

Management Report

[GRI 102-10] [GRI 102-14] [GRI 102-54]

In Grupo Nutresa, every day we seize the opportunity of improving the quality of life of millions of consumers, of building capabilities for the development of the communities we interact with, and of generating a positive change for the environment by means of the responsible management of our Company. This opportunity is also a major commitment we take on with a people-centered, sustainable, competitive, and transparent business model.

For Grupo Nutresa, 2017 was a year of both significant challenges and great satisfactions. We confronted a challenging consumption environment in Colombia and other countries of our strategic region, a situation that drove us to make prompt decisions in order to retain the preference of consumers, shoppers, and customers for the products and experiences we offer. We also implemented important innovation and productivity programs that consolidated new capabilities which have become deep-rooted in the Organization and will strengthen it from now on.

We are glad to report that Grupo Nutresa continues to be part of the global group of companies leading in terms of corporate sustainability. For the seventh consecutive year, we have been included in the Dow Jones Sustainability Index as the second most sustainable company in the food sector in the world and the only one from an emerging market to be part of such index. In addition, the Organization was awarded, for the fourth consecutive year, RobecoSAM's Silver Class honor in its latest Sustainability Yearbook. Along the same line, the Company was included in a new sustainability index in the region: the Dow Jones Sustainability MILA Pacific Alliance Index. This Index focuses on assessing and measuring the performance of the companies in the Latin American Integrated Market (MILA for its name in Spanish) in terms of corporate sustainability.

These acknowledgments reflect once again our progress in the achievement of our strategic goals, which require a sustainable-management approach of our businesses, and enable us to create value in the long term with the collaboration of a team of employees who are committed to our vision.

The results presented in this integrated report have been prepared in accordance with the framework of the International Integrated Reporting Council (IIRC), and with the new GRI standard (comprehensive option). Consequently, this report has been prepared according to the global reporting guidelines and it was also developed based on Grupo Nutresa's materiality matrix, considering the most relevant matters for the Organization and its stakeholders.

We invite you to review in full detail the printed document and the supplementary information available on our website.



*Excluding Venezuela since October of 2016.

Increasing Value Generation

Grupo Nutresa's consolidated sales in 2017 amounted to COP 8,7 trillion in sales, a 2,4% growth compared to 2016 after excluding, for comparison purposes, the sales in Venezuela for the same period. It should be noted that as of October 1, 2016, the investment in Venezuela is treated as a financial instrument in our consolidated results.

Sales in Colombia totaled COP 5,5 trillion, growing 2,5%, and representing 63,2% of Grupo Nutresa's consolidated sales.

Sales abroad, after the aforementioned exclusion, grew 5,7% in dollars with respect to the previous year, totaling USD 1.084 million, which represents 36,8% of total sales. When expressed in Colombian pesos, these revenues are equivalent to COP 3,2 trillion, representing a growth of 2,4%. We would also like to report the outstanding performance of exports from Colombia, which increased by 19,4% in dollars during the period.

These results, in both our local and international markets, are supported by an improvement of our product mix, sound innovation management, and a strong sales network that allowed us to bring our brands to more than 1,3 million points of sale throughout our strategic region.

As a reflection of a responsible commodities purchasing strategy, favorable prices for some of these commodities, and the execution of productivity programs, the gross profit improved by 3,5% during the year and amounted to COP 3,8 trillion.

The lower administrative and production expenses, in alignment with the increase in gross profit, allowed us to partially counteract the impact of the greater effort required during the year in terms of sales expenses, which led to an operating margin of 8,9%.

In terms of profitability, the Organization reports a consolidated EBITDA of COP 1,04 trillion, a margin of 12,0% of sales, representing an increase of 1,5% when compared to 2016. This result is interpreted, to a large extent, by moderate sales dynamics in our local market, the positive effect of both the efficiency and productivity programs executed, and a price management strategy focused on protecting sales volumes.

The net post-operative expenses totaled COP 251.338 million, 6,9% less than those in 2016, which are mainly explained by a reduction in financial expenses and the treatment given to the investment in Venezuela.

Consequently, the consolidated net profit amounted to COP 420.207 million, 6,2% greater than the net profit recorded in 2016, and it represented 4,8% of the sales.

We offer products that make a positive contribution to the health, nutrition and well-being of the consumers. **Bénet, the nutritional beverage, and the Tosh snacks** were some of the new products we launched into the market.

In the Statement of Financial Position, it is worth highlighting the 4,5% growth in total assets, which closed the year at COP 14,3 trillion. This increase is largely explained by a notable cash generation during the period, and the higher valuation of our investments in Grupo Sura and Grupo Argos.

Total liabilities exhibited a growth of 0,8%, closing the year at COP 5,4 trillion, mainly due to the increase in working capital liabilities.

