford University, in the U.S.A. Since 1978, he has been published numerous articles and books on Retailing and Marketing. He has been a Non-Executive Director of the Company since 7 April 2009.

António Viana Baptista holds a Degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991 he was Principal Partner of Mckinsey & Co. in the Madrid and Lisbon office. He held the post of Director in the Banco Português de Investimento between 1991 and 1998. From 1998 to 2002 he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008 he was Chairman and CEO of Telefónica España. Between 2000 and 2008 he was a Non-Executive Director of the Board of Directors of Portugal Telecom. Since 2011, he is CEO of Crédit Suisse AG for Spain and Portugal. He is in his first term of office as a Non-Executive Director of the Company.

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

2.17. Positions that the Members of the Board of Directors Hold in Other Companies

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

E. Alexandre Soares dos Santos

Chairman of the Board of Curators of Fundação Francisco Manuel dos Santos
Member of the Supervisory Board of Jeronimo Martins Dystrybucja, 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.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Director of Sindcom – Sociedade Imobiliária, S.A.
Director of Quinta da Parreira – Exploração Agrícola, S.A.

Pedro Soares dos Santos

Director of Jerónimo Martins Serviços, S.A.*
Director of Jeronimo Martins Dystrybucja, S.A.*
Director of Jeronimo Martins Colombia, SAS*
Director of Imocash – Imobiliário de Distribuição, S.A.*
Director of Recheio Cash & Carry, S.A*
Director of Recheio, 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.*
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 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.*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Quinta da Parreira – Exploração Agrícola, S.A.
Manager of Friedman – Sociedade de Investimentos Mobiliários e Imobiliários, Lda.*
Manager of Servicompra, SGPS, Lda.*

José Soares dos Santos

Director of Jerónimo Martins Serviços, S.A.*
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 Jerónimo Martins – Restauração e Serviços, S.A.*
Director of Sindcom – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A.
Director of Sindcom – Sociedade Imobiliária, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Director of SFMS – Imobiliária, S.A.
Director of Fundação Francisco Manuel dos Santos.
Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.*
Manager of Unilever Jerónimo Martins, Lda.*

* Companies that are part of the Group.

Manager of Gallo Worldwide, Lda.*
Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
Manager of Transportadora Central do Infante, Lda.

Luís Palha da Silva

Director of Jerónimo Martins Serviços, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
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. *
Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.*
Manager of Unilever Jerónimo Martins, Lda.*
Manager of Gallo Worldwide, Lda.*

Hans Eggerstedt

Non-Executive Director of COLT Group S.A. (Luxembourg)
Member of the Advisory Board of Amsterdam Institute of Finance (The Netherlands)
Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.*

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)

Nicolaas Pronk

Member of the Board of Directors of Heerema International Group Services S.A.
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 Celloteck Holding Inc.
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 Heavy Transport Holding Denmark ApS
Member of the Board of Directors of Aquamondo Insurance N.V.
Member of the Board of Directors of RegEnersys (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.r.l.
Member of the Board of Directors of Heerema Transport Finance II (Luxembourg) S.A.
Member of the Board of Directors of Heerema Marine Contractors Finance (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 Epcote S.A.
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.A.

* Companies that are part of the Group.

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 RegEnersys Holding (Luxembourg) S.A.
Member of the Board of Directors of RegEnersys Finance (Luxembourg) S.a.r.l.
Member of the Board of Power Ultrasonics, S.A.

Marcel Corstjens
Does not hold any post in other companies.

António Viana Baptista
CEO of Crédit Suisse AG for Spain and Portugal
Member of the Board of Directors of Semapa, SGPS, S.A.
Member of the Board of Directors of RIM - Research in Motion

Section 3
Remuneration

2.18. Remuneration Policy of the Board of Directors and of the Supervisory Board

Considering the changes introduced in April 2010 to the organizational structure of the Board of Directors, the Remuneration Committee adjusted the remuneration policy of the corporate bodies in 2011.

With respect to the remuneration of Directors with executive duties, the Remuneration Committee, maintained the existence of two components, one fixed and other variable, which together guarantee a more competitive remuneration in the market and also serve as a motivating element for high individual and collective performance, allowing ambitious targets of accelerated growth and the appropriate remuneration of Shareholders to be established and achieved.

By proposal of the Chairman of the Board of Directors, the variable component is defined annually by the Remuneration Committee, considering the contribution of the Executive Directors to results, shareholder value creation (EVA), the evolution of Company's share price, the work carried out during the preceding financial year, the degree of achievement of the projects included in the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining managers.

The variable remuneration is thus dependent on predetermined criteria, to be fixed at the beginning of each year by the Chairman of the Board of Directors, that take into account the real growth of the Company, the wealth created for shareholders and long-term sustainability.

The Remuneration Committee, under these guiding principles, defines the rules for the attribution of performance bonuses to Executive Directors, bearing in mind the degree to which personal and Company objectives have been met.

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

Having established the Financial Matters Committee, the Committee on Corporate Responsibility, and the Evaluation and Nominations Committee, which demand additional availability from the respective member Directors, the Remuneration Committee considers appropriate to attribute meeting fees to the Directors with non executive duties who are members of those Committees.

The statutory auditor is remunerated in accordance with the contract for the provision of audit services concluded with the Group, which covers almost all of its subsidiaries and providing a fee in line with the values practiced in the market.

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

The Company continues not to have any plan for the award of shares or options to acquire shares to the Directors, nor was any remuneration paid out in the form of profit sharing in 2011.

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.

