

**ANNUAL GENERAL MEETING
JERÓNIMO MARTINS, SGPS, S.A.
April 12th, 2018**

**PROPOSAL OF THE BOARD OF DIRECTORS
ITEM 1 OF THE AGENDA**

(To resolve on the 2017 financial statements, including the management report, the individual and consolidated accounts, the corporate governance report and other corporate, supervisory and audit information documents)

The Board of Directors of Jerónimo Martins, SGPS, S.A. proposes that Shareholders resolve on the 2017 financial statements, including the management report, the individual and consolidated accounts, the corporate governance report and other corporate, supervisory and audit information documents, as presented.

Lisbon, February 27th, 2018.

The Board of Directors

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

April 12th, 2018

PROPOSAL OF THE BOARD OF DIRECTORS
ITEM 2 OF THE AGENDA

(To resolve on the proposal for application of results)

In the financial year 2017, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 385,355,786.63 euros and a profit in individual accounts of 539,215,535.50 euros.

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

- Free Reserves 153,985,358.64 euros.
- Dividends 385,230,176.86 euros.

The proposed distribution of profits for the year represents a **gross dividend payment of 0.613 euros** per share, excluding own shares in the portfolio.

Lisbon, February 27th 2018.

The Board of Directors

Introduction to the Corporate Bodies Remuneration Policy by the Remuneration Committee

As Chairman of the Remuneration Committee of Jerónimo Martins, SGPS, SA (“Jerónimo Martins” or “The Company”), I am pleased to present to the shareholders, on behalf of the Committee, the 2018 declaration concerning the remuneration policy of Jerónimo Martins’ corporate bodies, highlighting the Committee’s focus areas.

Having had the chance to carry in-depth discussions with the Company’s management in these last two years and from our own experiences and insights, we came to the conclusion that pay for performance is a longstanding principle of the remuneration strategy of Jerónimo Martins Group. The remuneration strategy of the Company strives to strengthen the performance-oriented culture and to reinforce entrepreneurial behaviors resulting in meaningful contributions that motivated and dedicated people make to sustain superior business results whilst holding them accountable for behavior that displays innovation, quality, performance, collaboration, courage and integrity.

As a Committee, we have come to understand the strategic challenges of the Group, which together with our own knowledge of the international global context of compensation, allowed us to review the Jerónimo Martins corporate bodies remuneration practices, particularly with regards to Directors with executive duties. The Remuneration Committee members believe that changes in remuneration should, whenever possible, be consistent with Directors with executive duties and the rest of the Organization., e.g. the management teams.

The bar is high for the coming years. In order to achieve its goals, the Company must be able, within the international labour market, to attract and retain the best managers while keeping them engaged with and committed to JM Group’s growth strategy. Designed to reward superior results and drive appropriate behaviors, the remuneration strategy plays an important role in achieving the Company’s ambitions.

With this in mind, the Committee initiated a review of international compensation practices, focused on the Corporate Bodies and, in particular, on the Chairman and CEO roles. In line with this review, but always within the parameters of the remuneration policy approved in the last AGM, the Remuneration Committee agreed to adopt in 2017 some improvements in the process of defining targets and assessing performance that it now also highlights in the **Declaration of the Company's Corporate Bodies Remuneration Policy** which will be submitted to the shareholders' general meeting.

With best regards,

Elizabeth Bastoni

Chairman of Jerónimo Martins' Remuneration Committee

Declaration on the Company's Corporate Bodies Remuneration Policy

The Remuneration Committee considered appropriate to review the principles that govern the remuneration policy of the corporate bodies in Jerónimo Martins. These principles reinforce and highlight aspects of the remuneration policy that are critical to the sustainability of the Jerónimo Martins business, namely:

- The international landscape should be the foundation and benchmark for the corporate bodies' competitive remuneration, as it is essential to keep the ability to attract and retain the best talent in an international context,
- The importance of rewarding the commitment to the Group's overall strategy, the achievement of superior results and the demonstration of appropriate attitude and behaviors, and
- The need to safeguard the interests of the Company.

This review and decision to remain committed to the existing policy also takes into account the current legal and recommendatory framework, as well as the organizational model adopted by the Board of Directors, pursuant to the election of the respective members for the 2016-2018 period.

With respect to the organization of the Board of Directors, the Remuneration Committee has especially taken into account the following characteristics:

- The existence of a Chief Executive Officer with delegated duties (who since December 18th 2013, accumulates such duty with that of Chairman of the Board of Directors) regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;
- The participation of non-executive Directors in Specialized Committees, who are, therefore, called to devote increased time to the Company's affairs.