The equity closed at COP 8,9 trillion, representing an increase of 6,7%.

In a demanding macroeconomic context, that continually proposes changes and challenges, it becomes essential for Grupo Nutresa to be even more consistent with its value generation strategy, adequately balancing its financial commitments with its stakeholders and the long-term investment required to ensure the sustainability of the business. With this in mind, we implemented multiple initiatives focused on improving the return on invested capital while continuing to boost effective innovation in order to keep growing profitably.

In 2017, our brands reached more than **1,3 million points of sale** across our strategic region.

Grupo Nutresa S.A. Individual Results

In compliance with Colombian regulations, we report separate results of Grupo Nutresa for the period: we recorded a net operating income of COP 434.312 million, from which COP 380.108 million correspond to the profit from the equity method of our investments in food companies and COP 54.204 million correspond to dividends from the investment portfolio. The net profit totaled COP 430.279 million.

Nutrition, Health and Well-Being

In 2017, we confirmed our commitment to make a positive contribution to the improvement of the quality of life of our consumers by means of products and experiences that meet their nutrition, health and well-being aspirations. With this purpose in mind, in 2017 we consolidated strategies for the promotion of healthy lifestyles and informed decision-making processes for our consumers.

We are happy to report that we have made significant progress in product reformulation, with 119 items adjusted over the past year, in addition to the products reformulated in previous years, which makes a substantial contribution to our goal of multiplying by 2,5 the products adjusted to our nutritional profile by 2020. We also advanced in the strategy of providing detailed front-label nutritional information, with 86,3% of our portfolio covered with this strategy. We continued to foster an active promotion of healthy lifestyles by means of multiple

alliances with both public and private sectors involving organizations such as UNICEF (United Nations International Children's Emergency Fund) and the WFP (United Nations World Food Programme). Along the same line, we continued to support the school and academic communities with healthy kiosks and various educational programs.

Supported on our innovation programs, we continued the expansion of our product portfolio by offering new nutritionally-dense alternatives such as a nutritional beverage under the brand Bénet, and the baked snacks category under our good-for-you brand, Tosh.

Furthermore, we voluntarily adhered to the advertising self-regulation standard for the food industry established by the Andi (National Association of Colombian Companies) and implemented it in all the countries of our strategic region. This standard considers the application of universal conducts and principles aimed at the transparency and honesty in the communication with the consumers.

The constant changes in our consumers' health and nutritional habits, along with new regulations for the food sector, give rise to risks and opportunities that we are managing thoroughly, and continue to be of high priority for our Company.

Innovation and Other Relevant Projects

With the challenge of constantly surprising consumers who are increasingly informed and demand high value in their products and experiences, effective innovation continues to be a primary pillar of growth for Grupo Nutresa and a compelling and engaging alternative to drive changes in our society. In our Organization, we foster innovation through the expansion and incorporation of new categories, with dynamic and resilient business models, with the introduction and implementation of new technologies, the transformation of processes, and the development of alternative channels that represent an agile and differentiated growth platform.

As of the closing of 2017, Grupo Nutresa's innovation sales represented 20,2% of total sales.

Special Report Of The Business Group

By the end of 2017, the Grupo Nutresa was formed by 73 companies, grouped as follows, for administrative purposes: i) eight food divisions and their production platforms in Colombia and abroad; ii) an international distribution network; iii) three distribution companies in Colombia; and (iv) three companies that render administrative, logistical, and transport services, providing the corresponding support to the Group's companies.



In compliance with the Article 29 of Act 222 of 1995, we inform that Grupo Nutresa S.A., as the parent company of the Group, received from its subordinates the sum of COP 2.575 million for the sale of goods and services, and the sum of COP 203.237 million in the form of dividends. In 2017, Grupo Nutresa S.A. endorsed financial obligations of its subordinate companies totaling USD 42 million in their own interest. The subordinates, for their part, did not carry out operations for third parties by influence or in the interest of the parent company.

Moreover, in 2017, Grupo Nutresa S.A. did not make or stopped making decisions to address the interest or by influence of any of its subordinate companies, and none of them made or stopped making decisions to address the interest or by influence of Grupo Nutresa S.A.

Legal Provisions

Grupo Nutresa and its subordinates strictly complied with all intellectual property and copyright regulations, having their trademarks duly registered, owning the respective licenses of the software installed at all facilities and keeping the corresponding evidence that allows to verify such compliance.

In 2017, the Organization did not receive any notices of lawsuits and there were no judicial rulings that could affect the Company's financial condition. No fines or significant penalties were imposed on Grupo Nutresa's companies or their executives.