2.19. Remuneration of the Members of the Board of Directors and of the Supervisory Board

With regard to this information, particularly that resulting from the obligation to individually disclose the remuneration of the members of the management and supervisory bodies, approved within the scope of that stated in Article 2 of Law 28/2009 of 19 June, 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 such is achieved by indicating the overall remuneration of the Executive Directors on the one hand, and the Non-Executive Directors on the other.

It should be added that the internal and external resentment that such disclosure may provoke, does not, in the opinion of the Board of Directors, contribute towards improving the performance of its members. Nevertheless and due to the legal obligation, the Company discloses the information within the terms imposed.

The remuneration of the members of the Board in 2011 totalled 3,841,813.08 euros (2,531,218.08 euros relative to the fixed component and 1,310,595.00 euros regarding the variable component). All these remunerations have been paid and no other remunerations are paid by other companies in the Group.

Individually, in 2011 Pedro Soares dos Santos earned a total of 995.460.00 euros (592,200.00 euros in relation to the fixed component and 403,260.00 euros in relation to the variable component), the variable component referring to the duties performed in 2010, in the capacity of member of the Executive Committee (until April) and of CEO. This total includes the contributions made in the financial year, in the amount of 148,260.00 euros, to the Retirement Pension Plan below mentioned.

Luís Palha da Silva earned a total of 1,177,745.84 euros in 2011 (472,040.84 euros in relation to the fixed component and 705,705.00 euros in relation to the variable component), the variable component referring to the duties performed in the capacity of Chairman of the Executive Committee (until April 2010), to those performed within the special duty allocated to him by the Board of Directors (until December 31, 2011) and to the overall performance of the Director while carrying out executives duties in the Company. Also included in this total are the contributions made in the financial year, amounting to 175,175.04 euros, to the Retirement Pension Plan mentioned below.

José Soares dos Santos earned a total of 672,100.04 euros in 201 (470,470.04 euros in relation to the fixed component and 201,630.00 euros in relation to the variable component), the variable component referring to the duties performed in 2010, in the capacity of member of the Executive Committee (until April) and within the special duty allocated to him by the Board of Directors. The contruibutions in the financial year to the Retirement Pension Plan mentioned below in the amount of 100,100.04 euros, are included in the above total.

The members of the Audit Committee earned a total remuneration of 218,500.00 euros, all as fixed remuneration.

Individually, the current members of the Audit Committee earned the following remuneration: Hans Eggerstedt received 76,750.00 euros, António Viana Baptista received 72,750.00 euros, and Artur Santos Silva received 61,500.00 euros.

Stefan Kirsten, member of the Audit Committee and member of the Board of Directors until February 2011, received a remuneration of 7,500.00 euros.

The remaining members of the Board of Directors received the following, individually and as fixed remuneration: Nicolaas Pronk received 31,500.00 euros, and Marcel Corstjens received 57,500.00 euros.

The Chairman of the Board of Directors received 689,007.20 euros, as fixed remuneration.

The criteria for attributing the variable part of remuneration to the members of the Board are those stated in the previous section of this Report. In concrete terms the Remuneration Committee, following the performance evaluation carried out by the procedure referred to in section 2.7. of this Report, decided to award the above amounts based on the results obtained, the profitability of the businesses from the shareholder's perspective (EVA), the relative share price performance, the work carried out during the year, the success of the projects undertaken bearing in mind the previously defined targets, and the criteria applied to the attribution of the variable remuneration to other senior managers.

In particular, the Remuneration Committee, in accordance with existing practice of the Company in recent terms, has sought to define a remuneration policy that rewards Executive Directors for the long-term performance of the Company and for satisfying the interests of the Company and of the Shareholders within this period. Therefore, the variable component that is approved on an annual basis by the Remuneration Committee considers their contribution to the development of business through: i. the achievement of 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 exceed, and the Executive Directors are accountable for each phase of fulfilment.

The Remuneration Committee has held that the manner in which the remuneration of the Executive Directors is structured ensures full alignment of their interests with the positive performance of the Company in the long term without the need to stipulate any period of deferral for the variable component or to determine the tresholds for the fixed and variable components of remuneration. Moreover, it should be noted that during 2011 the Remuneration Committee studied the possiblity of deferral of the variable component of remuneration, without reaching a conclusion on the subject. The Committee still considers the current remuneration structure as adequate. The absence of deferral makes it unnecessary to have mechanisms to prevent the execution of contracts by executive directors that subvert the rationale of variable remuneration.

No plan is in place to attribute shares, or provide options to purchase shares, to Directors and managers, for the purposes of Paragraph 3 of Article 248-B of the Portuguese Securities Code. In the same way, no remuneration was paid as profit-sharing, nor was any compensation paid to former Directors, Executive Directors or otherwise, related to the cessation of duties, and the Company has no outstanding debt in this respect. The Executive Directors benefit from life and health insurances. They did not receive any other amount from any Company in a Group relationship or exercising control over the Company.

At the Annual General Shareholders' Meeting in 2005, a Retirement Pension Plan was approved. It is a Defined Contribution Pension Plan in which the amount of the contribution is fixed in advance – the percentage of the monthly contribution to the Fund is, currently, 17.5% – and in which the value of the benefits varies depending on earnings received. The Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan participants, as defined in the respective regulation, include the Executive Directors of the Company. Those who opt for the current Pension Plan will forego eligibility for the Alternative Pension Plan, by way of expressly and irrevocably waiving it.

The retirement date is defined as either the actual day or the first day of the month following that in which the Participant reaches 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 invalidity if acknowledged as such by the Portuguese Social Security Authorities.

Pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. At the end of each calendar year, a variable amount made up of all the amounts received as variable remuneration is added to this monthly fixed amount. This amount is integrated into the above-stated sums indicated as the remuneration of the Directors. Plan Participants acquire the right to 100% of the total amount of the contributions of the Company for the Fund, provided that they complete two terms of office as Executive Directors.