Given the current organizational model and the adopted and already strengthened principles, the Remuneration Committee considered the following measures:

- To ensure that the remuneration of Directors with executive duties is aligned with international market practices, an improved process for defining targets and assessing performance was defined and approved by the Remuneration Committee subject to review and/or update on a regular basis (every three years).
- The **remuneration of the non-executive Directors** shall be a fixed annual amount;
- Regarding the **remuneration of Directors with executive duties**, specifically the **Chief Executive Officer (CEO)**, the Remuneration Committee decided to maintain the existence of two remuneration components, fixed and variable:
 - i) Fixed Component: The fixed component of remuneration corresponds to a monthly remuneration paid in 14 monthly installments, the amount of which is determined by the Remuneration Committee taking into account the duties and responsibilities attributed to the CEO of the Company;
 - ii) Variable Component: Annually, the variable component is determined by the Remuneration Committee, based on a framework of key quantitative and qualitative business dimensions and key performance indicators (KPI's). The KPIs are established at the beginning of the performance period. The variable component of the CEO is based on the achievement of these KPIs foreseen in the Group's medium and long-term plans approved by the Board of Directors, that include: 1) sales growth; 2) net earnings; 3) EVA and 4) Gearing. The qualitative targets include 1) strategic direction and allocation of resources/investments; 2) organizational health and talent agenda, and 3) multi-stakeholder relations. The performance and results achieved in this later include a measure by Environmental Social and Governance (ESG) analysts according to the information disclosed on the policies, practices and KPI's.

These dimensions and KPI's are considered essential to ensure future competitiveness of the businesses and have a schedule that can exceed a calendar year. With this in mind, a process regarding the CEO performance cycle is properly put in place, which includes an annual performance assessment with quarterly periodic reviews, based on evidence, and on a regular monitoring of the degree of achievement of the targets approved at the beginning of each year by the Remuneration Committee. In accordance with the established procedure, the performance cycle is concluded with the attribution of the variable component in the first quarter of the year following the one to which it relates, and after the calculation of the full year results, with its payment still taking place during the first semester. If, after review, the Chairman and CEO does not meet the performance expectations, the incentive awarded will be equal to zero.

Together, the fixed and variable components should ensure a competitive remuneration in the international market and drive individual and collective performance, in order to establish and achieve ambitious goals of accelerated growth and appropriate shareholder return.

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

The Remuneration Committee considers that the structure of the remuneration of Directors with executive duties is adequate and allows strong alignment of their interests with the interests of the Company to the long term. For this reason, the Remuneration Committee decided not to have a deferral on the variable remuneration. For the same reason, the Remuneration Committee deems unnecessary to determine the maximum potential amount, in aggregate and/or individual terms of remuneration to be paid to members of Corporate Bodies. Given the pressures in the market place for executive talent, the Remuneration Committee will from time to time analyze the

competitiveness of Jeronimo Martins against the relevant sources of talent in the market.

Furthermore, the Committee considers that the Remuneration Policy of the Company is also aligned with the remuneration practices of its counterparts within the PSI20 and of listed international peers, in line with the characteristics of the Company.

Additionally, the Company offers a Retirement Pension Plan for Directors with Executive Duties. It is a Defined Contribution Pension Plan, in which the value of the contribution is fixed in advance – the percentage of the monthly deduction for the Fund is currently 17.5% – the value of the benefits will vary depending on the earnings obtained.

The retirement date coincides with the day itself or the first day of the month following the month in which the Participant reaches normal retirement age, as established into the General Social Security Scheme. A Participant will be considered to be in a state of total and permanent invalidity if recognized as such by the Portuguese Social Security. The pensionable salary is the gross monthly base salary multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration.

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

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, paid annually.

The amount paid to **Directors with non-executive duties** may be differentiated for those **who have been assigned functions in Specialized Committees or Supervisory Boards of subsidiaries**. With respect to those, the Remuneration Committee considers it appropriate to continue the attribution of meeting fees, having in mind that the duties performed within those Committees demand additional availability from the respective member Directors.

The amounts of the Managing and Supervisory Bodies' remunerations is set out in the Company's Report and Accounts for 2017 and reflect in their entirety decisions taken by the Remuneration Committee on this matter.

The Remuneration Committee also advises the shareholders that the Company does not have any type of plan for attribution of shares or share purchase options to Directors. In 2017, there was no remuneration paid in the form of profit sharing, or any compensation paid to former Directors, whether executive or not, related to the termination of their appointment.

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

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

The Remuneration Committee

Elizabeth Bastoni

Erik Geilenkirchen