The Note 17 of Grupo Nutresa's Separate Financial Statements, which are published on our website, contains all the details of the operations with shareholders and persons addressed in the Article 47 of Act 222 of 1995 and other concordant regulations. All such operations were carried out under market conditions.

The Company declares that it did not hinder the free circulation of invoices issued by the Business Group's vendors or suppliers. Additionally, the Company certifies that the financial statements and other relevant reports do not contain any flaws, inaccuracies or errors that would impede finding out the true equity situation of the Company, pursuant to the provisions of the Article 46 of Act 964 of 2005.

Assessment of the Performance of the Financial Information Disclosure and Control Systems

The Company's internal control system includes, among other components, the necessary resources to guarantee the accuracy and reliability of the information required to plan, direct, control and measure the performance of its businesses, and to ensure an adequate disclosure of information to its shareholders, other investors, the market, and the general public. These resources include comprehensive risk management processes, accountability systems, control plans and programs,

**Consolidated
market share**

Grupo Nutresa
in Colombia

59,8%

tools for budgets and costs, accounts charts, standardized policies and procedures, integrated information systems and templates for documenting and recording operations, as well as dashboards that allow the Administration to continuously monitor these processes. The Internal Audit Department, through an independent and comprehensive management, based on the international framework for the professional practice established by The Institute of Internal Auditors - IIA Global, verifies the achievement of the Company's goals and objectives in all processes and watches over the adequate protection, use, and conservation of the assets. The Tax Auditor, for its part, is responsible for verifying and certifying relevant aspects such as the Company's compliance with legal, statutory and administrative standards, the reasonableness of its financial statements and the information disclosed therein.

The results of the Administration's continuous monitoring and those of the independent assessments carried out by the Internal Audit Department and by the Tax Auditor were communicated in each case in a timely manner to the corresponding bodies, including the

Finance, Audit and Risks Committee. This communication allowed to confirm that the performance of the financial information disclosure and control systems of the Company and its Businesses are adequate. These systems ensure the adequate and timely delivery of such information, which must be verifiable through accounting methods, as it refers to operations that, due to their nature, must be reflected and disclosed in the financial statements, or in accordance with the expectations, projections, cash flows or budgets in the case of business initiatives or projects. All of this must be done within the restrictions imposed by the law, confidentiality contracts or agreements related to the disclosure of this type of operations. Based on the aforementioned activities, it is further reported that there were no significant deficiencies in the design and operation of the internal control measures that could have kept the company from adequately recording, processing, summarizing and presenting the financial information of the corresponding term. No cases of fraud were identified with an effect on the quality of such information, nor were there changes in its assessment methodology.

Sustainability in Grupo Nutresa

Sustainable development is an installed capacity in our Organization and it has been, for many years now, fully embraced by its leaders. This allows us to address the material topics from a holistic and proactive perspective. Listening to, understanding, and reporting back to our stakeholders contributes to acknowledging them in the formulation of our strategy, and it focuses our management on the matters that are a priority for them and for the achievement of our corporate objectives.

Innovation-driven Sales

In Grupo Nutresa

20,2%
of Total Sales

The Sustainable Development Goals defined by the United Nations for 2030 have established a road map that invites to incorporate, in a global agenda, the most pressing needs of our society for it to become fairer and more inclusive, as well as equitable and more harmonious with the environment. Being aware of the private sector's role in the fulfillment of these purposes, Grupo Nutresa maintains its focus and prioritization of initiatives, and aligns them with the Company's goals and capabilities in order to ensure a positive impact on these global objectives.

As a result of the consistent work of the entire Organization, our management continued to be globally acknowledged by the Dow Jones Sustainability Index in 2017 as the second best company from the food sector in the world. Additionally, the Company was included in the "Change the World" List published by Fortune Magazine, which recognizes the best efforts in the global business sector in terms of corporate sustainability.



Our Planet

We find ourselves dealing with the challenge of preserving the climate as a global public asset, essential for the development of countries, institutions and the society as a whole. Grupo Nutresa, as all the industry players, is experiencing constant pressure derived from global agreements that are generating a higher level of awareness, while also observing changes in the preferences of consumers resulting from their own interpretation of consumption behaviors and practices.

These challenges drive us to innovate on a continuous basis in order to find alternative methods for carrying out our operations in an increasingly eco-efficient manner. They also drive us to integrate our allies from the value chain as an extended part of our management, and to understand our impact with the aim of mitigating the risks of our products throughout their entire life cycle. As result of this, we must highlight the strengthening of our clean energy strategy with the implementation of photovoltaic and biomass-use projects, as well as the purchase of certified green energy for 100% of our production plants' energy requirements. These actions allowed us to achieve our 2020 greenhouse gas reduction goal in advance, with an indicator of -41,4% per ton produced in relation to 2010.