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 supplement was established in the Annual General Shareholders' Meeting of 1996 and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

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.

The remuneration of Non-Executive Directors only incorporates a fixed component.

2.20 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 officers who are recognised within the Company with information on possible irregularities occurring within the Group. They may also 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 entities, among other matters.

The Ethics Committee sent a message to all Jerónimo Martins employees to the effect that, if necessary, they could communicate with this body. This is possible by means of: i. letter via freepost; 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.

Section 4
Specialised Committees

2.21. Composition of Specialised Committees and Number of Meetings during Financial Year

2.21.1. Chief Executive Officer and Executive Board

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Mr. Pedro Soares dos Santos who, during 2011, had the following delegated powers:

- 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 the loaning entity up to 50 million euros, after consulting with the Financial Matters Committee, whenever such operation exceeds 10 million euros;
- Make decisions regarding the Company providing technical and financial support, by means of 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 of subsidiaries of the Company;
- Decide on the acquisition of any goods or real estate, and in general on making any investments up to the amount of 10 million euros, if they are included in the plans;
- After consulting the Chairman of the Board of Directors, designate the people to be proposed to the General Shareholders' Meetings of the companies in which it holds, in whole or in part, shares, quotas or social shares, 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 approve the human resources policies to be followed by the Group, regarding the powers allocated to the Evaluation and Nomination Committee;
- 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 10 million euros;
- To approve any disinvestments projected in approved plans, with sales of fixed assets up to 10 million euros;
- To approve the organisation structure of the Group's Companies.

For the purposes of the delegation of powers, investments whose value exceeds more than 10% of the value of each heading established in the Plan are regarded as not provided for in the Annual Plan.

The Board of Directors has also appointed a Managing Committee which has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses that comprise the corporate object of the Company.

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the chair, Pedro Pereira da Silva, Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. Since January 1, 2012, this commmittee also comprises Alan Johnson, appointed Chief Financial Officer of the Group from that same date. In accordance with its regulations, the Managing Committee has the following duties:

- Control of implementation by the companies in the Group of the strategic guidelines and policies defined by the Board of Directors;

- Financial and accounting control of the Group and of the companies that are a part thereof;
- Senior coordination of the operational activities of the different companies in the Group, whether integrated or not in business areas;
- Launching of new business and monitoring them until they are implemented and integrated in the respective business areas;
- Implementation of the management policy of human resources defined for the top-level management of the entire Group.

In 2011, the Managing Committee met 13 times, drawing up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company Secretary.

2.21.2. Audit Committee

The Audit Committee, which has three Non-Executive Directors as members - Hans Eggerstedt (Chairman), António Viana Baptista and Artur Santos Silva (elected in substitution of Stefan Kirsten at the General Shareholder's Meeting held on March 30, 2011), the last two being independent according to legal criteria – paid particular attention in 2011 to financial risk management and to the analysis of reports and control of the execution of the correction measures proposed by Internal Audit.

The Chairman of the Audit Committee, Hans Eggerstedt, is internationally recognised 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 he has the special skills to chair the Company's supervisory body.

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

The vast experience of the members of the Committee in corporate positions, as well as their special technical merit in this particular matter, have created particular 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:

- Monitoring the preparation and disclosure of financial information;
- Monitoring the effectiveness of internal control systems, internal auditing and risk management. For this purpose, they may work with the ICC, which shall report to them regularly on their work, pointing out situations that should be analysed by the Audit Committee;
- Approving activity plans in the area of risk management and following up on their execution, proceeding with the assessment of the recommendations resulting from the auditing actions and the revisions of the procedures undertaken;

- Looking after the existence of an adequate internal risk management system for the companies of which the Company is holder of shares or quotas, ensuring full compliance with its objectives;
- Approving the activity programmes of internal auditing, which respective Department will be functionally reporting to it, as well as of external auditing;
- Selecting, as proposed by the Managing Committee, the service provider for external auditing;
- Monitoring the legal accounts audit services;
- Assessing and monitoring the independence of the statutory auditor, especially when he performs additional services for the company.

The Audit Committee, for the adequate performance of its duties, requests and appraises all the management information deemed necessary. In addition it has unrestricted access to the documentation produced by the auditors of the Company, having the possibility to request any information from them it deems necessary and being the first recipient of the final reports prepared by the external auditors.

In relation to performing these functions, it should be noted that, in accordance with the respective Regulation, the external auditor was chosen by the Audit Committee, under proposal of the then Executive Committee, which submitted to that body the results of the tender that it conducted in 2009 and that involved the most highly credentialed international firms offering this type of service, which responded to strict specifications. Once again, considering the proposals presented, the Audit Committee decided on the firm that it thought most adequate for the interests of the Group.

In this respect, it should also be noted that the Company did not promote the rotation of the external auditor, but its maintenance was discussed and weighed up during the selection process mentioned in the previous paragraph, as results from the annual report on the activities of the Audit Committee for the year 2009.

Furthermore, as regards the performance of the duties of this commitee, it sould be mentioned that, by verifying and evaluating the activities of the external auditor in each accounting year, the Audit Commitee ensures that the Company provides the Auditor with the best conditions to perform its services, and that information is presented in a timely manner with quality and transparency. This committee has also discussed the remuneration proposal of the external auditor and fixed the respective parameters.

2.21.3. Financial Matters Committee

According to its Regulations, FMC (which ceased its functions on December 31, 2011) is composed of three members, none of which may be a Director to whom powers have been delegated, pursuant to paragraph 3 of Article Twelve of the Company's Articles of Association. The members of the committee are appointed by the Board of Directors. At the above mentioned date this committee comprised Luís Palha da Silva (Chairman), José Soares dos Santos and Nicolaas Pronk.

During 2011 and pursuant to its Regulation, the mission of FMC was to collaborate with the Chief Executive Officer and the Managing Committee, assessing and submitting to the Board of Directors the strategic orientation proposals of the Group in the financial areas, especially with respect to: i. strategic investments, ii. capital allocation and structure, iii. investor relations, and iv. communication with financial markets. The FMC was further responsible for monitoring and supervising the financial policies adopted by the Group.

In 2011, the FMC met six times, drawing up minutes of the meetings, which were sent to the other members of the Board of Directors.

2.21.4. Committee on Corporate Responsibility

The CCR is composed of three members of the Board of Directors, appointed by the Board. The members of this Committee are Luís Palha da Silva (Chairman), José Soares dos Santos and António Viana Baptista, who is independent according to applicable legal criteria.

In carrying out its mission, the CCR collaborates with the Board of Directors, assessing and submitting to it proposals for strategic orientation in the area of corporate responsibility, as well as monitoring and supervising in a permanent manner matters concerning: i. corporate governance, social responsibility, the environment and ethics; ii. the business sustainability of the Group; iii. internal codes of ethics and of conduct; and iv. systems of assessment and resolution of conflicts of interest, especially regarding relations between the Company and its shareholders or other stakeholders.

In 2011, the CCR met four times, drawing up minutes of the meetings that were distributed to the other members of the Board of Directors.

2.21.5. Evaluation and Nominations Committee

The ENC is composed of the Chairman of the Board of Directors, E. Alexandre Soares dos Santos, who is also Chairman of the Committee, and three members of the Board of Directors - Luís Palha da Silva, José Soares dos Santos and Artur Santos Silva, who are all appointed by the Board of Directors.

The mission of the ENC, as a support body of the Board of Directors, is to collaborate with the latter, by assessing and submitting to it proposals for strategic guidance in the area of policies of evaluation and nominations, as well as to monitor and supervise matters relating to: i. the assessment of the performance of the members of the statutory bodies of the subsidiary companies of Jerónimo Martins, SGPS, S.A. that are sub-holdings of it or that have a sales figure of more than 100 million Euros (Relevant Subsidiary Companies); ii. the nomination and succession of members of the statutory bodies of the Relevant Subsidiary Companies; and iii. the policies of management development, including systems of assessment, career planning and salaries of the top level management of the Group, as well as the follow up of the processes for identifying potential and the validity of candidates for senior positions.

In 2011, the ENC met one time, drawing up minutes of the meeting, which was sent to the other members of the Board of Directors.

2.21.6. Ethics Committee

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, on proposal by the Committee on Corporate Responsibility. It is currently composed of Sara Miranda (Chief Communications and

Corporate Responsibility Officer), who chairs it, Inês Carvalho (Human Resources Manager of Recheio), Carlos Martins Ferreira (Chief Legal Officer of the Group) Marian Jaskowiak (Management Development Manager of Jeronimo Martins Dystrybucja SA) and Katarzyna Strugalska (Labour Relations Manager of Jeronimo Martins Dystrybucja SA). The mission of the Ethics Committee is to provide independent supervision of the disclosure of and compliance with the Group's Code of Conduct in all the Companies of the Group.

In performing its duties, the Ethics Committee: i. establishing the channels of communication with the addressees of the Jerónimo Martins Group Code of Conduct and with gathering such information as may be addressed to it in this connection; ii. ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code of Conduct and with the appraisal of the recommendations stemming from such control; iii. appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCR within the scope of compliance with Code of Conduct and with analysing in abstract those that may be raised by any employee, customer or business partner (stakeholders); iv. proposing to the CCR the adoption of such measures as it may deem fit in this connection, including a review of internal procedures and alterations to the Jerónimo Martins Group Code of Conduct; and lastly, v. drawing up an annual report on its activities to be presented to the Committee on Corporate Responsibility.

The Ethics Committee reports functionally to the CCR, which has responsabilities in the fields of corporate governance, social responsibility, environment and ethics, including those related to the internal codes of ethics and of conduct.

The Ethics Committee in 2011 examined various issues submitted to it by the CCR, by the Group's employees and by third parties. During the year the Committee focused on developing a benchmark analisys, which was presented to the CCR, on the scope of action and best prectices of ethics committees and also on codes of conduct with the aim to prepare an eventual revision of the Codes of Conduct (the internal and that of the suppliers) in force.

In 2011, the Ethics Committee met seven times, drawing up minutes of the meetings, copies of which were sent to the CCR. The minutes were made available to other members of the Board of Directors for consultation.

2.21.7. Internal Control Committee

The ICC, appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control system and the process of preparing financial statements, as well as evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view to ensuring compliance with the laws and regulations to which they are subject. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly and is composed of a Chairman (David Duarte) and three members (José Gomes Miguel, Catarina Oliveira and Henrique Santos). None of the members is an Executive Director of the Company.

In 2011, the CCI continued its activities of supervision and evaluation of risks and critical processes, analysing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

2.21.8. Remuneration Committee

The Remuneration Committee is composed of three members, elected by the General Shareholders' Meeting. This committee comprises Arlindo do Amaral (Chairman), José Queirós Lopes Raimundo and Soledade Carvalho Duarte.

None of the members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the members of the Board of Directors that may affect their impartiality in the performance of their duties. Furthermore, the members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively. This Committee, in accordance with legal requirements, determines the earnings of the Members of the Board of Directors. During 2011, the Remuneration Committee met two times, and the respective minutes were prepared.