In 2017, the initiatives we implemented contributed to a reduction of 17,3% of the energy consumption in Colombia, 28,1% in water consumption, and 2,4% in the use of packaging materials per ton produced (in all three cases) in relation to 2010. In Chile, Peru, Costa Rica, Mexico and the Dominican Republic, we made major progress in the environmental field, achieving reductions of 3,1% in energy consumption and 11,2% in the emissions of greenhouse gases compared to 2016. However, we know the challenge is even greater, which is why we will continue working fiercely on achieving the goals we set for year 2020.



« The end of armed conflicts, the economic recovery, and the constant progress toward the reduction of poverty in our strategic region are **part of the context that inspires us to look into the future with great strands of hope »**.

In 2017, the Organization actively participated in the strategic committee of the Green Growth Mission in Colombia, as representative from the private sector. The purpose of our involvement in this endeavor is to support the Government in the development of public policies that allow to build an economic growth path with an increasingly smaller carbon footprint in a more inclusive context, and to simultaneously generate economic, social and environmental development. Moreover, we worked jointly with worldwide-recognized environmental organizations with the purpose of achieving a better understanding of our global value chains, which allows us to establish new practices and action measures that enable us to have a greater positive environmental impact.

Building a Better society

In 2017, we continued to strengthen and to incorporate talent management practices, which increased the consistency between the actions of the leaders and their work teams along with our corporate philosophy.

The balance in the family, professional, and personal life of our employees, the development opportunities, the inclusion and an engaging and challenging work environment have been the pillars of our talent strategy. That is why we were acknowledged by Merco Talento as the second best company (and the best overall from the food sector) at attracting human capital and building its loyalty in Colombia. It is also why we were awarded Portafolio's Award for the Best Company in Human Talent Management in Colombia. Additionally, according to the results of the last measurement performed in the companies located in the countries where we operate, we maintained our level of excellence in terms of organizational climate and high commitment in 2017.

The purpose for 2020 is to incorporate the Familiarly Responsible Company standards in all our Colombian companies. In 2017, ten of our companies were certified on these standards, and Servicios Nutresa achieved the level of excellence, which is the highest acknowledgment in this field and it is currently held by only five companies around the world.

Furthermore, we keep on expanding the best labor practices in our value chain by developing diverse capabilities among suppliers and specialized service providers. It is also worth highlighting that we have achieved a high level of maturity in the Human Rights management system by means of training, risk identification, and the management of the situations reported through the multiple channels available for such purpose.

Also over the year, we developed capabilities for the improvement of the quality of education, the increase of income, and the solidification of entrepreneurship among customers and suppliers, and we implemented strategies focused on improving food security and mitigating malnutrition issues in our strategic region. Our programs benefited more than 4.234.413 people with an investment of COP 62.367 million. Along the same line, we combined efforts and created alliances with the objective of developing capabilities and expanding the solidarity with a network of more than 13.000 internal volunteers, who invested approximately 32.128 hours and contributed COP 872,8 million for the benefit of the communities.

We are truly convinced that the talent and commitment of our employees, as well as their comprehensive approach based on a framework of principles and values, are the main strengths of the Organization. Therefore, we always look to establish respectful and constructive work relations based on a culture that fosters human development and growth, in which we collectively face the necessary transformations for being more productive and sustainable every day.

Acknowledgments

We would like to sincerely thank our employees for their determined and unwavering commitment to Grupo Nutresa. Their effort and dedication allows us to fulfill the objectives we have set for ourselves as an Organization. We would also like to express our profound gratitude to our customers, consumers, suppliers and shareholders for their constant support and preference, but most of all, for their conviction about our Company's ability to continue to build A Future Together.

Outlook

Grupo Nutresa recognizes the need to constantly know and understand the ever-changing needs of customers, shoppers and consumers. Our MEGA 2020 continues to be the guidepost that marks the path for greater and better expansion along with sustainable development initiatives that increasingly generate value for our stakeholders.

The end of armed conflicts, the economic recovery, and the constant progress toward the reduction of poverty in our strategic region are part of the context that inspires us to look into the future with great strands of hope.

The execution of our capabilities in these conditions, the permanent effort to constantly be more efficient and productive, accompanied with greater and more effective innovation, will allow us to keep confronting the transformations of our context and environment in a positive way. It is only through this strategy that we will be able to continue delivering results, based on a framework of responsibility, integrity and respect for the future generations.

- > **Antonio Mario Celia Martínez-Aparicio**
Chairman
- > **David Emilio Bojanini García**
- > **Gonzalo Alberto Pérez Rojas**
- > **María Clara Aristizábal Restrepo**
- > **Jaime Alberto Palacio Botero**
- > **Mauricio Reina Echeverri**
- > **Cipriano López González**
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