Last year, this Committee submitted a statement to the Annual General Shareholders' Meeting on the remuneration policy of the Company's Board of Directors and Supervisory board.

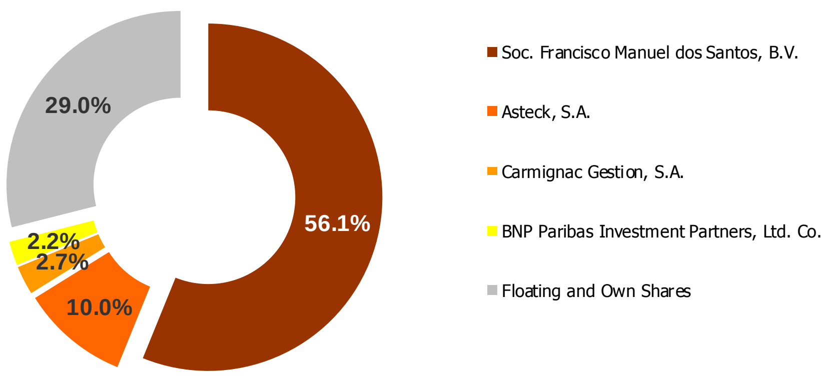
During 2011, the Remuneration Committee did not consider it necessary to contract services to support it in the performance of its duties.

Chapter 3
Information and Auditing

3.1. The Company's Capital Structure

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid in, and 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 holds 859,000 shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital. In 2011, there was no movement whatsoever of own shares.

3.2. Shareholder Structure



Source: Shareholder communications.

The Companies whose rights to vote under the terms of paragraph 1 of article 20 of the Portuguese Securities Code are identified in the note that refers the List of Qualified Shareholders as at 31 December 2011, included in the Annex to the Consolidated Management Report of Annual Report. Sociedade Francisco Manuel dos Santos, B.V., Asteck, S.A., and Carmignac Gestion, S.A. and BNP Paribas Investment Partners Ltd. Co. are qualified shareholders.

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

3.3. Restrictions Regarding Transferability of Shares, Shareholders Agreements and Rules Applicable to Amendment of the Company's Articles of Association

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

The Articles of Association do not set limits on exercising the right to vote. Pursuant to the communication regarding the qualifying holding received by the Company on January 2, 2012, the Board of Directors become aware of a shareholders' agreement between Sociedade Francisco Manuel dos Santos, B.V. and Sociedade Francisco Manuel dos Santos, SGPS, S.A. concerning the exercise of voting rights. The Board, however, does not know of any restrictions concerning the transfer of securities or voting rights.

The Articles of Association do not define any rules applicable to amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

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

There is no system by which employees may participate in the Company's capital.

3.5. Share Price Performance

The sovereign debt crisis in the Euro Zone was the dominant topic in 2011, with investors assigning considerable unpredictability regarding its potential effects on the global economy.

The reference index in the Portuguese market – PSI-20 – devalued by 27.6% in 2011, although it was harder hit during the summer months, with one of the worst results in the developed world markets. Most of the European stock markets had very negative results, whilst the North American market was one of the most resilient, with a rise of 5.5% (Dow Jones Industrial).

The rejection of the fourth and last version of the Programme for Stability and Growth, in March 2011, the resignation of the prime-minister at that time, the request for external aid, the successive European summits, but above all, the countless rating cuts, which affected the Portuguese Republic and some of the main listed Portuguese companies, created a scenario dominated by a devaluation trend.

The successive decreases in the risk classification of Portugal and Portuguese companies, which heightened the country's difficulty in obtaining financing, mainly penalized the banking sector. The banks, which had the sharpest falls, with share prices hitting historic lows. Among the 20 listed on the PSI-20, 17 declined and Jerónimo Martins, which increased 12.2% in value, for the second year running, was the best performing company. In 2011, 13 of the 20 companies listed on the Portuguese index lost more than a fifth of their value and six lost half of their respective market capitalisation.

The inversion of investor sentiment was the result of the severe economic slowdown that occurred as from the second quarter, mainly justified by the worsening of the sovereign debt crisis, the incapacity of European leaders to overcome this situation, the sharp rise in the price of commodities and the rise in interest rates. Of note also is the Portuguese State's request for financial aid from the *Troika* (European Commission, Central European Bank and International Monetary Fund), agreed on 6 April and signed on 2 May, which foresees a loan of 78 billion euros.

On average, Europe lost around 16% of the value of its listed companies' shares. The sectors with the best performances and consequently the most defensive, were those of everyday consumption (+8.0%), healthcare (+7.6%) and telecommunications (+0.5%). Commodities had the worst performance (-18.6%) and manufacturing (-10.8%). It can be seen that the companies with the greatest market capitalisation were those with the best relative performance (-5.8%).

The analysts made a downward review of their estimates for profit growths in 2011 and 2012 due to the signs of global slowdown, but the sharpest fall in share prices brought indexes such as the Euro Stoxx and the S&P 500 to trade at historic low PER levels (risk measure deduced from the relationship between price and profits per share), which may bring some comfort to the stock markets for 2012.

3.6. Performance of Jerónimo Martins Shares

Shares Description

Listed Stock Exchange	Euronext Lisbon
IPO (year)	November 1989
Share Capital (€)	629,293,220
Nominal Value	1.00 €
Number of shares issued	629,293,220

Euronext

Description	Type	ISIN Codes	Symbol
Jerónimo Martins- SGPS	Shares	PTJMT0AE0001	JMT

Other Codes

Reuters RIC	JMT.LS
Reuters REDD	40419
Bloomberg	JMAR PL
Sedol	B1Y1SQ7
WKN	878605

Jerónimo Martins' shares are traded freely within the terms of the applicable general scheme, without any statutory restriction to their transferability.

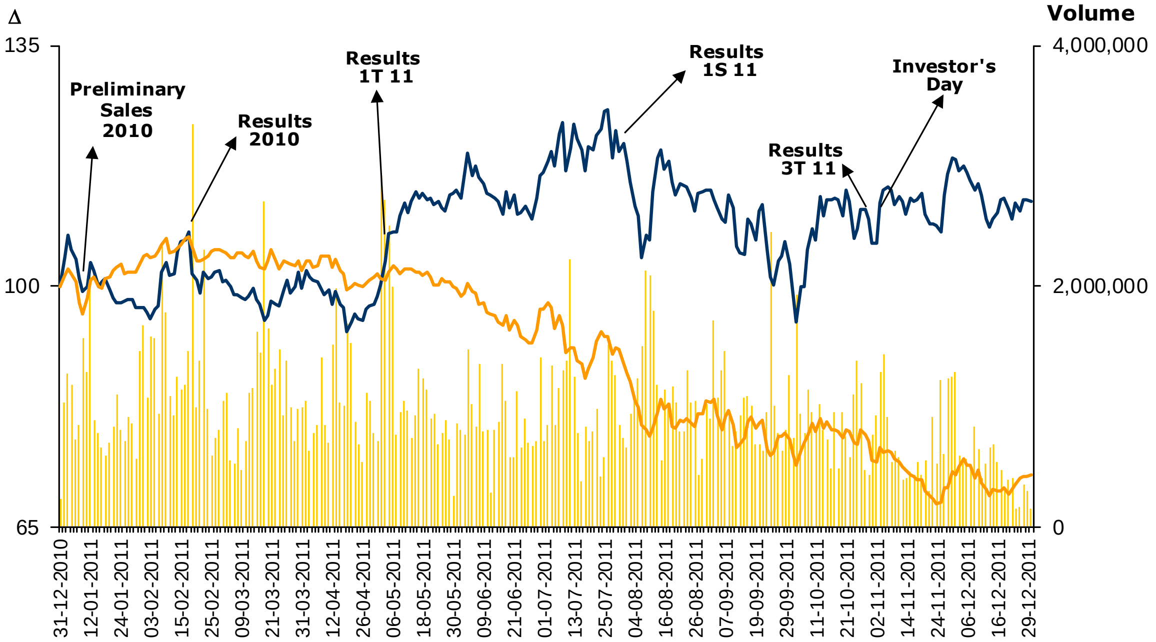
The shares in question are part of several indexes (around 35), namely the PSI-20, the Euronext 100, the Iberian Index, among others and are negotiated on around 30 different platforms, mostly in the main European markets.
As mentioned, Jerónimo Martins with a year-on-year increase in value of 12.2% had the best performance on the Portuguese index (PSI-20) in 2011, after also having the highest increase in value in 2010 (63.2%).

In 2011, Jerónimo Martins was one of the Portuguese companies with the highest market capitalisation and closed the year with a relative weight of 17.0% in the PSI-20 - the reference index of the NYSE Lisbon Euronext. The Group ended 2011 in third place in the PSI-20 index (a market capitalisation of 8.0 billion euros), in contrast with the fourth place it occupied at the end of 2010 (a market capitalisation of 7.2 billion euros) and a weight of 12.0% within the index. Jerónimo Martins is one of the five Portuguese companies on the Euronext 100 index, with a weight of 0.6%.

Jerónimo Martins' shares were among the most traded on the NYSE Euronext Lisbon, with around 254.6 million shares, meaning a daily average of 990.5 thousand shares (around 15.4% lower than in 2010), at an average price of 12.33 euros. In terms of turnover, these shares represented the equivalent of 11.9% (3.1 billion euros) of the overall volume of shares traded on the PSI-20 index in 2011 (26.1 billion euros).

Despite a certain amount of volatility, in the first four months of the year, Jerónimo Martins shares remained stable, with a market price at the beginning of May close to that at the end of 2010 (11.40 euros). The highest increase in the share price occurred between May and the end of July, with a historic high of 14.34 euros on 26 July, which represents a year-on-year increase in value of +25.7%. During August and September the Jerónimo Martins share had a sharp devaluation, cancelling out the gains previously accumulated and on 5 October it had the same price as at the end of 2010 (11.40 euros). During the fourth quarter there was a positive trend, despite some volatility which was typical of the markets and reflected the economic climate. Jerónimo Martins share closed 2011 with a year-on-year increase in value of 12.2%.

At the end of the year, 33.9% of Jerónimo Martins's shares were freely traded on the market (excluding the qualifying shareholders Sociedade Francisco Manuel dos Santos, B.V. and Asteck, S.A.), the highest percentage belonging to institutional investors. The portfolio of shareholders includes investors from various countries and Jerónimo Martins' visibility in the international market was proven by the fact that the vast majority of the institutional portfolio was distributed outside the country of origin. American, British and French institutional investors occupy a leading position, representing a significant percentage of the total investors. The Portuguese institutional investors represent around 0.4% of the free float.



	2011	2010	2009	2008	2007
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Number of shares issued	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Floating and Own Shares	29.0%	31.2%	33.9%	31.5%	28.9%
EPS (€)	0.54	0.45	0.32	0.26	0.21
Cash Flow per share (€)	0.96	0.82	0.69	0.55	0.42
Dividend per share (€) *	0.21	0.14	0.11	0.10	0.44
Stock Market Performance					
High (€)	14.34	12.58	7.05	6.40	5.59
Low (€)	10.64	6.33	3.07	3.22	3.43
Average (Closing) (€)	12.33	8.63	4.97	4.92	4.37
Closing (End of year) (€)	12.79	11.40	6.99	3.97	5.40
Market Capitalisation (31/12) (million euros)	8,049	7,174	4,396	2,498	3,398
Transactions					
Volume (1.000 shares)	254,571	300,343	347,603	468,826	275,512
Annual Growth					
PSI-20	-27.6%	-10.3%	33.5%	-51.3%	16.3%
Jerónimo Martins	12.2%	63.2%	75.9%	-26.5%	58.8%

*2008 dividend per share, related to 2007, reflecting the stock split of May 2007.

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

3.7. Publication of Market Results

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

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

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

11 January	**Preliminary Sales 2010**
18 February	**FY 2010 Results**
4 May	**1st Quarter 2011 Results**
27 July	**1st Half 2011 Results**
27 October	**3rd Quarter 2011 Results**

The following table shows the performance of Jerónimo Martins' shares, taking into account the announcement of results and material information during 2011.

Events	Date	Price	Price Variations JM		
			5 days before	1 day after	5 days after
Preliminary Sales 2010	11 January	11.40	5.2%	3.3%	1.0%
FY 2010 Results	18 February	11.59	0.0%	-0.8%	-0.7%
1st Quarter 2011 Results	4 May	11.81	-6.7%	3.9%	6.3%
1st Half 2011 Results	27 July	13.54	0.8%	3.3%	-0.6%
3rd Quarter 2011 Results	27 October	12.66	-0.7%	0.0%	-4.3%

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 the 2008 fiscal year, the gross dividend paid to Shareholders was 0.11 euros per share and as regards 2009 it was 0.143 euros per share, in accordance with the abovementioned policy.

With respect to 2010 financial year, also according to the abovementioned policy, the gross dividend distributed to the Shareholders in the end of 2010 was 0.21 euros per share.

In view of the net results of 2011 financial year and the established policy, at the General Shareholders' Meeting the Board of Directors will propose the distribution of a gross dividend of 0.275 euros per share, excluding the 859,000 owned shares in the portfolio.

This proposal represents an increase of 31.0% over the dividend paid in the previous year, corresponding to a dividend yield of 2.2% on the average share price in 2011, which was 12.33 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 the adoption of a plan of this type may be studied, the Board of Directors believes that it has found solutions 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, Companies in a Parent-Subsidiary or Group Relationship and Owners of Qualifying Holdings

3.10.1. Business with Members of the Board and Companies in a Parent-Subsidiary or Group Relationship

During 2011, no significant financial business or operations were carried out between the Company and members of its Management or Supervisory Bodies. 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.

3.10.2. Business with Owners of Qualifying Holdings

Pursuant to the policy that has been followed by the Company in this area, no business was carried out by the Company with the owners of Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

In this regard it should be noted that, in terms of procedure, the responsibilities of the CCR, pursuant to its regulations, are to prepare and monitor the decision-making of the corporate bodies and relevant committees on matters subject to prior opinion that give rise to conflicts of interest between the Company and members of its corporate bodies and the shareholders, particularly those owning a qualifying holding. The CCR is particularly empowered to comment on materially relevant business between the Company and owners of a qualifying holding.

During 2011, pursuant to a proposal presented by the CCR after consulting with the Audit Committee, the Board of Directors approved the relevance criteria, which determine the intervention of the supervisory body of the Company to assess and give advice on deals to be concluded between the Company and shareholders with a qualifying holding.

Thus, deals between, on the one hand, the Company or companies within Jerónimo Martins Group and, on the other hand, shareholders with a qualifying holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

a) Having an amount equal to or higher than 3 (three) million Euros, 1% of the purchases of Jerónimo Martins' Group, or 20% of the sales of the respective shareholder;
b) Despite having an amount lower than the one resulting from the criteria mentioned in the previous paragraph, the addition of that amount to the amount of the previous deals concluded with the same shareholder with a qualifying holding, during the same fiscal year, equals or exceeds 5 (five) million Euros;
c) Regardless of the amount, they may cause a material impact on the Company's name concerning its independency in the relationships with shareholders with qualifying holdings.

3.11. Investor Relations Office

3.11.1. Communication Policy of Jerónimo Martins for the Capital Markets

Jerónimo Martins' policy for communicating to the capital markets aims to ensure a regular flow of relevant information, which respects the principles of symmetry and simultaneity and creates a faithful image of the Company's business performance and strategy for investors, shareholders, analysts and the general public.

Jerónimo Martins' Communication Policy regarding the financial market is designed to ensure that material information - history, current performance and outlook for the future - is available to all its stakeholders, in order to provide clear and complete information about the Group.

The financial Communication strategy outlined for each year is based on the principles of transparency, rigour and consistency, which ensure that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

3.11.2. Activities of the Investor Relations Office

As mentioned at the beginning of this chapter, 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 for Market Relations is the person responsible for the Investor Relations Office.

Annually, the Office draws up a Communication Plan for the Financial Market, which is duly included in the global communication strategy of Jerónimo Martins, and based on the above-mentioned principles.

Therefore, 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, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2011, actions were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, promoting such initiatives, but also the Jerónimo Martins management team. The following are highlighted:

- Meetings with financial analysts and investors;
- Responses to questions sent by email, addressed to the Investor Relations Office;
- 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 created and updated by the Office;
- Presentations to the financial community: presentation of results, roadshows, conferences, Annual General Shareholders' Meetings;
- Investor Day.

Within the scope of information sent to the market, the following communications were published during the year:

Privileged Information	
December 15, 2011	Financial Calendar Plan for 2012
November 2, 2011	Investor's Day Presentation
October 27, 2011	Release - First Nine Months 2011 Results
September 26, 2011	Release - Bond Issue
July 27, 2011	Release - 1st Half 2011 Results
June 8, 2011	Conference Presentation
May 4, 2011	Release - 1st Quarter 2011 Results
March 30, 2011	Shareholders Meeting deliberation
February 18, 2011	Release - FY 2010 Results
January 11, 2011	Release - Preliminary Sales 2010

Financial Information	
November 23, 2011	First Nine Months 2011 Report
August 23, 2011	First Half 2011 Report
May 26, 2011	First Quarter 2011 Report
March 30, 2011	Approval of Annual Report 2010 in the General Shareholders Meeting

Corporate Governance

March 30, 2011	Corporate Governance Report - 2010

Notice of Meetings

March 11, 2011	Item 10 of the agenda of the General Shareholders Meeting 2011
March 11, 2011	Item 4 of the agenda of the General Shareholders Meeting 2011
March 11, 2011	Amendment to the Notice of the General Shareholders Meeting
March 3, 2011	Proposals - Items 5, 6, 7, 8 and 9 of the agenda of the General Shareholders Meeting
March 3, 2011	Annual Report 2010 to be approved in General Shareholders Meeting - Items 1, 2, 3 and 4 of the agenda
March 3, 2011	Notice General Shareholders Meeting 2011

Qualifying Holdings and Shareholders Agreements

March 2, 2011	Qualified Participation - BNP Paribas Investment Partners
January 6, 2011	Reduction on Qualified Participation - Barclays Capital plc

Management Transactions

November 10, 2011	Amendment to the Management Transaction
November 9, 2011	Management Transaction
October 28, 2011	Management Transaction
October 7, 2011	Management Transaction
September 29, 2011	Management Transaction
September 26, 2011	Management Transaction
September 16, 2011	Management Transaction
September 13, 2011	Management Transaction
August 12, 2011	Management Transaction
August 10, 2011	Management Transaction
June 30, 2011	Management Transaction
March 21, 2011	Management Transaction

Board Members and Function

March 30, 2011	Nomination Audit Committee
February 24, 2011	Non-Executive Board Member and Member of Audit Committee Resignation
February 18, 2011	Nomination of the Substitute Secretary
January 10, 2011	Resignation of the Substitute Secretary

Annual Summary of Information Disclosed

March 22, 2011	Annual Summary of Information Disclosed on 2010

The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão - and via the *e-mail* address:investor.relations@jeronimo-martins.pt.

In order to make information easily accessible to all interested parties the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website at www.jeronimomartins.pt. The site not only provides mandatory information but also general information about the Group and the Companies that form it, in addition to other information considered relevant, namely:

- Announcements to the market about privileged information;
- Annual, six-month and quarterly reports of the Group, including the Annual Report on the activities of the Audit Committee;
- Economic and financial indicators and statistical data, updated every six or twelve months, in accordance with the Company or Business Area;
- Jerónimo Martins' 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, General Shareholders' Meetings, the disclosure of annual, half-yearly and quarterly results;
- Information regarding the General Shareholders' Meeting;
- Information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- Current Internal Regulations;
- Minutes of the General Shareholders' Meetings, extracts of which are available within five days of the meeting's date;
- Historical lists of attendees, agendas, and decisions taken at the General Shareholders' Meetings held over the three previous years.

The website also has information in English and is a pioneer in its accessibility for the visually impaired, using a tool specially designed for this purpose.

The site also has a contact/information request form, which allows rapid interaction with the Company via e-mail, and inclusion in a mailing list.

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

Address: Rua Actor António Silva, n.º 7, 1600-404, Lisboa
Telephone: +351 21 752 61 05
Fax: +351 21 752 61 65
E-mail: investor.relations@jeronimo-martins.pt

Finally, it is also the responsibility of the Office to produce the Annual Report, which is recognized as an essential document for communicating with financial markets. The Office strives to publish therein transparent and comprehensive information regarding the various business areas of Jerónimo Martins, seeking to transmit the reality of the different activities throughout the year.

3.12. Yearly Remuneration Paid to the External Auditor

In 2011, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 804,689.00 euros, excluding expenses related to travel and costs paid directly by the Group's Companies.

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

- Legal accounts and audit services: 88%;
- Other services (not legal accounts audits or external audits): 12%.

From the non-audit services requested by Group's companies to the External Auditor and/or to entities belonging to the same network, totalling 97,753.00 euros, reference is made to those related to the access to a tax database, technical consulting within the project for the transfer of processes to a Shared Service Centre, the market research study on remuneration policy in Poland, as well as the analysis of potencial effects on applying IFRS on the statutory accounts of the Polish Companies of the Group.

All these services were necessary for the regular activity of the companies of the Group and after due analysis of the situation the External Auditor and/or the entities belonging to its network were considered as those which could better perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

In this respect it should also be noted that in 2011 the Audit Committee regulated the commissioning of non-audit services to the External Auditor, as mentioned above in section 0.3.4. of chapter 0 of this corporate governance report, allowing them to be commissioned as long as the independence of the External Auditor was assured and imposing their prior approval as of the moment the global amount of the respective fees in the year surpassed 10% of the global fees of the audit services.

3.13. Activity and Rotation Period of the External Auditor

During 2011 the external auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

The external auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the remuneration policy in force and other accounting and financial information that is essential to that purpose.

As regards the rotation of the external auditor, the Audit Committee is the competent body for assessing the conditions for maintaining the external auditor or, instead, establishing the need to change the external auditor, stating its position on this issue, as referred to in section 2.21.2. of this Report.